SECRET

JOINT PARLIAMENTARY MEMORANDUM

SUBMITTED BY

THE MINISTER FOR FINANCE
(KEN OFORI-ATTA)

AND

MINISTER FOR FOOD AND AGRICULTURE
(BRYAN ACHEAMPONG)

ON A

US$52.5 MILLION FACILITY

FROM THE INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)

TO

FINANCE THE PROPOSED

PROMOTING RURAL OPPORTUNITIES, SUSTAINABLE PROFITS AND ENVIRONMENTAL RESILIENCE (PROSPER) PROJECT

MAY, 2023

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ATTACHMENTS:

(i) *Negotiated Financing Agreement*

1.0. PARLIAMENT DECISION REQUESTED

1. Parliament is kindly invited to consider and approve a proposed US$52.5 million facility from the International Fund for Agricultural Development (IFAD) to support the implementation of the **Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience (PROSPER) Project.** This facility comprises a Blended Loan of US$35,175,000 and highly concessional Loan of US$17,325,000.

2. Parliament is informed that this project will be implemented over an eight (8) year period.

2.0. BACKGROUND

3. Agriculture remains a central cog of Government's economic transformation agenda. This has resulted in the pursuit of a raft of policy interventions including Planting for Food and Jobs (PFJ), Rearing for Food and Jobs (RFJ), increased supply of extension services, warehousing and receipt schemes, credit guarantee schemes and the commodity exchange platform. These are intended to address key impediments and revolutionise the sector.

4. However, challenges persist, which when left unaddressed, could constrain progress. Agricultural growth is affected by low productivity and weak competitiveness due largely to the small holder nature of the sector. A review of these prevalent agricultural sector challenges reveals that they are unevenly felt across geographic spaces and demographic groups. The Northern Zone tends to be more vulnerable and adversely affected especially in the face of climate change, COVID-19 and recent distortions by Russian-Ukraine crisis.

5. To be able to address these challenges, Government and its partners including the International Fund for Agricultural Development (IFAD) proposes to implement the PROPER project.

6. The development objective and geographic area of the PROSPER Project: The overarching goal is to strengthen the integration, climate resilience and environmental sustainability of smallholders and businesses in priority Value Chains in the Northern and Middle Ecological Belts taking advantage of the increased demand created by the national agro-processing strategy. The geographic area of the intervention extends to eight regions, five in the North and three neighbouring regions in the Middle Belt (Bono East, Bono and Oti). The targeting strategy considers (i) high rural population, (ii) high poverty prevalence, (iii) high rate of food and nutrition insecurity, (iv) strong concentration of female and male youth, (v) presence of relevant economic opportunities, (vi) the level of degradation of the productive natural resource (NR) base (particularly soil, water and trees) and (vii) indicators of climate vulnerability.

7. Targeting: PROSPER's primary target groups will be the poorest households (landless or holding not more than 1 ha of cultivable land) or poor households, (holding less than 2 ha of cultivable land) and vulnerable people within the poor rural population who have little access to assets and economic opportunities due to social exclusion, marginalization and the negative impact of climate change, including women (40%), unemployed female and male youth between 18-35 years (30%) and economically active persons with disability (5%).

8. In pursuit of these objectives, the project consists of the following two mutually supportive technical components, concentrated on increasing the real demand for sustainably grown produce

by significant numbers of people living in poor rural communities, while enhancing their capacity to meet this demand through more efficient climate-resilient agricultural and natural resource management practices, to mitigate the negative impact of climate change. The intended outcomes are increased incomes, greater food and nutrition security, and improved health status.

(i) Component 1: Development of rural institutions and socioeconomic infrastructure: The expected outcome is: Improved and sustainable livelihoods in target areas supported by strengthened rural institutions and improved socioeconomic infrastructures. These actions are concentrated on investing in "public goods" within and for the benefit of the targeted 100,000 beneficiaries in the project areas.

(ii) Component 2: Strengthening the economic benefits for smallholders and operators around selected agricultural value chains: The expected outcome is; Smallholders and small businesses draw greater benefits from the increasing market outlets for agricultural produce through comprehensive financial, capacity and marketing support. Whereas the first component will invest in the human, physical and natural resources of the target communities, the second component is concentrated on investing in the "private goods" of the population to bring about a sustained uplift in the earning capacity of agricultural producer groups and related enterprises.

3.0. JUSTIFICATION FOR GOVERNMENT ACTION

9. The primary justification for the proposed interventions under PROSPER is its alignment and consistency with existing key development strategies. The PROSPER is aligned with key goals outlined in both the ***United Nations Sustainable Development Goals*** and Ghana's ***Medium-Term National Development Policy Framework (MNDPF 2022-2025)***. It is also aligned with the priorities set-out by the Ministry of Food and Agriculture under ***Investing for Food and Jobs Programme***.

10. There is also a catalytic reason for this project. PROSPER is designed to complement on-going Agricultural sector interventions such as the Planting for Food and Jobs (PFJ) (with concentration on smallholder farmers), GASIP, SAPIP/SIP initiatives as well as build on the successes of just ended projects such as GCAP. The expectation is that PROSPER will hasten the outreach of interventions to the most vulnerable groups since it is a rural centred intervention with focus on reaching poor smallholder farmers located in more disadvantaged areas.

4.0. OPTIONS AND IMPACTS CONSIDERED

11. PROSPER is framed to be a project intervention, instead of sector-wide or programme approach. The choice of a project framework is informed by the need for dedicated management to ensure attainment of project development results that catalyses other wider sectoral interventions.

5.0. INTER-MINISTRY CONSULTATIVE RECORD

12. The formulated project concept and approaches were validated through a consultative process between IFAD, MoFA and MoF. It has also been discussed with line ministries as well as development partners and identified Farmer-Based Organisations particularly in the chosen zones.

6.0. IMPLEMENTATION PLAN

13. The Lead Project Implementation Agency (LPIA) will be the Ministry of Food and Agriculture (MoFA) with close collaboration with Ministry of Finance (MoF), Ministry of Local Government, Decentralization & Rural Development (MLGDRD), as well as Ministry of Trade and Industry (MoTI). PROSPER's implementation will rely on a mix of community, public and private sector and technical service providers.

14. A Project Steering Committee (PSC) will provide overall oversight of implementation. A Project Coordination Unit (PCU) will be responsible for the coordination of project activities and for fiduciary, climate change and environmental and social safeguards, including gender and vulnerability. Technical specialists will work with the appropriate GoG cadre. The PCU will be based in the project area (Tamale) to ensure effective management and coordination. In addition, a dedicated team reporting to the PCU will be anchored in APEX Bank to manage the Blended Finance Facility (BFF).

7.0. LEGISLATION/REGULATORY PLAN

15. The provisions of the Public Financial Management Regulations (2019) and the Public Financial Management Law (Act 921 of 2016) will govern the project's internal controls. Furthermore, the controls will follow authorisation and approval processes in the Government PFM system.

8.0. FINANCIAL IMPACT

16. The financing of the US$52.5 million mixed credit will be provided as a highly concessionary facility on standard IFAD terms and conditions as contained in Section B of the Financing Agreement and outlined below:

Total IFAD Amount:	**US$52,500,000 million**
Loan Blend:	US$35,175,000 million
Loan Highly concessional:	US$17,325,000 million
Service Charge:	
Loan:	1.54%
Grace Period:	
Loan:	10 years
Re-Payment Period:	
Loan:	40 years

9.0. COMMUNICATION

17. Given the nature of this project, a two-way communication approach has been conceived. The first phase relates to the communication and engagement of stakeholders during the implementation stage. This comprises scheduled meetings with all stakeholders, including beneficiaries. The second phase concerns the communication of the development results emanating from the implementation of the project. Here, emphasis would be placed on outcome reports from monitoring and evaluation exercises. The motivation is to use the results to drive other complementary interventions and support learning of emerging lessons.

10. CONCLUSION

18. The PROSPER facility is considered a timely and important intervention needed to support Ghana's agriculture and food system to avert possible food security crisis caused by climate change, COVID-19 and recent global disturbance as a result of Ukraine invasion. Honourable Members of Parliament are therefore kindly requested to consider and approve a Loan facility of US$52.5 million to finance the Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience (PROSPER) Project.

....	....
KEN OFORI-ATTA	**BRYAN ACHEAMPONG**
(MINISTER FOR FINANCE)	**(MINISTER FOR FOOD AND AGRICULTURE)**

Dated ..25.........April, 2023

REPUBLIC OF GHANA

OFFICE OF THE PRESIDENT

SECRETARY TO THE PRESIDENT

Jubilee House, Accra
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Tel: +233 (0) 302 738 601
Digital Address: GA-000-0288

Ref. No. OPS 182/23/313

23rd March, 2023

MINISTRY OF FINANCE
EXTERNAL RESOURCE MOBILIZATION & ECONOMIC RELATIONS
ERM/APP042/23
03 APR 2023
RECEIVED

MINISTER FOR FINANCE
Received
24 MAR 2023
ACCRA - GHANA

Honourable Minister!

RE: PROMOTING RURAL OPPORTUNITIES, SUSTAINBALE PROFITS & ENVIRONMENTAL RESILIENCE (PROSPER) PROJECT REQUEST FOR EXECUTIVE APPROVAL

I refer to your letter dated 17th March, 2023 with reference number ERMERD/IFAD/PROSPER/EA/01/23, in respect of the above subject matter.

The President has granted approval for a proposed US$52.5 million facility from the International Fund for Agricultural Development (IFAD) to support the implementation of the Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience (PROSPER) project, which comprises a blended loan of US$35,175,000 and highly concessional loan of US$17,325,000.

I shall be grateful if you could take requisite action on the above.

NANA BEDIATUO ASANTE
SECRETARY TO THE PRESIDENT

THE HON. MINISTER
MINISTRY OF FINANCE
ACCRA

ATTN: MR. KEN OFORI-ATTA

Cc: The Vice President
Jubilee House, Accra

The Chief of Staff
Jubilee House, Accra

Secretary to the Cabinet
Jubilee House, Accra

The Hon. Minister
Ministry of Food and Agriculture
Ministries, Accra

NEGOTIATED TEXT
06/12/2021

LOAN NO.
LOAN NO.

FINANCING AGREEMENT

Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience Project (PROSPER)

between the

REPUBLIC OF GHANA

and the

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Signed in Accra, Ghana

on _______

OR

Rome, Italy

H.E.S.

FINANCING AGREEMENT

Loan No:
Loan No:

Project name: Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience Project ("PROSPER") ("the Project")

The Republic of Ghana (the "Borrower"), represented by the Ministry of Finance,

and

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

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

WHEREAS the Borrower has requested a loan from the Fund for the purpose of financing PROSPER described in Schedule 1 to this Agreement;

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

WHEREAS for this purpose, the Borrower shall make available counterpart financing for the Project upon terms and conditions set forth in this Financing Agreement.

NOW THEREFORE, the Parties hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Project Description and Implementation Arrangements (Schedule 1), the Allocation Table (Schedule 2) and the Special Covenants (Schedule 3).

2. The Fund's General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of December 2020, and as may be amended hereafter from time to time (the "General Conditions") are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein, unless the Parties shall otherwise agree in this Agreement.

3. The Fund shall provide financing (the "Loan"), to the Borrower which shall be constituted of a Loan on blend terms and a Loan on highly concessional terms, which the Borrower shall use to implement the Project in accordance with the terms and conditions of this Agreement.

Section B

1. The amount of the Loan eligible to blend terms is thirty-five million, one hundred and seventy-five thousand dollars (US$35,175,000).

2. The amount of the Loan eligible to highly concessional terms is seventeen million, three hundred and twenty-five thousand dollars (US$17,325,000).

3. The Loan granted on highly concessional terms shall be free of interest but shall bear a fixed service charge as determined by the Fund at the date of approval of the

H.E.S.

Loan by the Fund's Executive Board. The loan is payable semi-annually in the Loan Service Payment Currency. The Loan shall have a maturity period of forty (40) years, including a grace period of ten (10) years starting from the date of approval of the Loan by the Fund's Executive Board. The principal of the Loan will be repaid at two per cent (2%) of the total principal per annum for years eleven (11) to twenty (20), and four per cent (4%) of the total principal per annum for years twenty-one (21) to forty (40).

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

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

6. The first day of the applicable Fiscal Year shall be 1st January.

7. Payments of principal and interest shall be payable on each 15 April and 15 October.

8. The IFAD funds will be disbursed into a designated account denominated in United States dollars at the Bank of Ghana, and will be operated by the Project coordination unit (PCU) using the national system. An operational bank account in the local currency will also be used. The proceeds from the designated account will be used exclusively to finance eligible Project expenditures, as stipulated in Schedule 2 of this Agreement. Funds will be transferred periodically from the designated to the operational account for expenditures eligible for IFAD financing.

9. The Borrower shall provide counterpart financing for the Project in the amount of US$ 22.5 million in the form of in-kind contribution.

Section C

1. The Lead Project Agency shall be the Ministry of Food and Agriculture of the Republic of Ghana.

2. The following are designated as additional Project Parties: Ministry of Trade and Industry (MoTI), Ghana Incentive-Based Risk Sharing Agricultural Lending Limited (GIRSAL). Ghana Commodity Exchange (GCX), ARB APEX Bank, Ghana Agricultural Insurance Pool (GAIP) and Participating Financial Institutions (PFIs). Additional Project Parties are described in Schedule 1.

3. A Mid-Term Review will be conducted as specified in Section 8.03 (b) and (c) of the General Conditions; however, the Parties may agree on a different date for the Mid-Term Review of the implementation of the Project.

4. The Project Completion Date shall be the eighth anniversary of the date of entry into force of this Agreement.

5 Procurement of goods, works and services financed by the Financing shall be carried out in accordance with the provisions of the Borrower's procurement laws, to the extent such are consistent with the IFAD Procurement Guidelines.

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Section D

1. The Fund will administer the Loan and supervise the Project.

Section E

1. The following are designated as additional grounds for suspension of this Agreement:

(a) Key Project staff shall have been transferred, suspended, or terminated without the Fund's prior no-objection; and

(b) The Project Implementation Manual (PIM) and/or any provision thereof, has been waived, suspended, terminated, amended or modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that it has had, or is likely to have, a material adverse effect on the Project.

2. The following are designated as additional grounds for cancellation of this Agreement:

(a) The PIM or any provision thereof, has been waived, suspended, terminated, amended or substantially modified without the prior agreement of the Fund and the Fund, after consultation with the Borrower, has determined that such waiver, suspension, termination, amendment or modification has had, or is likely to have, a material adverse effect on the Project, and the Borrower has not taken any measures to remedy the situation;

3. The following are designated as additional general conditions precedent to withdrawal:

a) The IFAD no objection to the PIM, including the Financial and Administrative Manual and Procurement Guidelines shall have been obtained;

b) IFAD no objection to the appointment of the Project Coordinator and the Finance Manager has been obtained;

c) Key Project staff has been appointed as per section 8 Schedule 3 of this Agreement;

d) An appropriate and functional accounting software shall have been deployed at the Project Coordinating Unit; and

e) The Borrower shall provide counterpart contribution for the first Project year as specified in the first 18 months Annual Work Plan and Budget (AWPB).

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

H.E-S!

For the Republic of Ghana:

The Chief Director
Ministry of Finance
Finance Drive, Accra
P.O. Box MB 40
Accra, Ghana

For the Fund:

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

[Copy to:]

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

"[OFFICIAL COUNTRY NAME]"

____
"[Authorised Representative Name]"
"[Authorised Representative title]"

Date: ___________

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Gilbert F. Houngbo
President

Date: _____________

H.E.S.

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. *Target Population.* The Project shall benefit the poor and poorest households, that should be 100,000 beneficiaries, with limited access to assets and economic opportunities due to, marginalization and the negative impacts of climate change. Vulnerable people within the poor rural population include: women (40 per cent); unemployed young women and men between 18 and 35 years (30 per cent); and economically active people with disabilities (5 per cent).

2. *Project area.* The Project will extend to all five regions in the Northern Belt, (Upper West, Upper East, North East, Savannah and Northern), and three neighbouring regions in the Middle Belt (Bono East, Bono and Oti) *(the "Project Area").*

3. *Goal.* The goal of the Project is to contribute to reduced poverty, improved natural resources management and healthy, sustainable and climate resilient rural livelihoods.

4. *Objectives.* The objective of the Project is to strengthen the integration, climate resilience and environmental sustainability of smallholders and businesses in priority value chains (VCs) in the Northern and Middle Belts, taking advantage of increased demand generated by government efforts to strengthen agroprocessing.

5. *Phased approach.* The Project will start implementation in three adjacent regions in the Northern Belt to ensure filling of the financing gap and firming up implementation arrangements.

6. *Replication and scalability phase:* The Project will be scaled up to the remaining five target regions by the middle of the third year of implementation, according to four trigger conditions: (i) filling the financing gap (currently estimated at USD 22.7 million); (ii) Borrower meeting its PROSPER cofinancing commitments during the start-up Phase; (iii) MoUs with implementing partners established and progressing well; and (iv) satisfactory arrangements in place with regard to the operation of the Matching Grants and Blended Finance Facility.

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

7.1 Component 1: *Development of rural institutions and socio-economic infrastructure***.** The component will be implemented through two sub-components:

- *Sub-Component 1.1:* Capacity-building of rural institutions, MSMEs and households. The objective is to comprise a range of institution-building and skill-transfer activities aimed at enabling target groups to: (i) take ownership of and accountability for their own development initiatives; (ii) promote sustainable community-based natural resource management; (iii) strengthen their ability to implement modern, sustainable and climate-resilient farming; and (iv) adopt healthier diets and gender equity.

- *Sub-Component 1.2: Development of socio-economic infrastructure.* The objective is to realize some of the investments in public goods chosen by local communities through the cluster planning process. Three complementary types of climate-resilient infrastructure will be eligible: (i) off-farm or watershed works, and hazard mitigation measures; (ii) feeder roads and farm tracks; and (iii) communal social infrastructure.

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7.2 Component 2: *Strengthening economic benefits for smallholders and small operators around selected agricultural value chains.* The component will be implemented through two sub-components:

7.2.1 *Sub-component 2.1: Sustainable market linkages and business development,* which comprises three activities:

(i) Value chain analysis will examine each selected national value chain and map the actors close to target communities;

(ii) Promotion of linkages between producers and value chain actors will aim at promoting sustainable and equitable contractual agreements between producers engaged in climate-resilient farming and large-scale agribusinesses. These agreements will focus on rural institutions and MSMEs that demonstrate interest and potential during capacity-building interventions.

(iii) The Project will generate sound, achievable and fully costed *business plans* suitable to the resources and prospects of each entity, green in design, and climate resilient.

7.2.2 *Sub-component 2.2: Access to rural financial services* aims to promote a savings culture among beneficiaries, facilitate the implementation of business plans and ensure enduring access to affordable financial resources. Through rural institutions and related MSMEs, farmers will be integrated into expanding value chains and have lasting access to affordable financial services for developing agribusinesses – including green investments – to stimulate rapid sectoral development. Financial services supported by the project will be structured around three instruments tailored to the capacities of beneficiary groups.

(i) The first, *savings and loans,* will aim to spark greater savings within target communities.

(ii) The second*, a matching grants fund,* will facilitate emerging rural institutions' engagement in commercial agriculture and smaller MSMEs' participation in selected value chains through support to business plans referred to in 7.2.1 (iii), developed by the poorest groups and smaller enterprises. It will also support the promotion of food and nutrition security among the most vulnerable groups.

(iii) The third*, a blended finance facility (BFF),* will operate to ensure sustainable access to financial services for growing rural institutions and MSMEs while crowding in private capital. The BFF will include inter-alia lines of credit from the GCF/Inclusive Green Finance Initiative (IGREENFIN). The BFF will be established and managed by the ARB-APEX Bank and disbursed through Participating Financial Institutions.

II. Implementation Arrangements

8. *Lead Project Agency ("LPA").* The Project Implementation Agency will be the Ministry of Food and Agriculture of the Republic of Ghana.

9. *Project Steering Committee.* The LPA will establish a **Project Steering Committee** (PSC) to provide overall oversight of Project implementation. It will be chaired by the Chief Director of MoFA and include representatives of Ministry of Finance (MoF), Ministry of Trade and Industry (MoTI), Ministry of Local Government, Decentralization and Rural Development (MLGDRD) and all relevant ministries and agencies, Bank of Ghana, ARB Apex Bank and regional coordinating councils from the

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Project Area (refer to the PIM). Members shall include private sector non-state actors (such as NGOs) and youth and women who operate along the relevant agricultural VCs as practitioners or advocates. The PSC will meet at least twice a year, and as necessary. The main responsibilities of the PSC will include: (i) providing strategic and policy guidance to the Project Coordination Unit (PCU); (ii) ensuring overall conformity with government policies and strategies; (iii) reviewing project progress and performance; (iv) approving the AWPB; (v) resolving implementation problems or conflicts; and (vi) assisting the PCU in obtaining government assistance for the Project when needed.

10. *Project Coordination Unit (PCU).* The Project will be implemented through the Project Coordination Unit, which will be established in an implementation area of PROSPER, envisaged to be located in Tamale. The PCU will be responsible for coordination of project activities and for fiduciary, climate change and environmental and social safeguards, including gender and vulnerability. The PCU will operate under the supervision of the Directorate of Agricultural Extension Services (DAES), which will provide direct oversight. The PCU will be responsible for all financial management of the Project. The financial management system will meet the fiduciary requirements of IFAD, the Borrower and other stakeholders. The PCU will oversee and implement all procurement transactions, including procurement carried out by GCF funding.

11. *ARB-APEX Bank.* The ARB-APEX Bank will establish the BFF, blending resources from different sources including GCF/IGREENFIN and IFAD loan under PROSPER. A standalone MoU will be signed between MoFA/PROSPER and ARB-APEX Bank. A dedicated team (Project Investment Unit - PIU) reporting to the PCU will be anchored within ARB Apex Bank to manage the BFF. The PCU and dedicated team at APEX Bank will be responsible for following up on the compliance with the IGREENFIN Operational Manual regarding investments to be supported by the Matching Grant Fund and the BFF.

12. The PCU staff shall be hired by the Lead Project Agency competitively and in accordance with criteria and procedures to be developed in agreement with the Fund. The appointment of such personnel shall have IFAD's prior no objection. The Terms of Reference (ToRs) for Project staff shall be included in the PIM. The PCU of this Project will be established on the platform of the PCU of the IFAD- financed Ghana Agricultural Services Investment Project (GASIP).

13. *Implementing partners.* Key implementation partners will include selected MoFA departments, Ministry of Local Government, Decentralisation and Rural Development (MLGDRD), District Departments of Agriculture, Regional Departments of Agriculture, ARB-APEX Bank, Ministry of Trade and Industry (MoTI), Ghana Enterprises Authority (GEA) including Business Resource Centres (BRCs) and Business Advisory Centres (BACs), Ministry of Environment, Science, Technology and Innovation (MESTI), Ghana Commodity Exchange (GCX), Ghana Incentive Based Risk Sharing Agricultural Lending (GIRSAL) and Ghana Agricultural Insurance Pool(GAIP). PROSPER will enter into MoUs with the above entities that will outline implementation modalities and the role of each of these partners. From a safeguards and climate change stand point, the PCU will be working closely with Environmental Protection Agency (EPA) and the Environment and Climate Change Unit of MoFA at District, Regional and National levels to ensure consistency and compliance of project implementation with national regulations and the SECAP guidelines.

14. *Monitoring and Evaluation.* The PCU will be responsible for preparing the annual workplan and budget (AWP/B) and procurement plan for the Project, and for securing approval from its management and IFAD. The plan will include an activities plan along with targets and an expenditure plan and should reflect overall Project targets and activities.

15. *Knowledge Management.* A comprehensive knowledge management action plan will be developed in the early stages of implementation. Output, outcome and impact data generated by the M&E system will inform case studies, briefs and reports. These will be used for policy dialogue, peer learning and potential scaling up. Knowledge management products will be communicated through multiple media, including blogs, written publications, video and social media. PROSPER will participate in, contribute to and benefit from the South-South-Triangular-Cooperation activities under IGREENFIN regional activities.

16. *Project Implementation Manual*. The PCU shall be responsible for the finalisation of a Project Implementation Manual (PIM) that shall describe: (i) implementation of Project activities; (ii) the administration of Loan proceeds and Project Parties' responsibilities; (iii) financial management and procurement procedures; and (iv) monitoring and evaluation of Project progress and results. The PIM shall be approved by the Project Steering Committee, before IFAD's non objection is obtained. To ensure that the Blended Finance Facility will provide Green financing. The eligibility criteria in the IGREENFIN operational manual for green investments will be applied to all Blended Finance Facility financing. The Operational Manual of IGREENFIN will be considered part of PROSPER PIM and its provisions will apply to GCF and IFAD investments. The dedicate team (PIU) in APEX Bank and PROSPER PCU, which include climate and safeguards specialists along with PROSPER M&E team will verify adherence to the provisions of the PIM and the Operational Manual of the IGREENFIN.

Schedule 2

Allocation Table

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

Category	Loan Amount Allocated (expressed in USD)	Percentage
1. Civil work	15 200 000	100 % net of: Borrower and beneficiary contribution
2. Equipment and materials	910 000	100 % net of: Borrower and beneficiary contribution
3. Consultancies and training	7 860 000	100 % net of: Borrower and beneficiary contribution
4. Grants and subsidies	10 420 000	100 % net of: Borrower and beneficiary contribution
5. Credit, guarantee funds	11 020 000	100 % net of: Borrower and beneficiary contribution
6. Operating costs	1 840 000	100 % net of: Borrower and beneficiary contribution
Unallocated	5 250 000	
TOTAL	52 500 000	

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

(i) Category 1: "Civil works" includes construction, renovation and rehabilitation
(ii) Category 3: "Consultancies and training" includes workshop
(iii) Category 4: "Grants and Subsidies" includes the matching grant fund.
(iv) Category 5: "Credit, guarantee funds" includes blended loans under the Blended Finance Facility.
(v) Category 6: "Operating costs" includes salaries, allowances and operating expenses

2. *Disbursement arrangements*

(a) *Start-up Costs.* To facilitate a prompt start up, withdrawals in respect of expenditures for start-up costs in the services and recurrent costs categories incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of USD 500,000. Activities to be financed by Start-up Costs will require the no objection from IFAD to be considered eligible. The start-up funds will include inter alia: (i) establishment of the PCU and salaries of key staff; (ii) formulation of the Project Implementation Manuals including the financial procedures, accounting and procurement manual; (iii) preparation of the first annual work plan and budget (AWPB) and procurement plan; (iv) organization of a start-up workshop; (v) deployment of a suitable accounting software; (vi) finalization of the scope of work and the terms of reference (ToRs) of the internal auditor as well as report format; and (vii) finalization of the agreement/MoU templates to be used with the implementing partners.

(b) Co-financiers. The financiers of PROSPER are Government, IFAD, Green Climate Fund (GCF) (Grant, Adaptation and Mitigation), participating financial institutions (PFIs), private sector and beneficiaries (RIs, MSMEs and local communities). The contribution of GCF is as follows: GCF adaptation is USD 13.8 million; GCF mitigation is USD 6.9 million; and GCF grant is USD 4.7 million. Government of Ghana's contribution is estimated at USD 22.5 million mainly in the form of tax exemptions and GoG staff costs. Beneficiaries' in-kind and cash contribution is estimated at USD 19.1 million, mainly through Business Plans. PFIs and the private sector represent USD 4.9 million.

Schedule 3

Special Covenants

I. General Provisions

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

1. Within 6 months of entry into force of the Financing Agreement, the Project will procure and install a customize accounting software aş it is the practice in IFAD on-going supported projects, to satisfy International Accounting Standards and IFAD's requirements.

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

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

4. *Gender*. The Borrower shall ensure gender equality. Due to limited employment-opportunity- induced migration of men from the rural areas, women continue to shoulder the responsibility of the family and its livelihood activities. The income from these activities for majority of the rural households is inadequate to act as an incentive for reverse migration.

5. *Land tenure security*. The Borrower shall ensure that the land acquisition process, if any, will be completed and that compensation processes will be consistent with applicable laws.

6. *Audit*. The Borrower shall ensure that PROSPER shall appoint, based on terms of reference approved by the Fund, the Audit Service of Ghana (GAS), to audit the financial statements of the entire Programme on an annual basis, in accordance with international auditing standards and IFAD guidelines on Programme Audits. An audited annual financial statement for the entire Programme, together with a management letter on audit observations on internal controls, shall be submitted to the Fund within six (6) months of the fiscal year end.

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

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

9. Ifad Client Portal (ICP) Contract Monitoring Tool. The Borrower shall ensure that a request is sent to IFAD to access the project procurement Contract Monitoring Tool in the IFAD Client Portal (ICP). The Borrower shall ensure that all contracts, memoranda of understanding, purchase orders and related payments are registered in the Project Procurement Contract Monitoring Tool in the IFAD Client Portal (ICP) in relation to the

procurement of goods, works, services, consultancy, non-consulting services, community contracts, grants and financing contracts. The Borrower shall ensure that the contract data is updated on a quarterly basis during the implementation of the Project.

10. The Key Project Personnel are: National Project Coordinator; Financial Manager; two accountants; Senior Policy, Monitoring and Evaluation and Knowledge Management officer and assistant,Procurement and Contract Officer, Senior Value Chains / Agribusiness Expert and two junior officers; Infrastructure Expert, Rural Financial Services Expert; a geographic Information System Specialist. From a safeguards and climate change standpoint, the PCU will embed a Safeguards and Climate Specialist and Gender, Social Inclusion and Vulnerability Specialist to work with EPA and Environment and climate Change Unit of MOFA to ensure consistency and compliance of project implementation with national regulations and the SECAP guidelines. The PIU in the ARB-APEX Bank will comprise a BFF Coordinator and two field officers supported by a dedicated Gender, Social Inclusion and Vulnerability Officer and Safeguards and Climate Officer. In order to assist in the implementation of the Project, the PCU, unless otherwise agreed with IFAD, shall employ or cause to be employed, as required, key staff whose qualifications, experience and terms of reference are satisfactory to IFAD. Key Project Personnel shall be recruited under a consulting contract following the individual consultant selection method in the IFAD Procurement Handbook, or any equivalent selection method in the national procurement system that is acceptable to IFAD. The recruitment of Key Project Personnel is subject to IFAD's prior review as is the dismissal of Key Project Personnel. Key Project Personnel are subject to annual evaluation and the continuation of their contract is subject to satisfactory performance. Any contract signed for Key Project Personnel shall be compliant with the national labour laws and the ILO International Labour Standards in order to satisfy the conditions of IFAD's updated SECAP. Repeated short-term contracts must be avoided, unless appropriately justified under the Project's circumstances.

II. SECAP Provisions

1. The Borrower shall carry out the preparation, design, construction, implementation, and operation of the Project in accordance with the nine standards and other measures and requirements set forth in the Updated Social, Environmental Climate Assessment Procedures of IFAD ("SECAP 2021 Edition"), as well as with all applicable laws of the Borrower and/or the sub-national entities relating to social, environmental and climate change issues in a manner and substance satisfactory to IFAD. The Borrower shall not amend, vary or waive any provision of the SECAP 2021 Edition, unless agreed in writing by the Fund in the Financing Agreement and/or in the Management Plan(s), if any.

2. For sub-projects presenting high or substantial social, environmental and climate risks, the Borrower shall carry out the implementation of the sub-project in accordance with the measures and requirements set forth in the Environmental and Social Impact Assessments (ESIAs)/Environmental, Social and Climate Management Frameworks (ESCMFs) the Project social and environment categorization B and climate categorization (high) and/or Resettlement Action Plans/Frameworks (RAPs/Fs) and Environmental, Social and Climate Management Plans (ESCMPs) for high risk projects and Abbreviated ESIAs and/or Abbreviated RAP/F and ESCMPs for substantial risk projects and Free, Prior and Informed Consent (FPIC) Plans, FPIC Implementation Plans, , Pesticide Management Plans, Cultural Resources Management Plans and Chance Finds Plans (the "Management Plan(s)"), as applicable, taken in accordance with SECAP requirements and updated from time to time by the Fund.

The Borrower shall not amend, vary or waive any provision of the ESCMPs and Management Plan(s), unless agreed in writing by the Fund and if the Borrower has

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complied with the same requirements as applicable to the original adoption of the ESCMPs and Management Plan(s).

3. The Borrower shall not, and shall cause the LPA, all its contractors, its sub-contractors and suppliers not to commence implementation of any works, unless all Project affected persons have been compensated and/or resettled in accordance with the specific RAP/Abbreviated RAP, FPIC and/ or the agreed works and compensation schedule.

4. The Borrower shall cause the LPA to comply at all times while carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s), if any.

5. The Borrower shall disclose the draft and final ESIA reports and all other relevant Management Plan(s) with Project stakeholders and interested parties in an accessible place in the Project -affected area, in a form and language understandable to Project -affected persons and other stakeholders. The disclosure will take into account any specific information needs of the community (e.g. culture, disability, literacy, mobility or gender).

6. The Borrower shall ensure or cause the ELPA to ensure that all bidding documents and contracts for goods, works and services contain provisions that require contractors, sub-contractors and suppliers to comply at all times in carrying out the Project with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the Management Plan(s), if any.

7. The Borrower will ensure that a Project -level grievance mechanism is established that is easily accessible, culturally appropriate, available in local languages, and scaled to the nature of the Project's activity and its potential impacts to promptly receive and resolve concerns and complaints (e.g. compensation, relocation or livelihood restoration) related to the environmental and social performance of the Project for people who may be unduly and adversely affected or potentially harmed if the Project fails to meet the SECAP standards and related policies. The Project-level grievance mechanism needs to take into account indigenous peoples, customary laws and dispute resolution processes. Traditional or informal dispute mechanisms of affected indigenous peoples should be used to the greatest extent possible.

8. Any event which occurs in relation to serious environmental, social, health & safety (ESHS) incidents (as this term is defined below); labor issues or to adjacent populations during Project implementation that, with respect to the relevant IFAD Project:

(i) has direct or potential material adverse effect;

(ii) has substantially attracted material adverse attention of outside parties or create material adverse national press/media reports; or

(iii) gives rise to material potential liabilities.

The Borrower shall ensure or cause the LPA, contractors, sub-contractors and suppliers to ensure that the relevant processes set out in the SECAP 2021 Edition as well as in the ESCMPs and Management Plan(s) (if any) are respected.
In the occurrence of such event, the Borrower shall:

- Notify IFAD promptly;
- Provide information on such risks, impacts and accidents;
- Consult with Project affected parties on how to mitigate the risks and impacts;

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- Carry out, as appropriate, additional assessments and stakeholders' engagements in accordance with the SECAP requirements; and
- Adjust, as appropriate, the Project -level grievance mechanism according to the SECAP requirements;
- Propose changes, including corrective measures to the Management Plan(s) (if any), in accordance with the findings of such assessment and consultations, for approval by IFAD.

Serious ESHS incident means serious incident, accident, complaint with respect to environmental, social (including labor and community), health and safety (ESHS) issues that occur within the Project or Borrower's activities within the ESMF. Serious ESHS incidents can comprise incidents of (i) environmental; (ii) occupational; or (iii) public health and safety; or (iv) social nature as well as material complaints and grievances addressed to the Borrower (e.g. any explosion, spill or workplace accident which results in death, serious or multiple injuries or material environmental contamination, accidents of members of the public/local communities, resulting in death or serious or multiple injuries, sexual harassment and -violence involving Project workforce or in relation to severe threats to public health and safety, inadequate resettlement compensation, disturbances of natural ecosystems, discriminatory practices in stakeholder consultation and engagement (including the right of indigenous peoples to free, prior and informed consent), any allegation that require intervention by the police/other law enforcement authorities, such as loss of life, sexual violence or child abuse, which (i) have, or are likely to have a material adverse effect; or (ii) have attracted or are likely to arouse substantial adverse attention of outside parties or (iii) to create substantial adverse media/press reports; or (iv) give, or are likely to give rise to material potential liabilities).

9. Without limitation on its other reporting obligations under this Agreement, the Borrower shall provide the Fund with:

- Reports on the status of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition, ESCMPs and the management plan (if any) on a semiannual basis - or such other frequency as may be agreed with the Fund;
- Reports of any social, environmental, health and safety incidents and/accidents occurring during the design stage, the implementation of the Project and propose remedial measures. The Borrower will disclose relevant information from such reports to affected persons promptly upon submission of the said reports ; and
- Reports of any breach of compliance with the standards, measures and requirements set forth in the SECAP 2021 Edition and the Management Plan(s) (if any) promptly after becoming aware of such a breach.

10. The Borrower shall fully cooperate with the Fund concerning supervision missions, midterm reviews, field visits, audits and follow-up visits to be undertaken in accordance with the requirements of SECAP 2021 Edition and the Management Plan(s) (if any) as the Fund considers appropriate depending on the scale, nature and risks of the Project.

11. In the event of a contradiction/conflict between the Management Plan(s), if any and the Financing Agreement, the Financing Agreement shall prevail.

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ANALYSIS DOCUMENT

PROMOTING RURAL OPPORTUNITIES, SUSTAINABLE PROFITS AND ENVIRONMENTAL RESILIENCE (PROSPER)

Table of Contents

1.0 PURPOSE

This document articulates the concept and mechanism for implementing the proposed **Promoting Rural Opportunities, Sustainable Profits and Environmental Resilience (PROSPER).** It discusses the components of the designated interventions and offers insight into the financing arrangements for the project. In addition, it assesses the expected impact and anticipated risks with appropriated mitigation measures and presents the envisioned exit and sustainability strategy.

2.0. BACKGROUND

2.1. Context

The general socio-economic conditions in Ghana have seen remarkable improvements. Graduating to a lower middle-income country in 2011, Ghana achieved the Millennium Development Goal (MDG) 1: to halve the proportion of people living in extreme poverty. Annual GDP growth averaged 6.6 per cent from 2000 to 2013. Against a lacklustre performance from 2014 to 2016, Ghana's macro-fiscal context recovered. Ghana's economy is projected to remain relatively strong over the medium term, supported by higher prices for key exports and strong domestic demand. Growth is projected to reach 5.5% in 2022 and average 5.3% over 2022. Growth is expected to be broad-based led by agriculture and services and relatively stronger industry sector. The gross domestic product of Ghana advanced by 7% from a year ago in the fourth quarter of 2021, following a downwardly revised 6.5% rise in the previous three-month period. It was the fastest pace of growth since the first quarter of 2020, mainly boosted by agriculture (8.2% vs 7.6% in Q3) and services (8.1% vs 13.6%).

Despite this impressive progress, challenges in general welfare persist. About 23% of Ghana's population are monetary poor and 8.2% live in extreme poverty. The regions of the Northern Belt (few in the Middle Belt) have the highest prevalence of poverty, up to 62% in the rural areas. There are persistent pockets of poverty, food insecurity, undernourishment, malnutrition, and vulnerability to climate change. This notable economic growth has not been sufficient to accelerate growth and poverty reduction and growing inequalities. Disparities in poverty follow geographical and gender lines. Gender gap also exists as women have limited access to credit, extension services, new technologies, inputs and output markets.

The desire of the Government of Ghana to address the remnants of poverty and boost sustained economic transformation beyond aid, has been made obvious and apparent. These aspirations have found expressions in the Medium-Term National Development Policy Framework (MNDPF 2018-2021), the Ghana Beyond Aid Agenda and national Budget Statements and Economic Policies. It is instructive to note that the main policy frameworks (cited above) prioritize the dynamism of agriculture as an anchor for rural development and transformation.

Yet, agricultural growth is affected by low productivity and weak competitiveness. Rain-fed agriculture is practised in about 96 per cent of the farming areas, informal private small-scale irrigation is prevalent in 3 per cent of the area and formal irrigation covers 0.4 per cent of the agricultural lands. Low productivity arises from limited access to good quality agricultural inputs, outdated technologies, inadequate access to mechanised services, inadequate pest and disease management, limited access to rural advisory services and gap in the access to affordable rural finance. Other factors such as land degradation, climate change and variability (drought, floods) and soil nutrient depletion also affect production more prominently in the northern regions.

Smallholders' linkage to high-value off-takers is generally missing though in some places they have linkages to local processors. Weak farmer organisations have resulted in the limited presence of collaborative and remunerative models for access to inputs and markets through Farmer Based Organisations (FBOs). Often FBOs with successful linkages to off-takers have limited outreach and typically exclude the smallholders. Gaps in access to market infrastructure have led to the inability of the smallholders to store their commodities and wait for prices to improve. Consequently, they are compelled to sell their produce to traders even when the offered prices are much lower than those in the previous seasons. Limited post-harvest assistance has created gaps in processing and value addition capabilities at the local level and sometimes high incidence of post-harvest losses.

A critical component of the challenges in the agricultural sector relates to access to finance and credit. Despite the diversity of Financial Institutions (FI) in Ghana, only 37 per cent of the rural population operates accounts in formal FIs. Overall, loans and advances designated as 'agriculture' account for only about 5 per cent of the credit to the private sector by the banking system. The gap in the flow of financial services, particularly to smallholders in the agricultural sector, has resulted from both demand and supply constraints.

Clearly, the effective tackling of these myriad of challenges in the agricultural sector, especially with emphasis on environmental management and sustainability in the face of climate change, financing and marketing linkages, vis-à-vis the structural transformation aspirations of Ghana, requires the pursuit of catalytic and strategic interventions. It is in pursuit of this that the Government of Ghana, represented by the Ministry of Food and Agriculture and the International Fund for Agricultural Development (IFAD) has conceived and proposed to implement the PROSPER project.

3.0. PROJECT DESCRIPTION

3.1. Project goals and objectives

The overarching goal of the Project Development is to Strengthen the integration of, climate resilience and environmental sustainability of smallholders and businesses in priority Value Chains in the Northern and Middle Ecological Belts taking advantage of the increased demand created by the national agro-processing strategy.

Specifically, the objective of PROSPER will be to improve productivity, income and resilience of smallholder farmers, vulnerable women and youth. These objectives will be achieved through:

i. development of socioeconomic infrastructure
ii. development of sustainable marketing linkages and businesses and
iii. enhanced access to rural financial services

3.2. Geographic area of intervention

Informed by several demographic and welfare considerations, PROSPER will implement its activities in two geographical zones, the Northern Zone in the northern part of Ghana and the Middle Zone. The geographic area of intervention extends to eight regions in the North and three neighbouring regions in the Middle Belt (Bono East, Bono and Oti). The targeting strategy considers (i) high rural population, (ii) high poverty prevalence, (iii) high rate of food and nutrition insecurity, (iv) strong concentration of female and male youth, (v) presence of relevant economic opportunities, (vi) the level of degradation of the productive Natural Resource base (particularly soil, water and trees) and (vii) indicators of climate vulnerability. PROSPER's primary target groups will be the poorest households (landless or holding not more than 1 ha of cultivable land) or poor households, (holding less than 2 ha of cultivable land) and vulnerable people within the poor rural population who have little access to assets and economic opportunities due to social exclusion, marginalization and the negative impact of climate change, including women (40%), unemployed female and male youth between 18 and 35 years (30%) and economically active persons with disability (5%).

3.3. Project Components

PROSPER comprises two mutually supportive technical components concentrated on increasing the real demand for sustainably grown produce by significant numbers of people living in poor rural communities while enhancing their capacity to meet this demand through more efficient climate-resilient agricultural practices and natural resource management to mitigate the negative impact of climate change.

3.3.1 Component 1: Development of rural institutions and socioeconomic infrastructure.

The expected outcome is: Improved and sustainable livelihoods in target areas supported by strengthened rural institutions and improved socioeconomic infrastructures. These actions are concentrated on investing in 'public goods' within and for the benefit of the targeted 100,000 beneficiaries in the project areas.

3.3.1.1 Component 1.1: Capacity building of rural institutions, enterprises and households

comprises a range of institution-building and skills development activities to enable target communities to take ownership of and accountability for their own development initiatives, to promote sustainable community-based Natural Resource (NR) management, to strengthen their ability to implement modern sustainable and climate resilient farming, and to adopt healthier diets.

3.3.1.2 Component 1.2: Development of socioeconomic infrastructure:

seeks to realize some of the 'public goods' investments prioritized and chosen by local communities through the Cluster Planning process. Three complementary types of climate-resilient infrastructure will be eligible: Off-farm/watershed works and hazard mitigation measures; Feeder roads and farm tracks; and Communal social infrastructure. These investments aim to improve the sustainability of NR-related livelihoods and to stimulate socioeconomic advancements in the participating clusters.

3.3.2 Component 2: Strengthening the economic benefits for smallholders and small operators around selected agricultural value chains:

The expected outcome is: Smallholders and small businesses draw greater benefits from the increasing market outlets for agricultural produce through comprehensive financial, capacity and marketing support. Whereas the first component will invest in the human, physical and natural resources of the target communities, the second component is concentrated on investing in the "private goods" of the population to bring about a sustained uplift in the earning capacity of agricultural producer groups and related enterprises.

3.3.2.1 Component 2.1: Sustainable marketing linkages and business development;

comprises three broad activities. In Value chain analysis, PROSPER will examine in depth the status and characteristics of each selected national value chain and map the Value Chain actors located close to the target communities, particularly the first stage market linkages between producers and others in the chains. The developmental activity Promotion of linkages between producers and value chain actors is aimed at generating enduring partnerships between producers engaged in climate-resilient farming and larger-scale agribusinesses within locally appropriate forms of robust and equitable contract relationships in the private sector. This action will concentrate on those eligible Rural Institutions and MSMEs that demonstrated interest and potential in the capacity building interventions and meet membership criteria regarding the minimum proportion of specified disadvantaged groups. Under the activity, Development of business plans, the project will generate a sound, achievable and fully costed Business Plan which is appropriate to the resources and prospects of each concerned entity, is green in design and addresses effectively climate and NR degradation risks and impacts.

3.3.2.2 Component 2.2: Access to rural financial services:

The objective is to promote a savings culture among beneficiaries, facilitate realization of the Business Plans and improve enduring access to suitable financial resources. Expected outcomes: farmers through RIs and related local MSMEs are integrated step-by-step into the formal financial system and have lasting access to adapted and affordable financial services to develop their agribusinesses, including green investments. Such access is a necessary though not sufficient condition for rapid sectoral development. PROSPER financial services are structured around three instruments appropriate to the various situations prevailing in rural areas as regard capacities and professionalization: (1) Saving and Loan Groups for sparking the saving habit within communities; (2) a Matching Grants fund for capitalizing emergent Ris along with crowding-in private capital from matching contributions to engage in commercial agriculture and smaller MSMEs around the selected VCs, and for supporting food and nutrition security promotion schemes for the most vulnerable groups; and (3) a Blended Finance Facility (BFF) operated as a refinancing facility by Participating Financial Institutions to ensure sustainable access to financial services for growing Financial Institutios and MSMEs.

These three financial instruments form a global graduation process by which beneficiaries will be able to increase their access to financing solutions over time as they build their financial and management capacities and develop their business relationships with other VC actors. The Blended Finance Facility will develop, test and rollout green financial products to finance advanced BPs by the more developed Rural Institutions and MSMEs that have the potential to undertake commercial agriculture with climate mitigation and adaptation interventions in Value Chain partnerships. The Facility is set up to contribute to the opening of the climate finance market in Ghana. Under the condition of being linked formally with Value Chain Actors under contract arrangements, qualified Rural Institutions and MSMEs will gain access to Blended Finance Facility credit at an affordable blended on-lending rate (below 10%) for financing a more sophisticated Business Plans (BP) that has a strong focus on adaptation and mitigation in the face of climate change impacts on small-scale agriculture.

3.3.3 Component 3: Project management and Policy engagement.

The expected outcome of the support component: Efficient and timely delivery of PROSPER development results and support to evidence-based sectoral policy formulation.

3.3.3.1 Component 3.1: Project management;

PROSPER will be facilitated by an implementation support structure embedded in the host GoG agency (MoFA) providing liaison, physical and financial project management, reporting and accounting, proactive knowledge management and learning activities, and monitoring and evaluation functions.

3.3.3.2 Component 3.2: Policy engagement;

PROSPER will support developing an enabling policy environment that will help achieve the project's goals and objectives through the provision of technical assistance, organising high-level round table discussions, establishing policy dialogue fora, holding conferences and advocacy as appropriate. This will be underpinned by analytical work and KM products from PROSPER, IFAD and other development partners.

This component will establish and oversee implementation arrangements. A Project Steering Committee (PSC) will be established to provide overall oversight of implementation. A Project Coordination Unit (PCU) will be established to oversee the coordination of project activities and for fiduciary, climate change and environmental and social safeguards, including gender and vulnerability. The PCU will be established and based in the project area (Tamale) to ensure effective management and coordination. A dedicated team reporting to the PCU will be anchored in APEX Bank to manage the Blended Finance Facility (BFF).

3.5. Costs, Financing and Analysis

3.5.1. Project costs

The total project costs, for eight-years, are estimated at USD 147.3 million or GHS 1.25 billion. The base cost amount to USD 133.1 million or GHS 827.6 million, equivalent to 90,3% of total costs. Physical and price contingencies at USD 14.2 million account for about 11% of base costs or 9.7% of total costs. Investment costs of USD 134.8 million represent 91.5% of total project costs and Operating costs only 8.5%

3.5.2. Project financing/co-financing strategy and plan

The total project costs of USD 147.3 m will be financed by;

(i) IFAD 11 USD 30.0 m (20.3%)
(ii) IFAD 12 USD 45.2 m (30.7%)
(iii) Green Climate Fund USD 25.4 m (17.3%) (GCF Adaptation USD 13.8 m, GCF Mitigation USD 6.9 m and GCF Grant USD 4.7 m)
(iv) Participating Financial Institutions USD 2.3 m (1.6%)
(v) Private Sector USD 2.5 m (1.7%)
(vi) Beneficiaries USD 19.1 m (13.0%)
(vii) Government of Ghana USD 22.7 m (15.4%). The Net Present Value is positive (USD 207 m).

Economic Internal Rate of Return is 21.4%.

3.5.3. Economic and Financial Analysis

Economic rate of return of the project; the Project's economic rate of return (ERR) is 22%. The ERR is satisfactory as some of the benefits could not be quantified. The estimated Net Present Value (NPV) of the project is positive (USD 207 m) and Economic Internal Rate of Return is 21.4%.

All these indicators show the economic profitability of the PROSPER and are relatively high for a project structured around developing selected value chains with land and infrastructure protection issues and a relatively large area.

3.6. Project Targeted Beneficiaries and Expected Outcomes

The project will benefit about 100,000 direct and 250,000 indirect households. The PROSPER target beneficiaries are producers, investors, MSMEs and households located in the project area. Farmers were expected to benefit directly from the project, including women and youth. In addition, MSMEs and RIs will take advantage of positive externalities brought by the project. Indirect beneficiaries will include local institutions and the families of workers employed directly by the project. Finally, the targeted areas will benefit from a general uplift in the local economy driven by the growth in activities.

Specifically, the expected outcomes includes:

i. increased incomes for the 100,000 beneficiaries,
ii. greater food and nutrition security, and
iii. improved health status in project zones.

3.7. Alignment, ownership and partnerships

(i). Alignment with SDGs: PROSPER will contribute to the Sustainable Development Goals, primarily: SDG 1 (No poverty), in particular to the indicators 1.1: Eradicate extreme poverty, 1.2: Reduce poverty by at least 50%, and 1.5: Build the resilience of the poor and vulnerable to climate, economic and environmental shocks and events; SDG 2 (Zero hunger), in particular to the indicators 2.3: Double the agricultural productivity and incomes of small-scale food producers and 2.4: Ensure sustainable food production systems and resilient agricultural practices that increase productivity and production; SDG 5 (Gender equality), in particular to the indicators 5.5.a: Women's equal rights to economic resources, as well as access to ownership and control over land; SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities) and SDG 13 (Climate action). PROSPER is aligned to the UN Sustainable Development Partnership Framework (UNSDP) for Ghana, specifically Outcome 1 under Results Area 1 ("Productive agriculture drives sustainable industrialization, improves livelihoods and ensures a hunger- and malnutrition-free nation") and Outcome 6 under Results Area 3 ("Urban and rural communities have access to affordable services, knowledge and tools to increase their resilience").

(ii). Country ownership and alignment with national priorities: PROSPER is aligned with the development strategies set out in the Medium-Term National Development Policy Framework (MNDPF 2022-2025) and priorities set by MoF in the National Financial Inclusion and Development Strategy (NFIDS 2017-23). MoFA's Ghana Agriculture Investment Plan (2018-2021) – Investing for Food and Jobs, Gender and Agricultural Development Strategy (2015), is aligned with the international development framework including the UN 2030 SDGs (2015), AU Comprehensive Africa Agriculture Development Programme (CAADP)-Malabo Declaration on Accelerated Agricultural Growth and Transformation for Shared Prosperity and Improved Livelihoods (2014) and the ECOWAS Vision 2050 (2021 in draft). PROSPER also aligns with the Ministry of Gender, Children and Social Protection's National Gender Policy (2015), the Agenda for Jobs (2018-21) policy framework, National Youth Policy (2010) and Nutrition Policy (2014), while considering changes in the socioeconomic landscape of the country and recent developments at the international level.

(iii). **Alignment with IFAD corporate priorities and the COSOP.** PROSPER is in line with IFAD's Strategic Framework 2016-2025, as well as IFAD's mainstreaming areas (gender and social inclusion, youth, nutrition, environment and climate). PROSPER will also contribute to the strategic objectives identified in IFAD's COSOP for Ghana, specifically SO1, SO2 and SO3, by initiating new activities or building on activities of IFAD projects at a nascent stage. For example, PROSPER will support the development of tree crop VCs, poultry and small ruminants as well as including a particular focus on persons with disabilities. These areas are currently not addressed by ongoing IFAD projects except on an emergency basis due to COVID-19.

(iv). **Potential synergies and partnerships:** PROSPER will develop synergies with other initiatives that support smallholders' access to markets, inputs and affordable agricultural finance. It will collaborate with other IFAD ongoing projects such as GASIP, AAFORD and REP and selected PFIs, particularly ARB Apex Bank. The project will collaborate with several development partners with substantial active or pipeline projects in the sector, as follow.

iv) Initiatives of Development Partners (DP):

PROSPER will coordinate with upcoming FAO projects on: e-systems development for early warning, market surveillance and e-extension; smallholders livelihoods diversification through poultry and small ruminants' production; and improved nutrition through backyard gardening and healthy nutrition education.

The WFP pipeline project Ghana Smallholder Farmer E-Commerce Access (SFEA) overlaps with several core PROSPER activities: improving smallholder and rural actor livelihoods by participation in organized value chains and structured markets through e-commerce; promoting demand from agro-processors, commercial and institutional buyers for smallholder produce; and increasing access to agricultural finance, insurance and price risk management tools.

The World Bank's pipeline West Africa Food Systems Resilience Programme (FSRP) entails collaboration opportunities in sustainability and adaptive capacity of food production systems, modernization of national extension services, integrated landscape management, market integration and strategic regional value chains.

The EU programme Productive Investment for Agriculture in Savanah Ecological Zones is under implementation in selected districts in Upper West, Savanna and North East Regions and comprises three elements: Resilience Against Climate Change (REACH) project; Market Oriented Agriculture Project (MOAP-NW); and Productive Investments Project (PIP). REACH activities include assisting district teams to draw up climate-smart development plans contributing to the NDCs, equipping extension services with Conservation Agriculture best practices, standardising the production of Community Action Plans that focus on climate change adaptation, and grant funding identified mitigation activities. PROSPER will collaborate with REACH in districts where both projects are active, learning lessons, leveraging on RIs that have already built their capacity in climate resilience, and orienting such clients to benefit from the BFF to develop their enterprises. PROSPER will also benefit directly from the ongoing Global Affairs Canada-funded programme Modernising Agriculture in Ghana, which has been building the capacity of district and regional agricultural departments with retraining, transport and other resources to deliver digital and traditional extension services – including the cadres working in the PROSPER target area.

PROSPER will explore synergies with government programmes with similar objectives, for examples: Ghana's Livelihood Empowerment Against Poverty (LEAP) to identify project beneficiaries in chosen geographical regions based on poverty and vulnerability; and the World Bank's supported Ghana Jobs and Skills Project (GJSP) and Ghana Federation of the Disabled (GFD) regarding targeting of PWDs. REP's BACs/BRCs will provide skill training and business development services. PROSPER will partner with the private sector for mutual benefits, leveraging on the FARA (Agribusiness Learning Alliance), Crop Research Institute (cashew) and private Agribusinesses (Yedent, Premium Foods, Vesta Soya processing and others) for business linkages with smallholders.

3.8. Key Risk and Mitigation Measures

In developing this project, the associated risks have been considered. In all these instances, appropriate and corresponding mitigation measures have been proposed. A review of the risks suggests that there are in broadly five main thematic areas:

3.8.1 Technical aspects of programme

Environmental and climate change challenges. Smallholder agriculture in Ghana is mainly rainfed, so farmers are dependent on weather conditions and vulnerable to climate change. PROSPER is resilience-oriented and designed to respond to the growing environmental challenges to the rural economy with practical mitigation and adaptation measures, both on- and off-farm, to promote technically feasible and financially affordable soil and water management practices. The NR remediation works are intended to counter and reverse the cumulative deterioration of the productive land.

The technical risks to PROSPER stem from current weaknesses, in both the public sector and the private sector, of rural technical and financial service providers. Strong institutions are essential for the efficient implementation of the innovative aspects of the project, in particular the transition to climate-smart agronomy, business planning and the linking of poor farmers and enterprises into functioning VCs. Private sector engagement on the demand side in the project areas could be insufficient to drive the expansion of contract arrangements with the primary target group if there is a weakening of the country's business environment. The project design responds with a programme of technical and institutional capacity building, including affirmative action for women, youth and PWDs.

3.8.2. Institutional capacity for implementation and sustainability

i. ***Project management constraints similar to challenges of previous projects:*** The experiences of past IFAD projects indicate that the PCUs (e.g. GASIP, RAFIP) were located centrally in Accra, far from the project communities. The centralised units were directly responsible for mobilising the local project partners and brokering their linkages to the project communities. However, these units were over-burdened due to limited staff, delays in replacement/recruitment of key staff and limited field presence which caused delay in implementation.
ii. *Complexity of implementation arrangements:* Implementation arrangement has many parts and involves steering committees, Project Implementation Units and Service providers. It can be too complex for day-to-day management.
iii. There are risks that are endemic to social challenges, such as the marginalisation of women, youth and people with disabilities in rural societies, suboptimal dietary patterns and persistent rural poverty, will undermine project purposes. In mitigation, PROSPER will tailor interventions to involve vulnerable groups and advocate for inclusive policies through dialogue with Government.

3.8.3. Financial management

i. Financial management. The inherent Financial Management Risk of the project at design is rated as moderate, while the residual risk is rated as low. The main FM risks concern project disbursement performance linked to the IFAD disbursement caps and to the project capacity to obtain timely justifications of expenditures from implementing partners and guarantee an effective cash turnover through the revolving fund mechanism. Also, the inexperience of project staff with the use of country systems and especially GIFMIS poses a risk to the project capacity to maintain their accounting and produce quality financial reports. Mitigation measure: Sensitization and migration is planned for the staff to use in the current programme (GASIP) before PROSPER start-up to enhance experience before implementation of the new project. Also, careful definition of reporting requirement per financier at project start-up phase. All the risk and mitigating measures identified during design are captured in the project risk matrix.

ii. **Delay/default in counterpart funding (co-financing):** The substantial amount of co-financing expected to be mobilised raises the level of risk to the project if this financing does not materialise. Mitigation measure; In the Project Financial Agreement, all counterpart funding has been converted to be in-kind in the form of Tax exemption and assets like office buildings.

iii. ***Complexity of financial management and funds flow structure:*** Many co-financiers may create complications in terms of coordination and management of the funds. Mitigation measure: The project will enter into agreements in the form of MoU on financial commitments and disbursements modalities.

3.8.4 Procurement

The Procurement Review Matrix (PRM) identified the possible procurement risks at the project level, including: i) allocation of points for shortlisting consultants are not usually included in the request for expression of interest, ii) for some contracts, there are both cost and time overruns, iii) there are issues with procurement filing. The overall risk is rated medium in the PROSPER. Procurement Risk Matrix (PRM), reflecting ongoing issues in the regulatory framework and in the application of standard procedures for procurement methods and the evaluation process. Government and project procurement staff will receive advanced training to ensure compliance with guidelines.

3.8.5. Climate Change

Unreliable and erratic rainfall, floods, and long dry spells; and destruction of infrastructure and productive assets due to extreme weather conditions could delay/ affect project implementation. Climate change could impact production negatively, thus affecting PROSPER's beneficiaries and reducing potential of achieving PROSPER's objectives. Project's environmental and social category is 'B' and climate risk assessment is moderate to high.

Mitigation Measure: ROSPER's design is focused on improving natural resource management, introducing intensive climate adaptation and mitigation measures to support PROSPER's beneficiaries. Project interventions will support adaptation and mitigation. This will be achieved through range of Project's interventions, such as capacity building on climate resistant agricultural practices, promote technically feasible and financially affordable soil and water management practices with farmers; facilitate the provision of weather information for decision making to farmers; provide crop insurance to farmers, Matching Grants scheme and Blended Finance Facility will support wide spectrum of adaptation and mitigation measures.

3.9. Exit Strategy and Sustainability

The design of PROSPER is driven by the imperative to achieve both environmental and financial sustainability in the smallholder agricultural sector in the context of rapid climate change. The project concentrates on investing in the skills, productive assets and institutional development needed to remediate the natural resource base transition to appropriate agricultural practices that reduce emissions and engage in enduring business relationships within major value chains.

The exit strategy designed for the project comes as a natural and sequential phasing out from supported activities. A high level of participation from the host agency, beneficiaries and partner institutions is planned from the onset of implementation, to ensure effectiveness and leadership from local stakeholders who will be able to continue, scale-up, guide and monitor planned activities after project completion. The analysis of the factors for sustainability presented in Annex 10 shows the progression for each of the major activities at scale, with a phasing over, phasing down or phasing out as appropriate and well within the allotted time frame.

COMMUNICATION PLAN

FOR

PROMOTING RURAL OPPORTUNITIES, SUSTAINABLE PROFITS AND ENVIRONMENTAL RESILIENCE (PROSPER)

Purpose: This Communication Plan encapsulates arrangements for implementation engagements as well as communication of development results. It outlines the instruments, medium and the roles of various stakeholders during key phases of executing PROSPER such as Planning, Monitoring & Evaluation, Learning, Knowledge Management and Communication of results.

(a). Planning: At inception, the Logical Framework (project strategy) will be validated in a start-up workshop with the participation of representatives from all stakeholder groups. The main planning tool for PROSPER will be the Annual Work Plan and Budget (AWPB) prepared using a participatory bottom-up approach within the zones. The AWPBs will specify a detailed description and schedule of activities to be undertaken with implementation responsibilities, required inputs, expected outputs, performance indicators and corresponding targets. The AWPB shall also include a procurement plan and a financing plan. Partners involved in the implementation of the various components of the project will be responsible for preparing the required work plans and budget according to an agreed format. The Project Coordination Unit (PCU) will ensure overall coordination and efficiency of the planning process. The Project Coordinating Unit (PCU) will also monitor efficiency of targeting, poverty focus, gender focus and youth focus. Once the priorities have been set at the zonal/field level and activities defined, the AWPB will be compiled by the PCU. The PCU will submit the AWPBs to the Project Steering Committee (PSC) for review and approval. The PSC will facilitate the inclusion of PROSPER under the national budget. The AWPB will be in line with the logical framework and guide implementation of activities in the field against benchmarks for measuring annual implementation progress.

(b). Monitoring & Evaluation: A results-based approach will be adopted through the M&E system. The progress and performance of PROSPER will be measured against AWPB targets; and periodic assessments of movement towards achievement of beneficiary impact. The key responsibilities of the M&E system will rely on the M&E unit at the PCU. Key service providers will be engaged to collect and analyse data to assess outcomes and impact of the PROSPER activities. The Operational and Results Management System (ORMS) will be incorporated within the M&E system along with the Annual Outcome Survey (AOS) tool which would allow for effective monitoring of the different project indicators. The M&E activities will take into consideration the following:

i. progress reporting will be comparing achievements with appraisal and AWPB targets;
ii. data disaggregated by sex, age category, region, and targeting groups;
iii. monthly meeting at the PCU with M&E focal points to discuss implementation progress versus targets;
iv. regular field visits by M&E specialist;
v. documenting of stories from the field for different component beneficiaries; and
vi. reporting on lessons learned and best practices and working on scaling-up.

Key M&E activities will provide:

i. baseline data for the project M&E indicators, covering both beneficiary and control communities,
ii. updates on an annual basis to track the different project indicators over time and support analysis to ensure that PROSPER activities are in the right direction to achieve the target indicators,
iii. progress reports, involving physical and financial progress reporting tied to the AWPB targets;
iv. development of an electronic Management Information System (MIS) aligned to the information needs identified in the M&E plan;
v. mid-term review; to be conducted during the mid-implementation
vi. project completion survey (end of project evaluation) using the same questionnaires used for the baseline to allow for comparison against baseline results and enabling qualitative analysis (by beneficiary status, region and gender of household head) of PROSPER impact by interviewing a panel of households; and
vii. a project beneficiaries' database to be established by the PCU with detailed information about each beneficiary. The database (compactible with that of MoFA) will be consolidated at the PCU by the M&E unit and utilized for different purposes including sampling for the different surveys, tracking the beneficiaries' outreach as well as selection of beneficiaries to visit during field missions.

The ARB-APEX Bank which will be under the Project Investment Unit (PIU) of PROSPER will have their own information systems linked to the PCU M&E system. The PCU will take steps to ensure that the systems are able to support the PROSPER reporting requirements.

(c). Learning and Knowledge Management: Building on previous lessons, this project will ensure that:

i. project launch has visibility
ii. Knowledge Management (KM) indicators are included in the M&E system;
iii. solid information management systems (e.g. electronic archives) are set up;
iv. Knowledge Management related roles and responsibilities are clear in the PCU;
v. internal project learning and cross-project exchanges are facilitated; and
vi. organising exchanges occur with other projects and agencies through targeted workshops, and other activities to disseminate results, attract interest of other partners, replicate and scale up tested and documented innovations.

Knowledge management will play a central role in policy engagement, convening other donor partners and facilitating investment in nationwide replication in the future. A KM and communication strategy will be developed and integrated into PROSPER management. The strategy will identify the thematic areas of learning to be and outline how the knowledge generated will be disseminated through appropriate channels.

(d). Innovation: The Project will introduce a set of process and partnership innovations to spur on communication, increase employment, increase profitability and support scaling-up.

Process innovations will:

i. focus project implementation on clusters operation model; comprising of a group of communities in a manageable geographical area to ensure outreach of beneficiaries;
ii. Innovations involving the use of digital tools such as mobile money transfers, transmission of weather and price information, and dissemination of technologies through mobile phones can be scaled up during implementation of PROSPER. Ghanaians are now using the Ghana card with biometric features as the sole means of identification. This will help in farmer data compilation and help in targeting.

Partnership innovations and scaling up will include

i. The Business Advisory Centers and the recently developed Business Resource Centers are institutional structures created under the Rural Enterprise Programme to train MSMEs and provide business advisory services. These structures have become institutionalised and made an integral part of the district Assemblies and the newly created Ghana Enterprise Agency. They need to be consolidated and scaled up to help build the capacities of smallholder businesses to take advantage of opportunities under PROSPER.
ii. Both GASIP and REP designed a web-based M&E system to improve timely report on critical indicators for decision making and to show project results at any time during implementation. This will be replicated under PROSPER and implementation districts supported to adopt it in their reporting.

(e). Supervision, Mid-term Review and Completion plans: The Ministry of Food and Agriculture (MoFA), as the lead implementing agency, IFAD and other implementing partners will jointly carry out the **Mid-Term Review** (MTR) at the end of year four. The MTR will be based on, inter-alia, the Project Development Report, Procurement Plans, Reports of Supervision and Follow Up Missions, AWPBs, Progress Reports, Financing Agreements, evolving government policies and strategies, and additional data from commissioned studies. The MTR findings will be promptly communicated to the implementing agencies and in consultation with the GoG and partners to inform the necessary design and financing agreements adjustments. If needed, amendments to the design will be made to remove constraints and achieve the PROSPER objectives. The GoG will ensure that the MTR recommendations are implemented within the specified time and to the satisfaction of IFAD and MoFA. MoFA, as the lead project agency will be responsible for organizing the preparation of a **Project Completion Report** (PCR) and submit to the IFAD, after the Project Completion Date and no later than the Financing Closing Date. At PROSPER conclusion, a completion evaluation will be conducted as an input into the PCR through a formal survey, preferably undertaken by a neutral agency with no previous involvement in project implementation. The PCR should address PROSPER costs and benefits, achievement of objectives, impact on beneficiaries, partner performance and lessons learned.