



2008 ANNUAL WORK PLAN



Country: Ghana

- UNDAF Outcome :** Increased productive capacity for sustainable livelihoods, especially in the most deprived districts by 2010.
- Expected CP Outcome:** Increased production, productivity, and income and employment generating capacity in deprived sectors and districts.
- Expected CP Output:** Increased access of the poor, especially women, to financial and business development services.
- Implementing Partner:** Ministry of Finance & Economic Planning (MoFEP)
- Other Partners:** Ghana Microfinance Institutions Network (GHAMFIN) and the The ARB Apex Bank

Narrative

The overarching objective of the Capacity Building for MSMEs Project is to enhance opportunities for the growth and expansion of MSMEs and their capacity to provide employment, leading to poverty reduction. The project seeks to do this by working with other partners to address the multi-faceted problems of the MSME sector by creating an enabling environment for the provision of financial services to MSMEs as well as sector-specific business development support services to entrepreneurs.

The project is in support of the Government's vision of a private sector-led pro-poor growth as encapsulated in the GPRS II and the Private Sector Development Strategy and complements other UNDP supported capacity building initiatives on the implementation of the Private Sector Development Strategy and the Trade Sector Support Programme and public-private advocacy and dialogue, being implemented by the Ministry of Trade Industry, Private Sector Development & President's Special Initiatives (MOTIPSDPSI) and the Private Enterprise Foundation (PEF) respectively.

Programme Period:	2006-2010	Estimated annualized budget:	US \$ 500,000
Programme Component:	Wealth Creation and Sustainable Livelihoods	Allocated resources	
Intervention Title:	Capacity building for Micro, Small and Medium Enterprises	<ul style="list-style-type: none"> • Government • Regular TRAC US \$ 500,000 • Other 	
Project ID:	00051662	Unfunded budget:	
Duration:	1 Year	To be mobilised from Partner MFIs	US \$ 50,000

Agreed by MoFEP:

Mt Addo 18/04/08

Agreed by UNDP:

D. S. 17/04/08

PART 1: SITUATION ANALYSIS

Ghana's industrial and service sectors are characterized by a multiplicity of small and micro enterprises, often in the informal sector and with very few linkages to larger-scale companies. This situation has persisted mainly due to the lack of effective and sustained support for entrepreneurship development as well as the lack of properly defined, focused and pragmatic policies and strategies to harness the full potential of micro, small and medium scale entrepreneurs (MSMEs).

The MSME sector, which represents around 30 percent of the workforce, contributes to only around 6 percent of GDP. The Government of Ghana realizes that the development of this sector is imperative to realizing its growth and poverty reduction goals. For example, an annual real GDP growth of 5 percent is projected to reduce poverty to 32 percent by the end of 2007, and a per capita growth rate of just 2 percent will be sufficient to achieve the MDG poverty goal, given the country's significant progress on reducing headcount poverty. Despite its potential, the MSME sector continues to experience difficulties in accessing financial services. Access to medium to long-term finance is a key constraint to MSMEs' ability to grow and compete in the domestic or global markets. Although banks face conditions of over liquidity, most funds deposited are of short-term nature and commercial banks have few incentives to significantly expand lending to the MSME sector, long considered risky by the formal financial sector because of its history of high default rates. The high cost of doing business prevents MSMEs from expanding and reaching a size sufficient to compete in both domestic and world markets.

At the policy level, reforms have been initiated to create an enabling macro-economic, legal and regulatory environment for the private sector to operate effectively and efficiently. The experience of policy reforms in Ghana points to the fact that reforms by themselves are not sufficient to stimulate growth in the private sector. What is required is complementary strong institutional support that provides well-defined and targeted services to MSMEs to affect their productivity and growth and their capacity to provide employment and wealth.

PART II: STRATEGY

It is in pursuance of this, that the UNDP/GoG MSME intervention is designed with the overarching objective of increasing productivity of MSMEs, to enhance opportunities for their growth and expansion and their capacity to provide employment and wealth, leading to poverty reduction. The project will contribute to address the multi-faceted problems of the sector through the following interventions:

1. Fostering linkages with financial institutions to enhance access to financial services.
2. Providing sector-specific business development support services to MSMEs.

This intervention builds upon UNDP's work over the past eight years in enhancing access of the poor to financial services by building the capacity of Microfinance Institutions, through the provision of training, micro-capital grants and Management Information Systems. The current project complements the earlier financial services support with the provision of direct business development services to entrepreneurs. This broadening of the focus of UNDP support to MSMEs is in line with the thinking that although money is an important requirement for success in business, technical skills are key to success in business.

The project is in support of the Government's vision of a private sector-led pro-poor growth as encapsulated in the GPRS II and the Private Sector Development Strategy, and complements other UNDP supported capacity building initiatives on the implementation of the Private Sector Development

Strategy and the Trade Sector Support Programme, being implemented by the Ministry of Trade, Industry, Private Sector Development & President's Special Initiatives (MOTIPSDPSI) and the Private Enterprise Foundation (PEF).

The project will document its approaches, methodologies and results to gather information on lessons learnt and knowledge gained from the implementation of the Project. Using various stakeholder platforms such as the media, meetings and workshops, the information gathered will be disseminated to the MoFEP, various apex bodies, development partners and other stakeholders to inform on the revision, formulation and development of improved national policies, strategic frameworks and interventions that are critical for addressing the multifaceted challenges of the MSMEs sector. In this way, the MSME Project would provide Government and its key stakeholders, useful lessons and inputs for scaling-up the growth, development and productivity of the MSME sector.

Achievements to date

The 2008 AWP, coming midway of the implementation of the UNDP/GoG CPAP, builds on the achievements of the 2006 and 2007 AWPs as outlined below:

a. Capacity Building of Partner Microfinance Institutions (PMFIs)

- 15 MFIs, out of 28 from all over Ghana which expressed interest to participate in the Project, were short-listed for a further in-depth institutional analysis that enabled the project to select its 10 partner institutions. The review process also enabled the project to identify the Strength, Weaknesses Opportunities and Threats (SWOT) of each institution to guide the development of the project's capacity building interventions.
- Business plans spelling out the growth path, with projected performance targets (project outputs), and the corresponding capacity building requirements of each partner MFIs were also prepared.
- Baseline data of each PMFI's key performance indicators were captured to facilitate the tracking of the performance of the PMFIs in achieving the desired outputs and set targets of the project. The consolidated figures for best practice microfinance indicators for all 10 PMFIs were as follows:

Indicator	Baseline
No. of Loan Clients	72,728
Total Loan Portfolio (GH Cedis)	6,964,422
Savings Mobilization (GH Cedis)	6,485,636

- Participation agreements were signed between UNDP and GOG on the one hand and the ten (10) PMFIs on the other hand.
- A loan capital amount of GH¢10,000 was provided each institution.
- Capacity building training started with the delivery of two key training programmes in Governance and leadership and Microfinance Scheme design and operations.
- Loan tracking software requirements evaluation and specifications definitions were also conducted for the five FNGOs.
- As part of its support to the development of the microfinance sector, the project sponsored and played a lead role to review all existing microfinance training manuals with the view to developing standard and best-practice training manuals and programmes for the entire sector.

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b. BDS for PMFIs and MSMEs

1. A stakeholders' workshop identified **Market Development, Management Improvement, Production Technology improvement, Human Resource Development, Financial Management, Change Management, and Financial Risk Assessment and Management** as key BDS areas required by PMFIs and MSMEs to upgrade their skills to become more competitive and profitable to achieve accelerated **growth and transition to become larger scale businesses/companies**.
2. Following the above, 29 MSME owners were provided the EMPRETEC 10-day Entrepreneurship Development training that exposed the participants to the understanding of entrepreneurial behaviour with the view to making them more effective and efficient in any business endeavour and thereby enhance their profitability and growth.
3. Change management on-site training sessions were organized for 120 MSME clients at 5 PMFIs sites. This also exposed participants to business, behavioural and cultural concepts that needed to be modified in order to be more competitive and profitable.

Annex 2 presents the 2007 Monitoring Report which highlights the planned activities, expenditures, status of completion of the 2007 AWP activities and the extent to which the CP outputs for 2007 were achieved. The AWP Monitoring Report for 2007 shows that about 90% of the planned activities for 2007 were implemented, indicating that substantial progress was made by the MSME Project towards achieving the CP outcome of the Sustainable Likelihoods Project.

Challenges

Inadequate funding impeded the completion of two major AWP activities which were rescheduled to be completed in 2008.

Highlights of the 2008 AWP

The 2008 AWP will build upon the initial work done in 2006 and 2007. The actual provision of capacity building support for partner Microfinance Institutions and their MSME clients, which started in 2007, will continue. **The detailed activities have been outlined in the AWP for 2008 (see Annex 1)** involving capacity building training, microfinance sector and enabling environment development support and the provision of BDS support. These will seek to deliver the following **overall CP outputs**:

Output 1: Increased access of the poor, especially women, to financial services by building the capacity of ten (10) microfinance institutions to enable them provide sustainable and inclusive financial services to the poor.

In the year 2008, the Project will provide partner MFIs with funds for on-lending, capacity building in the form of training, IT equipment and infrastructure and also complement these with the services of technical service providers. On their part, the 10 PMFIs are expected to increase their loan portfolios as well as increase their client outreach to over 90,000 clients representing about 18,000 new clients, 70% being women entrepreneurs.

The project will continue to seek collaboration with other institutions such as the Millennium Development Authority (MiDA), MASLOC and SPEED Ghana to mobilize additional loan funds for PMFIs to enhance their ability to outreach more MSMEs.

Output 2: Microfinance sector and enabling environment development supported through collaboration with key GoG institutions and other development partner projects in the implementation of the national policy and strategy for the sector.

Working together with the MoFEP, SPEED Ghana, GHAMFIN, the ARB APEX Bank, the MiDA and other stakeholders, the Project shall:

- consolidate the efforts towards the creation of a robust Microfinance Forum in Ghana by providing substantive inputs and financial support to the forum;
- promote best practice reporting standards by training PMFIs on the MIX reporting format; and
- contribute to the standardization of training manuals for capacity building training as well as the quality of training delivery by consultants and other stakeholders.

Output 3: Business Development Services (BDS) to various categories of partner MFIs staff and about 100 MSME clients provided to complement the provision of financial services.

Capacity building training will be provided to MSME clients of PMFIs to enhance their productivity and growth and their capacity to provide employment and wealth for beneficiary MSMEs. It is projected that over 100 MSME clients business operations will be provided with training in key areas such as business and market development, risk assessment and management and technology improvement. It is expected that about 50% of the trained MSMEs will achieve at least 20% increased profitability and net worth in their business operations.

PART III: MANAGEMENT ARRANGEMENTS

The management arrangements of the UNDP/Ghana Government Country Programme Action Plan (CPAP) apply to this AWP. The project is to be implemented as a partnership between the Ministry of Finance and Economic Planning (MOFEP) and the United Nations Development Programme. MOFEP as Implementing Partner will provide leadership and direction for project implementation and will collaborate with UNDP and other key stakeholders in the sector. Collaboration will be sought with other UN agencies as appropriate. A Project Steering Committee (PSC), comprising representatives of MOFEP, UNDP, the Ministry of Trade and Industry, PSD & and PSI, GHAMFIN, the ARB Apex Bank and other stakeholders in the sector, shall be constituted to provide oversight for project implementation. A National Project Coordinator (NPC) will be responsible for project implementation, including coordination among the various stakeholders, monitoring and reporting.

PART IV: MONITORING AND EVALUATION

Day-to-day monitoring of project implementation will be the responsibility of the Project Coordinator, based on the attached Work Plan Monitoring Tool and its indicators. The Project Coordinator will inform the MoFEP and the UNDP-CO of any delays or difficulties faced during implementation so that the appropriate support or corrective measures can be adopted in a timely manner. The Project Coordinator in conjunction with the project partners will be responsible for the preparation and submission of the following reports that form part of the monitoring process.

a) Quarterly Progress Reports

The Project would be subjected to quarterly Project Steering Committee meetings devoted to reviewing of progress in project implementation, technical reports and to approving work plans. Project Steering Committee review reports outlining main updates in project progress will be provided quarterly to the UNDP Country Office by the steering Committee.

b) Technical Reports (output specific - optional)

Technical Reports are detailed documents covering specific areas of analysis or scientific specializations within the overall project. The project team will prepare a draft Reports List, detailing the technical reports that are expected to be prepared on key areas of activity during the course of the Project, and tentative due dates. Where necessary, this Reports List will be revised and updated, and included in subsequent APRs. Technical Reports may also be prepared by external consultants and should be comprehensive, specialized analysis of clearly defined areas of research within the framework of the project and its sites. These technical reports will represent, as appropriate, the project's substantive contribution to specific areas, and will be used in efforts to disseminate relevant information and best practices at local, national and international levels.

Audit Clause

Annual audits will be conducted by the legally recognized auditor of the Government, or by a commercial auditor engaged by the Government according to the established procedures set out in the Programming and Finance manuals.

PART V: RISKS

1. Financial
 - Availability and timely release of project funds.
 - Unavailability of funds for MSMEs lending will affect the 50% of all trained SME in BDS achieving increased profitability and net worth and the projected number of new clients estimated at 18,000.

Mitigating factors

 - Timely formulation and approval of AWP by end of year.
 - Regular budget revisions.
 - Project to embark on additional external resource mobilization facilitated by UNDP.

2. Operational
 - Timely formulation and approval of annual workplans.

Mitigating factor

 - AWP are prepared and approved by mid-January each year and should be reviewed bi-annually.

3. Organizational
 - Provision of sustainable financial services to MSMEs is contingent on the effective performance of the Microfinance institutions whose capacity is being built as part of the Project.

Mitigating factors

 - Capacity building to enable MFIs operate effectively to achieve financial and operational self efficiency.

- Early detection of non-performing MFIs through mandatory quarterly reporting on standard reporting formats and use of loan tracking software to enhance tracking of portfolio quality.

PART VI: LEGAL CONTEXT

This Project Document shall be the instrument referred to as such in Article I of the Standard Basic Assistance Agreement between the Government of the Republic of Ghana and the United Nations Development Programme, signed by the parties in November, 1978. The host country implementing agency shall, for the purpose of the Standard Basic Assistance Agreement, refer to the government co-operating agency described in that Agreement.

The UNDP Resident Representative in Ghana is authorized to effect in writing the following types of revision to this Project Document, provided that he/she is assured that the other signatories to the Project Document have no objection to the proposed changes:

- a) Revision of, or addition to, any of the annexes to the Project Document;
- b) Revisions which do not involve significant changes in the immediate objectives, outputs or activities of the project, but are caused by the rearrangement of the inputs already agreed to or by cost increases due to inflation;
- c) Mandatory annual revisions which re-phase the delivery of agreed project inputs or increased expert or other costs due to inflation or take into account agency expenditure flexibility; and
- d) Inclusion of additional annexes and attachments only as set out here in this Project Document.