



2009 Annual Work Plan



Ghana

PRIVATE SECTOR DEVELOPMENT

- UNDAF Outcome(s):** Increased productive capacity for sustainable livelihoods, especially in the most deprived districts by 2010
- Expected CP Outcome(s):**
 - Outcome 3:** Ghana's private sector competitiveness and growth enhanced
 - Outcome 9:** Increased production, productivity and income generating capacity in deprived sectors and districts
- Expected CP Outputs:**
 - Output 3.1:** Capacity of key ministries and private sector business associations to implement the Private Sector Dev. Strategy (PSDS) developed
 - Output 3.2:** Micro-finance policy and strategic framework developed
 - Output 9.1:** Increased access of the poor, especially women, to financial and business development services.
 - Output 9.2:** Capacity of Micro Small and Medium Enterprises (MSMEs) strengthened.
 - Output 9.3:** Corporate Social Responsibility promoted through the Global Compact platform
- Implementing partner:** Ministry of Finance and Economic Planning
- Other Partners:** Ministries of Trade and Industry, Private Enterprise Foundation, GHAMFIN, ARB - Apex Bank, UNIDO, UNCDF

Narrative

This Annual workplan is in line with the national vision of a private sector-led pro-poor growth as encapsulated in the GPRS II and the Private Sector Development Strategy. The AWP supports the capacity development of Ministry of Trade and Industry (MOTI), the restructuring of the NBSSI and supports PEF to undertake private sector-led activities geared towards strengthening the capacity of private sector business associations to advocate and dialogue with Government. At the firm level, the AWP supports the capacity building of microfinance institutions so that the supported institutions would in-turn provide microfinance/financial services to MSMEs. It further supports the transfer of business development skills and know-how to PMFIs staff and MSMEs so to enhance their entrepreneurial, management and technical know-how for increased productivity and competitiveness.

Programme Period: 2006-2010
 Programme Title: Private Sector Development
 Duration: 2009 (1 Year)

Estimated annualized budget:	US\$ 780,000
Allocated resources:	_____
• Government	_____
• Regular	US\$ 730,000
• Others Partner MFIs	US\$ 50,000
Unfunded budget:	_____

Agreed by the Implementing Partner: *Walter Boateng* 16/04/09.
 Agreed by UNDP: *[Signature]* County Director *April 07 2009*

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PART I: SITUATION ANALYSIS

Private sector-led pro-poor national development is one of the key pillars of the Growth and Poverty Reduction Strategy (GPRS) II and key to Ghana attaining the MDGs and propelling the economy into a leading agro-industrial country in Africa with middle-income country status by 2015.

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).

There is the "realization that the savings, investment and innovation that lead to development are undertaken largely by private individuals, corporations and communities. The private sector can alleviate poverty by contributing to economic growth, job creation and poor people's incomes. Small and medium enterprises can be engines of job creation - seedbeds for innovation and entrepreneurship. But in many poor countries, small and medium enterprises are marginal in the domestic ecosystem. Many operate outside the formal legal system, contributing to widespread informality and low productivity"¹.

Ghana's MSME sector represents around 30 percent of the workforce but contributes only about 6% of Gross Domestic Product (GDP). Despite its potential to Ghana's growth and poverty reduction goals, the MSME sector continues to experience a number of challenges. Some key policy, institutional and structural factors which continue to constrain Ghana's private sector from operating effectively are:

- A harsh macro-economic environment, high cost of borrowing and inadequate credit inhibits access to finance
- Institutional rigidities such as cumbersome customs procedures for clearing imports and other administrative procedures, poor infrastructure e.g. roads telecommunications electricity and water supplies;
- A weak public service and ineffective systems of business registration and tax administration; and
- Globalisation has also imposed intense competitive pressures in the way countries and companies do business in world markets. Any business therefore seeking to expand and grow, particularly through exporting, must understand and master value/supply chains to take advantage of them.

To address some of the challenges facing the private sector, a 5-year National Medium-term Private Sector Development Strategy (PSDS; 2004-2008), covering major reforms in trade policy and investment law, commercial justice, business registration, business law, public sector service delivery and land administration, among others is being implemented. Additionally, a Trade Policy and its detailed 5-year implementation plan, called the Trade Sector Support Programme (TSSP) which is intended to fully address all the specific policy prescriptions in the Trade Policy in a systematic and integrated way is also underway.

The PSDS has the overall goal of creating an environment where businesses can operate competitively, and where the private sector is stimulated to take risks, innovate and diversify. Specifically the PSDS aims at achieving the following objectives:

- Enhancing Ghana's position in global and regional markets;

¹UNDP "Unleashing Entrepreneurship: Making Business Work for the Poor", 2004.

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- Improving the efficiency and accessibility of national markets;
- Increased competence and capacity at the firm level; and
- Strengthening government's capacity for private sector policy formulation, implementation and monitoring and evaluation.

Development partners support the PSDS/TSSP through a Pooled Funding mechanism from the Multi Donor Budget Support (MDBS) partners and Aligned Funding from non-MDBS partners such as UNDP, USAID, GTZ and JICA. UNDP supports the PSDS as an aligned donor.

PART II: STRATEGY

Under the current UN Development Assistance Framework (UNDAF) and Country Programme Action Plan (CPAP), UNDP's support to private sector development contributes to two outcomes of "Increased production, productivity and income generating capacity in deprived sectors and districts" and "Ghana's private sector competitiveness enhanced". UNDP's support is in line with the national vision of a private sector-led pro-poor growth as encapsulated in the GPRS II and the Private Sector Development Strategy and seeks to:

1. Support the implementation of the PSDS/TSSP,
2. Promote public-private sector advocacy and dialogue; and
3. Enhance firm-level competence and capacity through and the provision of Microfinance and Business Development Support for Medium Small and Micro Enterprises (MSMEs).

The 2009 Annual Workplan seeks to consolidate and build upon achievements made in 2006 to 2008. The Annual Workplan will be implemented in close collaboration with UN Agencies, particularly UNIDO and UNCDF.

The highlights of Progress made and key achievements and challenges since 2006 are as follows:

Progress made and key achievements

1.1 PSDS/TSSP implementation

- The establishment of M&E Coordinating Bureau in Ministry of Trade and Industry (MOTI); development and installation of licensed Management and Information System (MIS) to track the progress of implementation of the PSDS and training of relevant staff of key Ministries, Departments and Agencies (MDAs) in its use.
- Review of National Bureau for Small Scale Industries (NBSSI) completed and draft restructuring plan and institutional reform program developed. This will be reviewed and endorsed by stakeholders in early 2009 for implementation.
- Business Plan for the US \$ 15 million Ghana Diaspora Equity Fund (GEDF) prepared and jointly approved by MOTI & Min of Finance & Economic Planning. Sourcing of finance for its incorporation offshore and the establishment of legal and institutional framework and investment promotion being considered under the World Bank funded MSME Project.

1.2 Public-Private Sector Advocacy and Dialogue

- Private Enterprises Foundation (PEF) has become a key player in the national development process particularly in the area of the private sector development. It has institutionalized and sustained the review of the economy from a private sector perspective and public/private dialogue with the presidency and key members of the executive.
- PEF provided inputs and participated in key national and international development dialogue platforms such as the UNCTAD XII and the 3rd High Level Forum on Aid effectiveness. The outcome of the Forum was shared with large private sector operators for better understanding of the implications of global policies on the national business community.
- Increased awareness and training to enhance Ghana's participation in the UN Global Compact on Corporate Social Responsibility. A global Compact Local network website was developed.

1.3 Enhance Firm-Level Competence and Capacity

- The Capacity Building of MSMEs Project, with a focus on enhancing opportunities for growth and expansion of enterprises to provide employment and reduce poverty, provided training for over 120 representatives from partner microfinance institution (MFI) in the area of Governance & Leadership, Portfolio Analysis & Delinquency Management, Management Information System (MIS), Internal Controls, & Fraud Prevention, Micro-finance scheme design and implementation and finally Financial Analysis and Management.
- Headquarters of the 5 participating NGOs were computerized and loan portfolio management (loan Performer) software installed to track loans and clients performance.
- The MFIs have received capital grants totaling GHS 190,000 between 2007 and 2008. In the period the MFIs have increased their number of borrowers from a baseline of 33,734 to 52,823 (94% female). The total amount of loans granted have also increased from GH¢3,490,531 to GH¢6,955,192.
- 316 Micro, Small, and Medium Enterprises (MSME) clients (57% female) of the MFIs have received training to enhance their skills and knowledge in entrepreneurship development, change and relationship management, market access and development.

Key Challenges

- High dependence on Development Partners (DPs) and Technical Advisors for the implementation of the PSDS does not engender capacity in MOTIPSD for the sustained and effective co-ordination of implementation of the PSDS.
- High staff turnover after training threatens the MFIs performance.
- MFIs were unable to access adequate on-lending funds to match the capacity building support being given.
- Delays in Millennium Challenge Account (MCA)/Association of Rural Banks (ARB) Apex Bank's computerization of the Rural Banks have affected effective loan tracking by Rural Banks.
- High dependence of Private Enterprise Foundation (PEF) activities on DP support.

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Highlights of the 2009 AWP

The Key Result Areas of the 2009 AWP and their respective activities are as follows:

Output 1: National Private Sector Development Strategy and Trade Sector Support Programme Implemented

1.1 Capacity building of MOTI

A prerequisite for the success of any public sector reform program is the availability and quality of human resources, empowering the staff of the MOTI with the necessary technical & management skills and the right mindset is, therefore, imperative for the effective implementation of the PSDS and TSSP. This activity would also cover research and development necessary for the effective execution of the planned activities. The focus of the capacity building support will be the SME Bureau of MOTI.

1.2: National Board from Small Scale Industry (NBSSI) Restructuring

One of the main institutional reform policy prescriptions required to be implemented by the MOTI under the TSSP is the re-organization of key MDAs such as the National Board from Small Scale Industry (NBSSI), Ghana Standards Board and the Ghana Export Promotion Council.

The 2009 AWP will enable the Ministry conclude the NBSSI restructuring exercise, to strengthen this lead public sector agency with the mandate for supporting small and medium enterprise development as well as entrepreneurship development. The key activities will be the validation and finalization of Restructuring Plan and Implementation Action Programme and an amendment bill or proposed new legislation for NBSSI. The expected impact will be more devolution of services to the district level and a strong institutional mechanism for supporting industrial policy implementation and financial intermediation and specialized technical backstopping for small and micro enterprises.

Output 2: Capacity of Private Sector Business Associations Strengthened

2.1 Public/Private Sector Advocacy and Dialogue

The Private Enterprise Foundation will continue to conduct reviews of the Budget and Economic Policy Statement of the Government and the performance of the economy, as well as the impact of the budget on private sector development and make recommendations for ensuring an enabling environment for private sector development. These reviews will serve as a basis for advocacy and dialogue between the private sector and government.

The presentation of the 2009 Budget and Economic Policy statement of the Government of Ghana will also afford the private sector an opportunity to review the document and make recommendations to address inherent challenges it may present. A mid-year review of the performance of the economy from the private sector perspective will thus be conducted to ascertain the trend of businesses growth. Advocacy meetings between the private sector and the Ministry of Trade and Industry will be held to dialogue on the challenges facing the sector and the way forward for an improved public-private partnership. Other advocacy meetings with relevant MMDAs will also be held. The review will also enable the private sector identify key business opportunities in the public sector.

2.2 Development of a Strategic Plan for Private Enterprise Foundation (PEF)

In line with the recommendations of the Capacity Assessment undertaken of PEF, a Strategic Plan will be formulated to guide the medium term development of the private sector business association to enable it perform its mandate effectively and in a sustainable manner.

2.3 Corporate Social Responsibility

This activity seeks to promote Corporate Social Responsibility as well as partnership with the private sector using the UN Global Compact Approach. Key planned activities include introductory workshop for CEOs of signed-on companies and institutions to expose them to the principles of the Global Compact, and help raise the commitment of CEOs to the work of the Global and that of the local network. A framework on alternative livelihoods will be developed to revitalize the interest of mining companies to support mining communities and promote actions consistent with community empowerment initiatives.

Output 3: Firm Level Competence and Capacity Enhanced

Capacity building support for Partner Microfinance Institutions (PMFIs) and their MSME clients, which started in 2007 and 2008, will continue with the primary objective of enhancing access of MSMEs to microfinancing. Business Development Skills support will also be provided Partner Microfinance Institutions (PMFIs) staff and MSMEs to enhance their entrepreneurial, management and technical know-how for increased productivity and competitiveness. This output will therefore have two sub-outputs:

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
2. Increased access to Business Development Skills and knowledge through training of MSMEs and staff of Partner Microfinance Institutions.

3. 1: Increased access of the poor, especially women, to financial services by building the capacity of ten (10) already engaged microfinance institutions to enable them provide sustainable and inclusive financial services to the poor.

Capacity Building Support for MFIs will include:

- **Training:** Emphasis will be on peer-to-peer learning, involving quarterly meetings of key personnel (Supervising and Credit Managers) of the MFIs to discuss and exchange ideas to enhance overall performance. To complement this, in-house technical assistance support using Freedom from Hunger (FH)'s Credit With Education (CWE) scheme, operations, monitoring and reporting will be provided as a cross-cutting post-generic training support to address deficiencies and gaps identified in the post training assessment report.
- **IT support:** Emphasis will be on technical assistance to ensure that the Loan Performer software is operational and working efficiently to support all 5 beneficiary Partner Microfinance Institutions. Therefore, short-term training and in-house hands on support for efficient use of the software in portfolio tracking and accounting transactions reporting will be provided.

- **Funds for On-lending:** On-lending funds, is the greatest obstacle confronting the sector and the PMFIs. Now that the technical and managerial competencies of the PMFIs have been relatively enhanced from the prior years' workplan training activities, funding will be provided to the PMFIs to emphasize the Project's objective of enhancing greater access to financial resources by MSMEs. Efforts will also be made to seek collaboration with other institutions such as the Millennium Development Authority (MiDA) and Support Programme for Enterprise Empowerment Development (SPEED) Ghana to mobilize additional commercial loan funds currently available in the sector for MSMEs financing. On the long term sustainability of the grant funds being provided by UNDP, discussions has concluded that UNDP and the Ministry of Finance and Economic Planning will dialogue with key stakeholders (e.g. the Ghana MicroFinance Institutions Network: GHAMFIN, ARB APEX Bank etc.) on how the grant funds will be channeled into a revolving fund for microfinance institutions to enable more institutions to benefit from the fund. The experience and expertise of the UNCDF will be sought and brought to bear on the establishment of such a fund.

On their part, the 10 PMFIs are expected to increase their loan portfolios as well as increase their client outreach to over 72,011 by December 31, 2009 from the December 31, 2008 figure of 58, 600. The total number of borrowers is also projected to increase from 52,823 as of December 31, 2008 to 65, 311 by December 31, 2009. 94% of clients and borrowers are projected to be women entrepreneurs.

- **Microfinance Sector and Enabling Environment Development Support:** The Project will work with other stakeholders including the Grameen Foundation of the USA, GHAMFIN, SPEED Ghana and the financial services unit of the MoFEP to support the training of staff and management of Partner Microfinance Institutions in the Microfinance Information Exchange (MIX) reporting. Working with these stakeholders, the Project will continue to contribute to the activities of the National Microfinance Forum and support the finalization and implementation of the Ghana Microfinance Policy, as well as the organization of the Microfinance Conference by the University of Cape Coast. The Project will also continue to contribute to the standardization of training manuals for capacity building training.

3.2 Increased Access to Business Development Skills and Knowledge by MSMEs and staff of partner Microfinance institutions

- The Project will extend its skills and knowledge transfer training in entrepreneurship development, financial risks assessment and management, market development and access etc to the remaining partner PMFIs' staff and their MSMEs clients who have not yet received this support. The support is to make them more capable to compete, survive and grow by taking advantage of opportunities in the market place. It is projected that over 100 MSMEs will be covered in 2009.

PART III: MANAGEMENT ARRANGEMENTS

Management arrangement of the UNDP and Government of Ghana Country Programme Action Plan (CPAP) applies to this AWP. The project is to be implemented as a partnership between UNDP and the Ministry of Finance and Economic Planning (MoFEP). MoFEP as the lead Implementing Partner will be responsible and accountable for the overall reporting of the project progress and finance. Output 1 will be implemented by MOTI, Output 2 by PEF and Outputs 3 and 4 by the Project Management Unit on behalf of MoFEP.

MOTI and PEF will submit funding requests directly to UNDP. However, in terms of reporting, MoFEP will consolidate the financial report at the end of every quarter for submission to UNDP. MoFEP as the Implementing Agency will provide coordination and direction for project implementation and will collaborate with MOTI, PEF and other private sector business associations, UN Agencies, MDAs and CSOs as appropriate.

Project Board (Steering Committee)

A Project Board (PB) will be set up to provide strategic guidance and direction for project implementation. The PB is the highest coordination body set up for the supervision of overall project activities and the achievement of its outcomes. It will also decide on issues such as the prioritization of project activities and shifts in strategic direction when required. The PB will be co-chaired by UNDP and MoFEP, and will include other partners such as MOTI, PEF, GHAMFIN, ARB-APEX Bank. The members will meet on a quarterly basis to review performance and approve quarterly workplans and budgets.

MoFEP will assign a Co-ordinator for the project and provide other requisite personnel to ensure the smooth implementation of the Project. MOTI and PEF will assign Component Managers. The National Project Coordinator (NPC) will be responsible for co-ordinating project implementation, including liaison among the various partners; monitoring and reporting.

PART IV: MONITORING AND EVALUATION

Day-to-day monitoring of project implementation will be the responsibility of the Implementing Partner (MoFEP) and project partners namely MOTI and PEF; based on the attached Results and Resources Framework and its indicators. The Project Coordinator will inform the MoFEP and UNDP 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 Component Managers from 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 Project Board meetings devoted to reviewing of progress in project implementation, technical reports and to approving work plans. The PB will review reports outlining main updates in project progress and approve it for submission to the UNDP Country Office.

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 AND MITIGATING FACTORS

1. Financial
 - Availability and timely release of project funds.
 - Unavailability of funds for MSMEs lending will affect the 50% of all trained MSMEs 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's by end of year.
 - Regular budget revisions.
 - Project to embark on additional external resource mobilization facilitated by UNDP.
2. Political
 - Post-election administrative changes in the hierarchies of MDAs could slow down project progress as the newly appointed officers would take time to acquaint themselves with the project.
 - Mitigating factors
 - Strong involvement of Chief Directors and key technical personnel in AWP formulation and early briefing of new officials.
3. Operational
 - Timely formulation and approval of annual workplans.
4. 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.
 - Support of PEF Governing Council and Management for Strategic Plan process

- 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.