Signed By Authorized Representative of Bank of Ghana
Ву:
Name:
Date:
Signed By Authorized Representative of PFI
By:
Name:
Date:



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IMPLEMENTING ENTITY AGREEMENT

This IMPLEMENTING ENTITY AGREEMENT (the "Agreement") is made as of 13th September, 2007 by and between Millennium Development Authority, a public entity organized under Ghanaian law ("MiDA") and the Bank of Ghana (the "Implementing Entity" or "BoG"), and shall become effective as provided herein. MiDA and the Implementing Entity are referred to herein individually as a "Party" and together as the "Parties."

RECITALS

WHEREAS, the United States of America, acting through the Millennium Challenge Corporation ("MCC"), and the Government of the Republic of Ghana (the "Government") executed the Millennium Challenge Compact on August 1, 2006 (the "Compact") that sets forth the general terms and conditions on which MCC will provide funding of up to US\$547,009,000 ("MCC Funding") to the Government for a Millennium Challenge Account program to reduce poverty through economic growth in Ghana;

WHEREAS, pursuant to (a) Section 3.2 of the Compact and (b) that certain Governance Agreement dated 16th February 2007 among MCC, the Government acting through the Ministry of Public Sector Reform, and MiDA, the Government has designated MiDA to assume and carry out certain governmental rights, responsibilities and duties under the Compact, including the execution, delivery and performance of this Agreement;

WHEREAS, pursuant to Section 3(f) of Annex I of the Compact, MiDA may engage one or more entities to implement and carry out any Project, Project Activity (or a component thereof) or any other activities to be carried out in furtherance of the Compact;

WHEREAS, the Implementing Entity is the Central Bank of the Government that has the sector expertise relevant to, and is suited to implement the Credit Activity and Financial Services Activity (the "Project") as set forth in Section 2(e) of Schedule 1 of Annex I and Section 2(c) of Schedule 3 of Annex I of the Compact, the implementation and administration of which is more particularly described in the Implementation Documents for the Project (together with all related implementation plans and any components thereof, as amended, modified or updated from time to time, the ("Project Implementation Documents")); and

WHEREAS, Section 3(f) of Annex I of the Compact provides that the Government shall ensure that MiDA enters into an agreement with each Implementing Entity, in form and substance satisfactory to MCC, which such agreement shall set forth the roles and responsibilities of such Implementing Entity and other appropriate terms and conditions.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

THIS DOCUMENT CONTAINS MILLENNIUM CHALLENGE ACCOUNT INFORMATION. IT IS CLASSIFIED AS FOREIGN GOVERNMENT INFORMATION PURSUANT TO E.O. 12958 AND 32 C.F.R. PART 2001. MODIFIED HANDLING IS AUTHORIZED. This information may be mailed or transmitted over unsecured phone lines, and stored on unclassified computer systems. It must be stored in a locked or secured building, room, or cabinet.

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ARTICLE I IMPLEMENTATION FRAMEWORK

Section 1.1 <u>Authorization and Appointment.</u>

- (a) MiDA hereby authorizes and appoints the Implementing Entity to perform, in accordance with the terms and conditions of this Agreement, the Implementing Entity Responsibilities (as described in Section 1.2(b)); provided, however, the aforementioned authorization and appointment shall not relieve (i) MiDA of any of its Designated Rights and Responsibilities or other rights and responsibilities under any Principal Compact Agreement or other Supplemental Agreement, or (ii) the Government of any of its Government Responsibilities or other obligations or responsibilities under any Principal Compact Agreement or other Supplemental Agreement.
- (b) The Implementing Entity shall report and communicate directly with the Director of Agricultural Transformation Program or such other authorized MiDA representative as may be designated in writing by MiDA from time to time.

Section 1.2 <u>Project Implementation Documents; Duties.</u>

- (a) MiDA shall, promptly after the execution of this Agreement, (i) deliver to the Implementing Entity true and correct copies of the Principal Compact Agreements and any relevant Project Implementation Documents, (ii) timely provide any additional information and documentation that the Implementing Entity may reasonably request from time to time (including any amendments to, modifications of or updates to the Project Implementation Documents) that is reasonably necessary to enable the Implementing Entity to perform the Implementing Entity Responsibilities, and (iii) provide any assistance and cooperation as the Implementing Entity may reasonably request from time to time, in each case, that is reasonably necessary to enable the Implementing Entity to perform the Implementing Entity Responsibilities.
- (b) The Implementing Entity shall provide the services, perform the obligations and undertake the responsibilities (i) described in Annex I attached hereto, and all those incidental and necessary for the completion thereof, (ii) as otherwise provided in this Agreement, and (iii) such other obligations and responsibilities as the Parties may otherwise agree to in writing from time to time in a manner consistent with the terms of the Project Implementation Documents ((i), (ii) and (iii) collectively, the "Implementing Entity Responsibilities").
- (c) The Parties may amend the Implementing Entity Responsibilities only by written agreement signed by the Principal Representative of each Party; *provided, however*, to the extent that such amendment is material, such amendment shall not be effective without prior written approval of MCC.
- Section 1.3 <u>Standard of Performance.</u> The Implementing Entity shall perform its duties and obligations under this Agreement in a timely and cost-effective manner, with the highest standard of care, diligence and efficiency, and in compliance with professionally sound administrative,



technical, financial and management practices required for the successful provision of services and oversight under this Agreement, and in a manner otherwise consistent with the requirements of the Principal Compact Agreements.

Section 1.4 Financial Management; Procurement. The obligations and responsibilities of the Parties in connection with financial management and procurement in connection with this Agreement shall be as set forth in Annex II attached hereto and otherwise in accordance with the Principal Compact Agreements. The Parties may amend Annex II only by written agreement signed by the Principal Representative of each Party; provided, however, to the extent that such amendment is material, such amendment shall not be effective without prior written approval of MCC.

Section 1.5 Monitoring and Evaluation.

- (a) The Implementing Entity shall (i) take any and all actions to ensure the proper and timely collection of all data related to the relevant performance indicators, baselines and targets of the M&E Plan as such M&E Plan is applied to the Project, as such M&E Plan may be amended from time to time, (ii) comply with the requirements of all evaluations described in the M&E Plan as such M&E Plan is applied to the Project and any applicable interim evaluations as described in Annex III of the Compact, as each may be amended from time to time, and (iii) provide all reports, data and documentation as may be necessary or requested by MiDA for the compliance by the Government with its obligations under the M&E Plan as such M&E Plan is applied to the Project, as such M&E Plan may be amended from time to time, including as more specifically set forth in Section (I)(E) and (II)(C) of Annex I hereto.
- (b) The Implementing Entity shall provide any data or information or take such other action reasonably requested by the Director of Monitoring & Evaluation of MiDA or their respective agents or representatives in connection with the monitoring and evaluation of the Project, including as set out in Section (I)(E) and (II)(C) of Annex I attached hereto during the term of this Agreement and for a period of one (1) year, or such other period as the Parties may otherwise agree, following the termination or expiration of this Agreement in connection with the Final Evaluation of the Program.

Section 1.6 <u>Environmental Impact Assessment.</u>

- (a) The Implementing Entity shall comply (i) with the Environmental Guidelines attached to the Operations Manual, Annex A and implement environmental mitigation activities in accordance with any relevant EMP, and (ii) the Environmental Protection Agency Act 1994 (Act 490).
- (b) The Implementing Entity shall provide any data or information or take such other action reasonably requested by the Director of Environmental & Social Impact or their respective agents or representatives in connection with any environmental impact assessment of the Project, including as set out in Section (I)[A](5) of Annex I attached hereto and in accordance with Section 2.5 hereof, during the term of this Agreement and for a period of one (1) year, or such



other period as Parties may otherwise agree, following termination or expiration of this Agreement in connection with Final Evaluation of the Program.

Section 1.7 Fees.

- (a) The Implementing Entity shall not be entitled to, and shall not receive, any payment of fees for the services provided hereunder; *provided*, *however*, that the Implementing Entity shall be reimbursed for certain costs and expenses and other direct charges in connection with this Agreement and the services contemplated hereunder as set forth, and subject to, the Detailed Budget for the Project.
- (b) Notwithstanding the foregoing, MiDA shall provide to the Implementing Entity, in-kind resources consistent with the Detailed Budget for the Project in satisfaction of the resource needs of the Implementing Entity for the provision of services contemplated under this Agreement, such resources (i) to be utilized for the primary purpose of the Program and solely in furtherance of the Compact in accordance with Section 2.3(i) of the Compact, unless otherwise agreed by the Parties with the prior written consent of MCC, and (ii) to cover the categories and amounts of resource needs as set forth in Annex III, such categories and resource needs to be reviewed and adjusted on a periodic basis by the Parties.

ARTICLE II COVENANTS OF THE IMPLEMENTING ENTITY

Section 2.1 <u>Compact Documents; Applicable Laws; Guidelines.</u> In the performance of its duties and obligations under this Agreement (including the Implementing Entity Responsibilities), the Implementing Entity shall comply with (i) the relevant terms of (A) this Agreement, including the Annexes hereto, (B) the Principal Compact Agreements, and (C) the Implementation Documents; (ii) all applicable laws; and (iii) any guidelines, instructions or procedures provided by MiDA from time to time.

Section 2.2 <u>Use of MCC Funds; Taxes; and Other Restrictions.</u>

(a) The Implementing Entity shall ensure that the use or treatment of MCC Funding and utilization of program assets complies with all of the requirements for, and is consistent with the limitations on, the use or treatment of MCC Funding set forth in the Compact, including Sections 2.3, 2.4, 3.4(d), 3.6 and 3.8 of the Compact, the other Principal Compact Agreements, any relevant Supplemental Agreement or Implementation Letter, applicable law or U.S. government policy. The Implementing Entity shall also comply with the restrictions related to certain prohibited activities or other requirements, including those that would be the basis for termination of the Compact under Section 5.4 of the Compact, as such restrictions may be posted from time to time on the MCC Website. A summary of the applicable limitations on the use or treatment of MCC Funding and other prohibited activities or other requirements included in the Compact may be found on the MCC Website at

www.mcc.gov/guidance/compact/funding limitations.pdf. The Implementing Entity shall comply with the provisions set forth in paragraphs E through G of the General Provisions Annex, which are incorporated herein by reference. The General Provisions Annex may be found on the

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MCC Website at www.mcc.gov/guidance/ compact/general provisions.pdf (the "General Provisions Annex"). For purposes of this Agreement, references to the Contract Party in the General Provisions Annex shall be deemed to be references to the Implementing Entity and references therein to the MCA Entity shall be deemed to be references to MiDA.

- (b) The Implementing Entity shall (i) promptly submit all documentation to the applicable authority for the reimbursement of any Taxes paid, and (ii) promptly notify the Fiscal Agent of any Taxes paid and cooperate fully with the Fiscal Agent in connection with any action to seek reimbursement of Taxes.
- Section 2.3 <u>Licenses</u>. The Implementing Entity shall obtain all necessary immigration. business and other permits, licenses, consents, and approvals ("Licenses") to enable the Implementing Entity and its personnel to perform fully its obligations under this Agreement; provided, however, that no MCC Funding shall be used to pay Taxes for any such Licenses.

Section 2.4 Subcontracts; Flow-Through.

- (a) The Implementing Entity may not enter into any subcontract with, or grant a subaward to, any other entity or Government Affiliate without the prior written consent of MiDA and MCC. Upon receipt of such written consent, the Implementing Entity may enter into subcontracts or sub-awards with other entities or Government Affiliates in order to carry out certain requirements of this Agreement subject to the scope set forth in the aforementioned written consent; provided, however, such subcontracts or sub-awards shall be solicited, awarded, managed, and administered consistent with Section 3.6 of the Compact, the Principal Compact Agreements, the Procurement Plan, and the requirements of this Agreement.
- (b) In any subcontract or sub-award entered into by the Implementing Entity in accordance with this Section 2.4, the Implementing Entity shall ensure the inclusion of relevant provisions consistent with the requirements of this Agreement, the Compact and the other Principal Compact Agreements, including (A) MCC status and rights (including those set forth in Section 5.15 of the Compact and Section 7.5 of this Agreement), (B) limitations on use or treatment of MCC Funding (including those set forth in Sections 2.3, 2.4 and 3.4(d) of the Compact and Section 2.2 of this Agreement); (C) procurement (including those set forth in Section 3.6 of the Compact and this Section 2.4); (D) records, reports and information, access, audits and reviews (including those set forth in Sections 3.8 and 3.12 of the Compact and Section 2.6 of this Agreement); (E) compliance with rules on prohibited activities and restricted parties (including as set forth in Section 3.4(d) of the Compact); (F) publicity, information and marking (including those set forth in Section 5.17 of the Compact and Section 7.13 of this Agreement); (G) insurance (including those set forth in Section 3.9 of the Compact and Section 2.8 of this Agreement); (H) conflict of interest (including Section 2.10 of this Agreement); and (I) inconsistencies (including Section 7.6 of this Agreement), as well as any other terms and conditions MiDA, solely upon the written instructions of MCC, may require from time to time. The form of the applicable provisions described in (A) through (I) of this Section 2.4(b) may be found in the General Provisions Annex. MiDA, with the written consent of MCC if required by the Principal Compact Agreements or any applicable Supplemental Agreement, shall approve the relevant contracts and any material modifications thereto. In any contract managed and



administered by the Implementing Entity, whether entered into by MiDA or otherwise, the Implementing Entity shall manage and administer such contracts consistent with the Principal Compact Agreements and the requirements of this Agreement and shall ensure and oversee the compliance with the applicable contract including those provisions referenced in (A) through (I) above.

Section 2.5 <u>Certifications and Other Information Requests; Approvals; Actions.</u> The Implementing Entity shall provide such certifications, approvals, information and documents or take such other actions (a) necessary for any MCC Disbursement or Re-Disbursement, in accordance with the applicable requirements contained in the Disbursement Agreement and this Agreement, (b) required in furtherance of or related to the Principal Compact Agreements or the Implementation Documents, (c) as designated to the Implementing Entity in Annex I hereto (such approvals or certifications shall be solely in the context and as appropriate in the course of performing the Implementing Entity Responsibilities), or (d) as may reasonably be requested by MiDA from time to time. With respect to any request by the Implementing Entity for approval of a matter submitted to MiDA, the Implementing Entity shall submit in writing a recommendation to MiDA in connection with the matter.

Section 2.6 Records and Information; Access; Audits; Reviews; Reporting.

- (a) Records, Information and Reporting. The Implementing Entity shall maintain such books and records and provide such reports, documents, data or other information to MiDA (i) in the manner and to the extent required by the Compact, including the requirements of Sections 3.8(a) and (b) of the Compact; and (ii) as may be reasonably requested by MiDA from time to time in order to comply with its reporting requirements under the Principal Compact Agreements or the Implementation Documents, and (iii) as specified in Annex I attached hereto, which information shall be true, accurate and complete as of the date provided. In providing any of the information described in this Section 2.6, the Implementing Entity hereby acknowledges that such information may be used in any manner and made publicly available by MiDA or MCC, including by posting such information on the MiDA Website or MCC website.
- (b) Access, Audits and Reviews. The Implementing Entity shall permit such access as provided by Section 3.8(c) of the Compact, and such audits, reviews and evaluations as provided in Sections 3.8(d) and (f) of the Compact.
- (c) Relevant Compact Provisions. A summary of the applicable Compact provisions referenced in this Section 2.6 may be found on the MCC Website at www.mcc.gov/guidance/compact/audits_reviews_provisions.pdf. Such Compact provisions shall apply mutatis mutandis to the Implementing Entity as if such Implementing Entity were the Government or MiDA under the Compact and in the manner and to the extent required by the Compact, including Section 3.8(c) of the Compact.
- Section 2.7 No Conflict. The Implementing Entity shall not enter into any agreement or arrangement in conflict with this Agreement or the Principal Compact Agreements during the Compact Term.



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Section 2.8 Insurance. Consistent with Section 3.9 of the Compact, the Implementing Entity shall cause any Provider or other contractor to obtain insurance, performance bonds, guarantees or other protections appropriate to cover against risks or liabilities associated with the operations of the Project and program assets, including as applicable maintaining general comprehensive liability insurance for the business of the Implementing Entity or Provider, as the case may be. The Implementing Entity shall provide verification of such insurance, performance bonds or guarantees to MiDA as may be requested. The Implementing Entity shall be named as payee on any such insurance and beneficiary of any such guarantee or under any performance bonds. MCC and MiDA shall be named as additional named insureds on any such insurance or other guarantee to the extent permitted by the applicable laws. The Implementing Entity shall ensure that any proceeds from claims paid under such insurance or any other form of guarantee shall be used to replace or repair any loss or to pursue the procurement of the covered goods, services or works; provided, however, at MCC's election, any proceeds from claims paid under such insurance or guarantees shall either be deposited in a Permitted Account, or be applied as otherwise directed by MCC. In the event any insurance, bond or guarantee hereby required to be maintained shall not be reasonably available and commercially feasible in the insurance market, MCC shall not unreasonably withhold its agreement to waive such requirement to the extent the maintenance thereof is not so available; provided, however, the Government shall provide appropriate coverage for risks or liabilities not so insured. For the purposes of this provision, any insurance, bond or guarantee will be considered "not reasonably available and commercially feasible" if it is obtainable only at excessive costs which are not justified in terms of the risk to be insured and is generally not being carried by or applicable to projects or operations similar to the Project because of such excessive costs.

Section 2.9 Confidentiality.

- The Implementing Entity shall hold, and shall use reasonable efforts to cause its (a) affiliates and respective employees, officers, agents, advisors and consultants to hold, in strict confidence from any person (other than such affiliate or representative) all documents or other information furnished to it by MiDA, MCC or any other of their respective agents or representatives pertaining to, as result of, or in furtherance of, this Agreement or in connection with the transactions contemplated hereby ("Confidential Information"). The Implementing Entity shall use the Confidential Information solely for purposes of performing its obligations under this Agreement and shall limit disclosure of such information to employees, officers, agents, advisors and consultants participating directly in the performance this Agreement and with a need to know. No other use or disclosure of Confidential Information may be made by the Implementing Entity without MiDA's prior written consent.
- Notwithstanding Section 2.9(a) of this Agreement, in the event the Implementing Entity is required to disclose any Confidential Information (i) in connection with any judicial or administrative proceedings, or (ii) in order, in the reasonable opinion of counsel to the Implementing Entity, to avoid violating applicable laws, the Implementing Entity will in advance of such disclosure provide MiDA prompt notice of such requirements to disclose, with a copy of such notice to MCC. The Implementing Entity also agrees, to the extent legally permissible, to provide MiDA and MCC, in advance of such disclosure, copies of any Confidential Information it intends to disclose (and, if applicable, the text of the disclosure language itself) and to

cooperate with MiDA and MCC to the extent that either of them may reasonably seek to limit such disclosure. The Implementing Entity shall not be liable for the inadvertent or accidental disclosure of Confidential Information if, at the time of such disclosure, such information (w) was already known to the receiving party, (x) had been published or was otherwise within the public domain or generally known to the public, (y) was available on a non-confidential basis from a source other than the owner of the information; or (z) was disclosed by order of a court or governmental agency (other than the Implementing Entity); provided, however, upon the Implementing Entity's discovery of such disclosure, the Implementing Entity shall promptly notify MiDA, with a copy to MCC, of such disclosure.

- Section 2.10 <u>Conflicts of Interest</u>. The Implementing Entity shall comply, and ensure compliance, with the applicable conflicts of interest or ethics policy of MiDA as may be amended from time to time and as otherwise provided in paragraph J of the General Provisions Annex.
- Section 2.11 <u>Liens or Encumbrances</u>. The Implementing Entity shall ensure that no MCC Funding or program assets used in connection with the Implementing Entity Responsibilities shall be subject to any lien, attachment, enforcement of judgment, pledge, or encumbrance of any kind (each, a "Lien"), except with the prior approval of MiDA and MCC, and in the event of the imposition of any Lien not so approved, the Implementing Entity shall promptly seek the release of such Lien. The Implementing Entity hereby waives any right that the Implementing Entity may have to place a Lien on any Program Asset.

ARTICLE III REPRESENTATIONS OF THE PARTIES

- Section 3.1 <u>Mutual Representations</u>. Each Party hereby represents and warrants to the other Party, as of the date of execution of this Agreement, that:
- (a) It has the power and authority to execute, deliver and perform its obligations under this Agreement and each other agreement, certificate, or instrument contemplated hereby;
- (b) The execution, delivery and performance by it of this Agreement and the transactions contemplated herein (i) have been duly authorized by all necessary action and (ii) will not violate (A) any applicable law or regulation or (B) any obligation of it or, to its knowledge, the Government or any Government Affiliate;
- (c) No other action, consent, approval, registration or filing with or any other action by any person, entity or governmental authority is required in connection with the execution and effectiveness of this Agreement; and
- (d) This Agreement is a valid and binding agreement and a legally enforceable obligation of such Party making the representation.
- Section 3.2 <u>Implementing Entity Representations</u>. The Implementing Entity hereby represents and warrants to MiDA that, as of the effective date of this Agreement, neither the Implementing Entity nor any of its officers, directors or employees has ever been convicted of any narcotics

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offenses and is not engaging or participating, has never engaged or participated, and shall not engage or participate during the term of this Agreement, in drug trafficking, terrorism, sex trafficking, prostitution, fraud, felony, any misconduct injurious to MCC or MiDA, any activity contrary to the national security interests of the United States or any other activity that materially and adversely affects the ability of the Government or any other party to effectively implement, or ensure the effective implementation of, the Program or the Project or to otherwise carry out its responsibilities or obligations under or in furtherance of the Principal Compact Agreements or that materially adversely affects the program assets or any Permitted Account.

ARTICLE IV TERMINATION; SURVIVAL

- Section 4.1 Termination. Subject to Section 4.2 below, this Agreement shall terminate upon the first to occur of the following:
- (a) Either Party terminates this Agreement at any time upon not less than thirty (30) days' written notice to the other Party;
- (b) In the event of a material breach by the Implementing Entity of a representation, covenant, obligation or responsibility under this Agreement, MiDA elects to terminate this Agreement by written notice; or
- (c) The Compact terminates or expires in accordance with its terms or otherwise; provided, the terms of this Agreement may be extended by notice from MiDA in writing for a longer period following the expiration, suspension or termination of the Compact if MCC instructs MiDA to so extend this Agreement, including if MCC determines that additional time is required to resolve any litigation, claims or audit findings or any statutory requirements.
- Section 4.2 <u>MCC Approval</u>. Termination of this Agreement shall be subject to the written approval of MCC.
- Section 4.3 <u>Effect of Termination</u>. Upon the expiration or termination of this Agreement, the Implementing Entity shall ensure the orderly and timely transfer of all program assets and all records, documents and information (including all documents containing or relating to Confidential Information), together with all electronic copies thereof, to MiDA or such other agent or representative designated by MiDA. The Implementing Entity shall take, or cause to be taken, any other actions reasonably requested by MiDA to ensure the proper transition of any services provided by the Implementing Entity pursuant to this Agreement, if applicable. Unless otherwise agreed by the Parties, no charges or expenses of any kind shall be charged from the effective date of the suspension or termination of this Agreement and the Implementing Entity or any subcontractor or Provider shall be entitled solely to payment or reimbursement for permitted and valid charges incurred prior to the effective date of the suspension or termination.
- Section 4.4 <u>Survival</u>. Sections 1.5(b), 1.6(b), 2.2, 2.6, 2.9, 4.3, 4.4, Article V, Article VI, and Sections 7.1, 7.2, 7.5, 7.6, 7.9, 7.10, 7.12, 7.13, 7.14, 7.15, and 7.16 shall survive the expiration or termination of this Agreement.

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ARTICLE V INDEMNIFICATION

The Implementing Entity shall indemnify and hold MiDA and MCC Indemnified Parties (MiDA and any such person, an "Indemnified Party") harmless from and against, and shall compensate, reimburse and pay such Indemnified Party for, any liability or other damages which (a) are directly or indirectly suffered or incurred by such Indemnified Party, or to which any Indemnified Party may otherwise become subject, regardless of whether or not such damages relate to any third-party claim, and (b) arise from or as a result of the negligence or willful or intentional misconduct of the Implementing Entity or any of the Implementing Entity's directors, officers, employees, agents or representatives, or any of the Implementing Entity's subcontractors, directly or indirectly connected with, any activities (including acts or omissions) undertaken in furtherance of this Agreement; provided, however, no MCC Funding, Accrued Interest, or Program Asset may be applied by the Implementing Entity in satisfaction of its obligations under this Article V. Neither MiDA nor MCC shall have any liability for, or duty to make, any payment of any indemnification or related expenses, to the Implementing Entity or to any of the Implementing Entity's directors, officers, employees, agents or representatives, or any of the Implementing Entity's subcontractors.

ARTICLE VI GOVERNING LAW; DISPUTE RESOLUTION

Section 6.1 Governing Law. This Agreement shall be governed by the laws of the Republic of Ghana, without regard to any conflicts of law principles that may direct the application of any other body of law.

Section 6.2 <u>Dispute Resolution</u>. All disputes arising from, or in connection with, this Agreement should be settled amicably through consultation among the Parties. Either Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations, and the other Party shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within twenty (20) days of the commencement of the consultations, then each Party shall forward the consultation to the Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than forty-five (45) days from the date of commencement. If the matter is not resolved within such time period, either Party may terminate this Agreement pursuant to Section 4.1. The Parties shall enter any such consultations guided by the principle of achieving the objectives of the Implementation Agreement and the Compact in a timely and cost-effective manner.

ARTICLE VII GENERAL PROVISIONS

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Section 7.1 <u>Communications</u>. Any notice, certificate, request, report, approval, document, consent or other communication required, permitted, or submitted by a Party to another Party under this Agreement (or MCC as applicable) shall be (a) in writing, (b) in English, and (c) deemed duly given (i) upon delivery by courier, with return receipt, to the Party or Parties (or MCC, as applicable) to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party or Parties (or MCC as applicable), or if not sent during normal business hours, then on the next business day; or (iii) two (2) Business Days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party or Parties (or MCC as applicable) to be notified at the address indicated below, or at such other address as such Party (or MCC as applicable) may designate:

To MiDA:

Millenium Development Authority
Attention: Chief Executive Officer

Private Mail Bag 56 Stadium Post Office

Accra, Ghana

Telephone: (233-21) 672333 Telefax: (233-21) 684086

Email: meson-benjamin@mida.gov.gh

marmah@mida.gov.gh

To Bank of Ghana:

Bank of Ghana

Attention: Second Deputy Governor

Address: Post Office Box 2674, Accra, Ghana

Telephone: (233-21) 663147 Telefax: (233-21) 662996

Email: mahamadu.bawumia@bog.gov.gh

To MCC:

Millennium Challenge Corporation

Attention: Vice President for Operations

with a copy to the Vice President and General Counsel

Address: 875 Fifteenth Street, N.W.

Washington, D.C. 20005 United States of America

Telephone: (202) 521-3600 Telefax: (202) 521-3700

Email: VPOperations@mcc.gov (for the Vice President for Operations)

VPGeneralCounsel@mcc.gov (for the Vice President and General Counsel)

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- Section 7.2 <u>Written Consents, Approvals and Notices</u>. Notices, permits, consents, approvals, authorizations and designations, and any equivalent actions, to be provided or made hereunder shall only be effective if made in writing.
- Section 7.3 Amendments. This Agreement may be amended or modified only by written instrument signed by each Party's Principal Representative, with the prior consent of MCC, notwithstanding any law, regulation, or decree that purports to amend or modify any term or condition thereof.
- Section 7.4 <u>Assignment</u>. The Implementing Entity may not assign, novate, delegate or otherwise transfer its rights or obligations under this Agreement without the prior written consent of MiDA and MCC.

Section 7.5 Third Party Beneficiary; MCC Status; Reserved Rights.

- (a) MCC shall be deemed to be a third party beneficiary to the rights of, and obligations owed to, MiDA under this Agreement. Except as set forth in the preceding sentence, this Agreement is for the exclusive benefit of the Parties and their respective permitted successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other governmental body, entity or person whatsoever (other than any rights reserved to MCC under this Agreement).
- (b) MCC is a United States Government corporation acting on behalf of the United States Government in the implementation of the Compact, the Supplemental Agreements and this Agreement. As such, MCC has no liability under the Principal Compact Agreements or this Agreement, is immune from any action or proceeding arising under or relating to the Principal Compact Agreements and this Agreement, and the Implementing Entity and MiDA hereby waive and release all claims related to any such liability. In matters arising under or relating to the Principal Compact Agreements or this Agreement, MCC is not subject to the jurisdiction of the courts or other body of Ghana or any other jurisdiction or any dispute resolution mechanism set forth in Section 6.2.
- (c) MCC's acknowledgement in writing of its approval of this Agreement to MiDA as set forth in Section 7.8 shall be a condition to the effectiveness of this Agreement. No amendment, modification, suspension or termination of this Agreement shall be effective without MCC's prior approval.
- (d) Certain rights are expressly reserved to MCC herein or in the Principal Compact Agreements, or other relevant Supplemental Agreements, including the right to approve the terms and conditions of this Agreement, and certain activities contemplated hereunder. MCC, in reserving any or all of approval or other rights hereunder or under the Principal Compact Agreements or other relevant Supplemental Agreements, has acted solely as a funding entity to assure the proper use of United States Government funds, and any decision by MCC to exercise or refrain from exercising these rights shall be made as a funding entity in the course of funding the activity and not be construed as making MCC a party to this Agreement. MCC may, from time to time, exercise its expressly reserved rights or discuss matters related to these rights, this



Agreement and the activity contemplated hereunder with the Government, the Implementing Entity, or MiDA, either jointly or separately. Any approval (or failure to disapprove) or exercise of (or failure to exercise) any rights by MCC shall not bar MiDA or MCC from asserting any right or relieve the Implementing Entity of any liability which it might otherwise have to MiDA, MCC (or any Indemnified Party) or any other person or entity. In no event shall anything in this Section 7.5 or any other provision of this Agreement be construed as submission by MCC to the courts of Ghana or any other jurisdiction or any other body, or to any arbitral body or process.

Inconsistencies. In the event of any conflict between this Agreement and the Section 7.6 Compact, Disbursement Agreement, Governance Agreement, Procurement Agreement, or any other Supplemental Agreement to which MCC is a party (together, the "Principal Compact Agreements"), the term(s) of the applicable Principal Compact Agreement shall prevail. Each Annex and other attachment expressly attached hereto is incorporated herein by reference and shall constitute an integral part of this Agreement. In the event of any conflict between an Annex or other attachment to this Agreement and the terms of Articles I through VII of this Agreement, the terms of Articles I through VII of this Agreement shall prevail. Any reference to a Principal Compact Agreement or Implementation Document herein shall mean such Principal Compact Agreement or Implementation Document as amended from time to time. Nothing in this Agreement shall be construed as a modification, amendment, supplement or waiver of any condition, obligation, requirement or other term set forth in the Principal Compact Agreements or any Implementation Document. If there are conflicts or inconsistencies between any parts of this Agreement and any prior documentation related to the accounts, the provisions of this Agreement shall supersede such other prior documentation.

Section 7.7 <u>Representatives.</u>

- (a) For all purposes relevant to this Agreement, the Implementing Entity shall be represented by the individual holding the position of the Second Deputy Governor of **Bank of Ghana** (the "**Principal Representative**" of the Implementing Entity), and MiDA shall be represented by the individual holding the position of, or acting as, its Chief Executive Officer (the "**Principal Representative**" of MiDA), each of whom, by written notice, may designate one or more additional representatives (each, an "**Additional Representative**") for all purposes other than signing this Agreement and signing any amendment to this Agreement. MiDA hereby designates, with respect to MiDA, the Director of Agricultural Transformation as an Additional Representative hereunder, and the Implementing Entity hereby designates, with respect to the Implementing Entity, the Head of Banking Supervision as an Additional Representative hereunder.
- (b) The names of each Party's Principal Representative and any Additional Representatives shall be provided, with specimen signatures, to the other Party, and each Party may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Agreement (other than signing this Agreement and signing any amendment to this Agreement). A Party may replace its Principal Representative with an individual of equivalent or higher rank and seniority upon written notice to the other Party, which notice shall include the specimen signature of such new Principal Representative.



- Section 7.8 <u>Effective Date</u>. This Agreement shall become effective on the later of (a) the date on which the Principal Representative of MiDA and the Principal Representative of the Implementing Entity have signed this Agreement, and (b) the date on which MCC provides written approval of this Agreement.
- Section 7.9 <u>Waiver of Immunity</u>. To the extent any Party may be entitled to claim, for itself or its assets, immunity, including sovereign immunity, from suit, execution, attachment (whether before or after judgment) or other legal process in any jurisdiction, each Party hereby irrevocably agrees not to claim, and waives any right it has or in the future would have to claim, such immunity.
- Section 7.10 Severability. If one or more provisions of this Agreement is held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms. If one or more of the provisions in this Agreement shall for any reason be held to be excessively broad so as to be unenforceable at law or equity, then such provision or provisions shall be construed or judicially modified in the applicable jurisdiction so as to be enforceable to the maximum extent permitted under applicable law.
- Section 7.11 <u>Signatures</u>. Subject to the requirements of <u>Section 7.1</u>, a signature delivered by facsimile or electronic mail shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement, instrument or document on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party or Parties as an original signature and shall be binding on the Party delivering such signature.
- Section 7.12 Entire Agreement. Except as otherwise expressly provided in the Compact or herein or as may be subsequently agreed by the Parties in writing from time to time, this Agreement, including all Annexes or other attachments, and all certificates, documents or agreements executed and delivered in connection with and in furtherance of this Agreement, when executed and delivered, shall constitute the entire agreement of the Parties with respect to the subject matter hereof, superseding and extinguishing all prior agreements, understandings and representations and warranties relating to the subject matter hereof.
- Section 7.13 Publicity; Information and Marking. The Parties shall give appropriate publicity to the Compact as a program to which the United States, through MCC, has contributed, identifying Program activity sites, and marking program assets; provided, any announcement, press release or statement regarding MCC or the fact that MCC is financing the Program or any other publicity materials referencing MCC, including the publicity described in this Section 7.13, shall be subject to prior approval by MCC and shall be consistent with any instructions provided by MCC from time to time in relevant Implementation Letters. The Parties shall give appropriate publicity and provide appropriate marking to goods, services and works provided under this Agreement as goods, services and works funded by the United States, acting through MCC, consistent with the requirements set forth in Section 5.17 of the Compact. Upon the termination or expiration of the Compact, MCC or MiDA may request the removal of, and the Implementing



Entity shall, upon such request, remove, or cause the removal of, any such markings and any references to MCC in any publicity materials or otherwise.

- Section 7.14 Non-waiver of Remedies. The Parties agree that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by the other Party under this Agreement, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring. All remedies, either under this Agreement, by law, or otherwise afforded to any Party or MCC, shall be cumulative and not alternative.
- Section 7.15 <u>Definitions</u>. All capitalized terms used but not defined in this Agreement shall have the meanings set forth in, as applicable, the Principal Compact Agreements and the relevant Implementation Documents, all of which are considered integral parts of this Agreement.
- Section 7.16 <u>Rules of Construction</u>. The following rules of construction shall be followed when interpreting this Agreement:
 - (a) Words importing the singular also include the plural and vice versa;
- (b) References to natural persons or parties include firms or any other entity having legal capacity;
 - (c) Words importing one gender include the other gender;
- (d) The words "include," "including" and variants thereof mean "includes, but not limited to" and corresponding variant expressions;
- (e) Except as otherwise set forth herein, all references contained herein to the Compact, the Principal Compact Documents, any other Supplemental Agreements, contracts, or other documents shall be deemed to mean the Compact, the Principal Compact Documents, such other Supplemental Agreements, contracts, or documents, as the same may be modified, supplemented, or amended from time to time;
- (f) Each reference to any applicable law shall be construed as a reference to such applicable law as it may have been, or may from time to time be, amended, replaced, extended or re-enacted and shall include any subordinate legislation, rule or regulation promulgated under any such applicable law and all protocols, codes, proclamations and ordinances issued or otherwise applicable under any such law;
- (g) Except as otherwise expressly specified herein, any reference to a Section, clause or Schedule shall mean a Section, clause or Schedule of this Agreement;
- (h) The terms "hereof," "herein," "hereto," "hereunder" and words of similar or like import, refer to this entire Agreement and not any one particular Article, Section, Schedule, or other subdivision of this Agreement; and

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(i) Any reference to "business days" shall mean any day other than a Saturday, Sunday, commercial banking holiday in Accra, Ghana or Washington, D.C., United States, or a federal holiday in the United States of America or a national holiday in Ghana or; and any reference to "day" shall mean a calendar day.

SIGNATURE PAGE BEGINS ON THE NEXT PAGE



IN WITNESS WHEREOF, MiDA and the Implementing Entity, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of the date first written above.

MILLENNIUM DEVELOPMENT AUTHORITY

NAME: MR. MARTIN ESON-BENJAMIN

TITLE: CHIEF EXECUTIVE OFFICER

BANK OF GHANA

NAME: DR. PAUL ACQUAH

TITLE: GOVERNOR

THIS DOCUMENT CONTAINS MILLENNIUM CHALLENGE ACCOUNT INFORMATION. IT IS CLASSIFIED AS FOREIGN GOVERNMENT INFORMATION PURSUANT TO E.O. 12958 AND 32 C.F.R. PART 2001. MODIFIED HANDLING IS AUTHORIZED. This information may be mailed or transmitted over unsecured phone lines, and stored on unclassified computer systems. It must be stored in a locked or secured building, room, or cabinet.

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EXHIBIT A

Definitions

Additional Representative shall have the meaning as set forth in Section 7.7(a) of this Agreement.

Agreement shall have the meaning set forth in the Preamble of this Agreement.

Compact shall have the meaning set forth in the Recitals of this Agreement.

Confidential Information shall have the meaning as set forth in Section 2.9(a) of this Agreement.

Implementing Entity shall have the meaning set forth in the Preamble of this Agreement.

Implementing Entity Responsibilities shall have the meaning as set forth in Section 1.2(b) of this Agreement.

General Provisions Annex shall have the meaning as set forth in Section 2.2(a) of this Agreement.

Government shall have the meaning set forth in the Recitals of this Agreement.

Indemnified Party shall have the meaning as set forth in Article V of this Agreement.

Licenses shall have the meaning as set forth in Section 2.3 of this Agreement.

MCC shall have the meaning set forth in the Recitals of this Agreement.

MCC Funding shall have the meaning set forth in the Recitals of this Agreement.

MiDA shall have the meaning set forth in the Preamble of this Agreement.

Party or **Parties** shall have the meaning set forth the Preamble of this Agreement.

Principal Compact Agreements shall have the meaning as set forth in Section 7.6 of this Agreement.

Principal Representative shall have the meaning as set forth in Section 7.7(a) of this Agreement.

Project shall have the meaning set forth in the Recitals of this Agreement.

Project Implementation Documents shall have the meaning set forth the Recitals of this Agreement.



ANNEX I

IMPLEMENTING ENTITY RESPONSIBILITIES

INTRODUCTION

The Implementing Entity shall perform the following functions and comply with the following obligations with respect to this Agreement:

(I) RESPONSIBILITIES UNDER THE CREDIT ACTIVITY

[A] The Credit Program Fund

- (1) Agricultural Credit Program ("ACP") Fund Bank Accounts: Pursuant to Section 1.2 of the Bank Agreement by and between the Government, acting through the Ministry of Public Sector Reform and replaced by MiDA and the BoG, dated July 12, 2006, and the Compact, the Implementing Entity shall, upon receipt of instructions from MiDA and with MCC approval, open the following accounts, as additional Permitted Accounts:
 - (i) MiDA-ACP Cedi Disbursement Account
 - (ii) MiDA-ACP Repayment Account.

The establishment and operation of the above Permitted Accounts shall be subject to all the terms and conditions of the Bank Agreement and the Compact in addition to the terms set forth herein, *provided*, *however*, that where the terms stated herein conflict with the terms and conditions of the Bank Agreement, the Bank Agreement shall prevail.

- (a) The Implementing Entity shall, upon instruction from the Fiscal Agent, convert United States Dollars from the Special Account established under the Bank Agreement, to receive MCC Disbursements into Ghanaian Cedis and transfer such Cedis into the MiDA-ACP Cedi Disbursement Account.
- (b) Subject to Article III of the Bank Agreement, the Fiscal Agent shall name at least two but no more than three individuals to act as joint signatories to the MiDA-ACP Cedi Disbursement Account and the MiDA-ACP Repayment Account.
- (c) The Fiscal Agent shall, upon receiving instructions from MiDA, and subject to the provisions of Article III of the Bank Agreement, instruct the Implementing Entity to redisburse from the MiDA-ACP Cedi Disbursement Account to eligible Participating Financial Institutions for the Agricultural Credit Program.
- (d) The Implementing Entity shall receive and deposit all repayments from the Participating Financial Institutions into the MiDA-ACP Repayment Account.

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- (e) Pursuant to Section 2.3 of the Bank Agreement, the Implementing Entity shall remit Accrued Interest earned on funds in the additional Permitted Accounts to the United States Government account designated by MCC.
- (f) For the avoidance of doubt, the Parties and the Fiscal Agent understand that the operation of these Permitted Accounts are subject to the terms and conditions of the Bank Agreement.
- (2) Accreditation of Participating Financial Institutions ("PFIs"): The Implementing Entity shall be responsible for determining the initial and continuous eligibility of PFIs in accordance with the ACP Policies and Procedures Manual (in a form agreed to by MiDA and MCC) ("Manual"). Applicants shall first submit an application as set forth in Section 3.2 of the Manual and in the form of the Participating Financial Institution (PFI) Application Form attached as Exhibit A to the Manual. Upon request from MiDA, the Implementing Entity shall evaluate potential PFIs, accredit PFIs who are in good standing with respect to all prudential requirements currently in force undertaking desk and on-site assessments of each institution using its usual regulatory, supervisory and prudential standards and procedures to determine the suitability of each PFI to participate in the Credit Program. The Implementing Entity shall issue an opinion on the suitability of each institution in an assessment report which presents the facts on each PFI as required by the Manual indicating in the justification for:
 - its opinion on the PFI's suitability to participate in the ACP at the initial instance, and
 - in the case of a continuous eligibility assessment, whether the PFI should be allowed to continue to be accredited as a PFI.

The Implementing Entity shall conduct an assessment to determine continuous accreditation for each institution at least once each year, and shall complete such assessment not later than the end of the first calendar quarter of each year. Assessment reports on PFIs shall be submitted to MiDA within three (3) working days after publication.

An interim assessment may be required if a PFI is accredited conditionally, of if periodic reviews and reporting identifies deterioration in the PFI's operations, financial condition, portfolio or other factors that might negatively impact the PFIs repayment ability or its eligibility under the ACP.

When a PFI is accredited, the Implementing Entity (acting on behalf of MiDA) shall enter with each PFI, as prescribed in the Manual, an agreement substantially in acccordance with the terms set forth in the *On-Lending Agreement Term Sheet Between Bank of Ghana (BoG) and Participating Financial Institution (PFI)*, attached as Exhibit B to the Manual.

(3) Credit Program Portfolio Planning and Budgeting: The Implementing Entity shall develop a system for coding loans according to several parameters including: the loan amount, the size of borrower's land holding (in the case of individual borrowers or members

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of FBOs), district location, gender of borrower, and the purpose of the loan. This will aid MiDA and the ACPC (as defined below) track the eligibility of individual loans and portfolio concentrations by purpose and location and assure that loans are directed to the intended Beneficiaries for the intended purposes.

The Implementing Entity shall establish concentration limits for the ACP portfolio prior to initial disbursements and in accordance with <u>Section 4.4.4</u> of the Manual.

The Implementing Entity shall project on a quarterly basis the funding requirements of PFIs and advise MiDA on the amount as part of MiDA's quarterly Disbursement request to MCC. The Implementing Entity may submit a request in writing to MiDA for the ACPC to assist the Implementing Entity in performing this task.

(4) **PFI Borrowing Limits:** The Implementing Entity shall assess each PFI (as part of initial and ongoing accreditation) to make a determination of the maximum borrowing limit of Credit Program funds for such PFI. Such an assessment should take into account the leverage, liquidity and related prudential indicators under current regulatory requirements as well as management capacity and potential demand for credit in the PFI's catchment area vis-à-vis the Intervention Zones.

In establishing borrowing limits, the Implementing Entity shall agree a portfolio allocation framework with each PFI in accordance with <u>Section 4.4.5</u> of the Credit Manual. This framework shall take into account the overall objectives of the Credit Program, in particular with respect to gender and small-scale inclusion.

The Implementing Entity shall review PFI applications to increase borrowing limits taking into account the PFI's capacity and the agreed regional budgets developed by MiDA for short and medium term credits.

(5) Funding PFI Drawdown Requests: The Implementing Entity shall manage the Credit Program fund in strict adherence to the Manual. Disbursements from the Credit Program shall only be made to accredited PFIs in good standing, and only to fund eligible loans as set forth in Section 4.3 of the Manual. The Implementing Entity shall not disburse from the Credit Program without (i) providing advice to MiDA and appropriate supporting documentation to permit MiDA to determine whether Credit Program funds should be disbursed, and (ii) receiving instructions from the Fiscal Agent to disburse ACP funds.

The Implementing Entity shall manage repayments for Credit Program funding in accordance with <u>Sections 4.5 and 4.6</u> of the Manual.

The Implementing Entity shall ensure that all conditions precedent are complied with prior to re-disbursements to PFIs, including the *Environmental Guidelines* attached as Annex 1 to the Manual.

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(6) Loan Administration: The Implementing Entity shall use its existing standards to classify the quality of loans to PFI clients. The Implementing Entity shall confirm to MiDA when an individual loan should be charged off and shall confirm to MiDA when an individual loan has been charged off. As set forth in Section 4.9 of the Manual, validation by the Implementing Entity of such write-offs is a necessary pre-condition for risk-sharing arrangements under the Section 4.7 of the Manual.

The Implementing Entity shall demand the repayment of loans that are determined to be ineligible according to the criteria of Section 4.3 of the Manual.

- (7) **Loan Monitoring:** The Implementing Entity shall ensure that accredited PFIs comply with the portfolio reporting standards set forth in <u>Section 6</u> of the Manual. In this respect, the Bank shall collate routine information in line with its usual supervisory duties. In addition, however, the Implementing Entity must collate information from PFIs on a monthly, quarterly and annual basis as set forth in <u>Section 6.2.2</u> of the Manual and Annex 2 to the Manual. The Implementing Entity should ensure strict compliance to the reporting of performance data and such data shall be disaggregated by gender as appropriate.
- (8) The ACP Consultant ("ACPC"): The ACPC shall be a separately procured entity that is not an employee of MiDA. The ACPC shall provide support services to the Credit Program by assisting MiDA and, where specifically requested by MiDA, the Implementing Entity, to promote the objectives of the Credit Activity. The scope of work of the ACPC is outlined in Section 3.7.5 of the Manual. MiDA shall make reports drafted by the ACPC available to the Implementing Entity to the extent that it enhances the attainment of the objectives of the Credit Activity.

The ACPC shall develop and implement the PFI Capacity Building Activity.

[B] Grants For The Expansion Of Loan Offices For PFIs

A US\$5.6 million grant facility has been established by MiDA with Compact funding to support efforts to improve access to financial services to farmers, business and service providers in the agriculture value chain in all the three (3) areas of the Intervention Zone, especially in the Afram Basin and Northern Zones. This will entail providing grant funding for the construction of loan office (branches or agencies) buildings, equipment, and overhead expenses for a maximum of a one year period.

MiDA shall develop criteria for providing grant assistance to PFIs of the ACP with input from the Implementing Entity in the following areas:

- validating eligibility status of PFIs to participate in the ACP
- approving the design of buildings earmarked for branch locations (using the usual standards and procedures if the Implementing Entity)

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• confirming approval to each PFI to establish such branches (based on the outcome its overall assessment of the justification for the branch including a demand/market assessment for financial services and taking into account the objectives of the ACP).

[C] ACP PFI Capacity Building Training Activity

The MiDA Capacity Building Activity ("Capacity Building Activity") will be implemented through training. This training shall be mandatory for all rural banks, savings and loans companies and financial non-governmental organizations (each financial non-governmental organization a "Financial NGO") and for commercial banks if necessary. Training will assist the PFIs in improving their ability to underwrite and manage agriculture loans, using a combination of classroom and onsite training and mentoring programs.

The Implementing Entity shall collaborate with MiDA, and its agents, to identify skill gaps that can potentially negatively affect the assessment, disbursement, management and effective recovery of agricultural credits by PFIs. The Implementing Entity shall make available to MiDA skill gaps identified in the conduct of its mandatory supervisory duties of PFIs to enable the design and deployment of appropriate training and human capital development solutions.

[D] Development of Criteria for Credit Program PFI Capitalization Grants

MiDA shall apply up to sixty percent (60%) of the ACP funds outstanding six months prior to the end of the Compact Term, as capitalization grants to strengthen PFIs, which are rural banks or financial NGOs in the manner described in Section 7 of the Manual.

Implementing Entity shall participate in the determination of the specific criteria for the selection of suitable PFIs whose selection would promote the achievement of the intended objectives of MiDA. To this end, the Implementing Entity shall, at the request of MiDA, nominate a senior staff not below the rank of a Director, to represent its interest in the development of criteria and in the utilization of same for the selection of PFIs eligible for the award of the grants.

[E] Implementing Entity Deliverables & Monitoring Reporting Requirements Under the Credit Activity

The Implementing Entity shall report to MiDA as set forth in Section 2.6 of this Agreement and Annex 2 of the Manual, and as agreed from time to time.

The Implementing Entity shall undertake periodic visits to PFIs and beneficiary projects points as part of implementing a monitoring function for the correct and effective disbursement of loans. Field or off-site visits shall be undertaken only with express approval from MiDA and shall be followed up by a report as set forth below:

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Type of Report	Frequency	Main Contents	Remarks
PFI Field/on-site	a report shall be	the report shall respond to stated	the report shall
reports (including	written as and	objectives/purpose of trip (as	be submitted to
annual mandatory	when field trips	agreed with MiDA).	MiDA within
supervision visits)	(agreed with		five (5) days of
	MiDA) are		return to head
	undertaken		office

[F] The Relationship Between Key Entities Implementing The Agricultural Credit Program Fund

The ACP will be implemented by key entities including MiDA, the Implementing Entity and the ACPC. The roles and responsibilities of these entities are set forth in <u>Section 3.7</u> of the Manual.

(II)RESPONSIBILITIES UNDER THE FINANCIAL SERVICES ACTIVITY

[A] **Grant Funding for Improving Payment Systems Nationwide**

Under the Financial Services Activity, MiDA shall provide MCC Funding to the Implementing Entity to support improvements to the payments systems in the country. The Implementing Entity shall provide in a timely manner such technical specifications required by MiDA to develop appropriate tender documents to procure, pursuant to Annex II (2) hereto and on a competitive basis, the systems, goods, and services required by MiDA to provide: (i) a check codeline clearing (and truncation) system, (ii) an automated clearing house system, and (iii) consultative advice to (1) review existing payment system laws, and (2) develop and implement a public awareness campaign for increased use of new payment system mechanisms. The Implementing Entity shall be actively engaged at management level to sign off every stage of the procurement and implementation process to ensure that the Financial Services Activity improves access to financial services of the target population of the Compact.

[B] Grant Funding for the Automation/Computerization and Interconnectivity of Rural Banks in Ghana

Under the Financial Services Activity, MiDA shall provide MCC Funding to automate and interconnect approximately one hundred and twenty one (121) rural banks and savings and loans companies, as set forth in Schedule 3(2)(c) to Annex 1 of the Compact.

The funding for automation and interconnection activity will be implemented under the auspices of a steering committee of stakeholders under the chairmanship of the managing director of ARB Apex Bank Limited. The Implementing Entity shall nominate to this steering committee a senior official to ensure that the systems rolled out by the rural banks and savings and loans companies are compliant with the national payment systems deployed within the banking system in Ghana.

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[C] Implementing Entity Deliverables & Monitoring Reporting Requirements Under the **Financial Services Activity**

The Implementing Entity shall deliver monthly progress reports to MiDA within fourteen (14) days of the end of each month. Each progress report shall include a "slippage report" that sets forth the planned project timeline vis-à-vis actual implementation and each report shall recommend practical measures to ensure the achievement of project goals. The report should cover each of the projects and activities listed and described in this Section II. In addition, the Implementing Entity shall deliver such other reports as shall be agreed from time to time.

(III) RESOURCE COMMITMENTS OF IMPLEMENTING ENTITY FOR COORDINATING THE CREDIT AND FINANCIAL SERVICES ACTIVITY

The Implementing Entity shall assign a dedicated core unit to carry out and coordinate its obligations under this Agreement and shall deploy extra personnel as needed to achieve approved tasks. The Implementing Entity shall provide such qualified and experienced personnel as are required to carry out its obligations under the Agreement. Such personnel may be mobilized by assigning existing personnel or employing new personnel, as appropriate.

At the minimum, the core unit, which should be resident within the Banking Supervision Department of the Implementing Entity shall comprise a director and two banking officers for the credit activity. This team shall be augmented with other staff (including drivers) especially in carrying out field/on-site accreditation and monitoring assignments.

The Implementing Entity shall nominate a representative for the Financial Services Activity who shall be of the managerial grade at the Implementing Entity. This official shall report to MiDA through the head of the core unit for the Credit Activity.

The Head of Banking Supervision Department shall have oversight responsibility for the core team and all other Implementing Entity officers assigned to duties under this Agreement.

MONITORING AND EVALUATION (IV)

MiDA shall provide M&E assessments on Compact activities, including the Credit Activity and Financial Services Activity. The Implementing Entity shall make its database (generated in the pursuit of its mandatory supervisory, regulatory and prudential responsibilities as well as obligations under this Agreement) available to MiDA, or its agents, as inputs for the purpose. In particular, the Implementing Entity shall provide information on the following:

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- (1). In relation to Credit Program PFIs involved in the Credit Activity:
 - (i) the portfolio-at-risk of agricultural loan fund;
 - (ii) the value of loans disbursed to clients from agricultural loan fund, in United States Dollars; and
 - (iii) the number of additional loans generated by the Credit Activity.
- (2). With respect to the Financial Services Activity, the Implementing Entity shall provide data on all rural banks in particular, the following:
 - (i) the number of inter-bank transactions disaggregated to indicate rural bank transactions; and
 - (ii) the value (in United States Dollars) and number of deposit accounts in rural banks.

(V) Mida responsibilities under this agreement

MiDA shall:

- promptly after the execution of this Agreement, deliver to the Implementing Entity any information or documents that the Implementing Entity may need to enable it perform the services contemplated in this Agreement
- ensure the prompt approval and reimbursement of permitted expenses (as contained in the Detailed Budget in Annex III) which are submitted to MiDA with the appropriate supporting documentation.

Implementing Entity shall ensure that the cost of the activities identified above does not exceed the sum agreed in the detailed budget provided in Annex III.

Payments in support of the Detailed Budget in Annex III shall be disbursed by MiDA only when all reports and submissions due from Implementing Entity above have been delivered to the Agricultural Financial Services & Bank Capacity Building Manager of MiDA.

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ANNEX II

FINANCIAL MANAGEMENT; PROCUREMENT

1. Financial Management.

- (a) MiDA shall coordinate with the Implementing Entity and the Fiscal Agent to ensure that all contractors performing under the Credit Activity and Financial Services Activity (or any component thereof) under the Implementing Entity's supervision shall be paid properly and promptly, consistent with the procedures described in the Fiscal Accountability Plan and, at all times, within thirty (30) days of the receipt of a valid and acceptable invoice.
- b) The Implementing Entity acknowledges that MCC Funding shall be exempt from Taxes and agrees to assist MiDA in ensuring that no such Taxes are applied to any MCC Funding. The Implementing Entity shall cooperate fully with any reasonable requests for information or action by the Fiscal Agent and prompt processing of any invoices received in connection with any goods, services or works related to the Credit Activity and Financial Services Activity (or any component thereof) or the reimbursement or other treatment of any Taxes.

2. Procurement.

- (a) Except as otherwise provided in the Disbursement Agreement including Annex III thereto or as otherwise agreed to by the Parties and approved by MCC from time to time, MiDA shall procure of all goods, works and services needed to implement the Credit Activity and Financial Services Activity (or any component thereof) under this Agreement in accordance with the Disbursement Agreement, including Annex III thereto; provided, that the Implementing Entity shall provide all data, materials, documents, any other information and assistance requested by MiDA in connection with any such procurement, perform all other duties described in Annex I hereto, and cooperate fully with all reasonable requests for information or action by MiDA.
- (b) Pursuant to, and without limiting the generality of the provisions of Article II of this Agreement, the Implementing Entity shall provide assistance to MiDA to ensure that MiDA shall comply with all procurement-related requirements hereunder and in the Compact (including any requirement regarding timing of procurement, the maintenance of records, the publication of procurement information, and any other requirements as provided in Section 3.6 of the Compact).

Annex II - 1



ANNEX III FEES; IN-KIND RESOURCES

INTRODUCTION

The Detailed Budget for the Implementing Entity Agreement has two (2) main components: (i) Field Trips For PFI Assessments and Other Activities, and (ii) Office Support Equipment and Materials. The total budget for the Compact period shall not exceed one million, three hundred and sixty eight thousand, eight hundred and eighty four United States Dollars (US\$1,368,884.00), as set forth in the Annual Detailed Budget in attached hereto as Table 1.

[1] FIELD TRIPS & OTHER MONITORING ACTIVITIES FOR CREDIT ACTIVITY

Field Trips to three zones are permitted to accomplish:

- a. accreditation of PFIs, including initial and continuous eligibility institutional assessment; and,
- b. PFI assessments and monitoring, including portfolio planning trips aimed at assessing funding requirements.

The principal budget items in relation to these field trips are (i) personnel costs and, (ii) transportation costs.

The anticipated field trips include visits to both head offices and branches of PFIs located in identified areas of concentrated demand for credit. Since the actual location for credit demand is unknown for the market driven ACP, broad assumptions are made in terms of travel days to each district in the three zones as indicated in Table 3, attached hereto. On the average, field trips are not expected to exceed one hundred and seventy (170) days in a quarter for both accreditation and assessment/monitoring trips.

Table 2, attached hereto, sets forth the key assumptions underlying the costs associated with personnel and transportation. Personnel Costs are calculated at rates normally paid by Implementing Entity to its staff on assignments as envisaged in this Agreement. At these rates and the assumed number of field trips, Personnel Costs are estimated not to exceed six hundred and eighty seven thousand two hundred and thirty four United States Dollars (US\$687,234) over the Compact Term.

During Compact Year 1, vehicle rentals may be used up to a cost of one hundred and twenty two thousand nine hundred and forty three United States Dollars (US\$122,943). From Year 2 of the Compact Term until the end of the Compact Term, MiDA shall provide two (2) four wheel drive vehicles for field trips and errands under this Agreement. The vehicle acquisition-based transportation costs are budgeted at four hundred and two thousand, eight hundred and ninety two

Annex III - 1

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United States Dollars (US\$402,892) for the years between Year 2 to Year 5 of the Compact Term.

[2] OFFICE SUPPORT EQUIPMENT & MATERIALS

The Implementing Entity shall be reimbursed for certain office equipment and materials, and software development as reflected in Table 2 required to support the work of the core unit responsible for coordinating the Implementing Entity's obligations under this Agreement. Such office equipment will include a desktop computer and related uninterruptible power supply and two (2) laptops to be procured in Year 1 at a cost of five thousand four hundred and sixty one United States Dollars (US\$5,461). Miscellaneous office consumables not exceeding three hundred and fifty four United States Dollars (US\$354) shall be procured, as detailed in the Annual Detailed Budget attached hereto as Table 1.

The monitoring activity also requires the capture of disaggregated data particularly including gender sensitive reporting. Discussions with Bank of Ghana the Implementing Entity led to the understanding that modifications would be required to enable gender fields to be created in the newly deployed e-FASS bank reporting software, leading to software development cost of one hundred and fifty thousand Unites States Dollars (US\$150,000).

Annex III - 2



Table 1: DETAILED MULTI-YEAR BUDGET

ITEM	Year 1	Year 1	Year !	Year 1	Year 2	Year 3	Year 4	Year 5	101 11
	Quarter 2	Quarter 3	Quarter 4	Lotal					
[A] PERSONNEL									
Staff Per Diem									
Drivers	9,947	9,947	9,947	29,840	39,787	39,787	39,787	39,787	188,989
Officers	11,755	11,755	11,755	35,266	47,021	47,021	47,021	47,021	223,351
Senior Officers	14,468	14,468	14,468	43,404	57,872	57,872	57,872	57,872	274,894
Sub-Total	36,170	36,170	36,170	108,511	144,681	144,681	144,681	144,681	687,234
				: - -					
BJTRANSPORT							;		
Vehicle Rental									
Car Rental	20,400	20,400	20,400	61,200	0	0	0	0	61,200
Driver's Allowance	3,400	3,400	3,400	10,200	0	0	0	0	10,200
Driver's	2 713	2713	2.713	8.138	0	0	0	0	8,138
Fuel	14.468	14.468	14.468	43.404	0	0	0	0	43,404
Suh-Total	46.981	40.981	40,981	122,943	0	0	0	0	122,943
				1					
-									
Vehicle Acquisition									
4x4 Vehicle GL 4.2	0	0	0	0	84,355	0	0	0	84,355
Salaries	0	0	0	0	17,544	17,544	17,544	17,544	70,177
Fuel	0	0	0	0	57,872	57,872	57,872	57,872	231,489
Maintenance	0	0	0	0	4,218	4,218	4,218	4,218	16,871
Sub-Total	0	0	0	0	163,989	79,634	79,634	79,634	402,892

Annex III - 3

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ES 5,461 3 3 3 3 3 3 4 19							
ES 5,461 3 3 3 3 199							
80 4,140 5,461 ES 13 3 3 3	0 0	1,241	0	0	0	0	1,241
4,140 5,461 ES 13 3 3 3	0	80	0	0	0	0	80
5,461 ES 3 3 3 19	0 0	4,140	0	0	0	0	4,140
ES 13 3 3 3 19 19	0 0	5,461	0	0	0	0	5,461
ES 3 3 3 19 19 19							
13 3 3 3 19							
13 3 3 19 19							
	13 13	38	51	51	51	51	243
	3 3	10	13	13	13	13	61
	3 3	8	11	11	11	11	51
E SOFTWARE DEV'T	19	26	74	74	74	7.4	354
[E] SOFTWARE DEV'T							
					:		
Customization of e- FASS Bank Reporting							
Software 150,000 0	0 0	150,000	0	0	0	0	150,000
TOTAL 232,631 77,170	7,170 77,170	386,970	308,745	224,390	224,390	224,390	1,368,884

1,368,884	TOTAL
US Dollars	SUMMARY
	FIVE YEAR

*In respect of modifications to BoG software necessary to capture data returns peculiar to MiDA M&E indicators especially disaggregation of data by Gender

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Table 2: WORKING & UNDERLYING ASSUM	i & UNDERL	YING ASSUN	IFIIONS							
[A] PERSONNEL										
Staff Per Diem	Daily Rate (Cedis)	Days/Quarter	Sub-Total	Exc Rate	Daily Rate (\$)	Dollar Equiv	Annuali zation Factor	Annual		
Driver	550,000	170	93,500,000	9,400	58.5	9,947	4	39,787		
Officer	650,000	170	110,500,000	9,400	69.1	11,755	4	47,021		
Senior Officer	800,000	170	136,000,000	9,400	85.1	14,468	4	57,872		
Sub-Total			340,000,000			36,170		144,681		
	Daily Rate	Posto	S. H. Total	Dota	Cedi-based	Gallone	Annuali sation Factor	Annual \$	Otr \$	
Vehicle Rental	(ec)	Days/<	Suo-10tai	דיער ואמור	ian	Canolis	TOTON I	armorus,	ampoint,	
Car Rental	120	170	191,760,000	9,400	-		4	81,600	20,400	
Driver's Allowance	20	170	31,960,000	9,400	1	-	4	13,600	3,400	
Driver's Accommodation	16.0	170	25,500,000	9,400	150,000	-	4	10,851	2,713	
Fuel	4.3	170	136,000,000	9,400	40,000	20	4	57,872	14,468	
Sub-Total			385,220,000					163,923	40,981	

Annex III - 5

	US\$ Unit	Quantity/Days	Cedi Sub-Total	Exc Rate	US\$ Sub Total	Cedi-based rate	Gallons		US\$	
Vehicle Acquisition										
4x4 Vehicle GL 4.2	42,177	2	792,935,120	9,400	84,355	1	ı			
Salaries	8,772	2	164,916,480	9,400	82,458,240	164,916,480		17,544	17,544	Annual Amt
Fuel	4.3	0∠1	136,000,000	9,400		40,000	20	Gallons	57,872	Annual Amt
Maintenance	,		39,646,756	9,400		39,646,756	2%	Of Vehicle Cost	4,218	Annual Amt
Sub-Total	i		1,133,498,356							
Ŀ					-					
C EQUIPMENT										
Office Equipment	US\$ Cost	Quantity	Sub-Total	Exc Rate		US\$ Eqv.				
Desk top PC	1,241	1	11,665,400	9,400		1,241				
UPS	08	1	752,000	9,400		80				Ì
Laptop	2,070	2	38,916,000	9,400		4,140				
Sub-Total			51,333,400			5,461				

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		uiv	1.	12.8	10.6				
		Dollar Equiv	51.1						
-		US\$ Cost	4.26	2.13	0.53				
		Exc Rate	9,400	9,400	9,400				
		Sub-Total	480,000	120,000	100,000	700,000			
		Quantity	12	9	20				
		Cedi Cost	40,000	20,000	5,000		US\$ Cost	150,000	
	[D] CONSUMABLES	Stationery	A4 Paper	Scribbling Pads	Pens	Sub-Total	[E] SOFTWARE DEVELOPMENT	e-FASS*	

*In respect of modifications to BoG software necessary to capture data returns peculiar to MiDA M&E indicators especially disaggregation of data by GENDER

Annex III - 7

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Table 3: Proposed Maximum Quarterly Trekking Schedule: Table 3 is a key part of the Underlying Assumptions indicating the planned schedule of monitoring and assessment field visits for each of the three (3) Compact zones and the estimated level of efforts in terms of days.

NORTHERN AGRICULTURAL AREA

		Trek Days Per Quarter
Savelegu Nanton		4
Kumbungu		4
Tamale		6
West Mamprusi		4
Karaga		4
	Working Days	22
	Traveling Days	10
	Weekends	8
	Total Days	40
<u>AFRAM BASIN</u>	·	
Ejura-Sekyedumasi		4
Kwahu South		4
Fantea Kwa		4
Afram Plains		5
Sekyere East		4
Sekyere West		4
	Working Days	25
	Travelling Days	8
	Weekends	8
	Total Days	41
SOUTHERN HORTICULTURAL AREA	•	
Gomoa East		4
Awutu-Efutu-Senya		5
Akwapim South		6
Manya Krobo		4
Dangbe West		4
Yilo Krobo		4
North Dayi		4
Hohoe		4
Ketu		6
Keta		4
South Tongu		4
Akatsi		4
	Working Days	53
	Travelling Days	16
	Weekends	20
	Total Days	89
	Overall Total Days	170
	1 2 25 uj 0	1/0

Annex III - 8



ANNEX D TO

IMPLEMENTING ENTITY AGREEMENT BY AND BETWEEN THE MILLENNIUM DEVELOPMENT AUTHORITY AND BANK OF GHANA

MILLENNIUM DEVELOPMENT AUTHORITY (MiDA)

AGRICULTURAL CREDIT PROGRAM (ACP)

PROGRAM POLICIES AND PROCEDURES MANUAL

September, 2007

In &

Operating Policies and Procedures for the Ghana Agricultural Credit Program

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Annex	B:	Monitoring & Reporting Obligations of Bank of Ghana and ACPC				
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1.0 Introduction

Agriculture is the backbone of Ghana's economy. It accounts for approximately forty percent (40%) of the country's gross domestic product ("GDP"), employs approximately sixty percent (60%) of the labor force and generates fifty five percent (55%) of the foreign exchange earnings. The agricultural sector consists of four subsectors: crops (other than cocoa) and livestock account for fifty eight percent (58%) of the GDP attributable to the agricultural sector, cocoa accounts for twenty percent (20%), fisheries account for eleven percent (11%), and forestry accounts for the remaining eleven percent (11%).

The Agricultural Credit Program ("ACP" or the "Program") is intended to fund additional resources needed to support the process of transforming the agricultural sector in Ghana through commercialization of specified growth points in selected districts with a view to reducing poverty especially among the rural population.

This Credit Policies and Procedures Manual ("Manual") provides guidelines for the Program. The document provides specific policies and procedures to govern the Re-Disbursement of an amount of [approximately] forty million and seven hundred thousand United States Dollars (US\$40,700,000) to fund a revolving credit facility over the five year period ending in February 2012 (the "Compact Term").

2.0 The Millennium Challenge Compact (the Compact) Program

The Millennium Challenge Compact was made between the United States of America, acting through the Millennium Challenge Corporation, a United States Government corporation ("MCC") and the Government of the Republic of Ghana (the "Government") on August 1st, 2006. Under the Compact, Ghana, acting through its accountable entity, the Millennium Development Authority (MiDA), utilizes funding from the Millennium Challenge Account ("MCC Funding") from the government of the United States of America. The program will primarily focus on five (5) districts in the Northern Area, six (6) districts in the Afram Basin area and twelve (12) districts in the Southern Horticultural Belt area, (each area, an "Intervention Zone"). Poverty rates in the Intervention Zones are generally above forty percent (40%). In fact, in the Northern Area, as well as in parts of the Afram Basin Area, the poverty rates are at times as high as ninety percent (90%).

The Program aims at reducing poverty through economic growth; by raising farmer incomes through agribusiness development to be led by the private sector. To this end, the Compact focuses on increasing production and productivity of high value cash and food crops in the Intervention Zones and on enhancing the competitiveness of high value cash and food crops in local and international markets (the "Program Objectives").

The proposed Program consists of three projects:

- (i) Agriculture Project;
- (ii) Transportation Project;
- (iii) Rural Development Project.

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2.1 The Agriculture Project

The Agriculture Project comprises six distinct activities:

- a) Farmer and Enterprise Training in Commercial Agriculture Activity: To accelerate the development of commercial skills and build capacity among Farmer-based Organizations (each an "FBO") and their business partners, including entities adding value to agricultural crops such as processors and marketers.
- b) <u>Irrigation Development Activity</u>: To establish a limited number of retention ponds and weirs requested by the FBOs and FBO partnerships for whom access to water is critical to the success of their businesses.
- c) <u>Land Tenure Facilitation Activity</u>: To improve tenure security for existing land users and to facilitate access to land for higher value agricultural crops in the Intervention Zones.
- d) Improvement of Post-Harvest Handling and Agricultural Value Chain Services Activity: To facilitate strategic investments by FBOs and FBO partnerships in post harvest infrastructure improvements and to build the capacity of the public sector to introduce and monitor compliance with international plant protection standards.
- Chain Investments Activity ("Credit Activity"): To augment the supply of and access to credit provided by financial institutions operating in the Intervention Zones, providing seasonal credit to FBOs through commercial and rural banks, as well as through non-traditional channels such as input suppliers and medium-term credit through banks to finance capital goods such as irrigation and post-harvest processing and storage facilities. Details of this activity are provided in Section 2.4.
- Rehabilitation of Feeder Roads Activity: To rehabilitate up to nine hundred and fifty (950) kilometers of feeder roads in eight districts in the Intervention Zones in order to reduce transportation costs and time, to increase access to major domestic and international markets, and to facilitate transportation linkages from rural areas to social service networks (including for instance, hospitals, clinics and schools).

2.2 The Transportation Project

The three components of this project are:

a. <u>Upgrades to Sections of N1 Highway</u>: To reduce the bottleneck in accessing the International Airport and the Port of Tema and to support an expansion of Ghana's export-directed horticulture base beyond current production levels, by upgrading of fourteen (14) kilometers of the National

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Highway ("N1 Highway") between Tema and Accra (specifically, the stretch of N1 Highway from Tetteh Quarshie Interchange to Mallam Road Junction ("TQM")).

- b. <u>Improvements of Trunk Roads</u>: To facilitate the growth of agriculture and access to social services by rehabilitating or constructing up to two hundred and thirty (230) kilometers of trunk roads in the Afram Basin Area.
- c. <u>Improvements of Lake Volta Ferry Services</u>: To facilitate the growth of agriculture in the Afram Basin Area by improving the ferry services of the Volta Lake Transport Company ("*VLTC*") that connects Adawso, on the southern shore to Ekye Amanfrom, on the northern shore.

2.3 The Rural Development Project:

The rural development project is aimed at improving rural livelihoods in general through the provision of basic services. Specifically, there are three sub-activities as described below:

- a) <u>Procurement Capacity Activity</u>: To support the development of procurement professionals and reinforce the capabilities of the Government to procure goods and services, reinforcing execution of the overall Program and in particular, the community services described below.
- b) <u>Community Services Activity</u>: To complement the Agriculture Project by funding construction and rehabilitation of educational facilities, construction and rehabilitation of water and sanitation facilities and electrification of rural areas and by providing capacity-building support to local government institutions.
- c) <u>Financial Services Activity</u>: To automate and interconnect one hundred and twenty one (121) rural banks, which are mainly private, community-owned banks, averaging less than two million United States Dollars (US\$ 2,000,000) each in total assets and to provide other improvements in the national payments systems that will draw a large number of people currently not served or under-served, into the financial system.



2.4 The Credit Activity

2.4.1 Background

Financial service providers are few and far between in most of the districts in the Intervention Zones and have limited ability to expand rapidly. Only one commercial bank, the Agriculture Development Bank ("ADB"), is meaningfully engaged in making loans to agricultural clients in the Northern Zone and the Afram Basin Zone. Although there are thirty-seven (37) privately-owned rural banks and seven (7) financial NGOs that serve rural clients in the Intervention Zones, their resources and capacity are limited. Most of these financial institutions have limited knowledge of agricultural credit and even smaller appetites for the perceived risk; given the poor historical levels of repayment from the sector.

The major aspect of the Credit Activity is the revolving credit fund to support agribusiness from production through the entire value chain including processing, storage, transportation and marketing. Other activities complement the efficient delivery of credit. These comprise building the capacity of financial institutions through training of their staff in agricultural credit, providing grants to expand loan production offices or branches, as well as supporting the establishment of pilot programs including innovative financial products intended to speed the flow of credit along the agriculture value chain.

The Credit Component of the Compact:

The main sub-activity under the Credit Activity is the Agricultural Credit Program ("Agricultural Credit Program" or "ACP"). It is anticipated that MCC will fund the ACP with a total amount of forty million seven hundred thousand United States Dollars (US\$40,700,000) over the Compact Term. The ACP fund would be available for on-lending on a revolving basis through eligible Participating Financial Institutions ("PFIs") as outlined in Section 3. The revolving credit fund to be covered by this Manual will support the other activities under the Agriculture Project, by providing funds to commercial banks, rural banks, savings and loans companies and Financial NGOs, for short and medium-term on-lending to farmers and other agricultural sector players in the Intervention Zones.

The basic structure of the ACP requires eligible Financial Institutions to operate as follows:

- Borrow from the ACP fund at the ninety-one (91)-day Treasury bill rate (short term loans) and the Bank of Ghana prime rate (medium term loans);
- Provide loans or on-lend to their clients at market rates; and,
- Assume half of the credit risk of the loans.



Details regarding how this process works are the subject of subsequent sections of this Manual.

2.4.3 Complementary Sub-Activities Under the Credit Activity of the Compact:

<u>Training for PFI Staff</u>: Training is mandatory for all rural banks, savings and loans companies and Financial NGOs, and for commercial banks if necessary. Training will assist these intermediaries in improving their ability to underwrite and manage agricultural loans and will also include the required pesticide training detailed in Annex 1 to the Manual. Training will be by a combination of classroom, onsite and mentoring programs.

Grants for Setting Up Loan Production/Branch Offices for PFIs: A grant facility is in place to support efforts to improve access to financial services to farmers and business providers in the agriculture value chain. The criteria for providing such assistance to banks, who should be PFIs under the ACP, has been developed separately and not part of this Manual.

<u>Pilot Programs Including Innovative Financing Products</u>: A maximum of \$3 million of the MCC Funding may be focused on pilot programs designed to speed up the flow of credit along the entire agricultural value-chain, using techniques such as voucher programs with retail input providers. Pilot programs will be identified or designed by MiDA and approved by MCC.

<u>PFI Capitalization Incentive Scheme</u>: At the end of the five-year life of the Program, rural banks and Financial NGOs that have performed well will be eligible for grants equal to a portion of their loan portfolio, based on their respective lending and collection performance. Criteria for selection of PFIs to receive the Capitalization Incentive will be designed by MiDA and approved by MCC.

3.0 Procedures for ACP Fund Access and Use by Financial Institutions

3.1 The Program Description

The Agricultural Credit Program is designed to:

- (a) facilitate access to credit in the twenty three (23) selected districts, targeted for horticultural, food crop and cash crop transformation under the Compact;
- (b) enhance the sustainability of financial institutions operating in these rural areas, by encouraging, and when necessary, enhancing financial institutions' capacity to pursue sound credit practices;
- (c) reward better-performing rural banks and financial NGOs with some capital infusions in the form of grants at the end of the ACP program.



The ACP will fund loans to Participating Financial Intermediaries for on-lending to farmers for crop-cycle financing as well as to farmers and other agricultural value-chain players for medium term financing for trucks, equipment, and other capital goods, in support of input supply and post-harvest production activities.

The ACP will initially fund one hundred percent (100%) of eligible loans, but it reserves the right to change its practice in terms of interest rate to be charged or instrument at some future date. Any such change will be undertaken in consultation with PFIs and will be reflected in the legal documents that detail the roles, responsibilities, rights and obligations of each entity. Any such change will be subject to the approval of MCC.

The ACP will share equally fifty percent (50%:50%) in the credit risk of each loan that it funds through PFIs.

3.2 PFI Accreditation Process To Participate In The ACP

3.2.1 Application To Participate In The ACP

To participate in the ACP, interested financial institutions are first required to submit an application to MiDA or its designated agent. The formal application letter should be accompanied by a completed *Participating Financial Institution (PFI)* Application Form, the form of which is attached hereto as Exhibit A. The form must be accompanied by an application letter and supporting documentation, including appropriate environmental documents. The letter should be signed by an authorized signatory, (as evidenced by appropriate corporate documents), as designated by the Board of Directors of the applying institution.

On receipt of the application and the supporting documents, MiDA will designate an agent to evaluate the operations of the financial institution and upon satisfactory outcome, will confirm approval to MiDA. In essence, the information solicited in the application form should form the basis for determining eligibility of the institution to participate in the ACP.

3.2.2 Eligibility Criteria for Participating Financial Institutions (PFI)

It is anticipated that there will be several types of financial institutions participating in the ACP, including the following: commercial banks, rural banks, savings and loans companies and Financial NGOs. Based on the ACP program's structure and funding, commercial banks are likely to participate in the medium-term component, while rural banks, savings and loans companies and Financial NGOs are likely to focus on short-term financing.

3.2.3 Requirements for Commercial Banks, Savings and Loans Companies and Rural Banks



In order to participate, commercial banks, rural banks and savings and loans companies must meet the following criteria:

- commercial banks, rural banks and savings and loans companies must be based in Ghana and incorporated under the laws and regulations of Ghana and possess the requisite Certificates of Registration and Incorporation from the Registrar-General's Department;
- commercial banks, rural banks and savings and loans companies must be licensed by the Bank of Ghana, as a formal financial institution;
- commercial banks, rural banks and savings and loans companies must have clearly defined ownership and management structures, with a of board of directors which complies with Bank of Ghana's requirements to remain active and in good standing;
- all participants must be rated at least 'satisfactory' by the Bank of Ghana and otherwise deemed by the Bank of Ghana to be in good standing;
- a PFI shall not be in violation of the relevant Bank of Ghana "Capital Adequacy Ratio";
- a PFI shall be compliant with the liquidity reserves required by the Bank of Ghana
- Portfolio-at-risk ("PAR") (defined as the principal balance of loans with principal or interest payments thirty (30) or more days past due), shall not exceed twenty five percent (25%) of the total credit portfolio outstanding at initial assessment for eligibility to participate in the ACP. Continued eligibility shall be dependent on PAR not exceeding twenty percent (20%) for an ACP-funded credit portfolio;
- rural banks and savings and loans companies must be located in at least one of the twenty-three targeted districts;
- commercial banks may participate to the extent that the loans funded by the ACP program are extended to targeted agricultural and agricultural value-chain borrowers located in at least one of the twenty-three designated districts and that those loans do not exceed maximum loan amounts, where such limits are stipulated;
- where applicable, the commercial banks, rural banks and savings and loans companies must have audited annual financial statement of accounts, for its most recent two financial years;
- new banks without audited financial statements shall be required to submit current management accounts, corporate plans (including financial projections) and management profiles a review of which must be satisfactory for participation in the ACP in the considered opinion of Bank of Ghana;
- PFIs must have demonstrated adequate technical, financial and administrative capacity to manage the assets and liability risks associated with on-lending programs;
- PFIs shall have operating policies, procedures, organization and the staff necessary to evaluate risks (including but not limited to asset, liability, liquidity and interest rate risks) and PFIs must supervise loans;
- PFIs shall agree to furnish all relevant information and documents requested by MiDA or its agents in connection with the loans made under the ACP project;



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- rural banks, savings and loans companies, Financial NGOs (and commercial banks when the ACPC provides documentation of specific capacity constraints) must agree to participate in training under the Credit Activity. Commercial banks must demonstrate the capacity to deliver agricultural credit in order to be exempted from the training requirement. Rural banks must agree to participate in the Financial Services Activity project to connect rural banks to one another and to the ARB Apex Bank through a wide area network;
- PFIs shall have trained all loan officers engaged in lending activities related to the ACP on the environmental requirements to be undertaken and documented by the PFI;
- a PFI must have its head office or an agency located in one of the targeted districts, or must commit to establishing a location in the targeted districts; and
- PFIs shall have a credit or project officer responsible for the ACP within the respective institution.

3.2.4 Requirements for Financial NGOs

To participate in the MiDA Ghana Agricultural Credit Program and access the lending funds, an Financial NGO must have been accredited by a MiDA-designated agent, and be incorporated under the Companies Code 1963 (Act 179) and shall:

- have experience in credit delivery for at least the past two (2) years;
- have a sound governance structure;
- have demonstrated a commitment to the productive rural poor;
- maintain operating account(s) with a licensed financial institution;
- have adequate technical, financial and administrative capacity to manage an on-lending loan;
- have operating policies, procedures, organization and the staff necessary to evaluate risks (including but not limited to asset, liability, liquidity and interest rate risks) and supervise loans
- have reliable management information systems that are actively used to make decisions;
- have audited annual financial statement of accounts for its most recent two
 (2) financial years;
- be without any legal encumbrances likely to affect its ability to perform its duties under its relevant agreement;
- not have overdue debts to any financial institutions;
- maintain a portfolio-at-risk of over thirty (30) days (PAR<30 days) of not more than fifteen percent (15%); and
- agree to participate in the training activity described in <u>Section 2.4.3</u>; and that all loan transactions will be undertaken in compliance with the environmental guidelines detailed in the Manual (Annex A).

3.2.5 Institutional Assessments

For each PFI, an institutional assessment will be conducted by the Implementing Entity as part of determining initial eligibility and, when necessary, confirming

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continuous eligibility. This assessment will include an on-site review of operations including review of the following four broad areas:

- institutional analysis
- lending methodology and procedures
- portfolio and risk management systems
- financial performance

The institutional analysis will cover the shareholding structure, organizational structure, corporate objectives, the quality and depth of management and governance structures of the institution. Institutional outreach and products as well as the incentive systems, staff training procedures, and management information systems will also be reviewed.

The loan appraisal, approval, disbursement, monitoring and documentation and collection processes will be examined by the Implementing Entity as part of the assessment of the lending methodology and procedures. The loan repayment tracking, risk classification and loan loss provisioning systems employed by the financial institution, will also be evaluated.

The final area of the assessment by the Implementing Entity will examine the asset quality, profitability and sustainability of the institution, especially under conditions of adjustment for inflation and subsidy. The overall efficiency of the institution, its portfolio and cost of funds analysis, as well as compliance with statutory requirements (prudential guidelines, returns, etc.) will be examined.

As a result of this analysis, recommendations may be made by the Implementing Entity or MiDA for the strengthening or realignment of various aspects of the institutions' operations. These are usually classified as (pre-) conditions to funding and will be grouped depending on whether they have to be fulfilled prior to ACP funding a loan request or while funding is ongoing.

Initial and continuing eligibility for participation and for access to funding under the ACP requires approval of the Implementing Entity (or a MiDA-designated agent in the case of Financial NGOs), in accordance with the criteria set out in the Implementing Entity Agreement with MiDA.

The Assessment Report prepared by the Implementing Entity will approve a specific recommendation. A copy of this report will be forwarded within three (3) working days to MiDA for information and monitoring purposes. The approved recommendation in the assessment report would normally range from:

- (a) Acceptance to Participate in the ACP fund and guarantee access, including acceptance to participate in training, and conditional acceptance; or
- (b) Conditional Rejection, requiring the institution to undertake some major restructuring in order to be accepted; or





(c) Outright Rejection.

3.3 Continued Eligibility Standards for PFIs

In order to maintain its status as a PFI (and for a rural bank or Financial NGOs, to be eligible for grants at the end of the Program as indicated in Section 7), each PFI must:

- submit accurate and timely (as specified in the respective loan agreement) reports of its lending and collection activities related to this ACP program;
- participate in training. This is applicable to all rural banks, savings and loans companies, Financial NGOs and such commercial banks as deemed necessary by MiDA or its agents and as indicated in the respective loan agreements;
- demonstrate a high level of competence in its management, lending, monitoring, and collections activities. Indicators of such capacity will include the timeliness and accuracy of loan principal and interest payments and required ACP program reporting among other criteria as detailed in the Proposed Agreement between MiDA and the PFI.

As an additional condition for participation, all PFIs must agree to do the following:

- (i) verify that loan funding has been used for its intended and eligible purpose by the respective borrowers;
- (ii) verify environmental compliance and documentation of same;
- (ii) make visits, at least monthly or as specified in the respective loan agreement, to monitor borrowers. Financial NGOs will need to demonstrate an ability to visit borrowers more frequently as needed.

3.4 On-Lending Agreement

Upon a decision of the Band of Ghana to accept the participation of the financial institution, an *On-Lending Agreement* will be executed by the Bank of Ghana (acting on behalf of MiDA) and the Participating Financial Institution (PFI), following agreement on the specific terms and conditions of participation. A term sheet setting forth the key terms of the On-Lending Agreement is attached hereto as Exhibit B.

The On-Lending Agreement outlines various processes undertaken since the initial contact and the (pre-) conditions (if any) to be fulfilled prior to or during access to ACP funding. A time frame for the fulfillment of the (pre-) conditions shall be indicated in the Agreement.



It is the responsibility of each institution to meet the pre-conditions including through the training activity set forth in <u>Section 2.4.3</u> where appropriate. On fulfillment of the detailed (pre) conditions, the PFI is technically qualified, and will be permitted to access ACP facilities once a **PFI On-Lending Drawdown Request Form**, attached hereto as Exhibit C has been executed.

3.5 Environmental Criteria for Financial Institutions

A key undertaking for financial institutions to participate in the ACP is to subscribe to funding good environmental practices. Each financial institution shall undertake to ensure that during sub-project appraisal, it shall verify that proposed sub-projects are in compliance with all environmental laws and standards of the Government of Ghana and are consistent with MCC Environmental Guidelines according to the Environmental Guidelines to the ACP attached hereto as Annex 1.

3.6 Termination of Agreements with PFIs

Agreements with PFIs shall terminate upon the occurrence of any of the following events:

- a PFIs engages in any activities prohibited under the Compact and this Manual
- termination or suspension of the Compact or the ACP
- any form of malfeasance that may be determined to be in breach of Compact requirements
- use of ACP funds for purposes other than stated in the applicable agreement with the PFI
- breach of any provision of the applicable agreement with the PFI, including environmental procedures (Annex A).

Upon termination, no new loans will be granted. A rural bank or financial NGO shall be deemed ineligible for grants at the end of the ACP program.

In the case of malfeasance, outstanding loans may be declared in default and MiDA represented by its agent(s) may demand repayment in full of all outstanding principal and interest from the PFI.

The portfolio at risk in the underlying ACP loans with a PFI, must not exceed the following percentages:

- Financial NGOs must not exceed fifteen percent (15%) PAR, where PAR is defined by Bank of Ghana regulations and perceived as a percentage of loan principal, thirty (30) or more days past due.
- commercial banks, rural banks and savings and loans companies must not exceed twenty percent (20%) PAR.

3.7 Roles of ACP Implementing Entities

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The major institutions involved in the implementation of the ACP are MCC, MiDA, the Bank of Ghana, and the ACPC. Other entities, such as ARB Apex Bank and other private sector entities, may be recruited to support the ACP program in various capacities as the need emerges. The broad responsibilities of the major entities are delineated below:

3.7.1 Role of the MCC

The MCC is the primary fund and ACP program oversight body. As such, the MCC will perform the following functions with regard to the ACP:

- approve the Implementing Entity Agreement with the Bank Of Ghana
- approve the terms of reference and the competitive selection of the ACPC
- approve the Manual and any modifications or changes of the Manual
- approve quarterly disbursement requests within the agreed limit from MiDA to fund projected loan volumes under the ACP, the proceeds of which will be deposited into a Permitted Account for further Re-Disbursement to PFIs.

3.7.2 Role of MiDA

MiDA shall have the primary responsibility for implementing the Compact and all of its Projects and Activities.

As the primary implementation manager, MiDA will have the following specific responsibilities related to the ACP:

- identify and pay legal counsel to assist in the development of all legal documents (various loan forms, participation and loan agreements, MOUs and Implementing Entity Agreements) necessary to implement and manage the ACP.
- develop a TOR and procure the ACPC (subject to MCC approval) and manage the contract of the ACPC.
- establish regional budgets for short and medium term credit.
- review all required reports from ACPC and the Bank of Ghana and monitor progress of the training program.
- negotiate, sign and manage the Implementing Entity Agreement with the Bank of Ghana as Implementing Entity, including reviewing all reports submitted by the Implementing Entity.
- request quarterly funding from MCC for the ACP, within the agreed limit of \$2 million, unless otherwise approved by MCC.



 monitor the ACPC's performance against goals, validate adherence to the ACP's goals and objectives; and take corrective action when necessary based on the contractual agreement executed with the ACPC.

3.7.3 Role of the Bank of Ghana

The Bank of Ghana has oversight and regulatory responsibility for the commercial and rural banks that will participate in this ACP program. The Bank of Ghana, as a part of its regulatory function, evaluates the operating performance and portfolio quality of these institutions. Its evaluation results in a rating and a determination of institutional capacity to engage in incremental lending and deposit gathering. Under Ghanaian law, the Bank of Ghana determines a financial institution's eligibility to operate and the extent to which financial institutions can participate in lending and deposit gathering of any kind, including donor sponsored programs, such as the ACP.

In its capacity as regulator and in accordance with the terms specified in the Implementing Entity Agreement between MiDA and the Bank of Ghana (and approved by MCC), the Bank of Ghana will perform the following functions:

- approve the list of PFIs eligible to participate in the ACP;
- establish a dedicated desk within the Bank of Ghana to carry out the responsibilities of the Bank of Ghana under the Implementing Entity Agreement between the Bank of Ghana and MiDA;
- continue its mandated periodic regulatory oversight activities of PFIs;
- establish maximum borrowing limits for PFIs under the ACP and establish the leverage and liquidity limits needed for continued participation by each PFI in the ACP;
- advance loan proceeds to PFIs from the MiDA-ACP Cedi Disbursement Account in accordance with the criteria specified in the Implementing Entity Agreement (e.g. the total outstanding disbursements to any given PFI must not exceed such PFI borrowing limits, or regional budgets; no outstanding loans have been identified in the most recent portfolio evaluation that do not fit ACP program eligibility requirements);
- in accordance with the terms of the Implementing Entity Agreement, monitor and update PFI regulatory, eligibility and performance measures.
- in accordance with the terms of the Implementing Entity Agreement, approve requests from PFIs for modification of the terms and conditions of agreements related to outstanding loans;
- per its legal requirements and in accordance with the terms of the Implementing Entity Agreement, demand repayment of ineligible loans, determine when an individual loan should be charged off and when to

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demand that the PFI repay a defaulted loan under the risk-sharing arrangement that will be a standard part of each agreement with a PFI, and each loan agreement;

- review PFI applications to increase borrowing limits, and review those applications against agreed regional budgets developed by MiDA for short and medium-term credits. Confirm that there has been compliance with MiDA's established credit limits and budgets;
- project on a quarterly basis (with input and assistance, as needed, from the ACPC), the funding requirements of PFIs and advise MiDA on the amount it should include for the ACP as a part of MiDA's quarterly disbursement request to MCC. The amount requested by the Bank of Ghana from MiDA should not exceed the agreed limit of \$2 million in any quarter unless otherwise approved by MCC;
- manage the MiDA-ACP Cedi Disbursement Account;
- request that MiDA instruct its Fiscal Agent to authorize the Bank of Ghana to release funds from the MiDA-ACP Cedi Disbursement Account to PFIs to make eligible loans under the ACP program;
- the Bank of Ghana shall, prior to funding any PFI loans under the ACP, develop a system for coding loans according to several parameters including: loan amount, size of borrower's holding, district location, gender of borrower, and loan purpose. This will aid MiDA and the ACPC in tracking the eligibility of individual loans, portfolio concentrations by purpose and location and assure that loans are directed to the intended beneficiaries for the intended purposes.

3.7.4 Role of the Agricultural Credit Program Consultant (ACPC)

Under authority granted by MiDA, and subject to a "no objection" from MCC, the Agricultural Credit Program Consultant ("ACPC"), a separately procured entity that is not an employee of MiDA, will provide credit support services to the ACP.

The ACPC will undertake the following activities:

- in accordance with the terms of its agreement with MiDA, provide information for evaluation of financial institutions' applications for continued eligibility and for ACP funding based on the detailed eligibility criteria specified in the Implementing Entity Agreement with the Bank of Ghana;
- provide MiDA any requested or required information that assists the Bank of Ghana in determining the aggregate projected advances to all PFIs for the next quarter;



- collect and monitor PFI portfolio monitoring reports (timeliness of payments, aging of past-due loans, eligibility of individual loans for funding under the program, etc), and report results to MiDA management on a monthly basis and the Bank of Ghana on a quarterly basis;
- facilitate implementation of a rigorous impact evaluation of the credit activity by MiDA's evaluation contractor.
- evaluate (based on a random sample of at least 20 percent of the loans) on a quarterly basis in arrears the eligibility of each PFI's individual loans funded under the ACP. The ACPC will report any violations of eligibility criteria to the Bank of Ghana and MiDA and will make a recommendation to MiDA for submission to the Bank of Ghana on remedies, including making demands for repayment as necessary from PFIs to ensure that only eligible loans are funded under the ACP. the Bank of Ghana will make the final determination, subject to its regulations and the terms and conditions of its Implementing Entity Agreement;
- review with the Bank of Ghana the operating and portfolio performance data on PFIs collected by the ACPC as a part of its program responsibility, and such other quantitative and qualitative information, as may be requested and required by the Bank of Ghana to confirm the continued eligibility for funding of each PFI. Report the results of this review to MiDA management;
- coordinate and monitor payments and receipts of monies under the ACP program. Reconcile the MiDA-ACP Cedi Disbursement Account at least once a month. Send delinquency notices and issue notices to PFIs of the occurrence of events of default by the PFI under existing agreements, as appropriate;
- Subject to terms and conditions of the Implementing Entity Agreement between MiDA and the Bank of Ghana, make recommendations to the Bank of Ghana regarding demands for repayment of ineligible loans, charge offs of loans and when to demand that a PFI repay a defaulted loan under the risksharing arrangement found in each loan agreement;
- coordinate audits of PFIs;
- conduct workshops, with the approval of MiDA, to preview the ACP program
 to potential PFIs and to potential PFI borrowers; and to review progress
 periodically with a variety of stakeholders;
- in accordance with MiDA specifications, design and coordinate the training program for participating rural banks, Financial NGOs and, where necessary, commercial banks, including pesticide training and certification. This will include conducting (or managing another entity who conducts) a needs assessment, developing initial training modules on common topics that will

likely be centralized and classroom-based, as well as designing ongoing group training sessions and PFI-specific interventions to be delivered onsite;

- using MiDA approved criteria, recruit, train and manage trainers for the training program; and
- after consultations with MiDA, revise and maintain the Manual.

MiDA shall, through its Agricultural Financial Services and Bank Capacity Building Manager, monitor the ACPC's performance against goals and to validate its adherence to the ACP's goals and objectives; and to take corrective action based on the agreement with the ACPC.

3.7.5 Role of Other Entities

MiDA, through its CEO, will execute separately a Memorandum of Understanding ("MOU") or an Implementing Entity Agreement (as the case may be) with apex bodies or institutions selected for the purpose, for example, the ARB Apex Bank, Ltd. the Ghana MicroFinance Institutions Network ("GHAMFIN") or other private sector entities, that facilitates the gathering of information necessary to establish a financial institution's initial and ongoing eligibility to participate in the ACP. The MOUs will detail each entity's roles and responsibilities as well as the fee structure (based on services to be provided) and frequency of fee payment.

The specific roles and responsibilities of such entities would be the subject of the respective agreements with MiDA but would include the following:

- confirmation of financial institutions' compliance with those initial eligibility criteria as stipulated herein which derive from requirements and information of the respective implementing agency;
- regular assessment of the continued eligibility of PFIs under the terms of this Manual with respect to those criteria that derive from requirements and information of the respective implementing agency; and
- regular reporting, monitoring and control of loans to PFIs, including reporting to MiDA breaches in the terms and conditions for loan disbursement to PFIs.

The specific roles among these institutions may be detailed under bilateral agreements such as Implementing Entity Agreements (such as between MiDA and the Bank of Ghana), private entity contracts (such as between MiDA and the ACPC, and between the Bank of Ghana, acting on behalf of MiDA, and the PFIs).

The reporting obligations under these arrangements are detailed in the Monitoring and Reporting Obligations schedule, attached hereto as Annex 2.

Under an Implementing Entity Agreement with the Ministry of Local Government, Rural Development and Environment, the Environmental Protection Agency ("EPA")

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will undertake environmental screening, monitoring and reporting responsibilities including those set in Annex 1 of this Manual.

4.0 Access to Ghana Agricultural Credit Program Fund by Financial Institutions

4.1 ACP Funding Requirements

To access ACP funding, PFIs shall:

- execute a valid loan agreement with a designated MiDA agent:
- complete an application form requesting draw-down for eligible loans under terms consistent with this Manual;
- submit for funding eligible loans; and,
- subscribe to specific terms and conditions under which the ACP fund is managed.

The completed application form, under cover of a letter, should be lodged with the designated MiDA agent and copied to MiDA.

4.2 Application for ACP Funds By PFIs

4.2.1 Signing A Valid Agreement:

Fund application is permitted only after fulfillment of the pre-conditions agreed on by both parties in the participation agreement and the signing of the agreement.

4.2.2 Completion of Loan Application Form:

Any application for funds within the Borrowing Limit established for the PFI, must be done using the "ACP Fund Application and Approval Form" attached hereto as Exhibit A.

The first part of the form which captures the application for funds by the PFI, is used to provide information on the following:

a) Amount Requested

This should be denoted in figures as well as in words, and must not exceed the funding limit established by the Bank of Ghana for the institution. The PFI should note that no new advances may be requested if less than 80% of the previous amount approved has been on-lent to eligible borrowers.

b) Proposed Maturity



The maturity of loans granted to PFIs will, as much as possible reflect the average maturity granted by the PFIs to the FBOs and other eligible borrowers.

c) Balance on Borrowing Limit

The balance on borrowing limit is established as the PFI's approved borrowing limit, less the cumulative disbursements made to the PFI, plus reimbursements from the PFI, as determined by the designated MiDA agent.

The PFI's borrowing limit shall be valid for a period not to exceed one (1) year but subject to both immediate suspension for noncompliance and upward adjustment from time to time in response to demonstrated capacity and need.

The primary conditions for accessing funds from the established borrowing limit are:

- continued compliance with all eligibility criteria, including prudential ratios specified and monitored by the designated MiDA agent, for example, Bank of Ghana, or in the case of Financial NGOs, standards to be published by MiDA from time to time; and
- maintenance of recovery rate of eighty percent (80%) for rural banks, commercial banks and savings and loan companies or eighty five percent (85%) in the case of Financial NGOs or better on a monthly basis on the total portfolio of the PFI.

All secondary conditions as well as the Borrowing Limit shall be communicated in writing to the PFI by the relevant MiDA agent acting on behalf of MiDA.

d) The Level of Compliance with the Prudential Regulations

The key regulations specified here include the "Minimum Paid-up Capital," "Capital Adequacy," "Liquidity Reserve," and "Risk Exposures." This section captures the compliance of the financial institutions to levels set by their regulatory institutions (such as Bank of Ghana and ARB Apex Bank).

4.2.3 Processing PFI Loan Requests:

The ACP Application and Approval Form, including the environmental checklist, must be completed, signed and submitted, to the MiDA agent by the PFI, each time a request for funding is made. A copy of the application should be forwarded to MiDA for monitoring purposes.

4.2.4 Procedure for Processing Beneficiary Loan Requests At The PFIs:

a) Framework for Loan Processing: All potential beneficiaries shall contact PFIs directly with their credit propositions or applications for consideration. Under no circumstances may loan requests be channeled through MiDA directly. Whilst



loan processing shall be consistent with the provisions of this Manual, the procedure applicable shall be those approved by the board of the PFI and cleared by Bank of Ghana during the due diligence process to determine PFI eligibility to participate in the ACP.

- b) <u>Selection of Beneficiaries</u>: In selecting clients for participation in the ACP, the PFI should ensure that such potential beneficiaries meet the requirements and conditions of the ACP and are:
 - engaged in high-value cash (horticulture) and food staple crops in any of the three Intervention Zones;
 - involved in activities which should improve delivery of business and technical services to support the expansion of commercial agriculture among FBOs. Loans to FBOs are expected to use predominantly group-based lending methodology; and,
 - Certified by MiDA (or its designated agent) to have completed at least "Phase One" of the Strengthening the Business Capacity of FBOs of the Farmer and Enterprise Training in Commercial Agriculture Activity. Nucleus farmers in the horticultural industry with **EUREPGAP** certification and with valid environmental certificates/clearance satisfactory to the Ghana Environmental Protection Agency and the MCC Environmental Guidelines, may access credit prior to participation in the Phase One training subject to written undertaking to participate in such training once it becomes operational.

The PFI will then assist the clients to open accounts at the PFI, in the absence of a previous relationship, or at a nearby bank where such a PFI is a Financial NGO.

- a) <u>Loan Application</u>: Potential clients may contact a PFI for an eligible loan, as defined in <u>Section 4.3</u> by completing and submitting a loan application form. Clients who maintain an account with a PFI may approach the PFI to access the ACP fund.
- b) <u>Loan Amount</u>: Clients may apply for loan amounts of not less than one thousand Ghana Cedis and an upper limit to be determined from time to time by MiDA. In the case of FBOs, the limit refers to each member of the group.
- c) <u>Loan Appraisal Procedures</u>: PFIs shall appraise loan propositions based on the anticipated capacity of the client's venture to generate sufficient cash flow to service both interest and principal payments. The PFI shall appraise each loan application for viability (both technical and financial) and satisfy itself of adequate measures are in place to avoid/minimize adverse environmental effects, including prohibited agro-chemical inputs. (See Annex A).



d) <u>Loan Approval</u>: The designated authority of the PFI, such as the credit committee, shall approve client loans. The PFI shall then notify the client of decisions regarding the loan application. Loan approval notices to the PFI client should indicate the full terms, including maturity date, repayment terms/schedule and interest rate, taking care to ensure that the standard loan agreements of the PFI is amended to reflect the flow through provisions of this Manual.

Form, which is presented as a draw down request to the managers of the ACP fund. Once the ACP Application and Approval Form has been completed and signed by the PFI, it will be submitted to the designated MiDA agent for review. After a favorable review consistent with criteria stipulated in this Manual and related agreements such as implementing entity agreement or contract, the MiDA agent will approve the application clearly indicating the terms and conditions of the disbursement and a repayment schedule for the PFI. The PFI shall notify MiDA prior to and after all disbursements. All loan request applications to Bank of Ghana from the PFIs must be serially numbered and must indicate the name of the PFI, the district of location of the PFI's head office and account holding branch or agency of the PFI presenting the eligible loan.

The designated MiDA agent, as part of its due diligence process, will confirm the eligibility status of the PFIs with the relevant criteria and indicators. The MiDA agent shall forward all funding requests together with supporting documentation to the Fiscal Agent for vetting, and once found to be in order, authorize Bank of Ghana to disburse. Disbursement from Bank of Ghana will be credited to the PFI's designated accounts with notification to the Bank of Ghana and MiDA, indicating which request application numbers have been responded to and the amount disbursed in each case.

<u>Interest Rate</u>: The interest rate charged by the PFI will be its usual commercial rate for the activity being financed.

e) <u>Loan Repayment</u>: The PFI will determine the maturity of client loans based on the expected cash flow stream of the activity on which the repayment installment schedule is based. Loan repayment should reflect seasonality of underlying activity, where applicable.

Loan service payments shall be made directly to the PFI.

f) <u>Collateral Security</u>: Loans to FBOs will be based on group-based lending and joint and several guarantees. Collateral and co-signers are generally not used so peer pressure and collective responsibilities generated by the group take their place. In addition, functions typically performed by the bank staff are delegated to the borrower group: peers screen clients, determining who to accept into their group; loan analysis by the lending institution is minimal, depending instead on peer assessments of each other's businesses.

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The PFI may take a charge on equipment purchased with the proceeds of a loan and shall have the right to repossession and/or disposal in case of default by clients.

The PFI may take property (but not real property) as collateral in non-FBO or non-group-based borrowing, especially where the borrower is a registered business entity.

g) <u>Loan Recovery</u>: In the event that a client fails to make loan service payments in accordance with the agreed schedule, the PFI shall take steps to recover the overdue loan amount. Failure to collect outstanding payments would not affect the PFI's obligation to repay the ACP loan on schedule.

4.3 Eligible Loans For Beneficiaries (FBOs and Other Operators in the Agricultural Value Chain)

In addition to the criteria set forth in Section 4.2.4(b), an eligible loan shall be:

- used for the purpose of financing seasonal or short-term credit needs repayable within a maximum of eighteen (18) months) and medium term capital and investment requirements repayable over a period not exceeding thirty-six (36) months from the date of initial disbursement to the beneficiary;
- For an amount of not less than GH¢1,000 and an upper limit to be determined from time to time by MiDA. In the case of FBOs, the limit refers to each member of the group;
- Approved by the Credit Committee of the PFI submitting the loan request, in accordance with the credit approval processes of that institution and in compliance with all the provisions and guidelines contained in this Manual;
- Submitted by a PFI in good standing in the ACP, that is, meeting both initial eligibility and continued eligibility standards as set forth in <u>Section 3.2</u>; and
- ACP fund loans may not be used to:
 - a) finance activities outside the scope of the ACP as defined in the Compact or the distribution of substances such as chemicals, banned under Ghanaian law and the Environmental Guidelines, that would be harmful to the environment (see Annex A), and
 - b) re-finance an existing loan (regardless of the standing of that loan).



4.4 Terms of Loans to Participating Financial Institutions

4.4.1 Currency and Term of Loans:

All loans will be in Ghanaian Cedis. No loan from the ACP fund will have a maturity date later than the day that is three years after the date of termination of the Compact; and no loan may be for a period exceeding the maturity of the loans being funded by advances from the PFI. It is anticipated that all loans to Financial NGOs and rural banks will be for periods of eighteen (18) months or less; however, there is no express limitation to participation by qualified PFIs.

4.4.2 Funding of Specific Requests:

At the time of each loan, the PFI must demonstrate that it has applications for eligible loans equal to the amount of the loan requested from the MiDA-ACP Cedi Disbursement Account and that the loans will be funded within three weeks of the loan from the MiDA-ACP Cedi Disbursement Account.

4.4.3 PFI Borrowing Limits:

PFIs may have multiple loans from the MiDA-ACP Cedi Disbursement Account outstanding at any time. However, the Bank of Ghana shall limit the amount of credit extended to any single PFI. Procedures for setting such limits shall be arrived by the Bank of Ghana, based on the outcome of the organizational assessment of each respective PFI and subject to the concentration limits set by MiDA. Payment schedules of PFI to Bank of Ghana will be the aggregate of the payments schedules of the loans from the PFI to the end user, slipped to single monthly payment at an agreed date so as to reduce administrative burdens in Bank of Ghana and MiDA.

4.4.4 ACP Portfolio Level Over-Concentration of Loans:

To avoid the over-concentration of loans to individual borrowers, certain classes of borrowers and purposes, (e.g., traders) certain concentration limits will be imposed on the program portfolio. For example: by region, by farm size, by production, post-harvest produce and post-harvest processing, by commodity and by loan maturity. Based on proposals from the Bank of Ghana, MiDA will adopt, subject to MCC approval, portfolio concentration ratios in terms of percentage of principal outstanding, with respect to each of these variables¹. The monthly report of the

Zone (North, Central, South) 25; 35; 40

Commodity (Pineapple, Mango, Foodstuffs, Other) 40; 25; 15; 20

Level in Value Chain (producer; produce post harvest; and processing post-harvest) 40;20;20

Maturity (18 months or less; 19 to 36 months) 50;50

Size of producer (less than two acres; two to five acres; more than five acres) 35; 35; 30

Gender (female; male) 35; 65



¹ Sample concentration ratios

ACPC on program performance will include results with respect to each measure on an accumulated basis and for the most recent reporting period. Fluctuations above or below the selected levels would be accepted within a predetermined range, but fluctuation outside that acceptable range would trigger a thirty (30)-day suspension of further Bank of Ghana disbursements against the particular type of loan. The suspension would continue on a thirty (30)-day renewal basis until the subject ratio came back into the acceptable range or until MiDA determines, subject MCC approval, that changing conditions warrant revising the target figures. Repayment of loans or deposits pertaining to loans already granted by the PFI would not be considered new loans or deposits for purposes of this Section 4.4.4.

4.4.5 PFI Portfolio Level Over-Concentration of Loans:

Concentration at the level of individual PFIs would be limited by the application of ratios discussed and agreed with the PFI as part of the application and certification process. Such ratios would be similar to conventional risk management policies but would be adjusted to the comparative advantage of the PFI and to the overall program objectives with respect to gender and small-scale inclusion.

4.5 Disbursement of Loans & Accounting Procedures of the ACP

- (i) Approvals for disbursements from the ACP fund will be forwarded by the Bank of Ghana through MiDA to the Fiscal Agent.
- (ii) Disbursements will be made to PFIs from the MiDA-ACP Cedi Disbursement Account.
 - Disbursements to rural banks will be made by payments through the ARB Apex Bank for further credit to the account of the beneficiary rural bank.
- (iii) Disbursements to Financial NGOs will be made through an account at a commercial bank in the name of that Financial NGO.

Loan repayments by PFIs will be made to the MiDA-ACP Repayment Account.

4.6 Bank of Ghana Level Accounting

MiDA shall maintain various accounts and accounting procedures at Bank of Ghana. The following two (2) accounts at Bank of Ghana will be employed for the purpose of ensuring proper accounting for the operations of the ACP Fund:-

(1) MiDA-ACP Cedi Disbursement Account



The Millennium Challenge Corporation will deposit money into a singlepurpose bank account, the MiDA-ACP Cedi Disbursement Account at the Bank of Ghana after the said amounts have been converted into Ghanaian Cedis from the Special Account under the Bank Agreement by and between the Government, acting through the Ministry of Public Sector Reform and replaced by MiDA and the Bank of Ghana, dated July 12, 2006. MiDA will authorize the Fiscal Agent for this Account to disburse funds to eligible PFIs for the funding of eligible loans as set forth in Section 4.3 after it has reviewed all underlying loan documents for completeness and compliance with the rules of the Program. The MiDA-ACP Cedi Disbursement Account will be replenished quarterly as needed to fund anticipated loan disbursements for the subsequent quarter.

(2) MiDA-ACP Repayment Account

All receipts of payments of loans (both principal and interest thereon) must be transferred to this repayment account at Bank of Ghana from the respective Participating Financial Institutions at the end of every month unless specific arrangements are made in the agreement between MiDA and the respective Balances to this loan receipt account will be transferred to the MiDA-ACP Cedi Disbursement Account in accordance to the repayment schedule agreed between Bank of Ghana and the respective PFI.

4.7 Credit Risk Sharing

When a PFI's client fails to make a regular payment per the agreed schedule, the PFI shall institute steps to recover the overdue loan amount. Any failure to collect outstanding payment would not alter the obligation of the PFI to repay its loan from the ACP on time unless the terms and conditions are renegotiated with the Bank of Ghana before the arrearage.

Should a loan be determined by the PFI to be in default, and if the Bank of Ghana concurs with the PFI's determination of default, the PFI shall repay fifty percent (50%) of the loan losses, net of recoveries of loan losses within three calendar months of the Bank of Ghana confirmation.

4.8 PFI Level Accounting

PFI Level Bank Accounts 4.8.1

In general, each PFI shall maintain two (2) in-house bank accounts for the purpose of:

- receiving transfers from the ACP
- disbursing to FBOs and other eligible borrowers, and



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making loan repayments.

Each PFI shall maintain ACP fund bank accounts in its books in the table below. For illustration purposes only, each PFI is referred to below as XYZ financial institution;

Type of PFI	Bank Account To Receive Funds From ACP	Bank Account To Receive ACP Funds From Clients			
Regulated PFIs (commercial banks, rural banks, savings & loan companies)		XYZ MiDA-ACP Repayment Account			
Unregulated PFIs (Financial NGOs)	XYZ MiDA-ACP Transfer Account (to be held with a regulated financial institution)	XYZ MiDA-ACP Repayment Account			

(a) XYZ MiDA-ACP TRANSFER ACCOUNT

Financial NGOs are required to open an XYZ MiDA ACP Transfer Account. This account shall be opened and operated at any regulated financial institution (that is, commercial banks, rural banks and savings and loan companies) to facilitate expeditious receipt of the approved disbursement from the ACP fund to the PFI.

The XYZ MiDA-ACP Transfer Account shall be used for the sole purpose of receiving transfers from the ACP fund and disbursing same to FBOs and other eligible borrowers.

(b) XYZ MiDA-ACP DISBURSEMENT ACCOUNT

In the case of Bank of Ghana regulated financial institutions, this account shall be opened and operated at the financial institution and shall not attract any charges payable by the MiDA or its agents.

An XYZ MiDA ACP Disbursement Account shall be used for the sole purpose of receiving transfers from the ACP fund and disbursing same to FBOs and other eligible borrowers.

The entries to be made at the financial institution's level, and applicable to bank account types (a) and (b) above, shall be as follows:

Debit the XYZ MiDA-ACP Disbursement Account with a contra credit to i) the loan account of the FBO (that is, loan account in the general ledger of the PFI).

Where the PFI participates in the financing of an asset or raw material for the eligible borrower with funding from the ACP, step (i) should be complied with, followed by debiting of the eligible borrower's loan account, using a check or transfer letter. In effect, no direct disbursements should be made from the XYZ MiDA-ACP Disbursement Account to a third party.



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iii) In the case of Financial NGOs operating the XYZ MiDA-ACP Transfer Account with a regulated financial institution, disbursements from the account shall be made by directly debiting the account using a check or transfer letter. The check or transfer letter should be made payable to an account of the eligible borrower held with that same or a different regulated financial institution.

All the transactions indicated above should be supported by valid payment and loan ledgers and registers, which should be made readily available for inspection upon demand by the MiDA or its assigns.

Transfers from the MiDA-ACP Disbursement Account to the XYZ MiDA-ACP Transfer Account and XYZ MiDA-ACP Disbursement Account involves transfer from the Bank of Ghana into clearing accounts on regulated financial institutions which presently occurs the same day, employing the non-clearing Real Time Gross Settlement system.

The target time from receipt of a PFI fund application to the ACP at Bank of Ghana to disbursement into the respective XYZ MiDA-ACP Transfer Account or XYZ ACP Transfer Account, as the case may be, is not expected to exceed ten (10) working days.

(c) XYZ MiDA-ACP REPAYMENT ACCOUNT

The repayments (both principal and interest) made by the eligible borrowers are to be transferred, per the terms of the PFI's Agreement with the borrower, into an XYZ MiDA-ACP Repayment Account. Where this account is operated with a regulated institution, by virtue of the PFI being an Financial NGO, the XYZ MiDA-ACP Repayment Account shall be designated as a "XYZ MiDA-ACP Repayment Collections Account" from which no withdrawals can be made except to make an onward transfer to the ACP Repayment Account with the Bank of Ghana and only thereafter to realize PFI income on the transaction.

The following entries shall be made by Financial NGOs only:

Credit the Bank of Ghana MiDA-ACP REPAYMENT Account by debiting the XYZ MiDA-ACP Repayment Collections Account. Where the balance on the XYZ MiDA-ACP Repayment Collections Account is not sufficient to meet the payment obligations for the period, as specified in the repayment schedule, the PFI is obligated make up the difference from other sources of funding, but not from the XYZ MiDA-ACP Disbursement Account.

4.9 Loan Classification & Loan Losses

For the avoidance of doubt, loans shall be classified using the prevailing Bank of Ghana standards, from Current (1% provision) to Loss (100% provision, that is, loan write off).

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Loan Losses are to be defined as the full principal amount of any loan that is three hundred and sixty (360) days or more past due. However, before a PFI's loan to its client can be declared in default for credit risk-sharing purposes, the PFI must have written the loan off to its own capital accounts and must provide evidence of having done so by having a validation letter from Bank of Ghana and the PFI's independent external auditors.

4.10 Loan Rescheduling

The maturity date, interest rate schedule and other terms of loans funded by the ACP may be modified only with the written approval of Bank of Ghana.

4.11 Recoveries of Losses

One-half of all recoveries of losses (including accrued interest during the default or delinquency period), will be due and payable into either the MiDA-ACP Repayment Account at Bank of Ghana, or a designated successor account, even if the Millennium Challenge Compact has expired.

4.12 Separate Portfolio and Audits

PFIs will each maintain a separate account of loans funded through this facility and will submit to regular external audits to certify that loans have been originated and accounted for accurately, that reports and applications have been filed properly, and that all reasonable efforts have been made to collect delinquent and defaulted loans. The frequency of such audits will be specified in the relevant loan agreement or agreed from time to time. Audits will be performed at the expense of the MiDA.

5.0 Conditions and Mechanisms for Interest Rate Setting

5.1 Interest Payments

Interest will accrue and be paid monthly in arrears. Other conditions and mechanisms for setting interest rates are outlined below.

5.2 Short Term Loans

Short-term loans under the ACP are defined as loans and advances that have a maturity period at inception, of eighteen (18) months or less. ACP short-term loans to PFIs will accrue interest at a rate equal to the prevailing interest (equivalent) rate at auction for the weekly ninety-one (91)-day Government of Ghana Treasury Bills.



Thus, the applicable rate of interest on loans disbursed to PFIs will vary depending on changes in the weekly ninety-one (91)-day Government of Ghana Treasury Bill rate, with any rate change becoming effective on the business day following the most recent auction at the date of approval.

The procedures employed for setting applicable interest rate for an eligible loan with short-term maturity are as follows:

- Government of Ghana ninety-one (91)-day Treasury Bill rates are determined at a weekly auction. The prevailing weighted average/uniform allocation interest rate published by Bank of Ghana shall be the rate applicable to eligible short term loans approved to be disbursed to PFIs accessing the ACP. The prevailing interest rate shall be the most recent rate published by the Bank of Ghana.
- PFIs are notified about the applicable interest rate for the week by the Bank of Ghana, if there is a change in the previous prevailing rate.
- PFIs are required to advertise or publish prevailing on-lending rates to the public.

5.3 Medium-term Loans

Medium-term loans under the ACP are defined as loans and advances that have a maturity period at inception of over eighteen (18) but not exceeding thirty-six (36) months. ACP medium-term loans to PFIs will accrue interest at a rate equal to the prevailing Bank of Ghana Prime Rate. Flexible interest rate medium term loans shall have their rates adjusted to reflect upon Prime Rate changes becoming effective on the same day as changes in the Bank of Ghana Prime Rate are announced and made effective by the Bank of Ghana.

5.3 Review of Interest Rates on PFI Loans

The procedures for Interest Rate Setting will be subject to review from time to time but in any case not less than every calendar half year, that is, in July and January of each year.

6.0 Monitoring & Evaluation

6.1 Responsibilities and Reporting Requirements of Bank of Ghana and ACPC

Bank of Ghana and the ACP Consultant shall have monitoring and evaluation responsibilities at three (3) activity levels: (i) Overall Project, (ii) ACP Portfolio and, (iii) the PFI Portfolio Levels. The details of these responsibilities and related reporting requirements are detailed in Annex 2. The reports reflecting the performance of these responsibilities are to be presented to MiDA.

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6.2 Monitoring & Reporting Responsibilities of the PFIs

6.2.1 Monitoring:

Monitoring of credit is a process that begins with the approval of the loan application by the PFI and ends with the retirement of the facility by the potential borrower. The PFI's Credit monitoring system should be clearly structured so as to achieve efficiency and effectiveness in the timely recovery of the facility. This also requires access to and proper documentation of information pertaining to the pre- and post-loan performance of the business. Credit monitoring will be one of the key modules of the training activity, especially during the initial PFI training sessions.

The monitoring steps employed by PFIs under the Ghana ACP are to be determined by the individual PFIs; however, the Bank of Ghana will carefully review the PFI's monitoring system for initial eligibility to participate in the ACP and the ACPC shall making recommendations to each PFI's monitoring system as a basis for granting or denying credit.

Loan charge-offs will be considered once all other measures have been exhausted and it is apparent that the exposure to the borrower can not be redeemed. This however does not imply a long wait for whatever legal action should be taken. Unless otherwise negotiated, loan charge-off policy is a matter for each PFI to determine, as long as that policy meets regulatory requirements as indicated in <u>Section 4.9</u>.

6.2.2 Reporting Requirements:

PFIs shall provide the Bank of Ghana and the ACPC information to enable them meet their monitoring and reporting obligations specified in Annex 2. The ACPC will collect as specified in Annex 2 for onward transmission to the MiDA. PFIs should thoroughly and accurately check all data before submission. An independent "Data Quality Reviewer" will be appointed by MiDA to conduct periodic data quality assessments, at least once a year.

The Bank of Ghana shall collate routine financial statements of PFIs as part of regulatory obligations. In addition, PFIs shall publish and make available to Bank of Ghana copies of the statutory annual audited financial statements prepared by its external auditors, within 120 calendar days after the end of each year.

For the avoidance of doubt, the Bank of Ghana shall collect at the minimum the following information on a monthly basis during the first loan cycle and quarterly thereafter for ACP loans only, <u>in all cases disaggregating by gender and geographic area, where applicable</u>:

- the number of loan applications received;
- the number of loan applications approved;

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- the number of loan applications disbursed:
- the number of applications declined;
- a list of group/individual loans approved (showing dates of approval and Ghanaian Cedi value of loans disbursed, disaggregated by short term and medium term loans;.
- the number of group/individual loans fully repaid;
- the average turn-around time for loan approvals (days between initial receipt of loan request and disbursement to end client);
- the total outstanding principal balance for group/individual loans;
- the combined principal balance;
- the total periodic repayments of principal and interest;
- the Ghanaian Cedi value of pending group/individual loans;
- any PAR greater than 30 days (principal and interest) for group/individual credit; and
- the Ghanaian Cedi value of pending group/individual loans.

At the macro level, the major indicators to be tracked annually during the implementation of the Credit Activity shall be:

- (i) the portfolio-at-risk of agricultural loan fund;
- (ii) the value of loans disbursed to clients from agricultural loan fund in United States Dollars; and
- (iii) the number and value of additional loans

6.3 Tripartite Review

MiDA, Bank of Ghana and the ACPC shall undertake a monthly meeting to be hosted by MiDA to ensure the smooth operations of the ACP. At the end of each year of the ACP program implementation, and not more than one month thereafter, a review will be undertaken by MiDA, Bank of Ghana and the ACPC with input from the PFIs. The lessons learnt shall inform the guide subsequent stages of the ACP program.

7.0 ACP Grants

7.1 Grant Eligibility

At the end of the Compact, participating financial NGOs and participating banks that are rural banks are eligible up to sixty percent (60%) of the amount of loans outstanding to rural banks and financial NGOs as of the date, that is, six (6) months prior to the Compact termination date, minus loan losses, plus (if applicable) interest earned and deposited the MiDA-ACP Cedi Repayment Account. Commercial banks shall not be eligible for such grants.



7.2 Grant Awards

A committee composed of representatives from MiDA, Bank of Ghana and Apex Bank, among others as may be specified by MiDA and MCC, will make recommendations to MCC regarding how the grant funds should be distributed to eligible rural banks.

MiDA, in collaboration with other key players in the Ghanaian financial sector, such as GHAMFIN and Bank of Ghana, will compose a similar committee to make recommendations regarding Financial NGOs.

The recommendations should take into account the relative performance of loan portfolios of participating institutions, the timeliness and accuracy of reports, audit results, efforts to originate loans well, and efforts to educate borrowers regarding their responsibilities.

Rural banks and Financial NGOs with strong performances should receive significantly more than institutions with weak performance records.

There is no guarantee that every, or any, eligible institution may receive a grant at the end of the ACP program.

Grants will be awarded beginning at the third year after entry into force of the Compact, with the last grant to be made no later than the day that is three months prior to the date of the end of the Compact Term. If applicable, grant amounts for banks will be netted against outstanding delinquent loans. At their sole discretion, MiDA/MCC may decide to award a smaller amount and to use the difference to fund activities related to the ACP program, such as on-going audits, legal proceedings against delinquent banks, etc.

Grants may be made either in the form of a cash transfer or the forgiveness of outstanding loans from the MiDA-ACP Cedi Disbursement Account.



ANNEX A

ENVIRONMENTAL GUIDELINES TO THE

AGRICULTURAL CREDIT PROGRAM

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Attachment 2: Field Site Visit Checklist

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I. INTRODUCTION

- 1. On August 1 2006, the Republic of Ghana (the "Government") entered into a Compact with Millennium Challenge Corporation (hereinafter called the "MCC") of the United States of America which is, focused on, among others, increasing farmer incomes through modernizing Ghana's agricultural sector, together with investments in developing transportation infrastructure and rural institutions, all designed to dismantle obstacles to realizing Ghana's agricultural potential as an engine of economic growth. This Program is made up of three projects: the Agriculture Project, the Transportation Project and the Rural Development Project. One of the subcomponents of the Agricultural Productivity Development Project (the "Project") is the Improvement of Credit Services for On-Farm and Value Chain Investments Activity under which the Agricultural Credit Program ("ACP") is a sub-activity, amounting to Forty Million Seven Hundred Thousand United States Dollars (US\$ 40,700,000) equivalent, to finance short-and medium- term credit with the objective to develop business supply chains and expand market opportunities for farmers and other rural businesses through (a) supporting the commercialization of agriculture and rural sectors by providing investment and working capital loans at commercial terms to a broad range of borrowers, and (b) facilitating development of new financial instruments in the banking sector.
- 2. This Annex 1 contains the additional requirements related to the implementation of the ACP fund and is an integral part of the ACP guidelines as indicated in <u>Section</u> 3.6 of the Manual.

II. ADDITIONAL INFORMATION AND DEFINITIONS

There are four (4) groups of borrowers envisaged in the ACP: (i) Nucleus Farmers, (ii) Participating FBOs with individual farm-size greater than 40 hectares, (iii) Participating FBOs with farm-size less than 40 hectares, and (iv) other operators along agricultural value chain.

A Nucleus Farmer, in the horticultural setting in Ghana, is a large scale farmer who is usually EUREPGAP certified, has access to international markets and acts as conduit (to international markets) for other (usually small scale) farmers.

Each project/loan proposal will undergo an environmental review procedure illustrated in the sections below and the borrower shall be responsible for obtaining all appropriate (environmental) permits & approvals, namely EPA environmental permit and certificate in safe use of agro-chemicals.

Additionally, it is important to note that, the Environmental Protection Agency of Ghana (EPA) is the only body authorised by law to provide definitive categorisation of projects, assess and review environmental assessment reports and issue environmental permits.



III. ENVIRONMENTAL STANDARDS

- 2. <u>Environnemental Standards.</u> During project appraisal PFIs shall ensure that proposed sub-projects are in compliance with all environmental laws and standards of the Republic of Ghana, as certified by the relevant local or national authorities of the Republic of Ghana and the Environmental Section of this Annex 1 to the Manual. All relevant documents and permits should be kept in each beneficiary's document file maintained by the PFI, and be made available for review by MiDA and/or its agents.
- 3. <u>Assigning of Environmental Categories to projects</u>. An *Environmental Screening Checklist (ESC)* (see Attachment 1) shall be prepared for each sub-project, including assigning of the appropriate environmental category (A, B or C) as set forth in paragraph 5 below. The completed ESC shall be kept in each beneficiary's document file maintained by the PFI, and be made available for review by the ACPC or other entities designated by MiDA. Most of the projects envisaged under the ACP are expected to be in categories B and C.
- 4. Environmental Assessment. A number of agri-business activities potentially require an environmental assessment ("EA"). In particular those included in Categories A and some included in Category B would require an EA to be conducted on the entire enterprise regardless of the size of the loan or the specific nature of the loan, and the lending institution would have to be satisfied that borrower has received a valid environmental permit from the Ghana Environmental Protection Agency ("EPA") and, for FBOs, a certificate of training in safe use, handling and disposal of agro-chemicals. The EPA and ACPC shall verify that the project meets both the environmental requirements of MCC, and the national requirements.

5. <u>Sub-projects classified as Category A or B</u> include:

Category A Projects (projects/components which may have diverse and significant impacts – normally require environmental assessment)	Category B Projects (projects/components which may have diverse and significant impacts – more limited environmental analysis appropriate)
 dams and reservoirs forestry production projects industrial plants (large scale)* and industrial estates, including major expansion, rehabilitation, or modification irrigation, drainage and flood control (large scale)** land clearance and leveling reclamation and new land development resettlement river basin development manufacture, transportation and use of pesticides or other hazardous and/or toxic materials 	 agro-industries (small scale) agro-industries (small scale) electrical transmission irrigation and drainage (small scale) aquaculture renewable energy rural electrification tourism rural water supply and sanitation watershed projects (management or rehabilitation) protected areas and biodiversity conservation rehabilitation of highways or rural roads rehabilitation or modification of



=	new construction or major upgrades
	of highways or rural roads

- existing industrial facilities (small scale)
- energy efficiency and energy conservation

Notes:

* Large-scale here is defined as enterprises with annual sales of US\$ 3 million or more equivalent.

** Large-scale here means an irrigated area of 50 hectares or above.

*** Listing of an activity on the table above does not disqualify it for financing under the Project. This listing is for environmental assessment purposes only.

A project is classified as category C if it is unlikely to have adverse environmental and social impact. While MCC will not require environmental and social impact analysis, for a category C project, MCC reserves the right to require specific environmental and social impact studies reporting or training where relevant or where positive environmental and social impacts may be enhanced.

MCC Environmental Guidelines require that subprojects under a Category D project must comply, at a minimum, with the environmental and social impact analysis standards described in this annex, as well as relevant laws and regulations, of the host country. MCC reserves the right to set additional environmental performance standards and monitoring requirements for subprojects on a case-by-case basis, depending on the nature of the intermediate facility.

The intermediate facility must also monitor the environmental performance of its subprojects and submit to MCC periodic reports on the implementation of its environmental procedures and the environmental performance of its portfolio.

Environmental Health or Safety Hazard

As defined in Appendix A of the MCC Environmental Guidelines, a project is deemed "likely to cause a significant environmental, health, or safety hazard" and, therefore, prohibited from receiving MCC funding, if:

- (a) as a result of the project, even with mitigation efforts and proper use, there exists or will exist a substance, condition, or circumstance that represents a significant risk of harm to the environment or to human health because of the physical, chemical or biological effects of such substance, condition or circumstance;
- (b) the project involves or will involve the production, procurement or intentional release of:
 - Persistent Organic Pollutants (POPs) that the United States
 Environmental Protection Agency (USEPA) has identified as of
 greatest concern to the global community;
 - any pesticide or industrial or consumer chemical that is listed by the United States Environmental Protection Agency as "banned" or "severely restricted" under the Prior Informed Consent (PIC) Program; or



- a product (including an emission or effluent) that is prohibited or strictly regulated in the United States because its toxic effects on the environment create a serious public health risk; or
- (c) the project is a physical project that is prohibited or strictly regulated by Federal law in the United States to protect the environment from radioactive substances, unless MCC has made a final determination, taking into account a thorough Environmental Impact Assessment, that the project is not likely to cause a significant environmental, health, or safety hazard.

IV. ENVIRONMENTAL REVIEW PROCEDURES

These procedures are presented to apply to specified groups of loan beneficiaries. The responsibility for obtaining environmental permits are specified for each category of borrower. Other approvals, such as the certificate of having received training in safe pesticide handling and use (pesticide use certificate), shall be that of the borrower.

²FBOs With Large Farms And Nucleus Farmers

- The borrower shall complete Part 1 of the *Environmental Screening Checklist* ("ESC"), attached hereto as Attachment 1.
- The borrower shall present to the EPA the completed ESC Part 1 form.
- EPA staff will assess/review the completed ESC (Part 1) form, complete Part 2 of Attachment 1 and issue environmental permit or demand further documentation depending on the category assigned.
- The borrower will submit to the PFI, the loan application together with copies
 of the completed ESC form (Parts 1 and 2) environmental permits and/or
 EUREPGAP certification.
- Monitoring to ensure continued environmental compliance of projects will be done by EPA staff. They would ensure mitigation measures are adequate and will complete Part 3 of ESC (see Attachment 1).
- In case of non-compliance, the EPA staff or Consultants will investigate the nature and reasons for non compliance.
- The reports on monitoring will be made available to ACPC, PFIs and RICs.
- Where site visits are required, EPA consultants will carry out the site visit and complete site visit checklist (see Attachment 2). In cases where possible adverse impacts are discovered during the visit, EPA will be informed accordingly. EPA may demand that the borrower provide a new environmental management plan or propose new mitigation measures.

Small-Scale Farmers FBOs

- EPA staff assigned for the purpose will assess the borrower's proposed project and complete Part 1 and 2 of the ESC (Attachment 1).
- EPA will issue environmental permit or demand further documentation.

² This process is expected to start after PFIs have been trained in use of environmental checklist etc.

- The borrower will submit to the PFI, the loan application together with copies of ESC, environmental permits and certificate of pesticide use.
- Monitoring to ensure continued environmental compliance of projects will be done by EPA staff. They would ensure mitigation measures are adequate and will complete Part 3 of ESC (Attachment 1).
- In case of non-compliance, the EPA staff or Consultants will investigate the nature and reasons for non compliance.
- The reports on monitoring will be made available to MIDA, PFIs and Regional Implementation Committees ("RICs").

Other Value Chain Operators

- The borrower shall complete Part 1 of the ESC and submit it to the EPA.
- EPA will assign environmental category and complete Part 2 of ESC. For Category B projects, the borrower will present a valid Environmental Impact Statement ("EIS") (see Attachment 3 for terms of reference for engaging consultant), Environmental Management Plan (EMP) to EPA or prepare an EIS, and or EMP for review and certification.
- If the borrower requires a certificate for pesticide use, the borrower will present one along with documentation to EPA
- The Borrower will submit to the PFI the loan application together with ESC (Parts 1 & 2), EIS and or EMP, pesticide use certificate (if it is required) and EPA environmental permit.
- Monitoring to ensure continued environmental compliance of projects will be done by EPA staff assigned the responsibility. They would ensure mitigation measures are adequate and will complete Part 3 of ESC.
- In case of non-compliance, the EPA staff or consultants to the EPA staff will investigate the nature and reasons for non-compliance.
- The reports on monitoring will be made available to ACPC, PFIs and RICs.
- Where site visits are required, EPA staff will carry out the site visit and complete site visit checklist, attached hereto as Attachment 2. In cases where possible adverse impacts are discovered during the visit, EPA will be informed accordingly. EPA may demand that the borrower provide a new environmental management plan or propose new mitigation measures.



ATTACHMENT 1

ENVIRONMENTAL SCREENING CHECKLIST

PART 1

(To Be Completed By Borrower)

- 1. Project Name:
- 2. **Brief Description of project to include:** nature of the project, project cost, physical size, site area, location, property ownership, existence of on-going operations, plans for expansion or new construction.
- 3. Will the project have impacts on the environmental parameters listed below during the construction or operational phases? Indicate, with a check, during which phase impacts will occur and whether mitigation measures are required.

Environmental	Construction phase	Operational phase	Mitigation measures
component			
Terrestrial environment			
Soil erosion- Will			
your soil get washed			
away by wind or			
blown off by wind?			
Soil organic loss- Will			
your soil lose the			
other materials like			
dried leaves, rotting			
bark and other plant			
parts that enrich it?			
Water pollution- will			
nearby water bodies			
be polluted with			
foreign material?			
Land degradation-			
Will the land in your			
area become less			
useful to your			
community and other			
people around?			
Biodiversity loss-will			
the different			
plants/animals/insects			
that make this place			
different disappear?			



Surface or ground			
water loss-will the			
amount of water			
available in			
rivers/streams/lakes			
and ground water			
reduce?			
Loss of natural			
habitats-will the			
animals/insects found			
here find it more			
difficult to live here?			
Aquatic environment			
Biodiversity loss-will			
there be less or			
complete loss of some or all of the different			
species of			
plants/animals and			
other organisms that			
live in the water			
bodies around you?			
Modification of			
natural ecosystems			
Weed invasion or			
introduction of non-			
native species			
Sedimentation			
Socioeconomic environ	nment		
Human health-will the			
project cause			
individuals or			
populations around to			
fall sick or feel			
unwell?			
Occupational Safety-			
will the project make			
the working			
environment unsafe			
for those who work			
there?			
Plant, pests and		<u> </u>	
diseases-will your			
activity bring in			
plants, pests and			
diseases that are alien			
to your area?			

Animal diseases-will		 	
your activity			
introduce into your			
area new animal			
diseases?			
Social conflict			<u>-</u>

4. For the environmental components that were indicated above with a check, describe the mitigation measures that will be included during the construction (C) or operational (O) phase of the project or both (B)

Environmental Component	Phase (C, O or B)	Mitigation Measures



PART 2

(To be completed by the EPA) 5. Environmental "Risk" Category (A, B or C) 6. Environmental Assessment Required (yes or no) 7. What environmental issues are raised by the sub-project? 8. If an environmental assessment is required, what are the specific issues to be addressed? 9. What is the time frame and estimated cost of conducting the environmental assessment?



PART 3

(To be completed by the EPA based on review of the mitigation proposed and the environmental assessment (if required)).

1.	 Was an Environmental Assessment needed? (Y or N) Have national and World Bank requirements for publ fully documented? (Y or N) 	
2.	2. Was an Environmental Management Plan prepared?	(Y or N)
3.	3. Are the mitigation measures to be included in project and appropriate? (Y or N)	implementation adequate
4.	4. Will the project comply with existing pollution contrand wastes? (Y or N) If No, will an exemption	
5.	5. Is an Environmental Monitoring Plan necessary? (Y prepared? (Y or N) Approved by the RFF?	
6.	6. What follow-up actions are required by the proponen	t, the PFI or the RFF?
	_	
_	_	
7.	Were public consultations held concerning potential of proposed sub-project? (Y or N) Were minutes record	
Da	Dates Participants	
_		
	Date:	
Er	Environmental Screener: Date:	
Si	Signatures:	



ATTACHMENT 2

FIELD SITE VISIT CHECKLIST

Project Name:	Date/time of
Visit:	
Region:	Visitors:

Location

- Obtain a site map or make a sketch
- Locate site on local map or indicate area (e.g. for grazing)

Current activity and site history

- Who is the site contact (name, position, contact information)?
- What is the area of the site to be used for project activities?
- What are current uses of the site?
- What were previous uses of the site (give dates if possible)?

Environmental Situation

- Are there sensitive sites nearby (nature reserves, cultural sites, historical landmarks)?
- Is anything known about the geology/hydrology of the site? Are there water courses on the site?
- What is the terrain or slope?
- Is the site on a flood plain or water protection area?
- Does the site experience flooding, waterlogging or landslides? Are there signs of erosion?
- What are the neighboring buildings (e.g. schools, dwellings, industries) and land uses? Estimate distances.
- Will the proposed site affect transportation or public utilities?

Licenses, Permits and Clearances

- Does the site require licenses or permits to operate the type of activity proposed? Are these available for inspection?
- What environmental or other (e.g., health, forestry) authorities have jurisdiction over the site?

Water Quality Issues

- Does the proposed activity use water for any purposes (give details and estimate quantity). What is the source?
- Will the proposed activity produce any effluent? (estimate quantity and identify discharge point)
- Is there a drainage system on site for surface waters or sewage? Is there a plan available of existing drainage or septic systems?

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How is waste water managed (surface water courses, dry wells, septic tanks)?

Saile

- What is the ground surface (agricultural land, pasture, etc.)?
- Will the project damage soils during construction or operations? Will the project affect the landscape significantly (draining wetlands, changing stream courses)

Biological environment

- Describe vegetation cover on the site.
- Is there information about rare or threatened flora and fauna at or near the site? If yes, would the project have an impact or increase risk to the species?
- Obtain a list of vertebrate fauna and common plants of the site (if available).
- Note potential negative impacts on biota if project proceeds.

Visual Inspection Procedures

- Try to obtain a site map or make a sketch to mark details.
- Take photos, if permitted.
- Walk over as much of the site as possible, including boundaries, to note adjacent activities.
- Note any odors, smoke or dust emissions, standing water, etc.

A)

ATTACHMENT 3

TERMS OF REFERENCE FOR AN ENVIRONMENTAL ASSESSMENT

An environmental assessment report for a Category A or Category B project focuses on the significant environmental issues raised by a project. Its primary purpose is to identify those measures that, if incorporated into the design and implementation of a project can assure that the negative environmental effects will be minimized. The scope and level of detail required in the analysis depend on the magnitude and severity of potential impacts.

The environmental assessment report should include the following elements:

- (a) Executive Summary. This summarizes the significant findings and recommended actions.
- (b) Policy, legal and administrative framework. This section summarizes the legal and regulatory framework that applies to environmental management in the jurisdiction where the study is done.
- (c) Project Description. Describes the nature and scope of the project and the geographic, ecological, temporal and socioeconomic context in which the project will be carried out. The description should identify social groups that will be affected, include a map of the project site, and identify any off-site or support facilities that will be required for the project.
- (d) Baseline data. Describe relevant physical, biological and social condition including any significant changes anticipated before the project begins. Data should be relevant to project design, location, operation or mitigation measures.
- (e) Environmental impacts. Describe the likely or expected positive and negative impacts in quantitative terms to the extent possible. Identify mitigation measures and estimate residual impacts after mitigation. Describe the limits of available data and uncertainties related to the estimation of impacts and the results of proposed mitigation.
- (f) Analysis of Alternatives. Systematically compare feasible alternatives to the proposed project location, design and operation including the "without project" alternative in terms of their relative impacts, costs and suitability to local conditions. For each of the alternatives quantify and compare the environmental impacts and costs relative to the proposed plan.
- (g) Environmental Management Plan (EMP). If significant impacts requiring mitigation are identified, the EMP defines the mitigation that will be done, identifies key monitoring indicators and any needs for institutional strengthening for effective mitigation and monitoring to be carried out.

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(h) Appendices. These should include:

The list of EA preparers





ANNEX 2

MONITORING AND REPORTING OBLIGATIONS OF BANK OF GHANA AND ACPC

Report By Activity Type	Frequency & Deadline	Responsibility Bank of Ghana Co	sibility ACP Consultant	Remarks
[A] Project Level Activities				
Budget Planning: Funding Requirements	Quarterly (Initial parameters should be agreed prior to commencement of first PFI draw down from ACP fund. Subject to periodic revisions)	Primary Responsibility	Provide advisory input (recommendations to improve budget planning)	Based on comprehensive list of loan parameters pursuant to Sections 4.4.4, 3.7.4 and 3.7.5 of the Manual. To be submitted not less than thirty days prior to the commencement of each MCC quarter
Budget Monitoring: Actual Disbursements Performance	Quarterly	Primary Responsibility	Validation	Variance analysis (standard parameters vs. actual performance). Within fourteen days of the end of relevant quarter.
Chart of Codes (determination of loan parameters)	Once (Initial parameters should be agreed prior to commencement of first PFI draw down from ACP fund. Subject to periodic revisions)	Primary Responsibility	Provide advisory input (recommendations towards achieving ACP objectives)	The Bank of Ghana shall develop a system for coding loans according to several parameters including: loan amount, size of borrower's holding, district location, gender of borrower, and loan purpose. This will aid MiDA and the ACPC in tracking the eligibility of individual loans, portfolio concentrations by purpose and location and assure that loans are directed to the intended beneficiaries for the intended purposes. Section 4.4.4 of Manual and Clause [I](A)(3) of Bank of Ghana Implementing Entity Agreement.
 ACP Bank Accounts Management (bank statement, reconciliation statement, interest calculations for PFI borrowings) 	Monthly	Primary Responsibility	Validation	Reconciliation to be confirmed by Fiscal Agent
ACP Monitoring Indicators (per MiDA M&E Plan)	Quarterly	Primary Responsibility	Validation	Main Credit Activity indicators to track are:



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					(iv) Portfolio-at-risk of agricultural loan fund (v) Value of loans disbursed to clients from agricultural loan fund (US\$) (vi) Number of additional loans	P
(B)	ACP Portfolio Level Activities					
•	PFI Accreditation (Initial)	Monthly	Primary Responsibility	Validation	Include an indication of list of banks applying for accreditation, status of outstanding requests and list of approved requests. Clause (I)(A)(2) of Implementing Entity Agreement	
•	PFI Accreditation (Continuous)	Annual (subject to periodic revisions as required)	Primary Responsibility	Validation	Clause (J)(A)(2) of Implementing Entity Agreement	
	ACP Loan Quality (Loan	Monthly	Provide Data	Primary	ACPC to determine delinquency and default of loan	
	Classification & Loan Service)			Responsibility	terms but Bank of Ghana to send delinquency notices and issue notices to PFIs of the occurrence of such events of default by the PFI under existing agreements as appropriate. Section 3.7 of ACP Manual.	
•	ACP Loan Portfolio Concentration Analysis	Quarterly	Primary Responsibility	Validation	Variance analysis (standard parameters vs. actual performance).	
•	ACP Loan Terms (Modifications)	Monthly	Primary Responsibility	Validation	Bank of Ghana to approve requests from PFIs for modification to the terms and conditions of agreements related to outstanding loans	
•	ACP Performance & Program Audits	Semi-Annual (and as agreed by MiDA and MCC)	Provide Data	Primary Responsibility	ACPC to coordinate programmatic audits of PFIs	
[C]	[C] PFI Portfolio Level Activities					

Bank of Ghana to establish maximum borrowing limits for PFIs under the ACP and establish the leverage and liquidity limits needed for continued participation by each PFI in the ACP.

(recommendations) Provide advisory input

(Initial parameters and limits to be stated in Bank of Ghana-PFI

executed prior to first PFI draw down from loan agreement to be

Primary Responsibility

Monthly

PFI Loan Limit Assessment

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PFI Loan Demand & Response	Monthly	Primary Responsibility	Provide advisory	Report should provide list of all requests and status in
Assessment (Limits and Actual Variance)			input (recommendations)	approval process (including disbursements) according criteria in ACP Manual. Reporting should compare limits vs. actual disbursements.
Eligibility of PFI Loans (including loans)	Quarterly	Primary Responsibility	Validation	Section 3.7 of ACP Manual. ACPC to randomly sample to determine level of compliance to Manual and Agreement. At least quarterly, in arrears, the ACPC will evaluate (based on a random sample of at least 20 percent of the loans) the eligibility of each PFI's individual loans funded under the ACP. The ACPC will report any violations of eligibility criteria to the Bank of Ghana and MiDA and will make a recommendation to MiDA for submission to the Bank of Ghana on remedies, including demand for repayment as necessary from PFIs to ensure that only eligible loans are funded under the ACP. Bank of Ghana will make the final determination, subject to its regulations and the terms and conditions of its
PFI Loan Quality Assessments (Loan Classification & Loan Service: principal & interest, Remedial Measures for Delinquencies, timeliness of payments)	Quarterly	Primary Responsibility	Validation	Review with the Bank of Ghana PFIs' operating and portfolio performance data collected by the ACPC as a part of its program responsibility and such other quantitative and qualitative information, as may be requested and required by the Bank of Ghana to confirm the continued eligibility for funding of each PFI. Report the results of this review to MiDA management
PFI Borrower Concentration Analysis (type of borrower, type of credit, etc)	Quarterly	Primary Responsibility	Validation	Concentration at the level of individual PFIs would be limited by the application of ratios discussed and agreed with the PFI as part of the application and certification process. Such ratios would be similar to conventional risk management policies but would be adjusted to the comparative advantage of the PFI and to the overall program objectives with respect to gender and small-scale inclusion.

^{*} Reports due to MiDA by Bank of Ghana and ACPC shall be delivered as follows: Monthly Reports (within twenty-one calendar days); Quarterly Reports (within twenty one calendar days) and Annual (within thirty but not more than forty days unless otherwise specified). Due dates for validation reports not to exceed thirty days after primary responsibility deadline.

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EXHIBIT A

MILLENNIUM DEVELOPMENT AUTHORITY

GHANA AGRICULTURAL CREDIT PROGRAM

PARTICIPATING FINANCIAL INSTITUTION (PFI) APPLICATION FORM

A. Particulars of PFI
1. Name of Institution:
2. Type of Institution*:
3. Address of Registered Office:
4. Location of Branches (if any):
4.1 Indicate Branches in Intervention Zones:
5. Ownership Structure (showing percentage holdings and addresses of major shareholders):
NB: Please attach copy of Bank of Ghana License
B. Requirement Indicators (As at date of application)
1. Capital Adequacy Ratio:

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^{*} Indicate whether a Commercial Bank, Rural Bank, Savings & Loan Company, Financial NGO

2. Liquidity Reserves (Primary, Secondary, Other (as applicable):
3. Portfolio-at-Risk (PAR) (see Section 3.7 of ACP Manual):
4. Maximum Exposure Limit:
5. Assets Liability Ratio:
6. Paid Up Capital:
7. Staff Strength:
7.1 Indicate distribution of staff in Intervention Zones:
C. Other Required Documentations
1. PFI Operations Policy or Manual
2. Lending Methodology and Procedure (Credit Policy/Manual)
3. Audited Financial Statements (if not available, Management Accounts) for the last two years (Not required for newly established PFI)
4. Strategic (Corporate) Plan (including financial projections)
5. Management Profile and Structure
6. List of Assets and Liabilities
7. Indicate Loan Portfolio Percentage to Agricultural Sector

Projected Loan Information

D.

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1. Total Amount Applied For:
2. Current Number of Customers Engaged in Agribusiness (attach list of customers)
3. Projected Number of Loan Applicants:
4. Average Turn-Around Time for Loan Approval (in calendar weeks):
The PFI shall provide any other information required for the evaluation of this
application.
This application must be signed by the Managing Director/Chief Executive/General Manager/Board Member of the PFI (who must attach an authorization certificate) and Witness by other personnel in Management or the Secretary.
Signature:
Name:
Title:
Date:
WITNESS
Name:
Signature:
Title:
Date:

EXHIBIT B

ON-LENDING AGREEMENT TERM SHEET BETWEEN BANK OF GHANA AND PARTICIPATING FINANCIAL INSTITUTION ("PFT")

Objectives – The Bank of Ghana, under the Implementing Entity Agreement entered into between the Bank of Ghana and MiDA, has agreed to perform functions set out under the Implementing Entity Agreement as part of the Agricultural Credit Program ("ACP") of the Credit Program under Section 2(e) of Schedule 1 of Annex 1 and Section 2(c) of Schedule 3 of Annex 1 of the Compact. The Bank will Re-Disburse MCC Funds to PFIs as per the Manual and Implementing Entity Agreement to onlend to beneficiaries identified under the Compact (the Beneficiaries). This On-Lending Agreement Term Sheet ("Term Sheet") sets out the principal terms and conditions of the proposed agreements ("Proposed Agreement") between the Bank of Ghana and each PFI as follows:

- 1. <u>Parties</u>. The parties to the Proposed Agreement shall be the Bank of Ghana and [name of PFI].
- 2. <u>Term</u>. The term of the Proposed Agreement shall be from [date of commencement] to...... [date of final payment].
- 3. <u>PFI Eligible Sum</u>. The eligible sum shall be the maximum amount that the PFI is qualified to draw down from Bank of Ghana for the purposes of granting loans to qualified applicant in accordance with the request submitted by the PFI in the form indicated in the Schedule attached as Exhibit C.
- 4. <u>Purpose and Application of the Fund</u>. The PFI shall on-lend the ACP funds to Beneficiaries engaged agriculture and value chain activities defined in ACP Policies and Procedures Manual and shall be set out in the Loan Agreement between the PFI and the Beneficiaries.
- 5. <u>Prohibited Activities</u>. The use of the ACP funds shall be limited to the purpose defined in this Term Sheet and shall not be used for any of the prohibited activities stated in <u>Sections 2.3, 2.4. 3.4(d) or 3.6</u> of the Compact.

6. Key Terms

- Eligibility Criteria for PFI. The Bank of Ghana shall grant ACP funds to the PFI that meets the eligibility criteria set forth in Section A(2) of Annex 1 of the Implementing Entity Agreement.
- Conditions Precedent to Re-Disbursement of Funds to PFI. The Bank
 of Ghana in consultation with MiDA shall set out in a schedule to the
 Proposed Agreement any conditions precedent that the PFI shall fulfill
 prior to any Re-Disbursement of ACP funds to the PFI. The conditions
 shall include but not limited to the requirement to participate in
 training approved by MiDA.

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- The PFI shall not require the Beneficiaries to provide collateral or security for loans pursuant to ACP funding, except as set forth in Section 4.2.4 of the Manual.
- The PFI shall enter into a loan agreement with the Beneficiaries within the terms and conditions attached as Schedule to the Agreement.³
- The PFI shall grant the loans to Beneficiaries who meet the criteria to be agreed on between Bank of Ghana/MiDA and the PFI.
- Eligible Loans shall conform to the requirement set out in clause 4.3 of the Manual.
- 7. <u>Interest Rate</u>. The interest chargeable on the ACP funds shall be in accordance with <u>Section 5</u> of the Manual
- 8. Repayment Terms. The ACP funds and accrued interest shall be payable within three (3) years after the date of initial disbursement.
 - 8.1 The PFI shall repay the ACP funds as specified in the Proposed Agreement.
- 9. Obligations of Bank of Ghana. The Bank of Ghana shall perform the obligations and responsibilities set out in the Implementing Entity Agreement and the Manual in addition to following:
 - Re-disbursement of ACP funds to the PFI pursuant to payment authorization from the MiDA/Fiscal Agent
 - Assessment and evaluation of PFI's eligibility for participation in the ACP
 - Monitoring of the performance of the PFI
 - Assessment and evaluation of the PFI's continued eligibility to participate in the ACP based on the continued eligibility criteria set out in the Manual.
- 10. Obligations of PFI the PFI shall perform the following obligations:
 - Administer the eligible loans;
 - process loan applications from qualified Beneficiaries;
 - provide the required reports to the Bank of Ghana, and any other specified MiDA agent including the ACPC;
 - monitoring of the use of eligible loans by Beneficiaries;
 - participate in the training prescribed by MiDA;
 - recover eligible loans from Beneficiaries;

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³ This will be PFI specific.

- repay to the Bank of Ghana ACP funds accordance with repayment terms set out in the Proposed Agreement; and
- monitor compliance with Ghana Environmental Protection Agency Regulations and MCC Environmental Guidelines by Beneficiaries. The PFI shall inspect the EPA permit granted to Beneficiaries as a condition precedent to access loans from the ACP fund.
- 11. Credit Risk Sharing. MiDA undertakes to underwrite fifty percent (50%) of the credit risk with the PFI in the event the Beneficiaries default in the payment of the Loan amount.
- Any variation to the terms of a loan granted to a 12. Loan Scheduling. Beneficiary shall be with the prior notification of the Bank of Ghana.
- 13. Default Clause the event of default shall include the following:
 - failure to meet participation eligibility criteria;
 - failure to apply loan disbursement criteria:
 - breach of any obligations under this Agreement;
 - engagement in any prohibited activity;
 - a rate of delinquencies above the thresholds indicated in Section 3.7 of the Manual;
 - failure to ensure that the loan is applied to the intended purpose; or
 - any form of malfeasance that MiDA may determine to be in breach of Compact requirements.
- 14. Consequences of Default. On the occurrence of any of the event of default, the Bank of Ghana may in consultation with the ACPC:
 - demand repayment of the fund and the accrued interest;
 - declare the PFI ineligible for grants at the end of the ACP program;
 - suspend the PFI from further participation in the ACP program.
- 15. Termination Clause. The Proposed Agreement shall terminate on the occurrence of any of the following events:
 - the PFI engaging any prohibited activities;
 - termination or suspension of the Compact or ACP;
 - any form of malfeasance that may be determined to be in breach of Compact requirements;
 - use of ACP funds for purposes other than stated in the relevant loan agreement; and
 - breach of any provision of the Proposed Agreement
- 16. MCC Conditionalities. The requirement of sections 2.3, 3.6 and 3.8 of the Compact shall be incorporated by reference into the Proposed Agreement.





- 17. Grant and Other Benefits. Based on satisfactory performance of PFI's obligation under the Proposed Agreement, MiDA may without obligation, grant up to sixty percent (60%) of the ACP funds to the PFI at the end of the Program.
- 18. <u>Third Party Rights</u>. MCC (as the funding entity) and MiDA (as the Permitted Designee) shall have beneficiary rights under the Proposed Agreement and shall be entitled to exercise any right under the Proposed Agreement.
- 19. Entire Understanding. The Proposed Agreement shall represent the entire understanding of the parties thereto subject to the terms of the Compact, Supplemental Agreements and the Manual.
- 20. <u>Dispute Settlement</u>. The parties to the Proposed Agreement shall settle any dispute arising under the Proposed Agreement through arbitration in accordance with the provisions of the Ghana Arbitration Act 1961 (Act 38), subject the right of MiDA to decide on such matters in accordance with the Compact.
- 21. <u>Applicable Law</u>. The Proposed Agreement shall be governed and interpreted in accordance with the laws of the Republic of Ghana.
- 22. <u>Notices</u>. Any notices to be given under the Proposed Agreement shall be in writing and delivered at the address indicated by the parties.
- 23. <u>Amendment</u>. Any amendment to the Proposed Agreement shall not be effective unless it is in writing, signed by both parties and approved by MiDA.⁴.

Attestation Clause. The Proposed Agreement shall be executed and witnessed by designated authorized representatives that have the capacity to bind the parties to such Proposed Agreement. In the case of rural banks, by the board and witness by the Board Secretary or General Manager.



⁴ Key clauses the variation of which should receive MCC approval must be specified.

EXHIBIT C

PFI ON-LENDING DRAW DOWN REQUEST FORM

PFI Name		
Date of Request		
Total Amount Requested		
Number of Loan Application Received (Attach List)		
Number of Loan Application Approved by PFI (Attach		
List)		
Terms & Conditions: The following terms and conditions are applicable to amount granted under this request subject to the On-lending Agreement between the(Name of PFI) and Bank of Ghana.		
1. Amount Granted		
2. Interest Rate		
3. Repayment Period		
4. Any Other Terms/Conditions	1	
	2	
	3	
CONDITIONS PRECEDENT TO RE-DISBURSEMENT SATISFIED BY PFI		
1		
2		
3	·	
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IMPLEMENTING ENTITY AGREEMENT

BY AND BETWEEN

THE MILLENNIUM DEVELOPMENT AUTHORITY

AND

THE BANK OF GHANA

DATED: 13TH SEPTEMBER, 2007

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