



Africa Lead/DAI

Support to ECOWAS Bank for
Investment and Development

Capacity Development Plan and
Capacity Strengthening Services
for the Establishment and
Management of ECOWAS Fund
for Agriculture and Food

Inception Report

July 2013

Table of Contents

	Page
Executive Summary	3
List of Acronyms and Abbreviations	4
I Introduction and Background	5
1.1 Introduction	5
1.2 Purpose of the Report	6
1.3 Structure of the Report	6
II Context, Rationale and Objectives of the Assignment	7
2.1 Overview of ECOWAS Agricultural Policy (ECOWAP) and ECOWAS Fund for Agriculture and Food (ECOWADF)	7
2.2 Objectives of ECOWAS Fund for Agriculture and Food (ECOWADF)	8
2.3 Experience of ECOWAS Bank for Investment and Development in Fund Management	11
2.4 Convention with the ECOWAS Commission and Operational Framework	11
III Inception Phase Activities and Findings	13
3.1 Key Activities during Inception Phase	13
3.2 Main Findings from the Inception Phase	13
3.3 Unite Autonome de Gestion/Personnel	13
3.4 Related Agriculture, Agri-business and Fund Management Operations of ECOWAS Bank for Investment & Development	14
3.5 Institutional Structure and Processes for ECOWAS Fund for Agriculture and Food	15
3.6 Preliminary Training Needs Identification	16
3.7 Fund Design	17
3.8 Stakeholder Expectations	18
IV Capacity Development Plan, Budget and Implementation	19
4.1 Project Scope and Approach	19
4.2 Capacity Development Programme	24
4.3 Operational Manuals	25
4.4 Risks, Assumptions, Mitigation and Critical Success Factors	25
V Work Plan and Reporting	27
5.1 Detailed Work Plan Schedule	27
5.2 Reporting and Template	28
Annexes	
1 List of Persons Met	29
2 Documents Reviewed	30

Executive Summary

KPMG is pleased to present this Inception Report of the consultancy services for the ‘Capacity Development Plan and Capacity Strengthening Services for the Establishment and Management of the ECOWAS Fund for Agriculture and Food (ECOWADF)’. The report presents the activities and findings of the two-week Inception Phase which began on 4 June 2013 and involved a review of various documents as well as meetings with key project stakeholders, notably ECOWAS Bank for Investment and Development (EBID), Department of Agriculture and Rural Development (DARD) of the ECOWAS Commission, USAID West Africa officials and DAI Africa Lead project staff.

ECOWADF is intended to finance the Regional Agricultural Investment Plan (RAIP) of the ECOWAS Agriculture Policy (ECOWAP). The estimated cost of the investment plan for the period from 2011 to 2015 is US \$900 million. The ECOWAS Commission is expected to contribute US \$150 million to the Fund over a five-year period, with the international donor community and international finance organizations providing the remaining amount. It is understood that a little over US\$ 20 million has already been allocated by the ECOWAS Commission for the Fund. The Fund will employ a number of financing instruments (loans, grants, guarantees, credit lines to intermediary banks) and focus on projects that seek to improve the regional integration of agriculture and rural development.

ECOWADF is to be managed by EBID in collaboration with the Regional Agency for Agriculture and Food (RAAF). More specifically, a new unit to be established within EBID, the Unite Autonome de Gestion (UAG), is expected to assume the day-to-day management functions of the Fund. The UAG has not yet been established nor are there any dedicated staff in place at EBID for the unit. RAAF, which was created in 2009, is as yet not fully functional either. Furthermore, the convention setting out the modus operandi of the Fund and governing the specific responsibilities of DARD, RAAF and EBID has yet to be defined. All of this renders rather challenging the task of capacity building for the management of the Fund.

EBID does have experience in using the financing instruments earmarked for ECOWADF as well as in managing special funds. The funds under management are all governed by the Bank’s conventional processes and structures. However, recent independent assessments of the Bank suggest that the management of these funds could be improved and that capacity overall is weak. The present exercise is, thus, particularly pertinent to ensure the effective operationalization and implementation of ECOWADF.

This report sets out some approaches for capacity needs assessment and outlines some potential interventions based on the preliminary findings and experience elsewhere of managing such funds. Suggested interventions include training, study visits, development of operational manuals and mentoring in the short-term. Based on the findings of the needs assessment, additional capacity building interventions may be recommended in the medium to long-term.

The next step is to proceed to the Design phase of the assignment. Two caveats, however, ought to be sounded in respect of the Implementation phase. Firstly, the convention setting out the modus operandi of the Fund ought to be defined. Secondly, the key staff from the UAG, RAAF and EBID, who will be responsible for the implementation and management of the Fund, ought to have been identified and in place.

List of Acronyms and Abbreviations

CAADP	Comprehensive Africa Agriculture Development Program
DARD	Department of Agricultural and Rural Development, ECOWAS Commission
EBID	ECOWAS Bank for Investment and Development
ECOWADF	ECOWAS Fund for Agriculture and Food
ECOWAS	Economic Community of West African States
ECOWAP	ECOWAS Agricultural Policy
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
TFP	Technical and Financial Partners
RAAF	Regional Agency for Agriculture and Food Security
RAIP	Regional Agricultural Investment Plan
UAG	Unite Autonome de Gestion (Autonomous Management Unit)
USAID	United States Agency for International Development

I Introduction and Background

1.1 Introduction

This document presents the Inception Report of the consultancy services for the ‘Capacity Development Plan and Capacity Strengthening Services for the Establishment and Management of ECOWAS Fund for Agriculture and Food (ECOWADF)’. The report is the result of a two-week Inception Phase which commenced on 4 June 2013 and involved meetings between the consultants and officials of the ECOWAS Bank for Investment and Development (EBID) in Lome, Togo as well as the review and analysis of relevant documents. Subsequent discussions were held with the Department of Agriculture and Rural Development (DARD) of the ECOWAS Commission. Earlier meetings took place with senior officials of USAID West Africa and the Africa Lead project.

The ECOWADF is intended to finance the Regional Agricultural Investment Plan (RAIP) of the ECOWAS Agriculture Policy (ECOWAP). In the process, it will mobilize internal and external resources for regional activities of ECOWAP. The Fund will be managed by the ECOWAS Bank for Investment and Development (EBID) in collaboration with the Regional Agency for Agriculture and Food (RAAF). More specifically, a new unit to be established within EBID, the Unite Autonome de Gestion (UAG), is expected to assume the day-to-day management functions of the Fund. UAG’s functions will include:

- ✦ Co-ordinating the preparation and submission of financing documents submitted to the Fund, following the necessary EBID procedures
- ✦ Supervising projects financed by the Fund
- ✦ Implementing the decisions of the Monitoring Committee
- ✦ Preparing annual financial reports of the Fund
- ✦ Reporting to ECOWAS institutions and to financial partners of the Fund.

The Regional Agricultural Investment Plan 2011 – 2015 focuses on three main programs, to be carried out by the RAAF, namely the: (1) promotion of strategic products for food security by supporting their respective value chains, (2) promotion of a business environment favourable to regional agricultural development, and (3) reduction of food vulnerability and the promotion of sustainable access to food. The budget for the investment plan for the five-year period is US \$900 million. The ECOWAS Commission is expected to contribute US \$150 million over a five-year period, with the international donor community and international finance organizations providing the remaining amount¹. It is understood that a little over US\$ 20 million has already been allocated by the ECOWAS Commission for the Fund².

This assignment follows earlier support by USAID West Africa through the Africa Lead project which commissioned a study to assess the key organizational functions and capabilities of ECOWAS and its related organizations, and provide recommendations to strengthen their organizational performance to implement the ECOWAS regional Agricultural Policy (ECOWAP)³. In line with recommendations from

¹ West Africa Institutional Assessment – ECOWAS and Related Institutions. DAI/MSI, April 2011.

² Source: Discussion with Mr Alain Sy Traore, Ag Director, DARD, ECOWAS Commission on 11 June 2013

³ West Africa Institutional Assessment - ibid

the assessments, this assignment seeks to develop and implement a plan to strengthen EBID's capacity to manage the ECOWADF. It includes the delivery of key capacity strengthening services to improve the EBID's fund management expertise and performance. KPMG in Ghana has been selected by the Africa Lead project to undertake this exercise. The team members for this assignment are George Manu (Lead), Patrick Lecoy and Francis Osei.

1.2 Purpose of the Report

This inception report presents the activities and results of the Inception Phase. It also details the approach and activities to be carried out over the next three months in the design and implementation of a capacity development plan for EBID to manage ECOWADF.

1.3 Structure of the Report

The report is structured as follows:

Executive Summary – provides a synopsis of the key issues covered in the report

Section I: Introduction and Background – presents a brief introduction to the exercise indicating the main stakeholders as well as the purpose and structure of the report

Section II: Context, Rationale and Objectives of the Assignment – gives the context within which the project will be delivered along with the rationale and objectives of the exercise

Section III: Inception Phase Activities and Findings – covers the activities undertaken during the Inception Phase and the findings including the outcome of the review of documents collected as well as meetings and discussions with key project stakeholders on the assignment

Section IV: Capacity Development Plan, Budget and Implementation – outlines the activities to be carried out during the design and implementation phase of the assignment including the development of a capacity development plan, delivery of training and the development of operational manuals

Section V: Work Plan and Reporting – presents the detailed design and implementation work plan for the activities and interventions proposed along with a reporting template

Annexes – contain the list of persons met and documents reviewed during the Inception Phase.

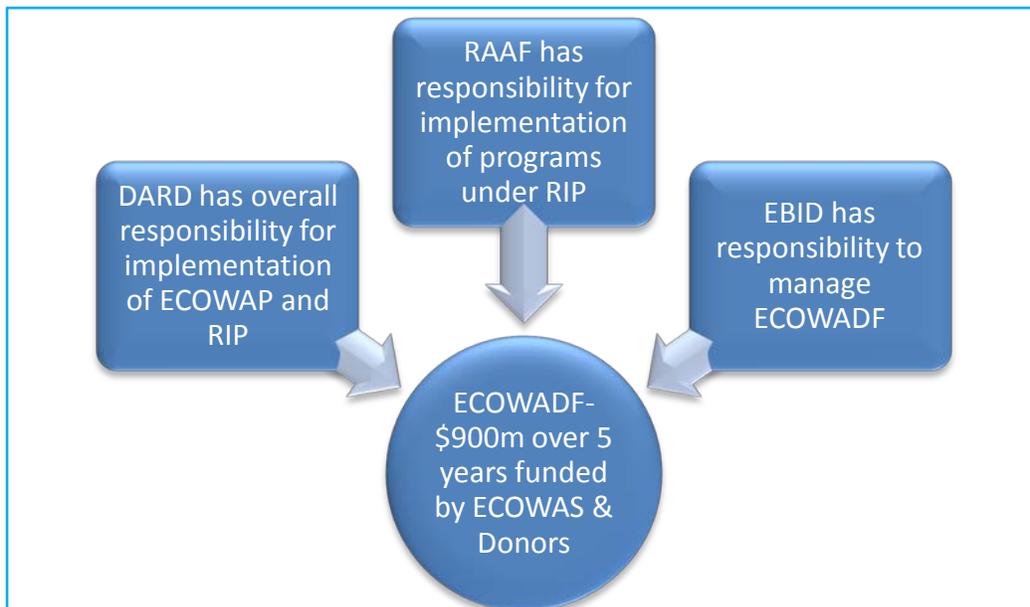
II Context, Rationale and Objectives of the Project

2.1 Overview of ECOWAS Agriculture Policy and ECOWAS Fund for Agriculture and Food

In 2005, fully conscious of the utmost importance of agriculture and rural development for the region, the Economic Community of West Africa States (ECOWAS) adopted its regional agriculture policy (ECOWAP). ECOWAP has been designated as the unique framework under which the implementation of the agricultural aspects of the New Partnership for Africa's Development (NEPAD) should take place. The overarching plan for these initiatives is the Comprehensive Africa Agriculture Development Programme (CAADP), which was established as part of NEPAD in July 2003 and focuses on improving and promoting agriculture across Africa. CAADP aims to eliminate hunger and reduce poverty through agriculture.

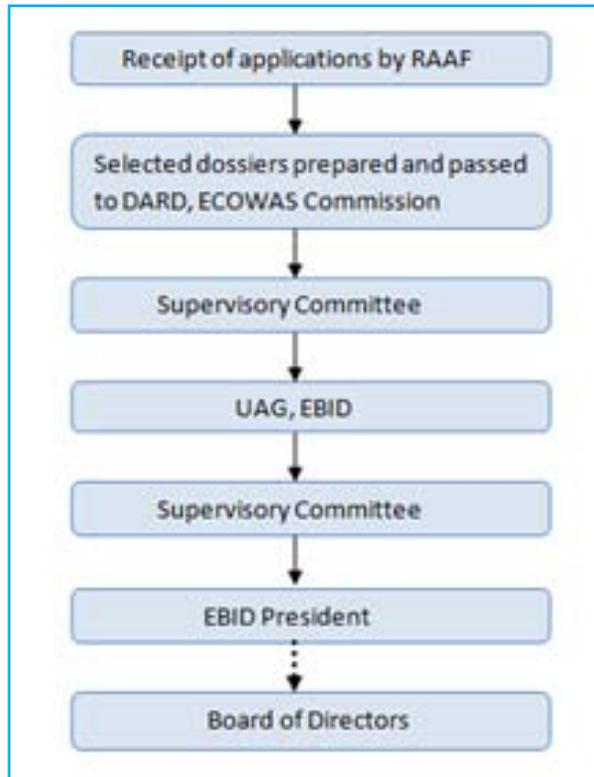
The ECOWAS Commission for Agriculture, Environment and Water Resources is responsible for the implementation of ECOWAP. The ECOWAS Regional Fund for Agriculture and Food (ECOWADF) was initiated by ECOWAS within the framework of ECOWAP and is to be lodged within the ECOWAS Bank for Investment and Development (EBID). The agricultural financing schemes in place in the sub-region have traditionally catered for public sector projects with relatively little going to the private sector. Private sector financing for agriculture has been left largely to the commercial banks with mixed results. The ECOWADF has been designed to close this gap and to provide, at regional and institutional level, an efficient source of financing and support for non-State initiatives, essentially private sector, regional institutions and non-governmental organizations (NGOs).

Figure 1 Role of DARD, RAAF and EBID in ECOWADF



ECOWADF will focus on projects that seek to improve the regional integration of agriculture and rural development. Typical projects to be financed include millet and sorghum value chain activities across the region, fertilizer production to serve several countries in the region and activities of regional institutions with the potential to benefit the region.

In 2009, ECOWAS created the Regional Agency for Agriculture and Food (RAAF). This agency, which is not yet fully functional, is charged with coordinating and ensuring the implementation of ECOWAP policies at the regional level. It is understood that RAAF will receive applications for ECOWADF and prepare dossiers before passing them on to the Commission and eventually to the independent management unit (UAG) of EBID⁴. The passage of applications and dossiers envisaged is shown in Figure 2 below.



2.2 Objectives of ECOWAS Fund for Agriculture and Food (ECOWADF)

ECOWADF has been designed to support the private sector and other non-State initiatives in the region in line with ECOWAP. It will be organized into four distinct windows as seen in Figure 3 below:

- Window 1: Support to regional agricultural integration
- Window 2: Support to food security
- Window 3: Support to the political, institutional and regulatory regional framework
- Window 4: Support to innovation and the reinforcement of capacity

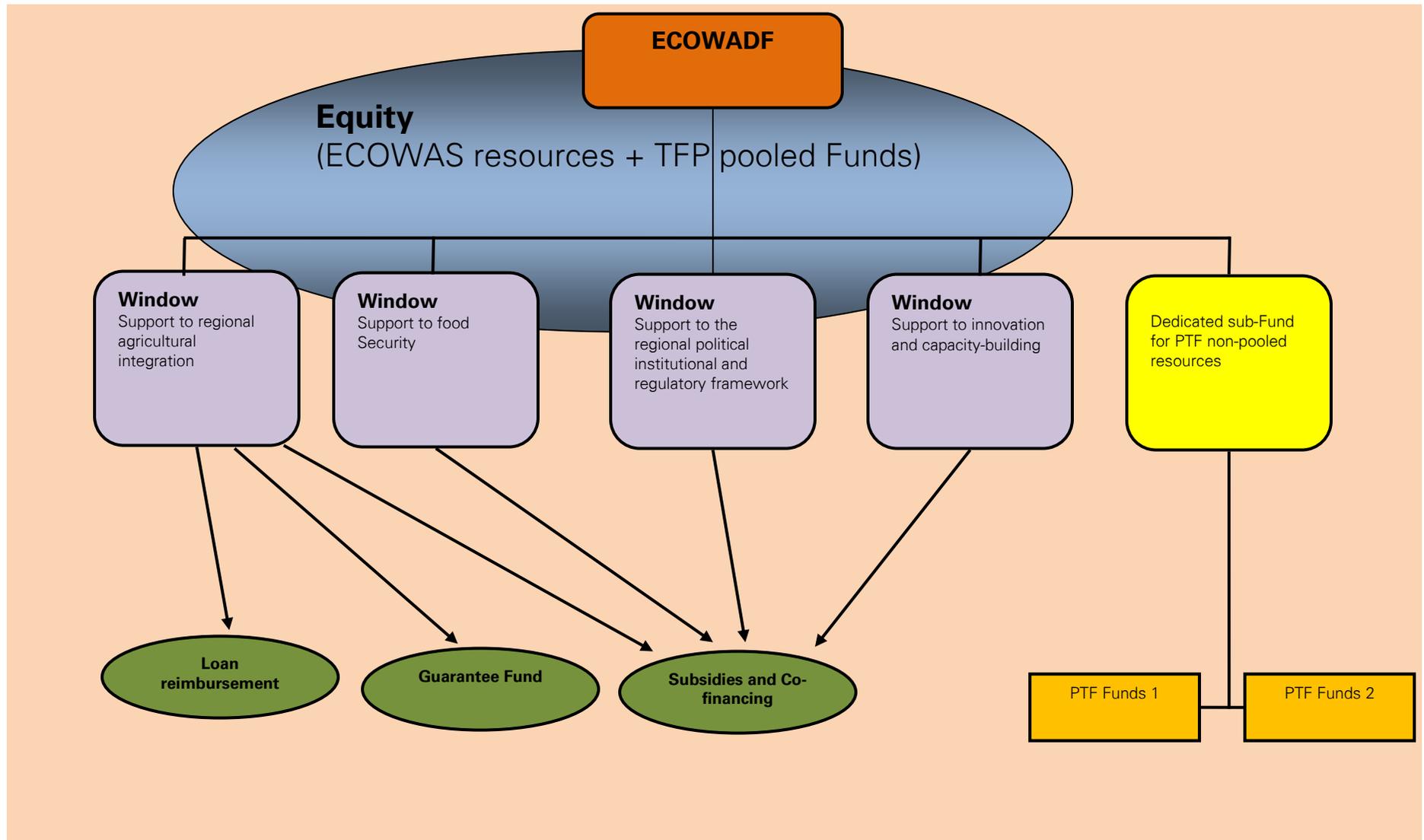
⁴ We will validate this point and the processes with the EBID relevant team during our subsequent mission.

We will validate or reconfirm the scope and objectives of the Fund during the Design Phase of the assignment. The financial instruments to be utilized by the Fund are not confirmed yet but are expected to include:

- ✚ Loans, mainly via intermediaries such as selected commercial banks or direct
- ✚ Grants and subventions
- ✚ Equity
- ✚ Guarantees, bonds.

The windows and financial instruments of the Fund are as depicted in Figure 4. EBID is already using many of these instruments. In this respect, the Fund will be consistent with the prevailing practice of the Bank. More detailed information on the windows and instruments are contained in the document dated October 2010 and entitled 'Note détaillée sur le dispositif institutionnel et le mécanisme financier de mise en œuvre de l'ECOWAP/PDDAA', published by the ECOWAS Commission.

Figure 4 Windows and Instruments of ECOWAS Fund for Agriculture and Food



2.3 Experience of ECOWAS Bank for Investment and Development in Fund Management

EBID officials point out that the Bank has built a significant expertise in the management of funds over the years. Funds currently managed by the Bank include:

- ✚ Guarantee Fund for Cultural Industries
- ✚ African Fund for Bio-fuels and Renewable Energy
- ✚ ECOWAS Support Fund for Development and Peace
- ✚ Telecoms Fund

The above notwithstanding, some people have expressed the view that these funds could be better managed. Critics also point to the fact that the number of projects financed so far through these funds and by the Bank as a whole is rather low. In 2012, for example, the Private Sector Department of EBID granted 6 loans and 1 line of credit. There was no equity investment and no guarantees have been issued for the past 1.5 years, according to information gathered from Bank officials.

The operating principles for ECOWADF will be identical to those in place for the other funds listed above, notably:

- ✚ Separation of resources: ECOWADF will be ring fenced. This appears to be an important issue for the Commission.
- ✚ ECOWADF will prepare and present its own budget and accounts and will be liable for gains and losses.
- ✚ ECOWADF will be subject to an annual audit to be conducted by an independent auditor.
- ✚ ECOWADF will have to prepare an annual report describing its activities in the previous fiscal year and submit it for approval to EBID and RAAF.

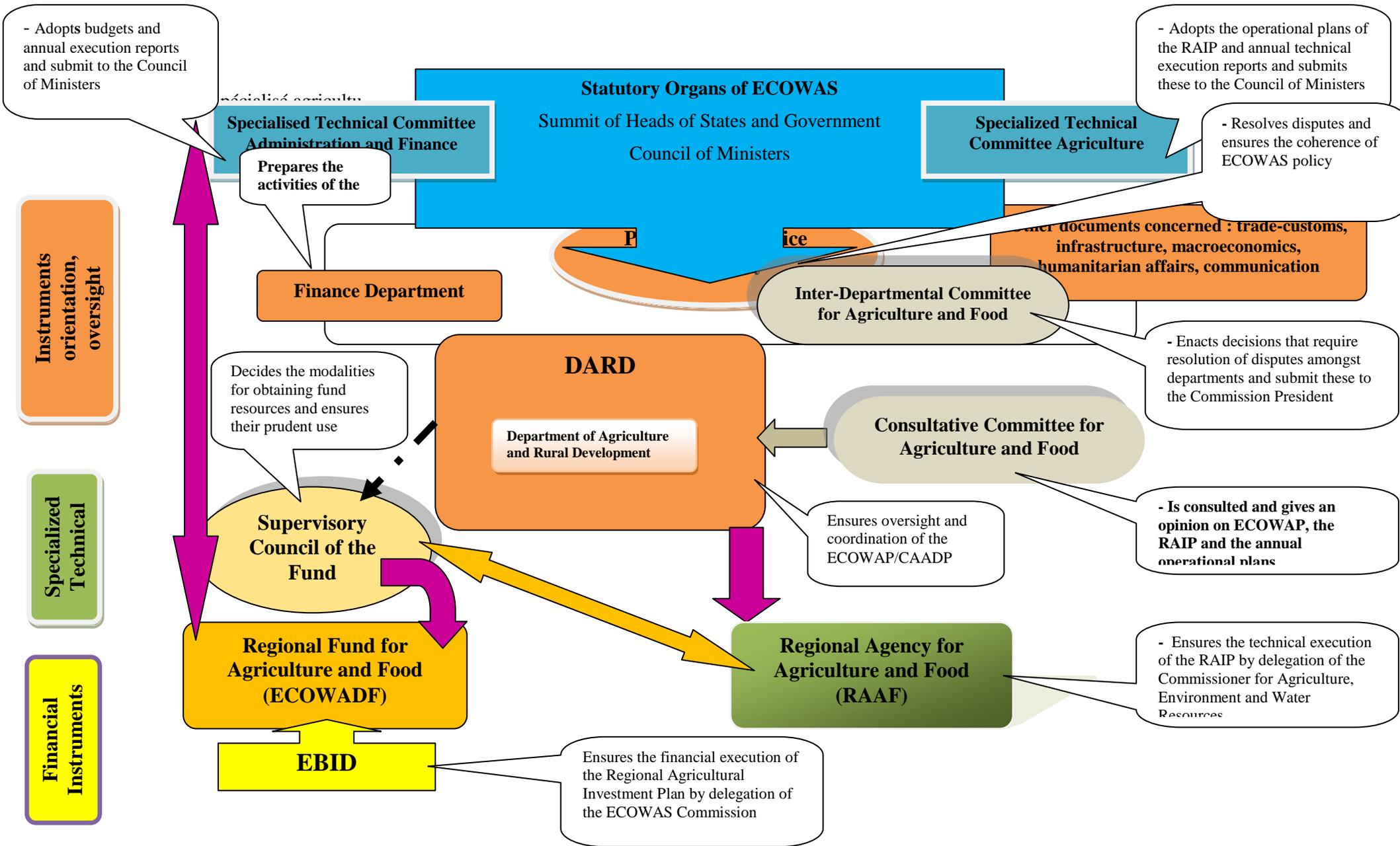
ECOWADF will operate within a fairly complex institutional structure as shown in Figure 5 below⁵.

2.4 Convention with the ECOWAS Commission and Operational Framework

A convention to govern the operational framework of the ECOWADF is under preparation. The consultants were informed that a delegation from the Commission will go to EBID from 8 to 12 July 2013 to work on the convention. The document should provide guidelines and set out the modus operandi of the Fund as well as the functional relationships between the EBID, ECOWADF and the RAAF. Against this background, the consultants have programmed the Design phase to begin two weeks after the mission in order to benefit from the outcome of the delegation's mission.

We cannot, at this stage, comment on this convention as we did not have access to the current version. It has to be noted, however, that the document that we have received from the Public Sector Department of EBID, named "Note détaillée sur le dispositif institutionnel et le mécanisme financier de mise en oeuvre de l'ECOWAP / PDDAA (dated October 22, 2010), describes in detail the functioning and governance of the ECOWADF. We will validate the contents of the document with the ECOWAS Commission to confirm whether or not the mechanisms still apply.

⁵ Source: Note détaillée sur le dispositif institutionnel et le mécanisme financier de mise en oeuvre de l'ECOWAP/PDDAA. ECOWAS Commission. 22 October 2010.



III Inception Phase Activities and Findings

In this section, we detail the key activities undertaken during the Inception Phase to deepen our understanding of the issues. We also present the main findings which will influence the approach to the design and implementation of the capacity strengthening interventions.

3.1 Key activities during the inception phase

The following activities were undertaken during the inception phase:

- i. A desk review of various reports and documents⁶ was conducted to understand the context of the project as required by the TOR for the assignment. Documents reviewed included an assessment of ECOWAS, Department of Agricultural and Rural Development (DARD), ECOWAS Fund for Agricultural and Food (ECOWADF) and the Regional Agency for Agriculture and Food (RAAF).
- ii. The institutional framework for managing the Fund was established along with the relationships among the various institutions involved with the Fund.
- iii. Discussions were held with officials of EBID⁷ to appreciate their understanding of the proposed ECOWADF, their proposed role in the management of the Fund, operational requirements of the Fund and their level of preparedness to manage the Fund when it comes on-stream. We also discussed the current/traditional role of the Bank and the implications for ECOWADF.
- iv. Separate discussions were held with the various Departments of the Bank (Operations, Finance and Private Sector) to understand their specific functional roles in the traditional operations of the bank, as well as the expected roles in the proposed ECOWADF. A meeting was also held with the unit that manages the Cultural Industries Guarantee Funds of West Africa to understand the operations, opportunities and challenges in managing such funds.
- v. Discussions were held with the Acting Director, Department of Agriculture and Rural Development (DARD) to understand the expectations of the Commission.
- vi. Earlier discussions took place with officials of USAID West Africa and Africa Lead.
- vii. A work plan for the execution of the assignment/project was formulated.

3.2 Main findings from the inception phase

The section below presents the main findings from consultations held with project stakeholders, notably officials of EBID, Department of Agriculture and Rural Development of ECOWAS Commission, USAID West Africa and DAI Africa Lead. In addition, findings from the review of various documents have been incorporated.

3.3 Unité Autonome de Gestion/Personnel

The Unité Autonome de Gestion (UAG), which may be translated as Autonomous Management Unit, has not yet been established. Its structure has yet to be developed and there is no dedicated staff in place. It is envisaged, however, that the unit will be set up within EBID to manage ECOWADF. As the name implies, the unit should have some independence or autonomy in the management of the Fund, but function under the overall remit of the EBID. It shall have a Supervisory (or Steering) Committee as well as qualified staff with the capacity to execute on its mandate.

⁶ List of documents reviewed can be found in the Annex 2

⁷ List of staff present at the meeting in Annex 1

Under the proposed arrangement, the UAG will be headed by a Director and shall have two Agricultural Financial Analysts on the Team⁸ with the capacity to appraise, analyze and monitor the funds disbursed to the agricultural sector. The numbers could be increased as the portfolio size increases.

EBID's capacity in agriculture/agri-business appears weak. Currently, there is only one staff member with direct responsibility for agricultural and agribusiness sector deals in the Public Sector wing of the Operations Department. Looking at the expected traction required under the ECOWADF, this situation is inadequate to realize the objectives of the fund. Additional staff with requisite competencies would have to be recruited. The Private Sector wing of the Bank does not seem to be any different. Consequently, the Bank resorts to consultants, as and when required, for delivery.

3.4 Related Agriculture, Agri-business and Fund Management Operations of ECOWAS Bank for Investment & Development

EBID has been providing financing for the agriculture/agribusiness sector. However, an assessment of the portfolio of the bank indicates very low appropriation to this important sector of ECOWAS. It has been assessed by earlier Consultants⁹ that the technical capacity of the Bank to handle agricultural and agribusiness deals was limited, and that the bank needed to significantly build capacity to enable it to manage the ECOWADF.

The Fund management must fulfill two main requirements:

1. To meet the specific and diverse funding needs of regional agriculture, in a manner that complements national agricultural funding programs; and
2. To ensure proper funds management in a transparent manner, according to internationally recognized rules of management.

For the period 2004-2010, less than 6% of the Bank's lending portfolio (amount USD68 million, and covering 8 projects) had been attributed to private sector agricultural projects, as outlined below.¹⁰

⁸ West Africa Institutional Assessment: ECOWAS and Related Institutions, 2011. DAI in conjunction with Management Systems International

⁹ *ibid.*

¹⁰ *ibid.*

Portfolio of EBID's Private Sector Agricultural Projects as at May 31, 2010			
Country	Type	Description	Amount, in US\$ millions
Benin	Loan	Partial financing palm oil extraction and refinery plant	11.0
Burkina Faso	Loan	Partial financing Liptato-Gourma livestock project	2.8
Ivory Coast	Loan	Partial financing of Dekel oil palm oil project	10.6
Ghana	Loan	AMASA agro-processing project	2.7
Ghana	Loan	Partial financing of the biodiesel, glycerin, and organic fertilizer project	32.5
Guinea	Loan	Partial financing of Famoila cattle development project	2.6
Mali	Loan	Partial financing Liptato-Gourma livestock project	2.8
Mali	Loan	Partial financing of Les Moulins du Sahel flour mill	3.2
Total			\$ 68.2

In EBID's Strategic Plan¹¹ for 2010-2014, the Bank projects to lend about UA35.0 million¹² (USD54.8 million) per year for the five-year period. However, an analysis of the funds flow from the ECOWADF implies EBID could be lending about USD180 million per year for 5 years. This would represent a huge increase in lending to the agricultural sector, and buttresses the need to build capacity in the bank to effectively manage the Fund. To date, the Commission has mobilized just over USD 20 million for the Fund.

3.5 Institutional Structures and Processes

Discussions with the Operations Division of EBID indicated the following in respect of institutional structures and processes:

- a. The Agriculture and Agribusiness sector deals are handled by the Public Sector Window under the Operations Division.
- b. The proposed UAG would be established under the Public Sector window and shall manage the ECOWADF as mandated.
- c. The UAG set up within the EBID shall work with the Regional Agency for Agriculture and Food (RAAF) in the execution of the objectives of ECOWADF.
- d. The Regional Agency for Agriculture and Food (RAAF) has been established as the vehicle for implementing ECOWAP. However, it is not yet fully functional. The RAAF is to be under the responsibility of the Commissioner for Agriculture, Environment, and Water Resources. It will be independent in terms of its administrative and financial management. In this role, RAAF will ensure the implementation of the Regional Agricultural Investment Program that is being carried out under ECOWAP.

¹¹ EBID Strategic Plan for 2010-2014

¹² Exchange Rate: UA1= USD1.567690 (31/12/2009)

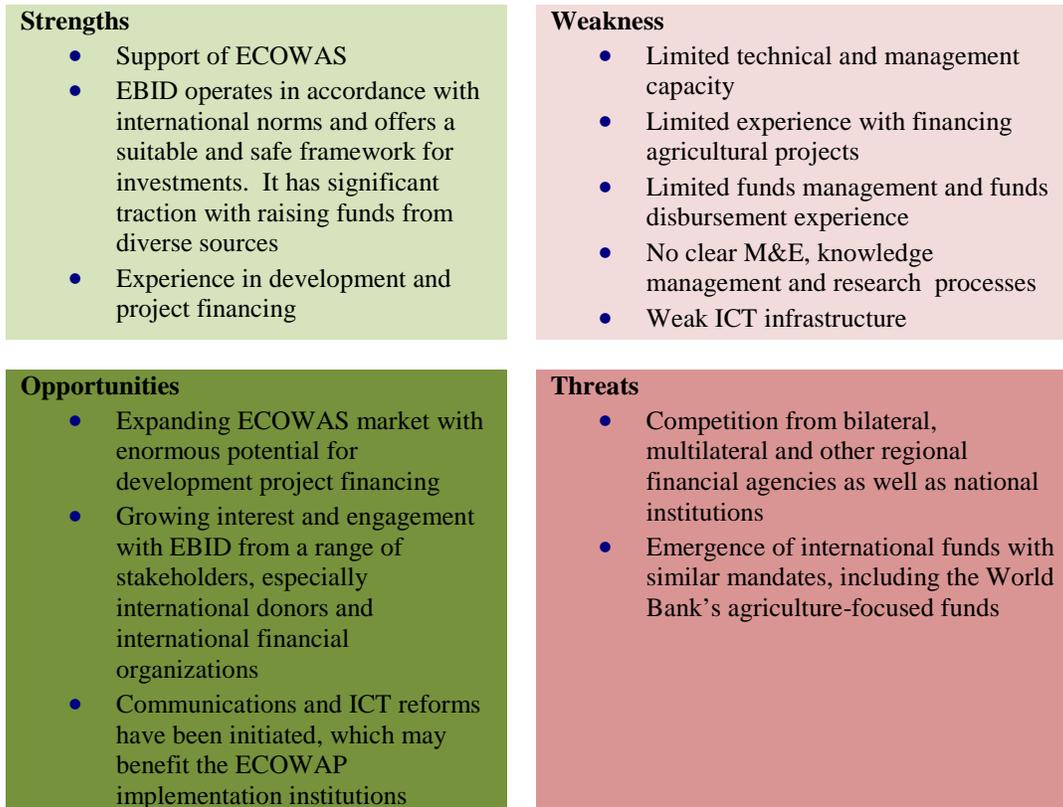
- e. In the scheme of operation of the ECOWADF, the RAAF would assess the projects for financing under the RAIPs and submit same to EBID for the needed financial and credit appraisal and approval by the Supervisory Council and subsequent disbursement by the EBID.
- f. The Supervisory Council shall govern the operations of the Fund and shall oversee its management and audit.
- g. The Supervisory Council will be chaired by the Commissioner of Agriculture, Environment and Water Resources. Its members will include the following ECOWAS official and stakeholder representatives:
 - i. The financial controller of the ECOWAS Commission
 - ii. The ECOWAS commissioner in charge of Administration and Finance
 - iii. The representative from the member country that holds the rotating chairperson position at ECOWAS
 - iv. A representative of the community of agricultural producers within ECOWAS
 - v. A representative of the community of agro-processors within ECOWAS
 - vi. A representative of ECOWAS' technical and financial partners

3.6 Preliminary Training Needs Identification

Our initial discussions with EBID staff suggested the following preliminary training needs:

-  Appraisal of agricultural and agri-business projects.
-  Marketing of products and services
-  Elaboration and utilization of a knowledge management database.

Figure 6 SWOT Analysis of EBID



The areas identified above are consistent with the findings identified in the SWOT analysis of EBID done in 2011 by DAI/MSI as reported in the West Africa Institutional Assessment, April 2011 and depicted in Figure 6 above. We have added in Section 4.4 some suggestions in terms of the possible content of capacity building interventions. We will fine-tune these after conducting a capacity needs assessment of the EBID and RAAF staff for ECOWADF during the Design phase of our assignment.

3.7 Fund Design

ECOWADF will use the following main instruments for financing:

- i. Grants – Financing of intangible investment programs: Information studies, research, regional consultations, devices, etc.
 - Sponsor investments such as storage facilities, regional-wide infrastructure, markets
 - Co-financing of national policies and programs of subsidies to inputs, production equipment and processing
 - Promoting innovation and finance programs for capacity building

- ii. Bonus interest rate: This tool is used to reduce the cost of credit in various fields, including the supply of inputs and equipment for production and processing, and marketing.
- iii. Guarantee Funds: This tool is intended to take some of the risk by banks to facilitate their investment in agricultural finance.
- iv. Lines of Credit: The credit lines are offered to commercial and/or development bank, as distinct from direct lending to the private sector.

The Fund, according to DARD, will be targeted at non-State actors, especially the private sector as well as organizations with region-wide representation. These include NGOs, farmer based organizations and regional research institutions. Other aspects of the design of ECOWADF can be found in Section II of this report.

We found much willingness amongst all stakeholders to have the Fund operationalized as soon as possible. This notwithstanding, there were some discrepancies between EBID and Commission (DARD) officials in respect of the Fund design and how it might operate. To cite one example, we were informed by EBID officials that the convention, governing the arrangements between the Bank and the Commission for the management of the Fund, was almost ready and close to signature by the two parties. In contrast, the Commission told us that the work on the convention had not even started. It is our considered opinion that the present exercise could serve as a boost to the key stakeholders and spur them on to action in this and other areas.

3.8 Stakeholder Expectations

The key expectations of the main stakeholders (EBID, DAI and DARD) are as follows:

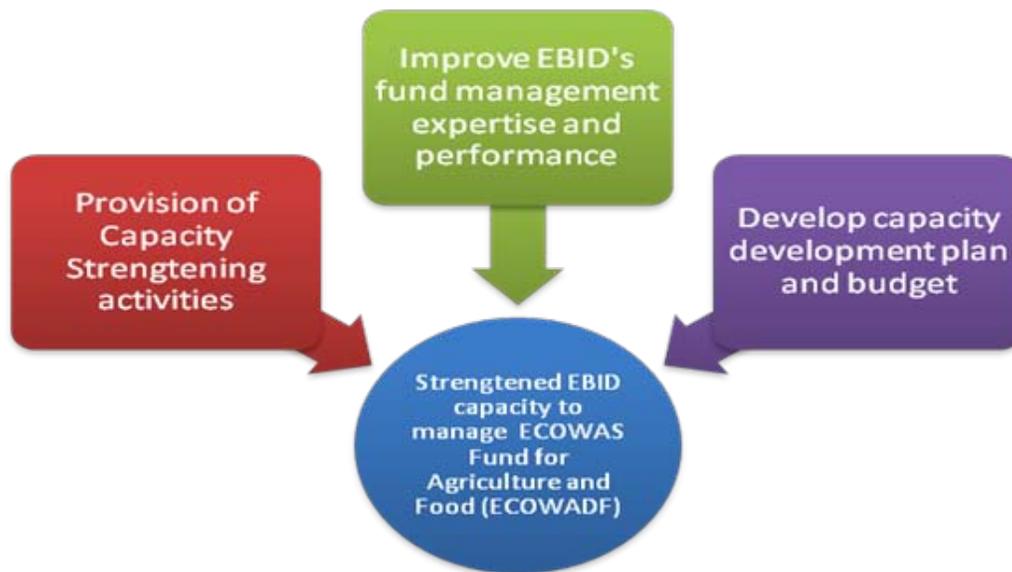
- ✚ Effective assessment of the capacity development needs of the Bank.
- ✚ Develop a capacity development plan and budget for management of ECOWADF.
- ✚ Build capacity to manage the Fund using the most effective methodology to enable impactful results.
- ✚ Develop operational manuals for the Fund.
- ✚ Enable UAG to manage the Fund effectively.
- ✚ Assist the stakeholders to operationalize the Fund.

IV Capacity Development Plan, Budget and Implementation

4.1 Project Scope and Approach

A key objective of the Inception Phase was to confirm the scope of the assignment and test out our approach to delivery of the capacity development plan and budget. Overall, the findings from our consultations with the key stakeholders point to the need to operationalize the ECOWADF without further delay and, to this end, develop and implement a plan to strengthen EBID's capacity to manage the Fund. Training, in particular, was highlighted along with the development of operational manuals. The consultants were also urged to propose recommendations for other capacity building interventions beyond the present exercise.

Objectives of capacity development programme to support ECOWAS Bank for Investment and Development



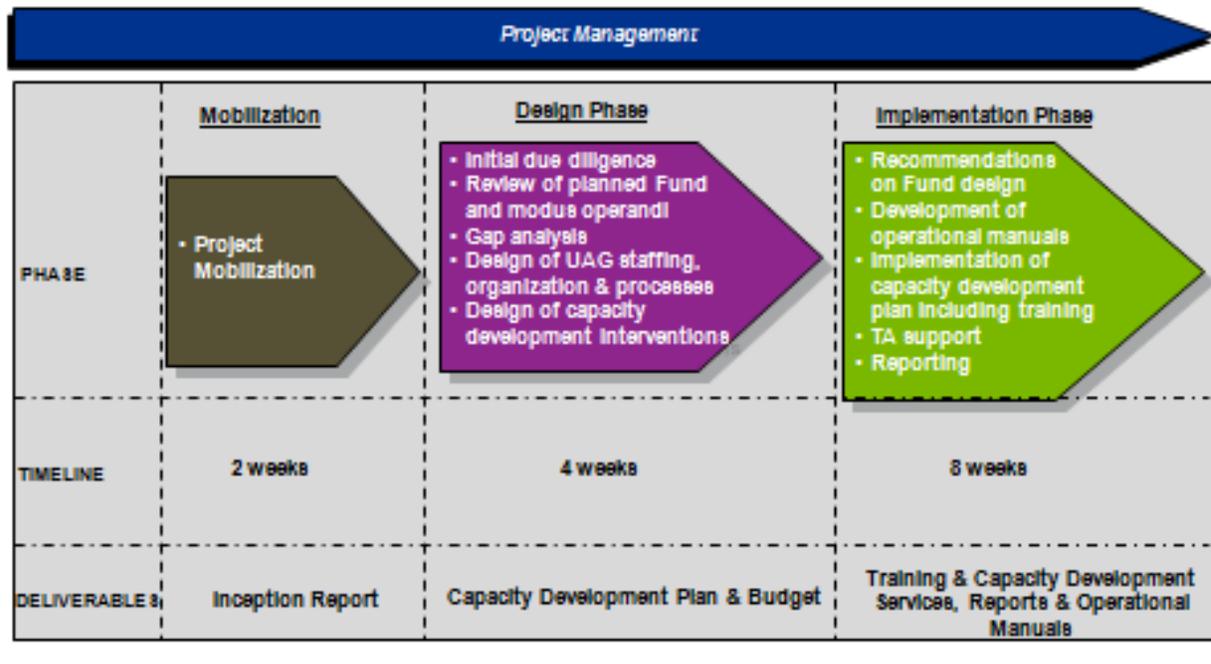
The approach initially proposed for the assignment was largely validated. However, we have made some amendments to the Design and Implementation Phases in the light of the information gathered. The three-phase structure remains as follows:

- Project Mobilization
- Design
- Implementation

The timeline and proposed activities are as depicted in the diagram below.

Overall Project Approach

To meet the requirements of the scope, we would suggest a 'three-tier' approach classified by Phase, Timeline and Work-Steps



Design Phase

The Project Mobilization Phase is currently underway and will be completed upon submission of this Inception Report. The approach to the Design Phase is as indicated below:

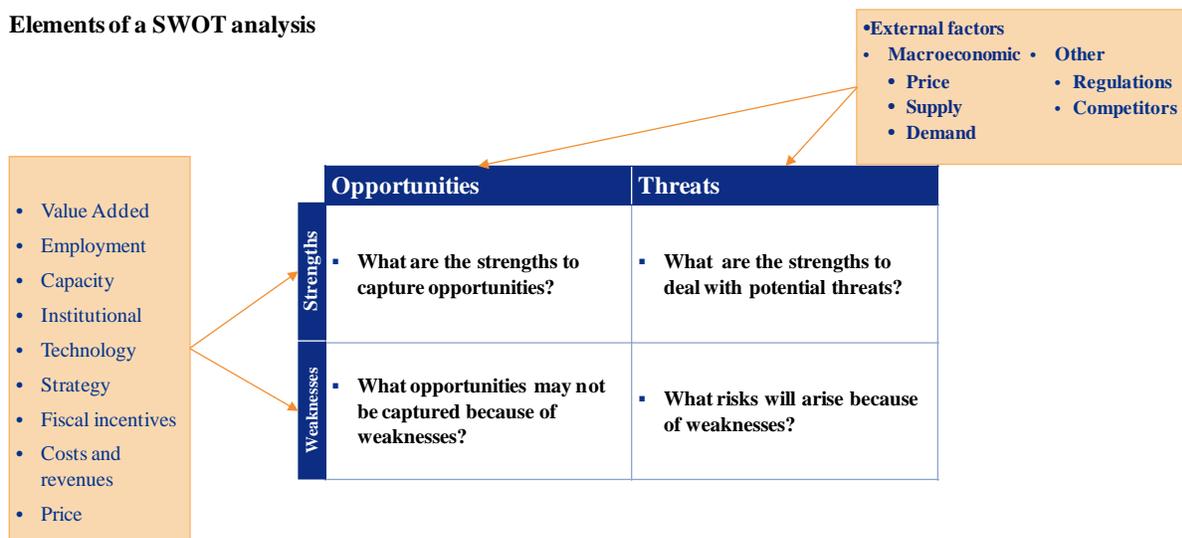


4.1.1 Initial Due Diligence

Our first step in phase 2 is to review the requirements for managing the Fund against the current competencies at EBID. Under this step, we would have discussions with EBID and other stakeholders and will seek to clarify the vision, purpose and rationale of the Fund alongside the assessment of competencies. Specific tasks will include:

- ✚ Review of the Fund design
- ✚ Review of relevant documentation
- ✚ Analysis of current organization and resources within the EBID
- ✚ Assessment of current competencies in fund management and credit risk management
- ✚ Analysis of alignment of the current EBID’s internal functional organization, processes, expertise and skills with the objectives of the Fund
- ✚ SWOT (strengths, weaknesses, opportunities and threats) analysis

Elements of a SWOT analysis



4.1.2 Review of the proposed financing instruments and modus operandi

We will review the proposed types of financing instruments and modus operandi of the Fund. Key aspects to be considered will include the following:

- ✚ Drawing from proven private sector expertise and successful PPP projects, crop financing instruments for agricultural projects in sub-Saharan Africa, review financing instruments of the Fund.
- ✚ Review the processes and modus operandi of the Fund.
- ✚ Initial estimate of resource requirement of EBID for optimizing the Fund and organizing the UAG including human resources, training, systems, operations and monitoring.

4.1.3 Organization and Processes of UAG

In this step we will review and, if need be, make recommendations on the organization and processes of UAG, drawing from the findings and conclusions of the initial due diligence. This should involve:

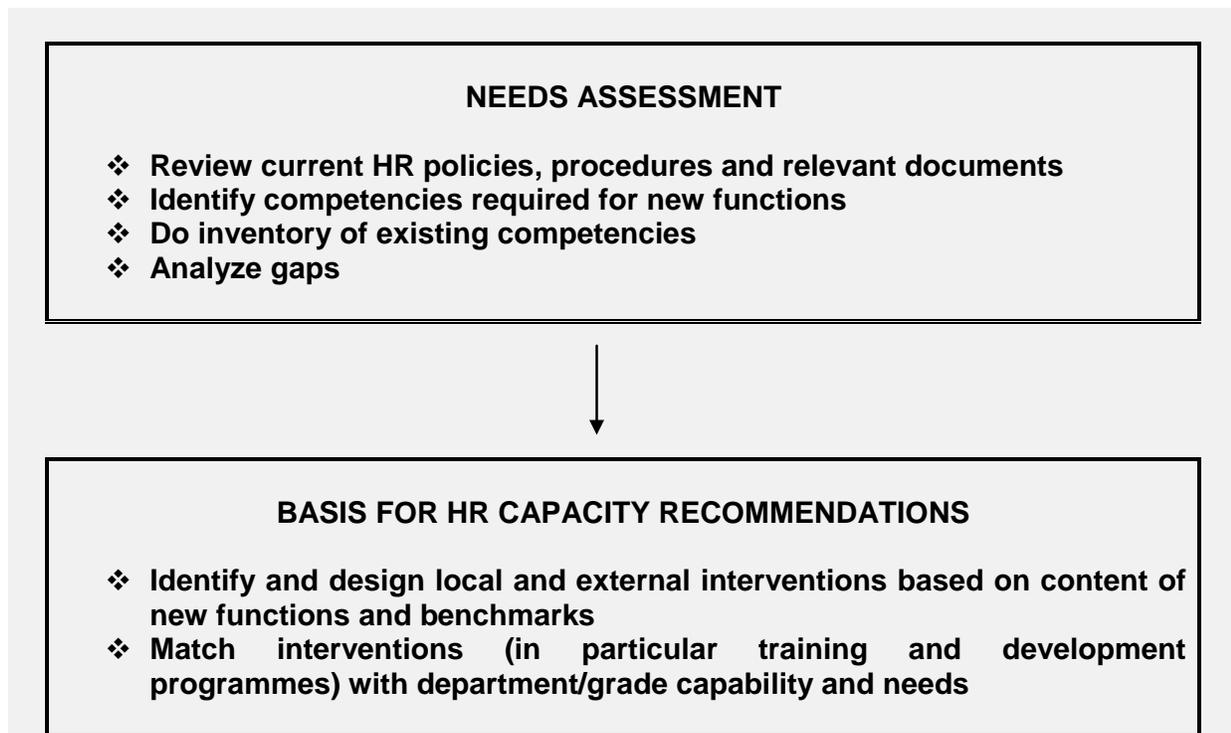
- ✚ Functional design of the UAG - from receipt of the loan request to credit assessment and the credit committee through disbursement to monitoring and recovery, management of potential bad debts and possible legal action.
- ✚ Fund management - detailed design of the UAG’s internal teams and desks.

- ✦ Compatibility with EBID’s existing organization, processes and systems.
- ✦ Developing authority and responsibility chains and delegation of authority
- ✦ Objectives – ensuring match between UAG and EBID to avoid functional silos.

4.1.4 Capacity Needs Assessment

We will use gap analysis to compare the competencies required to manage the Fund with existing competencies to ascertain the gap that needs to be filled by recruitment, capacity strengthening and other interventions such as secondments. This will form the basis of human resource and capacity development interventions, as depicted in Figure 7 below.

Figure 7 Capacity Needs Assessment



We will assess the capacity needs of key staff who will be involved in the management of ECOWADF. The key target group envisaged is UAG and involved EBID staff. However, given the role to be played by RAAF, it is considered necessary to include their staff as well in this capacity development exercise. Clearly, this exercise assumes that the core target group would have been identified and would be in place, certainly before the implementation of the capacity development interventions.

The entire process will be highly interactive. Specific questionnaires will be prepared and submitted, initially by email, to the relevant EBID and RAAF management team and staff, in close cooperation with DARD. Once completed, the questionnaires will then serve as the basis for individual and collective interviews that will help determine the gaps and real needs for capacity building interventions. In

paragraph 4.4 below, we outline some topics that may be considered – to be validated or amended during the Design phase.

4.1.5 Staffing of the UAG

We will be available to assist EBID with the following staffing issues for the UAG, if required:

- ✦ Job design
- ✦ Preparation of job descriptions
- ✦ Coordination of recruitment – internal and external
- ✦ Participation in recruitment sessions including interviews, where required/feasible.

Implementation Phase

Following design, we would execute the capacity development plan beginning with the development/adaptation of training materials. The following steps will be followed:

4.1.6 Short Term

The intention here is the strengthening of technical and management capacity of selected UAG, EBID and RAAF staff. Interventions will focus on fund management and the project cycle including credit risk assessment, risk mitigation techniques and monitoring and recovery of loans and other facilities fully adapted to the agricultural sector. Specific interventions envisaged are:

- ✦ Development/adaptation of training materials and modules including case studies and group exercises.
- ✦ Delivery of training
- ✦ Development of operational manuals
- ✦ Study visits to selected organizations
- ✦ Technical assistance and coaching (remotely)

4.1.7 Medium Term and Post Completion Services

This assignment is to be completed within a period of 16 weeks, which is a relatively short time for capacity strengthening. In view of this, KPMG would provide follow-up recommendations and would be available, after the completion of the assignment, to assist EBID with specific tasks and for continuous improvement. The terms and conditions of engagement would have to be defined separately and mutually agreed. The intention here would be to reinforce the short-term interventions and lay the foundation for sustainable professional development. Interventions might focus on:

- ✦ Coaching including observation and accompanying selected UAG staff in their work.
- ✦ Technical assistance in-situ and remotely
- ✦ Continuing professional development
- ✦ Monitoring, evaluation and knowledge management
- ✦ Development of partnerships with selected business schools and consulting firms for continued professional development of the EBID and UAG's selected staff over time.

- ✚ Secondments of selected EBID and UAG’s staff to other development institutions/funds such as the World Bank and AECF, for example.

4.2 Capacity Development Program

The precise capacity development program can only be determined at the Design phase. However, this is likely to comprise training involving the use of case studies, lectures and syndicate group discussions as well as study visits, remote mentoring and a roster of external experts. Due to budgetary constraints, it would not be possible to provide on the job training and coaching at this stage.

It would be necessary for the key UAG and RAAF staff to have been identified and indeed in place before the capacity development interventions begin. It is also assumed that the selected staff would have the necessary skills to conduct basic financial analysis of projects. The latter assumption will be validated during the Design phase.

Based on our findings to date and experience with the management of such funds elsewhere, we list below some possible topics that might be covered:

- Project Due Diligence with emphasis on agricultural and agribusiness projects
- Appraisal Techniques for agricultural and agribusiness projects
- Risk Assessment and Risk mitigation techniques
- Risk Management in Agricultural projects (e.g. Credit Risk, Market Risks, etc.)
- Loan approval processes
- Agricultural Project Monitoring and Evaluation Framework
- Input pre-financing techniques and working capital management, collection techniques (concentrating on seeds, fertilizers and crop-protection products).
- Effective Fund Management for Agricultural and Agribusiness
- Good Governance and Compliance including Anti-Corruption and Money Laundering
- Financial Analysis for Agricultural projects
- Valuation in Agricultural projects
- Monitoring, Evaluation and Knowledge Management

We will structure the interventions into (i) short-term (ii) medium to long term horizons. We have understood that interventions should focus mainly on fund management and selected aspects in the appraisal and management of agricultural and agri-business projects.

4.2.1 External Experts

We could assist with recommendations of technical experts to enable EBID fill competency gaps including building up a database in various areas such as:

- ✚ Marketing of agricultural products and commodities
- ✚ Financing of strategic inputs for the agricultural sector: fertilizers, seeds, crop protection products
- ✚ Monitoring and evaluation of medium and long-term agricultural projects with reference to regional food security
- ✚ Environmental impact assessment
- ✚ Knowledge management

4.3 Operational Manuals

Operational manuals would be required to manage the Fund. This is also consistent with best practice. As part of the capacity development, there would be hands-on development of operational manuals. EBID staff will be involved in the process to ensure ownership. The manuals would cover relevant procedures in the management of the Fund. They would cover the following, inter alia: Policy, Procedures, Eligibility and Selection Criteria, Lending Guidelines, Appraisal Process, Project Monitoring and Evaluation, Risk Management.

4.4 Risks, Assumptions, Mitigation and Critical Success Factors

The assessment of assumptions, risks and mitigation as well as identification of critical success factors is very important in agricultural project appraisals. Risk assessment and mitigation tools are used in ensuring that the right risks are identified and steps are taken to mitigate the effect of the risks. There are different types of risks associated with agricultural projects. In addition, each risk identified in the project appraisal stage could be categorized, as shown in Figure 8 below, in terms of:

- ✚ probability of occurrence (high, medium, low)
- ✚ impact of risk (high, medium, low)
- ✚ mitigation measures

Figure 8 Risk Matrix

Risk	Probability of Occurrence (High, Medium, Low)	Impact of Risk (High, Medium, Low)	Mitigation Measures

We will elaborate on the following in our interventions:

- a. Risk Assessments along the entire project cycle or along the value chain. Risks associated with:
 - i. Weather/Climate
 - ii. Production,
 - iii. Market/Marketing
 - iv. Finance
 - v. Technology
 - vi. Environment
 - vii. Business
 - viii. Storage/Post Harvest
 - ix. Transportation, etc
- b. Risk Mitigation techniques for each of the identified risks associated with the project.
- c. Using Loan covenants to mitigate risks identified in the form of pre-conditions, on-going monitoring clauses as well as indicative benchmark clauses.

- d. Identification of Critical Success Factors to inform the consistency of strategy and its effectiveness.

Various training methods will be used to deliver these topics and to ensure the application of concepts in project appraisals.

V Work Plan and Reporting

5.1 Detailed Work Plan

Phase		Activity	JUNE				JULY				AUGUST				SEPTEMBER		
			3	10	17	24	8	15	22	29	5	12	19	26	2	9	16
Inception	1.1	Kick off meetings	■														
	1.2	Consultations & preparation of inception report	■	■													
	1.3	Submission of draft inception report		■													
	1.4	Comments on draft inception report			■												
	1.5	Submission of final inception report				■											
Design	2.1	Initial due diligence						■									
	2.2	Preparation of questionnaires for needs assessment						■									
	2.3	Stakeholders workshop: needs assessment for capacity development						■									
	2.4	Organization of validation interviews						■									
	2.5	Preparation of draft capacity development plan and budget							■								
	2.6	Submission of draft plan and budget								■							
	2.7	Comments on draft plan and budget									■						
	2.8	Preparation & submission of final capacity development plan and budget										■					
Implementation		Strengthening of technical and management capacity of selected staff															
	3.1	Design of training modules										■					
	3.2	Development/adaptation of training materials										■					
	3.3	Delivery of training											■				
	3.4	Development of operational manuals											■				
	3.5	Technical assistance and coaching											■				
	3.6	Preparation of draft final report												■			
	3.7	Stakeholders workshop, review and comments on draft													■		
	3.8	Submission of final report														■	

Proposed mission dates to EBID, Lome:

- 22 to 26 July 2013 - Design Phase including Capacity Needs Assessment
- 19 to 23 August 2013 - Implementation Phase including Training Workshops

5.2 Reporting and Template

It is recommended that a project team be established at EBID to liaise with the consultants. These should be at a sufficiently senior level for operational effectiveness. During the Design and Implementation Phases, the consultants will report to DAI and the project team fortnightly. The template below will be used for reporting.

KPMG PROGRESS REPORT	
Support to EBID: Capacity Development Plan and Capacity Strengthening Services for the Establishment and Management of ECOWAS Fund for Agriculture and Food	
Time Period	
Phase	
Activities Performed	
Results/Outcomes	
Follow-Up/Action Points	

Annex 1 Persons Met

1	Mr Pathe Gueye, Director, Operations Dept, Public Sector, EBID
2	Mr Mamdou Toure, Director, ICT, Organization and Methods, EBID
3	Ms Safiatou Hassane, Economist, Division Chief, EBID
4	Mr Zouhongbe, Chief of Division, Management Control
5	Mr Bintou Ouattara, Legal Counsel
6	Mr Hugues Goa, Agricultural Economist, Division of Agriculture & Rural Devt, EBID
7	Mr Isaac Olagunju, Director of Finance, EBID
8	Mr Takounadi, Financial Analyst, Cultural Fund, EBID
9	Mr Soro Ali, Financial Analyst, Private Sector Dept, EBID
10	Mr Alain Sy Traore, Acting Director, DARD, ECOWAS Commission (by telephone)
11	Mr Jorge Olivera, USAID West Africa
12	Dr Candace Buzzard, Head of Economic Growth, Regional Agric Director, USAID West Africa
13	Ms Elizabeth Brown, Deputy Director, Regional Agriculture Office, USAID West Africa
14	Mr Maurice Shines, Agriculture/Private Sector Officer, USAID, West Africa
15	Ms Danielle Canupo, USAID West Africa
16	Ms Carla Denizard, Deputy Chief of Party, Africa Lead, DAI
17	Ms Jennifer Pierre, Consultant, Africa Lead, DAI

Annex 2 Documents reviewed

1. Article 5 (Structure Organisationnelle du Fonds Agricuturelle de la CEDEAO) & 9(Cycle du Fonctionnement du Fonds) de la Convention qui regie le Fonds Agricuturelle.
2. Manuel sur le fonctionnement et l'organisation de la Banque d'Invesstissement et Developpement de la CEDEAO.
3. Manuel sur le Fonds de Garantie des Industries Culturelles de l'Afrique de l'Ouest. Produit par la Banque d'Invesstissement et Developpement de la CEDEAO.
4. Plan Strategique 2013-2020 du Fonds de Garantie des Industries Culturelles. Produit par la Banque d'Investissement et le Developpement de la CEDEAO.
5. Note detaille sur le dispositive institutionnel et le mecanisme financier de mise en oeuvre de l'ECOWAP/PDAA. Produit par la Commission CEDEAO, 22 Octobre 2010.
6. Renforcement des capacites de la BIDC dans le cadre de l'operationnalisation d'ECOWADAF (Fonds regional pour l'agriculture et l'alimentation). Production de le Banque d'Investissement et Developpement de la CEDEAO, Avril 2011.
7. West Africa Institutional Assessment; ECOWAS and other institutions. DAI/Management Systems International, April 2011.
8. EBID, Strategic Plan, 2010-2014, EBI

© 2013 KPMG a partnership registered under Ghanaian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo and ‘cutting through complexity’ are registered trademarks or trademarks of KPMG International Cooperative.