



USAID | **GHANA**
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QUARTERLY PROGRESS REPORT #1 (JULY-DECEMBER 2013)

FINANCING GHANAIAN AGRICULTURE PROJECT
(USAID|FinGAP)

January 2014

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(USAID|FinGAP)

JANUARY 2014

¹ Per USAID instruction USAID|FinGAP Quarter 1 report covers July 24, 2013–December 31, 2013.

DISCLAIMER

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ACRONYMS AND ABBREVIATIONS

AOD	Agribusiness Opportunities Development (Unit)
BAS	Business Advisory Services
CBO	Community-Based Organization
COP	Chief of Party
COR	Contracting Officer's Representative
CRM	Customer Relationship Management
DCA	Development Credit Authority
EMMP	Environmental Mitigation and Monitoring Plan
FinGAP	Financing Ghanaian Agriculture Project
FSSU	Financial Sector Support Unit
FtF	Feed the Future
GAX	Ghana Alternative Exchange
GCAP	Ghana Commercial Agriculture Project
GOG	Government of Ghana
JCAP	Joint Country Action Plan
M&E	Monitoring and Evaluation
METSS	Monitoring, Evaluation and Technical Support Services program
MOU	Memorandum of Understanding
PFG	Partnership for Growth
PFI	Participating Financial Intermediary
PMP	Performance Monitoring Plan
PPP	Public-Private Partnership
RFA	Request for Applications
RFP	Request for Proposals
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SME	Small and Medium-sized Enterprises
SOW	Scope of Work
STTA	Short-Term Technical Assistance
TA	Technical Assistance
USAID	United States Agency for International Development
USG	United States Government

EXECUTIVE SUMMARY

Background

The USAID-Financing Ghanaian Agriculture Project (USAID-FinGAP) is a five-year (2013–2018) Project that contributes to USAID's overall goal of fostering broad-based, sustained, and inclusive economic growth. USAID-FinGAP is designed to address a key constraint that restricts the development of commercial agriculture in Ghana: access to finance necessary to enable investment in agricultural value chains. USAID-FinGAP will utilize a mix of opportunity mapping tools, Technical Assistance (TA), and financial incentives to unlock significant amounts of financing for agribusiness, anchored by partnerships with strategic investors and buyers of rice, maize, and soy in northern Ghana.

USAID-FinGAP will achieve its objectives through the interaction of two integrated components. The first, the Agribusiness Opportunities Development (AOD) Unit, will identify, develop, and support agribusinesses for investments through strategic market linkages with investors that integrate Small and Medium-sized Enterprises (SMEs) and smallholders to promote equitable participation of farmers into their supply chains, creating platforms for deployment of financial solutions along the value chain. The second component, the Financial Sector Support Unit (FSSU), will facilitate the financing of the agribusiness opportunities working with financial intermediaries, other donors, and Government of Ghana (GoG) programs in providing affordable and sustainable finance and credit.

Progress to Date

Over the July–December 2013 period, USAID-FinGAP focused its efforts on producing high-quality contractual deliverables, including three mapping assessments of Business Advisory Services (BAS), Participating Financial Intermediaries (PFIs), and investment opportunities in Ghana; a communications plan; Environmental Mitigation and Monitoring Plan (EMMP); and life of Project Performance Monitoring Plan (PMP) and Monitoring and Evaluation (M&E) Plan. USAID-FinGAP also worked toward achieving rapid Project start-up by mobilizing a strong and capable Project team, achieving Project registration and finalizing office set-up. By the end of the reporting period, USAID-FinGAP was able to incorporate results from the required mapping assessments into a Year 1 Work Plan that was approved by USAID. These mapping assessments, the PMP, and the Work Plan are the foundation of the Project's approach and activities.

During the reporting period, USAID-FinGAP was able to achieve some initial results per the PMP. Two out of the target 15 SMEs for Year 1 were assisted in accessing loans and 2 private enterprises (for profit) received United States Government (USG) assistance. Additional PMP results are expected in the next Project quarter.

The primary activities carried out by USAID-FinGAP for the period July to December 2013 are:

1. **Investment and Partnership Opportunities Mapping Assessment** set out to identify the most promising opportunities for investment in rice, maize, and soy commodity industries in northern Ghana. This assessment identified 33 agribusiness investment and/or financing opportunities in rice, maize, and soy with the potential to benefit thousands of smallholder farmers in the north of Ghana by improving livelihoods, food security, and nutrition. USAID-FinGAP will present these investment and financing opportunities to interested stakeholders at an upcoming investment conference scheduled for April. The 33 identified opportunities will also

feed into an online opportunity map that the Project will be developing in the next reporting period, along with other mapping tools to stimulate investor interest and action.

2. **Participating Financial Intermediaries (PFIs) Mapping Assessment** comprising of 40 PFIs in greater Accra, Tamale, and Savelugu (outskirts of Tamale). The assessment identified the nature and level of demand for financing among key agribusiness actors and ranked by priority 15–20 PFIs (bank, private equity, impact investor partners) that FinGAP can partner with to provide financing solutions for private sector actors in the targeted value chains. FinGAP will work closely with these priority PFIs over the life of the Project to design and roll out incentives to increase lending to the agricultural sector.
3. **Memorandum of Understanding (MOU) with PFIs:** Based on the PFI Mapping Assessment, 20 PFIs were invited to sign MOUs with USAID-FinGAP. At the time of reporting, 8 out of the 20 PFI's selected in a formal review process have signed MOUs, outlining their intention to partner with the Project. These are the Agricultural Development Bank, CARD FNGO, Serengeti Capital, EximGuaranty, Injaro, Root Capital, and AgDevCo. Additional MOUs with 13 other PFIs are being developed. These MOUs are a first step to designing and rolling out additional incentives for PFIs to stimulate new lending to the agribusiness sector.
4. **BAS Mapping Assessment**, the purpose of which is to develop a BAS ecosystem that will help achieve the Project's goal of facilitating financing for stakeholders involved in the rice, maize, and soy value chains in Ghana's three northern regions, for the benefit of SMEs. The BAS Mapping Assessment identified BAS providers with whom USAID-FinGAP can work and developed an incentive/fee-based payment structure that is appropriate for the context and environment in Ghana. Based on these findings, a Request for Proposals (RFP) was developed and BAS providers, via a competitive process, are being subcontracted by the Project to facilitate finance to SMEs.
5. **RFPs** were sent to 27 BAS providers who were pre-selected during the BAS mapping assessment to provide financial facilitation services to SMEs. From the 26, 15 BAS providers responded to the RFP. Subsequently, USAID-FinGAP signed MOUs with 12 who meet the minimum screening criteria. These 12 providers form the initial batch of USAID-FinGAP's preferred BAS provider network for financial facilitation activities. As a next step, preferred BAS providers will identify investible opportunities for financing in the soy, maize, and rice value chains and will present these opportunities to USAID-FinGAP for approval, at which time the Project will issue formal subcontracts to the BAS providers in order to complete financial facilitation activities.
6. **Facilitating Initial Investment Deals:** With USAID-FinGAP's assistance, Root Capital approved \$500,000 in working capital and capital expansion for a Kumasi-based soybean processor; the funds are expected to be disbursed by the end of first quarter of 2014. Moreover, transactions for a Kumasi-based livestock/poultry feed SME, which is currently seeking a \$2–4M investment, were also initiated. This initial transaction will secure equity investment in order for the company to expand its activities in the feed industry.
7. **Small Grants Facility:** USAID-FinGAP developed its Grants Manual to administer its small grant facility. The Grants Manual outlines the members of the grants committee, their responsibilities, procedures, and processes required in order to make a grant, monitor grant progress, and close grants responsibly. As of the end of the reporting period, the Grants Manual was awaiting approval by USAID². The committee to review and approve grant applications was constituted and made up of FinGAP's grants and technical staff, the Chief of Party (COP), and USAID as an observer. A grants training will be delivered to Project staff in January 2014 by CARANA's Director of Contract Administration, and incentive-based grants to PFIs will be developed and rolled out during the next quarter.

² The USAID-FinGAP Grants Manual was approved in January 2014.

8. **Partnership for Growth (PFG):** Under this work, USAID-FinGAP collaborated with USAID and the GOG counterparts in contributing to broader issues that affect access to finance in Ghana. This included meetings with Ghana's Securities and Exchange Commission (SEC) to discuss the current situation and developments of the (1) Training Institute, (2) Ghana Alternative Exchange (GAX) second tier trading board on the Ghana Stock Exchange, and (3) Credit Ratings Agency Regulation (Goal 4, Joint Country Action Plan (JCAP)). FinGAP engaged a consultant to join the Ghanaian government's JCAP task force during meetings with the United States' Small Business Administration (SBA) from December 2–10, 2013, in Washington, DC. The consultant participated in the meetings in order to liaise between the parties, further JCAP goals, and gather information on SBA operations. This information will inform PFG activities under USAID-FinGAP. A report on this consultancy will be delivered and finalized during the next reporting period.
9. **Registration and Office Set-Up:** Business registration processes for the Project office were completed in October 2013. The Project also leased office space in Accra and Tamale. All technical and supporting staff have been hired for the Accra and Tamale offices. Over the course of the July–December 2013 period, USAID-FinGAP was assisted by CARANA home office colleagues who travelled to Ghana to help with Project start-up activities.

Challenges and Delays

There are a number of issues included in the Year I workplan that CARANA and USAID continue to discuss to gain a mutual understanding, including:

1. **PFI Training:** The approach to PFI training was adjusted following conversations with USAID and the PFI mapping assessment; the new approach ensures that support activities to PFIs will be demand-driven and will focus more on TA needs rather than a formal training program.
2. **Online Investment Maps:** During the current reporting period, USAID-FinGAP held ongoing discussions with USAID to come to a decision on the purpose and expected outcome of the online investment map. Originally, the focus of this map was going to be demand driven according to new opportunities identified by the Project; however, USAID also wanted to see a map that provided production information to interested investors. As a result of these two perspectives, during the reporting period, USAID and USAID-FinGAP came to an agreement on where this activity is headed. USAID-FinGAP is now working on the development of two distinct maps to provide solutions to increasing investment in agribusiness. This approach attacks the problem of limited agribusiness investment at two ends—lack of information on production/supply and limited information on opportunities/demand.
3. **PFI Incentives:** USAID-FinGAP is also in discussions with USAID regarding how to stimulate financing in agribusiness from the standpoint of PFIs through smart subsidies. These discussions are still ongoing and will be developed and finalized following additional discussions with banks.

Gender and Environmental Compliance

USAID-FinGAP addressed gender considerations during the current reporting period through the development of the Year I Work Plan and PMP. Gender sensitive activities will be rolled out accordingly beginning in the next quarter. Additionally, USAID-FinGAP developed an EMMP that will ensure effective environmental compliance during the first year of the Project.

Planned Activities

As a result of the progress made to date, USAID-FinGAP has an ambitious set of activities planned for the next reporting period. In particular, the Project plans to achieve the following:

- Contracting BAS providers and rolling out the BAS network that will lead to the facilitation of numerous financial and investment deals
- Planning for and organizing a Ghana Agribusiness Investment Opportunities Summit (to be held in April 2014)
- Designing and rolling out online investment maps, including carrying out data collection and engaging a software partner
- Developing PFI incentives and subsidies that can be piloted, following conversations with banks
- Implementing a training for Project staff and BAS providers on environmental tracking and compliance

BACKGROUND

USAID-FinGAP is a five-year (2013–2018) Project that contributes to USAID’s overall goal of fostering broad-based, sustained, and inclusive economic growth. USAID-FinGAP is designed to address a key constraint that restricts the development of commercial agriculture in Ghana: access to finance necessary to enable investment in agricultural value chains. USAID-FinGAP will utilize a mix of TA and financial incentives to unlock financing for agribusiness, anchored by partnerships with strategic investors and buyers of rice, maize, and soy in northern Ghana.

Over the five-year Project, USAID-FinGAP is expected to achieve the following outcomes:

- 25 strategic partnerships in target value chains
- 250 transactions developed by the USAID-FinGAP team and BAS providers
- \$75M in finance (anticipated average transaction size of \$300,000)
- 90 SMEs and farmer organizations linked to 120,000 smallholder farmers in target value chains gaining access to finance

To achieve these outcomes, USAID-FinGAP will work with Ghanaian BAS providers and progressive financial institutions to support the agricultural sector. The Project will also provide training and TA to BAS providers to provide services to agribusiness firms and help them to find affordable options for financing new agricultural investments over the long term.

USAID-FinGAP will assist USAID in its implementation of the PFG JCAP, a document that addresses the major constraints to Ghana’s economic growth. USAID-FinGAP will deploy TA under JCAP specifically to a) develop the financial sector infrastructure, b) encourage development finance and support SME access to finance, c) reduce government engagement in the banking sector, d) strengthen financial sector regulation and supervision, and e) increase the breadth and depth of the financial sector. USAID-FinGAP is also part of the USG’s Feed the Future (FtF) Initiative, where the Project will provide a comprehensive and integrated approach to facilitating agriculture-related investment, engaging a range of Ghanaian financial institutions in providing agricultural financing.

The Project is designed to contribute to the success of multiple, parallel initiatives financed by USAID in Ghana, such as the World Bank and USAID-financed Ghana Commercial Agriculture Project (GCAP), which is meant to improve the broader investment climate for agribusiness and develop inclusive Private–Public Partnerships (PPPs) and smallholder linkages. USAID-FinGAP complements other USAID FtF projects such as the Agricultural Technology Transfer project, focusing on productivity-improving agricultural technologies; the Resilience in northern Ghana project, which focuses on reducing poverty and improving the nutritional status of vulnerable populations; and the follow-on to the Agricultural Development and Value Chain Enhancement Project, which will focus on transforming Ghana’s agricultural sector to achieve greater food security in the north. Lastly, USAID-FinGAP is designed to play a central role in supporting effective utilization of Development Credit Authority (DCA) guarantees that mitigate risks associated with lending to agribusiness.

USAID-FinGAP will achieve its objectives through the interaction of two integrated components. The first, the AOD Unit, will identify, develop, and support agribusinesses for investments through strategic market linkages with investors that integrate SMEs and smallholders to promote equitable participation of farmers into their supply chains, creating platforms for deployment of financial solutions along the value chain. The second component, the FSSU, will facilitate the financing of the agribusiness

opportunities working with financial intermediaries, other donors, and GOG programs in providing affordable and sustainable finance and credit.

PERFORMANCE INDICATORS³

During the reporting period, USAID-FinGAP focused its efforts on effective Project start-up and meeting early contractual deliverables, including the PMP. Several results were achieved during the current quarter, including the facilitation of financing for two SMEs and LOE associated with PFG technical assistance. Additional results are anticipated in the next reporting period as technical activities are ramped up. These include SMEs receiving Business Development Services, BAS providers trained in deal making, additional SMEs receiving access to loans, and financial capital deployed. During the next quarter, USAID-FinGAP will also carry out some baseline data collection.

#	Indicator	Unit of Measure	Baseline	Q1	Year I (Oct 2013–Sept 2014)		
				Achieved	Target	Achieved	%Achieved
Component I: AOD UNIT							
Ia. Improved access to BAS by agri-enterprises, as well as development of Ghanaian capacity to provide these services							
1	4.5.2-37. Number of MSMEs and larger enterprises receiving business development services from USG-assisted sources	Number of SMEs	0		15		0
	Size						
	Small						
	Medium						
	Large						
	Gender						
	Male						
	Female						
2	Number of BAS providers trained in deal making and BAS in agriculture	Number of BAS providers	0		15		0
	Gender:						
	Male						
	Female						
3	Number of clients paying fees for BAS	Number of enterprises	0		5		
	Size						
	Small						
	Medium						
	Large						
	Gender						
	Male						
	Female						
Ib. Improved ability of agri-enterprises to create fundable investment proposals							

³ These indicators are currently under USAID's review, as part of the M&E Plan

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#	Indicator	Unit of Measure	Baseline	Q I	Year I (Oct 2013–Sept 2014)		
					Achieved	Target	Achieved
4	4.5.2-30: Number of MSMEs and larger enterprises, including farmers, receiving USG assistance to access loans (S)	Number of SMES + L	0		15	2	13%
	Gender						
	Small						
	Medium			2		2	
	Large						
	Size						
	Male						
	Female						
5	Number of food security private enterprises (for profit), producers organizations, water users associations, women's groups, trade and business associations, and community-based organizations (CBOs) receiving USG assistance (RiA) (WOG)	Number of Organizations	0		30	2	7%
	Type of entity						
	Food security private enterprises (for profit)			2		2	
	Producers organizations						
	Water users associations						
	Women's groups						
	Trade and business associations						
	CBOs						
Ic.&Id Increased private sector investment in socially inclusive agriculture-related activities and enhanced agricultural commerce							
6	Total value of private capital deployed to targeted value chains by financial institutions with USG assistance	USD	0		5,000,000		
7	Number of successful investment opportunities funded	Number of opportunities	0		5		
8	4.5.2-29. Value of agricultural and rural loans (RiA)(WOG)	USD	0		5,000,000		
9	4.5.2-38. Value of new private sector investment in the agriculture sector or food value chains leveraged by FtF implementation (RiA)	USD	0		2,500,000		
10	Value of incremental sales in rice, maize, and soya as a result of USG assistance along the value chain	USD and M/T	TBD		TBD		
Component 2: FSS UNIT							
2a. Increased capacity of financial institutions to deliver and manage agricultural finance products							
11	Number of financial institutions receiving capacity/competency strengthening as a result of USG assistance	Number of financial institutions	0		4		
12	Number of grants disbursed	Number of grants	0		10		
13	4.5.2-12. Number of PPPs formed as a result of USG assistance	Number of PPPs	0		5		
14	Financial recovery rates for agriculture sector	Percent	TBD		N/A		
15	Value of agricultural loans by USG-supported banks (on a percentage portfolio basis)	USD (value in local currency converted to USD at the average market foreign exchange rate for the period)	TBD		2% above base		

#	Indicator	Unit of Measure	Baseline	Year 1 (Oct 2013–Sept 2014)			
				Q1 Achieved	Target	Achieved	%Achieved
16	Score, in percent, of combined areas of organizational capacity among USG direct and indirect local implementing partners	Percent change	TBD		N/A		
17	Number of new products offered by financial institutions (including DCAs)	Number of products	0		2		
PFG							
18	4.3.2–9. Number of days of TA in financial sector capacity provided to counterparts or stakeholders	Days (1 day = 8 hours)	0		768	8	
19	4.5.1–24. Number of policy reforms/laws/regulations/administrative procedures drafted and presented for public/stakeholder consultation to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance	Number	0		2		
20	4.3.2–7. Number of financial institutions receiving USG assistance in extending services to SMEs	Number of PFIs	0		5		

USAID-FINGAP ACTIVITIES (JULY–DECEMBER 2013)

The following chart lists activities based on the annual Work Plan for the July to December 2013 period by USAID-FinGAP.

Activity	Date	Status
COMPONENT 1: AOD UNIT		
Task 1 Activities – Private Sector Engagement/Market Chain Linkages		
Develop screening criteria for partnerships	Sept–Oct 2013	Completed
Conduct mapping exercise of investment and partnership opportunities	Oct 2013	Completed and Mapping Assessment Approved by USAID
Task 2 Activities – Project Development and Investment Proposal Preparation		
Develop screening criteria for BAS partners	Sept–Oct 2013	Completed
Conduct mapping exercise of BAS and partnerships opportunities	Oct–Nov 2013	Completed and BAS Assessment Approved by USAID
Release tender for BAS providers	Nov–Dec 2013	Completed
Task 3 Activities – Business Performance Improvement		
Establish a network of BAS providers	Dec 2013–Jan 2014	Initial 12 identified
COMPONENT 2: FSSU		
Task 4 Activities –Financial Sector Capacity Building		
Mapping of banks and investors/PFIs	Oct 2013	Completed and PFI Assessment approved by

Activity	Date	Status
		USAID
MOUs with 5–10 PFIs	Nov 2013–Feb 2014	MOUs signed with 8 PFIs
Hold workshops/provide TA/carry out assessments per Joint Committee Action Plan priorities for Year 1	Ongoing	Consultant engaged to provide TA to the Ghanaian government's JCAP task force during meetings with the United States' SBA
Task 5 Activities – Small Grants Facility		
Prioritize grants and sub-contracts based on assessments and conversations with PFIs	Nov 2013–Feb 2014	BAS providers, PFIs, and investment opportunities identified
Develop grants committee, metrics, and processes into Project Grants Manual	Dec 2013	Completed; training to be carried out in Jan 2014
Issue RFAs & grants	Ongoing	RFA issued in December

ACTIVITIES ACCOMPLISHED

COMPONENT I: AOD UNIT

CONTEXT AND OVERALL APPROACH

USAID-FinGAP focuses on increasing finance to three key sectors that are critical to Ghana's level of food security: rice, maize, and soy. A rough segmentation of the finance market differentiates between sources of funds (banks and other financial intermediaries) and uses of funds (working capital, equipment, facilities). Within this framework, the AOD Unit mandate is to define the most effective uses of funds in the target value chains. Each value chain faces several constraints and opportunities tied to weak access to finance.

Some of the prominent ones are:

- Lack of financing for capital expenditures to improve processing and irrigation infrastructure
- Limited working capital for smallholder producers to finance inputs
- Capital expenditures for improved storage, logistics infrastructure, and equipment
- Longer term asset finance loans for produce buyers and processors to increase processing and warehousing capacity

USAID-FinGAP's AOD Unit will see through the implementation of a minimum of 25 strategic commercial relationships over the life of the Project that will require financing and investment via an estimated 250 financial transactions to ensure their success. To support these relationships, USAID-FinGAP will provide matching grants or other output-based aid grants to buy down the costs of high-risk projects, leveraging significant partner and PFI resources to ensure that the partnerships have private sector buy-in, and are sustainable endeavors following USAID-FinGAP's closure.

In addition to identifying investments and partnerships, this component will lead the effort to create a sustainable ecosystem of BAS providers that offer quality consulting services. USAID-FinGAP will begin with a core set of experienced BAS providers; the Project will provide training as necessary to improve their technical skills related to serving the agribusiness sector and will establish a network to ensure the continuation of these strategic commercial relationships beyond the life of the Project.

TASK I ACTIVITIES – PRIVATE SECTOR ENGAGEMENT/MARKET CHAIN LINKAGES

MAPPING ASSESSMENT: INVESTMENT AND PARTNERSHIP OPPORTUNITIES

USAID-FinGAP's AOD Unit, along with Short-Term Technical Assistance (STTA), undertook an assessment to update previous analytical work (including Grow Africa process, the GCAP Appraisal, and the USAID Enabling Agricultural Trade analysis), map out which strategic investors are interested in investing in the north and recommend modes of engagement for USAID-FinGAP. Focusing on the types of opportunities discussed above, during the reporting period, the AOD Unit identified and profiled 39 investment profiles illustrative of the types of financing and investment opportunities that can be supported by partner BAS providers. Profiles will also be utilized to kick-start discussions with strategic partners on opportunities for collaboration on facilitating finance and investment within their supply chains. Lastly, USAID-FinGAP will develop an online map that will build on existing analyses by plotting locations of and opportunities for mid-tier investments needed to make larger scale investments work.

RESULTS

The USAID-FinGAP Investment and Partnership Opportunities Mapping Assessment set out to identify the most promising opportunities for investment in rice, maize, and soy commodity industries in northern Ghana. This assessment identified 33 agribusiness investment and/or financing opportunities in rice, maize, and soy with the potential to benefit thousands of smallholder farmers in the north of Ghana by improving livelihoods, food security, and nutrition. The assessment team followed a value chain approach, which means that not all of these opportunities are physically located in the north, but cumulatively they drive a demand pull for northern production and create opportunities for northern farmers.

Preliminary findings by the AOD assessment team indicate that agribusiness in the three value chains face the following key challenges:

- High cost of finance, particularly for provision of inputs
- Overall very poor yields, exacerbated by the limitations on inputs
- Short supply of input service providers and extension services
- Limited supply of mechanization
- Substantial post-harvest losses caused by poor practices and lack of storage
- Vastly undeveloped water management, retention, and irrigation schemes

In terms of financing needs, the AOD assessment identified three major categories: working capital (short-term up to one year) required for pre-planting (inputs, seeds) and offtake purchases, medium-term financing (up to three years) required for equipment purchases and warehousing, and long-term financing (more than three years) required for green processing projects or upgrades and irrigation infrastructure.

These findings are very useful to match the various profiles of agribusinesses and their financing needs to PFIs. During the quarter, USAID-FinGAP's AOD Unit has already started meeting with these profiled companies to begin early facilitation of investment and finance as the BAS providers are subcontracted.

Additionally, the assessment, delivered to USAID on October 31, 2013, included recommendations for activities going forward. The findings reported are foundational to the Project activities in Year 1; the Project will host a Ghana Agribusiness Investment Opportunities Summit in Accra in April 2014 to bring together key stakeholders to build on these findings and advance Project goals. This summit will present the findings of the assessment, including investment and lending opportunities within the maize, soy, and rice value chains, and methods for tying northern production to larger, southern markets. The Summit will also include a networking/matchmaking event for BAS providers, SMEs, investors, and financiers.

ONLINE INVESTMENT MAPS

The Investment and Partnership Opportunities Mapping Assessment resulted in an initial online map of existing investment opportunities that BAS providers can support immediately. USAID-FinGAP will build onto this existing investment map by plotting GPS coordinates of existing investments as well as plotting infrastructure to support these investments. A complementary supply-side production map will allow users to build scenarios as to investment requirements and opportunities due to increased production of targeted crops in the north. The software will allow prospective investors, financiers, agribusiness entrepreneurs, and Project developers to identify specific supply chain investment opportunities and their probable locations within the target region and beyond to support increased production.

RESULTS

During the current reporting period, USAID-FinGAP held ongoing discussions with USAID to decide on the purpose and expected outcome of the online production map. Originally, the focus of this map was going to be demand driven according to new opportunities identified by the Project; however, USAID also wanted to see a map that provided production information to interested investors. As a result of these two different perspectives, during the reporting period, USAID and USAID-FinGAP came to an agreement on where this activity is headed. USAID-FinGAP is now working on the development of two distinct maps to provide solutions to increasing investment in agribusiness. This approach attacks the problem of limited agribusiness investment at two ends—lack of information on production/supply and limited information on opportunities/demand.

By the end of the current quarter, a Google map outlining where current investment opportunities exist was developed⁴. USAID-FinGAP staff has already mobilized field visits to consolidate GPS data points of opportunity locations to feed into this demand-side map. For the production map, CARANA is now in the process of designing a Scope of Work (SOW) for a firm or consultant to create an interactive software program that will be launched via the Project website, demonstrating where agricultural investment is located and where agricultural investment opportunities will be likely in the future (e.g., inputs, transportation, irrigation, storage, processing and aggregation centers) given presumptive production increases arising from other USAID FtF projects operating in northern Ghana.

⁴ The initial populated map can be located at:
<https://mapsengine.google.com/map/edit?mid=zWj74REiOhfs.k94ys2XPDp24>

The supply-driven (production) map requires a more rigorous data collection effort and the Project team and external consultants will be working on this over the course of the next quarter in collaboration with relevant USAID teams and projects. The first phase of the supply-side map will include mapping the baseline production levels and existing supporting infrastructure. Following phases will include determining where investment would need to take place as a result of these production changes.

TASK 2 ACTIVITIES – PROJECT DEVELOPMENT AND INVESTMENT PROPOSAL PREPARATION

MAPPING ASSESSMENT: BAS MARKET

USAID-FinGAP conducted a BAS Mapping Assessment with the purpose of developing a BAS ecosystem that will help achieve the Project's goal of facilitating financing for stakeholders involved in the rice, maize, and soy value chains in Ghana's three northern regions, for the benefit of SMEs.

One of the premises of this Project is that there are a number of financing needs (demand) and a significant enough number of financial institutions with idle capital (supply), but for numerous reasons this demand for financing and the supply of financing do not always find each other. One of the principal ways in which USAID-FinGAP expects to generate financing is through the use of BAS, which can help SMEs become better prepared to present themselves to debt and/or equity PFIs, thereby accelerating and augmenting financing and investment for USAID-FinGAP targets.

RESULTS

The assessment revealed that the BAS market in Ghana is developing with significant donor support. However, the cost of consulting services is on the rise. A careful analysis of the lessons learned from various donor-funded programs leads us to believe that the SME market is ready for a BAS incentive system that is transactions-oriented, pays for performance (in the case of USAID-FinGAP this would encompass facilitating financing for the target SMEs), and requires beneficiaries to pay both at the beginning of the consultancy and upon success when obtaining financing.

The assessment team identified a number of qualified consulting firms based in southern Ghana with experience in providing BAS to facilitate financing. To improve capacity, these firms could be paired with less sophisticated firms based in northern Ghana to provide efficient services to target SMEs.

The most commonly requested type of BAS is assistance with access to financing. There is a culture and understanding of paying for performance which is consistent with the USAID West Africa Trade Hub's financial platform program.

Based on the assessment, five types of firms were identified that USAID-FinGAP could work with: based in Accra were big four firms (e.g., KPMG) for larger agribusiness projects, specialty financial consulting firms that have relations with financial institutions, and general management consulting firms that have a deeper knowledge of the agroindustry. Based in Tamale, the firms identified were those that have done commercial work for local banks preparing clients for loan applications and some organizations that have experience almost exclusively with donor projects but demonstrate a capacity and interest to execute more commercial assignments.

The BAS assessment served as a guide to develop the BAS Provider RFPs, eligibility criteria, and the payment and subcontract terms that were developed as a result of the BAS market analysis and lessons learned from other CARANA projects that have used the financial facilitator model. Additionally, the assessment pre-selected a number of BAS firms that were then targeted to respond to the RFP. USAID-FinGAP will use the Ghana Agribusiness Investment Opportunities Summit in April as the formal event to present the BAS providers to SMEs and PFIs working in agribusiness in Ghana.

TASK 3 ACTIVITIES – BUSINESS PERFORMANCE IMPROVEMENT

DEVELOPING THE USAID|FINGAP BAS PROVIDER NETWORK

During the reporting period, USAID-FinGAP sent out RFPs to 27 BAS providers who were pre-selected during the BAS mapping assessments to provide financial facilitation services. From the 27, 15 BAS providers responded to the RFP. Subsequently, USAID-FinGAP signed MOUs with 12 which meet the minimum screening criteria. These 12 providers form the initial batch of USAID-FinGAP's preferred BAS provider network for financial facilitation activities. As a next step, the BAS providers will identify investible opportunities for financing through the Project's facilitation and present these to USAID-FinGAP for approval. The Project anticipates that a dozen financing and investment deals will be brought to the table as early as February 2014.

Now that an initial 12 BAS providers have been identified, the Project will also begin engaging in capacity-building activities, including the roll-out of organizational development assessments and quarterly workshops.

In order to continuously expand the network to new BAS providers, USAID-FinGAP will issue rolling RFPs throughout the life of the Project. The next RFP for BAS providers is scheduled to be released in March 2014.

INVESTMENT PROPOSAL PREPARATION

While the process of BAS subcontracting is underway, based on the results identified in the Investment and Partnership Opportunities Mapping Assessment, USAID-FinGAP engaged in a series of meetings with SMEs to explore and directly facilitate investment proposals for the maize, rice, and soy industries on behalf of these actions. These initial investment proposals are expected to generate \$4M of agribusiness financing.

Vester Oil Mills, based in Kumasi, is looking for \$2.6M to invest in a solvent extraction plant. USAID-FinGAP has initiated a process to get the company access to EDAIF funds through HFC Bank and is supporting Vester to update its business plan to access the credit. In the meantime, USAID-FinGAP facilitated an increase in working capital of \$200,000 (approved) from Root Capital, which will be disbursed to Vester in the next quarter. There is an additional \$300,000 that has been approved by Root Capital for procurement of an additional soybean mill and a refinery, also to be disbursed in the next quarter.

Agricare Ghana Limited, a livestock/poultry feed producing company also based in Kumasi, is looking for an equity investment of between \$2M and \$4M to pursue its strategic growth agenda. Agricare has been linked to Seregenti Capital, which has had initial meetings with Agricare management and has agreed in principle to engage their service. Serengeti has already identified an impact equity investor who has

shown interest in investing in Agricare. It is anticipated that the deal could be closed by the end of the next reporting period.

USAID-FinGAP will primarily use the BAS provider model to facilitate financing and investment deals in order to rely on and grow local capacity for deal making; however, the Project's AOD unit will also support deal making directly as opportunities present themselves and/or fall outside the scope of the BAS provider subcontracts. For example, the Project can consider facilitating smaller deals that are not as lucrative as the meso-level deals that USAID-FinGAP is mandated to target. The direct facilitation approach will also enable the Project to get a firsthand understanding of constraints and opportunities for BAS and make course corrections accordingly.

COMPONENT 2: FINANCIAL SECTOR SUPPORT UNIT

CONTEXT AND OVERALL APPROACH

Ghana's agricultural sector faces a paradox in which potential borrowers are convinced there are no financial institutions interested in lending to them, while banks complain about the lack of "finance ready" deals. On the financial institution side of the equation, banks lack both capacity and incentives to meet agricultural finance needs. The risk profile of agriculture as compared to alternative and also enabling environment factors (like public deficits) contribute to bank disinterest in financing agriculture and high interest rates. On the borrower side, agribusiness owners, even those managing sophisticated enterprises, often lack the education, skills, and access to information to create "bankable" projects that financial institutions can feasibly consider. Many agribusinesses also carry old debt, have inadequate access to collateral due to the challenging land tenure environment (in particular female agribusiness owners), and require longer-term capital, which banks are limited in providing.

To address the challenges, Component 2 will implement activities under the following areas:

1. Provide direct incentive grants to financial institutions for loans disbursed in the USAID-FinGAP target sectors
2. Facilitate linkage of pipeline projects developed by the AOD Unit and partner BAS providers with appropriate financial products and PFIs
3. Provide demand-driven training for PFIs in agriculture and value chain finance linked to specific investment opportunities
4. Support PFG financial sector initiatives

As a first activity to guide the development of activities one through three above, USAID-FinGAP conducted an assessment of the broader financial sector involved in agricultural finance to identify the correct mix of incentives, new product development, capacity building, and risk mitigation measures that the Project can offer to release more lending to the agricultural sector. The assessment identified a core group of 15 financial institutions with which the Project expects to work most closely during year.

To incentivize lending to the agribusiness sector and to buy down the risk of PFIs as they enter into new value chains and geography, USAID-FinGAP will manage a small grants facility to, among other things, provide direct grants for lending in the target value chains, create value-chain specific agriculture "desks," provide loan guarantees, create interest rate rebates, and establish revolving loan facilities.

TASK 4 ACTIVITIES – FINANCIAL SECTOR CAPACITY BUILDING

MAPPING ASSESSMENT: PFIS

USAID-FinGAP's FSSU team, along with STTA assistance, undertook a mapping assessment of 40 PFIs and financial services providers in greater Accra, Tamale, and Savelugu (outskirts of Tamale). The assessment identified the nature and level of demand for financing among key agribusiness actors and ranked by priority 15–20 PFIs (bank, private equity, impact investor partners) that USAID-FinGAP can partner with to provide financing solutions for private sector actors in the targeted value chains.

Concurrently, USAID-FinGAP's subcontractor, AZMJ, undertook an assessment of training needs, focusing on supply side constraints to financing maize, soy, and rice in the north of the country, and trainings that already exist and are being carried out within the sector. AZMJ will subsequently design a TA approach that will utilize local training/service providers where possible and build PFI capacity to develop customized financial products for clients in USAID-FinGAP target sectors.

RESULTS

One key finding of the assessment was that Ghana's commercial banks—mostly based in Accra—cautiously avoid lending to agribusinesses. Citing high systemic risks of agriculture, bad past experiences, and lingering sub-standard agribusiness portfolios, the financial institutions, as a group, were allocating only about 5% of their collective lending assets to agribusiness. Meeting and overcoming this challenge is the focus of USAID-FinGAP's activities going forward. The FSSU team also developed a scoring matrix based on their interviews and selected 20 financial institutions based on 7 criteria: mutual interest in partnering under USAID-FinGAP; physical presence or strategic commitment to the north; involvement or interest in agriculture and tolerance to risk involvement or interest in rice, maize, and soy; willingness to work with BAS providers; willingness to build institutional capacity in agricultural finance; gender empowerment; and environmental policies.

MOUS WITH PFIS

Based on the PFI mapping assessment and the identification of 20 potential PFIs, USAID-FinGAP invited them to sign MOUs with the Project to express mutual willingness and interest in working together. At the time of reporting, 8 out of the 20 PFIs have signed MOUs with USAID-FinGAP. These are the Agricultural Development Bank, CARD FNGO, Serengeti Capital, EximGuaranty, Injaro, Root Capital, and AgDevCo. The 13 remaining companies have been contacted and the MOUs are at various stages of their approval process.

The MOUs provide the initial framework and first step for cooperation between FinGAP and financial institutions to facilitate financing to promote the development of the rice, maize, and soy sectors in the north of Ghana, which is favorable for socioeconomic development and the fight against poverty in Ghana. USAID-FinGAP will continue to seek opportunities for SME agribusiness funding and investment throughout the life of the Project, well beyond this initial network of PFIs.

Under the MOUs, USAID-FinGAP will encourage financing to target agribusiness through identification of a pipeline of financing or investment opportunities. The Project will provide TA and capacity building as needed to support investment opportunities and also to PFIs to support agricultural lending (including utilization of the USAID Agricultural Lending Toolkit). PFIs agree to collaborate with USAID-FinGAP to

determine areas of training and TA requirements; increase financing for SME agribusinesses operating in or benefitting the rice, maize, and soy value chains; and report information about its lending performance to agribusinesses, so that USAID-FinGAP can report on the success of collaboration with the financial institutions.

The MOUs are a starting point for realizing USAID-FinGAP's goal of building PFI collaboration by rolling out PFI subsidies. USAID-FinGAP has initiated discussions with USAID to design these. To support expanded agribusiness lending by banks and PFIs, the Project will explore existing subsidies (including subsidized financing, bank training, new products, etc.) that are widely available in Ghana yet underutilized (e.g., EDAIF funding, guarantee funds, first loss provisions [AGRA], warehouse receipt financing, and insurance products).

The FSSU will be contacting and recruiting more PFIs as partners in delivering agricultural finance over the next reporting period.

TASK 5 ACTIVITIES – SMALL GRANTS FACILITY

USAID-FinGAP grants will be utilized to (1) generate a healthy pipeline of partnerships and projects, (2) buy down the risk of BAS providers and PFIs with the capacity to enter into the target value chains and geography, and (3) enhance the sustainability of USAID-FinGAP interventions by integrating local providers.

During the reporting period, the Project drafted its grant selection criteria, which will be used to assess grant applicants' suitability for funding. The criteria are designed to ensure that credible and diligent SMEs whose needs fall in line with the USAID-FinGAP objectives will be selected and supported. The grants tracking system has been developed in consultation with the M&E Manager.

GRANTS MANUAL

The Grants Manual, developed during the second quarter of the Project, outlines the members of the grants committee; their responsibilities; and the procedures and processes required in order to make a grant, monitor grant progress, and close grants responsibly. A grants committee was also developed to review and approve grant applications. The Grants Manual was approved by USAID in January 2014. During the next reporting period, USAID-FinGAP will hold a grants training for staff. The Project can then proceed to move forward with designing grants tenders and requests for assistance for both the BAS and PFI network.

PFG: DEVELOPING JCAP

Within the context of the USAID-FinGAP Work Plan and the FSSU's mandate, USAID-FinGAP is providing assistance to PFG by supporting initiatives that provide greater access to finance for SMEs outside of the three value chains. Ghana's PFG constraints analysis identifies lack of access to credit as a binding constraint to growth. USAID-FinGAP is an important tool in the USG's arsenal to address this constraint in Ghana and will facilitate expert, international TA in line with the JCAP to a) develop the financial sector infrastructure, b) encourage development finance and support SME access to finance, c) reduce government engagement in the banking sector, d) strengthen financial sector regulation and supervision, and e) increase the breadth and depth of the financial sector.

The following activities were undertaken under PFG and JCAP:

- Meeting was held with the USAID/Ghana and USAID/PFG teams for Project collaboration regarding access to credit. COP Rick Dvorin met with Ghana's SEC to discuss the current situation and developments of the (1) Training Institute; (2) GAX second tier trading board on the Ghana Stock Exchange; and (3) Credit Ratings Agency Regulation (Goal 4, JCAP). The parties agreed that the SEC will forward updates to USAID-FinGAP; meanwhile, the Project is engaging the United States' SEC to support the development of the Ghana SEC Training Institute.
- Meeting was planned for SME access to credit, including meeting with SEC Ghana.
- Meetings were held to review the PFG goals tied to access to finance. Three particular aspects of the goals were discussed: lowering interest rates (goal 1.4), reducing the risk premium (goal 3), and improving access to finance by improving management and operational capacity of SMEs (goal 5).
- USAID-FinGAP engaged a consultant to join the GOG's JCAP task force during meetings with the SBA from December 2 through 10 in Washington, DC. The consultant participated in the meetings in order to liaise between the parties, further JCAP goals, and gather information on SBA operations. This information will inform PFG activities under USAID-FinGAP.

USAID-FinGAP will continue to engage in PFG and JCAP activities as requests for TA are made.

CROSS-CUTTING ISSUES

GENDER

USAID-FinGAP is adopting a socially inclusive approach to its operations, aiming to include as many SMEs as is economically viable in the targeted value chains and promoting equitable participation of women and men. Moreover, USAID-FinGAP's PFI assessment observed that women make up approximately 60% of the farming labor force and dominate the sale of agriculture products at the local markets. Yet, women receive only 5% of agricultural extension and literacy services.

During the reporting period and in line with its annual Work Plan, USAID-FinGAP conducted the following in order to incorporate gender considerations into its activities:

- PMP was developed to include targets that were broken down by gender in order to track Project achievements in targeting women.
- Gender constraints and considerations were included in each of the three assessments.
- The AOD and PFI assessments developed scoring matrices that incorporate investment benefits to women and their access to credit criteria as core requisites for investment opportunities and partnerships with financial institutions.
- To ensure an appropriate gender balance on our team, gender was a hiring criterion as the Project staffed its Accra and Tamale offices.
- The Project is prioritizing hiring at least one BAS provider that is female-led, and is committed to financing female-led firms.
- The Project will work with PFIs to make sure incentives benefit female SMEs in the agribusiness sector.

ENVIRONMENT

During the reporting period, as a part of the Year I Work Plan, USAID-FinGAP engaged an environmental expert to develop an EMMP. USAID-FinGAP's EMMP addresses the possible environmental impacts and their mitigation measures. This EMMP was approved along with the Project's annual Work Plan.

In addition to developing the EMMP, USAID-FinGAP conducted the following activities during the reporting period:

- Incorporated environmental considerations into the three Project mapping assessments
- Released MOU, grant and sub-contract templates in line with EMMP requirements and recommendations in order ensure that partners also consider the environment and commit to mitigating impact throughout Project implementation
- Initiated plans to train Project partners (particularly BAS providers) and technical staff in the EMMP and its effective management; an environmental consultant was engaged to develop a screening tool and carry out the trainings in February.

START-UP OPERATIONS

The business registration process for the USAID-FinGAP office was completed in October 2013. Office space was leased for the Project at Anysia Building, Ringway Estates Number 17, 2nd Floor Osu, Accra. For the field office in Tamale, space was leased at the CRS Building, Rice City, Gumani, in Tamale. Unfortunately, the landlord terminated this lease agreement in January, prior to Project occupation of the office space, due to circumstances outside of the Project's control. The Tamale staff is currently seeking a suitable office space and hopes to be established by the end of the next quarter. This will significantly improve the Tamale staff's ability to support Project activities.

Within the reporting period, the Project hired all staff with the exception of drivers in Tamale due to delays acquiring vehicles. The hiring process was slower than anticipated—several staff identified during the proposal process rejected employment offers in spite of previous understandings, and new hires negotiated extensively. As a result, start-up activities in technical areas were delayed, however, the Project is confident in the distinctly qualified team that it has recruited to implement USAID-FinGAP. Unfortunately, due to force majeure, a BAS Technical Specialist has had to leave the Project. The staff is currently seeking a replacement.

USAID-FinGAP received assistance from CARANA home office staff who travelled to Ghana to support Project start-up activities. Acquiring office space and furnishings, and establishing the necessary network connectivity, were a few major areas of assistance. CARANA staff also assisted the Project to develop necessary Project deliverables, such as the Year I Work Plan, the M&E Plan, and the PMP.

The Project also benefited from the participation of STTA experts who led and supported the AOD, PFI, and BAS mapping assessments in multiple areas of Ghana and presented findings to USAID mission and Washington personnel.

COMMUNICATIONS AND M&E

The USAID-FinGAP COP and Communications Coordinator met with USAID’s Communications Team, where they received guidance on Communications and Branding and Marking. The USAID-FinGAP COP and M&E Manager also attended sessions at Ghana’s Monitoring, Evaluation and Technical Support Services (METSS) program to understand expectations for M&E reports and receive guidance for M&E compliance.

To support thorough, full-scale execution of the M&E Plan and generate strong Project results, USAID-FinGAP solicited bids from three Customer Relationship Management (CRM) software providers to develop an investment pipeline management tool. Of these providers, the industry pioneer—Salesforce—delivered the strongest bid with a model directly servicing the Project’s needs and goals over time. Demonstrations of the customized CRM indicate that Project staff will have direct and immediate access to real time updates on partnerships and deals from diverse locations. USAID-FinGAP anticipates that this tool will significantly improve the Project’s efficiency in achieving its stated goals. It will also play a significant role in shaping the USAID-FinGAP finance and investment model as a cutting-edge, highly connective and innovative response to the longstanding challenges to Ghana’s agribusiness sector. The Salesforce procurement is currently under way; USAID-FinGAP anticipates that the CRM will be fully in use by the end of the next quarter.

To complement the opportunities made available through Salesforce, USAID-FinGAP has engaged a communications specialist to design and develop an investment promotion website. This will serve as a platform to present Project services and finance and investment methodologies. The website’s goal is to attract and inform interested stakeholders from national, regional, and international circuits. Integrating the interactive mapping tools currently being developed is a critical component of the investment website and will further boost the Project’s professional profile. In the next reporting period, the Project communications specialist will travel to Accra to meet with USAID communications personnel and Project staff to gather information for the website and discuss design strategies.

PLANNED ACTIVITIES (JANUARY–MARCH 2014)

Activity	Date	Contact Person
Component I: AOD Unit		
Task I Activities – Private Sector Engagement/Market Chain Linkages		
Hold launch event to present Project, explain value chains, link BAS firms with financial institutions and investment opportunities	April 2014	Grants Manager/AOD Unit Manager/COP
Develop SOW to hire services for the interactive production map	Jan 2014	Home Office Management/COP/AOD Unit
Evaluate bids to support production map design	Jan 2014	AOD Unit
Conduct data collection	Jan–Feb 2014	AOD Unit
Hire provider to design production map	Feb 2014	AOD Unit

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Beta test use of map among investors and PFIs	Mar 2014	AOD/FSS Units
Task 2 Activities – Project Development and Investment Proposal Preparation		
Hold launch event to present Project, explain value chains, link BAS firms with financial institutions and investment opportunities	Jan 2014	AOD Unit/FSS Unit/COP
Selection of 5–20 BAS providers to engage	Jan 2014	Grants Manager/Department/Unit Managers/COP/Home Office
RFP re-released each quarter and new BAS selected	March 2014	Grants Manager/AOD Unit Manager/FSS Unit Manager/CAD Department /COP
Task 3 Activities – Business Performance Improvement		
Host quarterly workshops to hear from BAS providers and evaluate BAS training needs	March 2014	AOD Unit
Develop curriculum/host training based on identified BAS provider needs	March–April 2014	AOD Unit
Connect BAS providers to value chain alliances via 1–2 networking opportunities	Jan–Sept 2014	Communications/COP/AOD Unit
Component 2: FSSU		
Task 4 Activities –Financial Sector Capacity Building		
Sign MOUs with 5–10 PFIs	Nov 2013–Feb 2014 (continuing)	FSS Unit/ COP
Conduct deeper engagement with PFIs to design appropriate incentives to expand agribusiness lending	Feb–Mar 2014	FSS Unit Manager/AZMJ/COP
Publicize high profile success stories	Jan–Sep 2014	FSS Unit Manager /AZMJ/Communications Manager
Hold periodic discussions with USAID DCA on alignment between DCA guarantees and identified deals	Mar–Jul 2014	Home Office
Design and deliver demand-driven capacity building based on needs of PFIs to close investment deals	Jan–Sept 2014	FSS Unit/AZMJ
Hold workshops/provide TA/carry out assessments per Joint Committee Action plan priorities for Year I	Ongoing	FSS Unit/COP
Task 5 Activities – Small Grants Facility		
Issue RFAs and grants	Nov 2013–Jan 2014 (continuing)	Grants Manager, Grants Assistant, COP, Home Office
Make awards	Ongoing	Grants Manager, Grants Assistant, COP, Home Office