



USAID | **GHANA**
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QUARTERLY PROGRESS REPORT #7 (APRIL-JUNE 2015)

FINANCING GHANAIAN AGRICULTURE PROJECT
(USAID-FinGAP)

JULY 2015

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ACRONYMS & ABBREVIATIONS

AOD	Agribusiness Opportunities Development (Unit)
ATT	Agricultural Technology Transfer (Project)
BAS	Business Advisory Services
CCC	Collaborative Circles of Chief of Parties
CDCS	Country Development Cooperation Strategy
COP	Chief of Party
COR	Contracting Officer's Representative
DCA	Development Credit Authority
EDAIF	Export Trade, Agricultural and Industrial Development Fund
EMMP	Environmental Mitigation and Monitoring Plan
FBO	Farmer Based Organization
FinGAP	Financing Ghanaian Agriculture Project
FSSU	Financial Sector Support Unit
FtF	Feed the Future
GAX	Ghana Alternative Exchange
GAIP	Ghana Agriculture Insurance Program
GCAP	Ghana Commercial Agriculture Project
GOG	Government of Ghana
GSE	Ghana Stock Exchange
LPG	Loan Portable Guarantee
M and E	Monitoring and Evaluation
MOU	Memorandum of Understanding
NGO	Non-Governmental Organizations
NPL	Non-Performing Loan
OCAT	Organizational Capacity Assessment Tool
PFI	Participating financial institution
PPP	Public Private Partnership
RFA	Request for Applications
RING	Resiliency in Northern Ghana
SASL	Sinapi Aba Savings and Loans
SEC	Securities and Exchange Commission
SMiLEs	Small Medium including Large Enterprises
STTA	Short Term Technical Assistance
SUAP	Safe Use Action Plan
TA	Technical Assistance
USAID	United States Agency for International Development
USG	United States Government

EXECUTIVE SUMMARY

The systems established by USAID-FinGAP to unlock agricultural investment generated substantial results in Q3 of FY2, with \$8,210,051 in financing released to agribusinesses. This brings the total financing facilitated to date to \$21,113,391, and 93 transactions, thereby exceeding the project's two-year target of \$19.5 million, three months ahead of schedule. Even more significant, the project is seeing evidence of a changing marketplace for agricultural finance in Ghana, with Business Advisory Service (BAS) Providers and Partner Financial Institutions (PFIs) working in synergy to support their clients to obtain finance, and investing in systems that enable them to engage more deeply in the agriculture sector.

USAID-FinGAP's performance-based incentive schemes for BAS and PFIs, capacity building, and B2B linkages have generated a tripartite relationship among PFIs, BAS and SMiLEs. PFIs are reaching out to specific BAS providers to assist their clients to process their loans. The BAS Providers are in turn helping the PFIs to generate pipeline, and ensure the submission of quality documentation. As a result, processing time of financial proposals has been reduced, and seven out of 14 of USAID-FinGAP's PFI grantees released \$8,210,051 in financing to agribusinesses in the target value chains this quarter. The leverage factor of USAID-FinGAP's PFI incentive grants is 29:1 for every dollar disbursed.

The project's continuous training and mentoring of BAS providers, mini-summits which expose BAS providers to new clients, and provision of information tools such as the IMS, have led a number of the 42 BAS providers in USAID-FinGAP's network to specialize in agricultural financing. KPMG, for example, which hitherto did not have an agricultural focused team, has now developed a keen interest in assisting project SMiLEs in finance facilitation. Such BAS Providers, boosted by the project subsidy payments, have lowered the threshold of deals they facilitate and increased their appetite for agriculture. SMiLEs, too, are seeing the benefits of quality consulting support: this quarter, 36 SMiLEs made payments for BAS, and 78 new client engagement letters were signed. This more than doubled the number of SMiLEs receiving BAS from the project's network.

Similarly, banks are changing the way they do business in agriculture. After building a relationship with USAID-FinGAP, Barclays Bank radically expanded its agribusiness loan portfolio, from \$937,485 to \$17M (see Success Stories in Annex A). Other large commercial banks are now on-lending to Rural and Community Banks with liquidity challenges in the project's ZOI. Ecobank, one of the project's PFIs, has provided approximately \$1.2M to Buwolso and Bonzali Rural Banks for onlending to maize, rice and soy value chain actors.

While USAID-FinGAP works to expand finance and investment through its network of partners, it also continues to pursue the development of alternate sources of funding and risk mitigation tools. The Project provided a second phase of technical assistance to the Securities and Exchange Commission (SEC) of Ghana to further improve their supervisory and regulatory capacity. This quarter, the Capital Market Advisor organized two workshops for the SEC on Risk-Based Supervision (RBS) and Anti-Money Laundering and International Organizations of Securities Commissions (IOSCO) Principles and basic activities. USAID-FinGAP also supported the development of two DCA partial loan guarantees for Fidelity Bank and First Allied Savings and Loans, which are now pending final approval in Washington.

With over \$23,147,502 in financing in the project's pipeline, and significant progress to date (see Annex C), USAID-FinGAP is poised to not only surpass its financing targets, but generate sustainable change in agrifinance in Ghana.

BACKGROUND AND STRATEGY

The Financing Ghanaian Agriculture Project (USAID-FinGAP) is a five-year 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. Using a mix of technical assistance (TA) and financial incentives, the Project aims to unlock financing for commercial agriculture development in the rice, maize, and soy value chains in the north of Ghana.

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

- 25 strategic partnerships in target value chains
- 250 financial transactions
- \$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 and ensure sustainability, USAID-FinGAP employs a value chain approach and partnership-driven model, whereby the Project supports the development of dynamic BAS Providers and participating financial intermediaries (PFIs) servicing the agriculture sector.

USAID-FinGAP also contributes to the implementation of the Partnership for Growth (PFG) Joint Country Action Plan (JCAP), which is designed to address the major constraints to Ghana's economic growth at the policy level. USAID-FinGAP deploys demand-driven TA to support the implementation of this plan, primarily targeted at: a) strengthening financial sector infrastructure; and b) encouraging development finance and supporting SMiLE access to finance. TA provided under the PFG umbrella will support USAID-FinGAP's broader, technical objective of providing capacity building support to the financial sector to expand financing to agribusiness via the development of new financial products that best serve the needs of the agribusiness community.

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), the USAID-Funded Agricultural Technology Transfer (ATT) Project, the Agricultural Policy Support Project (APSP), and ADVANCE II. Additionally, USAID-FinGAP is designed to play a central role in supporting effective utilization of Development Credit Authority (DCA) guarantees that target mitigation of risks associated with lending to agribusinesses.

USAID-FINGAP QUARTER 3 ACTIVITIES (APRIL-JUNE 2015)

Activity	Timeline	Responsible Parties
Component 1: AOD Unit		
Task 1 Activities – Private Sector Engagement/Market Chain Linkages		
Identify a potential host for the IMS for Y3	Jan 2015-Sept 2015	Home Office Management/ COP/AOD Unit
Training of BAS providers, PFIs and SMiLE to use fully functional IMS	Nov 2014-Sept 2015	AODU
Implement IMS launch activities including presentations at events and forums	Nov 2014-Sept 2015	Communications, AODU
Hold event to promote updated and fully functional IMS and investment opportunities	April 2015	COP, AODU, Communications
Monitor IMS usage	Nov 2014-Sept 2015	AODU, M&E Manager, Communications
Identify and facilitate the development of public private partnerships	Oct 2014-Sept 2015	AODU
Task 2 Activities – Project Development via BAS Providers		
Evaluate existing performance-incentive structures	Jul 2015-Sept 2015	AODU, COP, Home Office
Conduct outreach to encourage more female BAS providers	Oct 2014-Sept 2015	AODU, COP
Selection of 6-8 BAS Providers from northern Ghana into the network	Oct 2014-Jun 2015	Grants Manager, AODU, COP
Using results of performance- incentive structures evaluation, refine and release tender for BAS providers	Oct 2014-Sept 2015	Grants Manager/AODU, COP
Task 3 Activities – Business Performance Improvement		
Host quarterly workshops to hear from BAS Providers on network priorities and evaluate training needs	Dec 2014-Sept 2015	AODU
Develop Interactive BAS search engine and upload BAS profiles to investment promotion website	Feb 2015-Apr 2015	AODU
Collect testimonials from client SMiLEs on BAS Providers for marketing on the investment promotion website	Feb 2015-Sept 2015	AODU
Develop capacity building plans using OCAT results	Dec 2014-Apr 2015	AODU
Develop case studies on BAS to be used in trainings	Dec 2014-Sept 2015	AODU
Hold trainings on strategic investment identification	Jan 2015-May 2015	AODU
Develop curriculum/host trainings based on other priority BAS Provider needs	Oct 2014-Sept 2015	AODU
Connect BAS Providers to Maize Traders Associations, Soybean Processors Association, Rice Traders Associations, Poultry Farmers Associations/actors via 1-2 networking opportunities	Oct 2014-Sept 2015	Communications/ COP/ AODU
Component 2: FSS Unit		
Task 4 Activities –Financial Sector Capacity Building		
Support grant implementation with training and capacity building assistance	Oct 2014-Sept 2015	Grants Team, FSSU, COP

Activity	Timeline	Responsible Parties
Evaluate the implementation of grants	Mar 2015-Sept 2015	Grants Team, FSSU, M&E Manager
Integrate new FIs into the PFI network in order to address financing gaps	Oct 2014-Sept 2015	FSSU, COP
Develop case studies to be used in PFI trainings	Oct 2014-Sept 2015	FSSU
Design and deliver training on Loan Portfolio Management and Loan Appraisal Techniques to PFIs	Oct 2014-Sept 2015	FSSU, COP
Deliver demand- driven institution specific trainings	Oct 2014-Sept 2015	FSSU
Support PFIs to develop new products	Jan 2015-Jun 2015	FSSU
Assess the impact of the training facilitated for the PFIs	Oct 2014-Sept 2015	FSSU, COP, M&E Manager
Collaborate with DCA Banks and other stakeholders (including Eximguaranty) to offer credit guarantee	Oct 2014-Sept 2015	FSSU, COP
Support PFG Joint Committee Action Plan Year 2 work planning efforts and implementation	Oct 2014-Sept 2015	FSSU, COP
Task 5 Activities – Small Grants Facility		
Issue RFAs & grants for FIs	Oct 2014-Sept 2015	Grants Team, FSSU, COP
Issue/Advertise RFPs & subsidies to BAS Providers	Oct 2014-Sept 2015	Grants Team, CARANA Contracts Office

ACTIVITIES ACCOMPLISHED

COMPONENT I: AGRIBUSINESS OPPORTUNITIES DEVELOPMENT UNIT

CONTEXT AND OVERALL APPROACH

USAID-FinGAP's AOD Unit focuses on increasing financing to the rice, maize and soy value chains, with the view to improve food security and reduce poverty in Ghana's North. The AOD Unit, through its network of BAS Providers, identifies and facilitates transformative investment opportunities in the target value chains. To achieve its mandate, the AOD Unit orients its work to three interrelated tasks:

- **Task 1: Private Sector Engagement/ Market Chain Linkages** leverages the resources and credibility of anchor strategic partners to integrate smallholders and small aggregators into their supply chains through strategic partnerships.
- **Task 2: Project Development via BAS Providers** involves developing and stimulating a viable BAS ecosystem where full life-cycle services are demanded by agribusinesses.
- **Task 3: Business Performance Improvement** works with BAS Providers to support agribusinesses seeking financing to increase their viability, sustainability and impact through commercialization. The AOD unit also deepens links between BAS Providers and value chain networks and alliances.

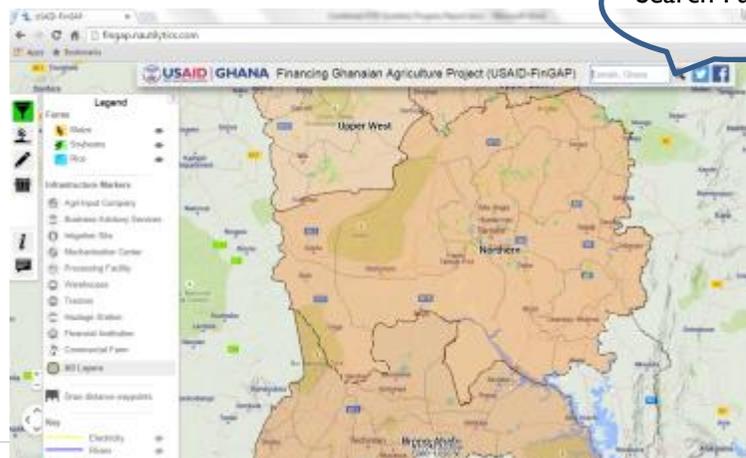
TASK 1 ACTIVITIES – PRIVATE SECTOR ENGAGEMENT/MARKET CHAIN LINKAGES

HOLD EVENT TO PROMOTE UPDATED AND FULLY FUNCTIONAL IMS AND INVESTMENT OPPORTUNITIES, AND TRAIN BAS PROVIDERS, PFIS AND SMILES ON ITS USE

In April, USAID-FinGAP held the 2015 Ghana Agribusiness Investment Summit (further discussed under Task 2), where 345 participants were introduced to the new functionalities of the Investment Mapping System (IMS).

The summit attendees were made up of key audiences for which the IMS was developed: 194 participants representing BAS Providers, FIs and SMILEs as well as 151 participants from GoG institutions, USAID IPs, donors and the media.

The modifications to the IMS include the addition of a soil fertility map allowing users to view the various types of soils prevalent in each district, a search function, and a distance measurement tool that enables investors to calculate the proximity of their proposed investment from relevant infrastructure or value chain partners. Users are also



now able to toggle between satellite and map views. Participants were particularly excited about the 'Search' and 'Add Infrastructure' functionalities which would allow them to search for agricultural service providers and also add agribusinesses/infrastructure such as input dealers/warehouses to the IMS.

Approximately 50% of 82 participants who gave feedback indicated that they found the IMS helpful for their work. One BAS Provider during the Agribusiness Summit said "I find the IMS very useful. I use it all the time to develop presentations for potential equity investors. They can visualize the investment better with this tool...let me manage it!" Other feedback on the IMS included the request to include other commodities, an indication of prices, and the expansion of the IMS to cover all of Ghana.

MONITOR IMS USAGE

USAID-FinGAP monitoring of the IMS usage indicates that the number of users visiting the IMS increased by 24.7% with 46.6% of these being new users. The average visit time to the site is 3.40 minutes and there were 1,281 page views total. The increase in visitors to the IMS site is an indication that prospective investors and the Business Advisory consultants that support them believe the IMS is a useful tool. In Q4, the project will roll out a video product on the IMS to further boost marketing and promotion of the IMS, as well as make the tool even more user-friendly for prospective investors in these value chains.

IDENTIFY AND FACILITATE THE DEVELOPMENT OF PUBLIC PRIVATE PARTNERSHIPS

USAID-FinGAP is supporting the development of public private partnerships through a wide spectrum of agents including BAS providers, government ministries, departments and agencies, and is holding conferences and workshops that act as a platform to identify agribusiness investment opportunities and forge partnerships.

This quarter the Project recruited two technical consultants to identify agribusiness investment and PPP opportunities in order to increase the project's pipeline, and train BAS providers on how to facilitate those deals. This activity was launched early in Q4.

The Project also trained 12 Ministry of Food and Agriculture personnel on Agribusiness Value Chain Financing to build their capacity to facilitate PPPs within the agribusiness sector. The trainees were drawn from the Agribusiness Unit, Monitoring and Evaluation Directorate, and the Policy, Planning and Budget Unit of MoFA and included three women.

The Project made a presentation on "Business Opportunities in Northern Ghana: Advantages and Benefits of Doing Business with USAID-FinGAP" during the Northern Ghana Investment Conference held June 15-17, 2015 at Bolgatanga in the Upper East Region. The program attracted representatives from 21 organizations, including the Ministry of Food and Agriculture and the Ministry of Trade and Industry, among others. This provided the opportunity for prospective investors to explore the use of USAID-FinGAP BAS providers and PFIs to facilitate PPPs. Following the conference, there have been two enquiries about accessing the Project's services to invest in irrigation and farm mechanization systems.

Among all the training received ... [USAID-FinGAP training] was the best organized. It was well understood. As facilitators of investments in agribusiness, we will be able to give guidelines to businesses on how to raise capital. I will be able to recommend some of my agribusinesses within the USAID-FinGAP value chains to access support from the BAS Providers.

Kenneth Cole, Agribusiness Unit, MOFA, June 2015

TASK 2 ACTIVITIES – PROJECT DEVELOPMENT AND INVESTMENT PROPOSAL PREPARATION

EVALUATE EXISTING PERFORMANCE-INCENTIVE STRUCTURES

This quarter the Project completed its evaluation of BAS performance incentive subcontracts and review of BAS provider performance, and rolled out the restructured subsidy schedule to BAS Providers. The structure was revised to ensure that BAS providers are better incentivized to achieve the third milestone of obtaining financing for SMiLEs, thus ensuring the completion of more deals.

In an effort to focus project efforts and resources on high-performing BAS providers, the Project did not renew the contracts of six BAS firms (or 15% of the network) that were not actively sourcing and closing deals, and looked to integrate several new BAS providers who are eager to participate and bring diversity in terms of gender and geographic coverage.

The maturation of USAID-FinGAP's BAS performance incentive system generated strong results this quarter: 10 SMiLEs (4 of which are women-led), received a total of \$2,118,393 to invest in their agribusinesses through BAS support, 78 new contracts between BAS providers and SMiLEs were initiated, and 36 SMiLEs made payments for BAS.

The 78 new client engagement letters signed this quarter between 17 BAS providers and SMiLEs include 11 female-led agribusinesses. This more than doubled the number of SMiLEs receiving BDS from the project's network, with 143 engagement letters having been signed in total. The increase this quarter is a direct result of the two mini agribusiness investment summits that were organized in Kumasi and Techiman last quarter. These summits targeted female-led agribusinesses that focus on the aggregation of maize and paddy rice from northern Ghana and buy from smallholder farmers who are predominantly women. Two female-led BAS providers (STB Consult and MEL Consult) within the USAID-FinGAP network engaged 23% of the 78 SMiLEs that were signed onto the project.

Approximately 30% of the deals that were submitted to FIs by the BAS Providers on behalf of the SMiLEs during this period received financing, while the rest are still being processed.

USING RESULTS OF PERFORMANCE-INCENTIVE STRUCTURES EVALUATION, REFINE AND RELEASE TENDER FOR BAS PROVIDERS

With the new performance incentive structure, which has payment back-loaded toward the third and final milestone, BAS providers are encouraged to bring deals to completion. The subcontracts are also structured to reward facilitating financing for female-led SMiLEs as well as those who close deals quickly and efficiently. The BAS providers have indicated that the revised incentive structure will encourage them to close deals and meet the project objective.

The revised structure was used to develop a new RFP which was advertised to solicit new BAS providers to join FinGAP's network of BAS providers. Twenty-two applicants, eight of them women-led BAS Providers, requested to respond to the full RFP. Ten BAS Providers (three women-led) responded to the submitted proposals in response to the RFP. The proposals received will be evaluated and the successful bidders granted to join the BAS Providers network.

CONDUCT OUTREACH TO ENCOURAGE MORE FEMALE BAS PROVIDERS AND SELECT 6-8

BAS PROVIDERS FROM NORTHERN GHANA INTO THE NETWORK

The RFP discussed above was used to solicit for proposals from female-led business advisory services firms in order for them to identify and assist more female-led agribusinesses within the maize, rice and soy value chain to gain access finance. The RFP was also aimed at recruiting BAS firms in northern Ghana, in order to facilitate easy access to agribusinesses in close proximity, and build the capacity of the region's BAS providers. An evaluation of the responses to the RFP will be done in Q4.

TASK 3 ACTIVITIES – BUSINESS PERFORMANCE IMPROVEMENT

HOST QUARTERLY WORKSHOPS TO HEAR FROM BAS PROVIDERS ON NETWORK PRIORITIES AND EVALUATE TRAINING NEEDS

Two BAS meetings were held in April and June to address issues pertinent to BAS providers and to train them on various topics regarding financing facilitation. The BAS providers discussed issues such as the lack of proper records from SMiLEs which delay the facilitation process, the high interest rate which is affecting the SMiLEs' desire for loans, and the delayed rains in some parts of the northern regions that have affected lending, among others. The 51 participants were then given advice on the issues they brought up in order to assist the SMiLEs as much as possible and streamline the process.

At the meetings there were also presentations on the use of risk mitigating tools such as credit guarantee from Exim Guaranty Company Ghana Limited and crop insurance from Ghana Agriculture Insurance Pool, which are being supported by USAID-FinGAP to develop and market their financial products in the agribusiness financing space.

DEVELOP INTERACTIVE BAS SEARCH ENGINE AND UPLOAD BAS PROFILES TO INVESTMENT PROMOTION WEBSITE

USAID-FinGAP contracted a website development firm to create the project's investment promotion website, which is expected to be completed by the end of Q4. This quarter the project developed content for the site and refined its design and functionalities. The website will feature an interactive search field that SMiLEs can use to find BAS providers that provide the type of support they require. SMiLEs and BAS providers will also have access to profiles of financial institutions that specialize in the financing they are looking for.

COLLECT TESTIMONIALS FROM CLIENT SMILES ON BAS PROVIDERS FOR MARKETING ON THE INVESTMENT PROMOTION WEBSITE

USAID-FinGAP continues to collect feedback from the SMiLEs receiving BDS on their level of satisfaction with the support they are receiving. The project's continuous training and support of BAS providers, as well as the provision of mini-summits and informational tools such as the IMS, have led to tremendously increased agribusiness financing, quality service provision, and an expanded market of BAS. A number of BAS Providers are now specializing in agricultural financing facilitation, following capacity building from USAID-FinGAP. KPMG, for example, which before did not even have an agriculture team, has developed keen interest in assisting project SMiLEs. Such BAS Providers, boosted by the project subsidy payments, have lowered the threshold of deals they facilitate.

SMiLE client testimonials are being integrated into the project's investment promotion site. Four of the testimonials submitted by SMiLEs for BAS providers are found below:

Client Testimonial from Farmer's Hope, An Organic Fertilizer Dealer on Growth Mosaic

The support provided so far by Growth Mosaic has been fantastic and because of that we [Farmers Hope] are making the CEO of Growth Mosaic a Board Member of Farmers Hope. He has strived for the welfare of the business since we started this process. He has been very calm and responsive to all our queries and has managed this finance facilitation very well. - Akwasi Osei-Bobie, CEO of Farmers Hope

Client Testimonial from 3K&A, a soy oil processor on TMI Consulting. TMI assisted to restructure 3K&A.

*When TMI Consulting contacted us, they managed to work with one creditor to convert part of our debt to equity and to take over other debts. The company has been restructured and a new managing director has been appointed. The process of turning the company around is progressing smoothly. TMI has been phenomenal in this process and has unearthed the business potential in me as we seek to work together on many other agricultural projects-**Yaw Adu Poku, Executive Director, 3 K&A.***



Victoria Norgbey,
Greater Accra Poultry
Farmers Association

Client Testimonial from Bonzali Rural Bank Limited on Nunyui Brothers Limited (NBL). NBL is assisting Bonzali Rural Bank to access financing to lend to agribusiness clients.

*NBL has provided us with the technical support we needed during the negotiations with our financial institution for credit. They reviewed our documents and they helped negotiate the interest rate with the financial institution. We are very satisfied with the BAS provider's work and would recommend them to any organization. The support we have received from USAID-FinGAP, through the technical support from NBL, has been tremendous and this increased our appetite for agricultural lending.-**Paul Faiwo, General Manager of Bonzali Rural Bank Limited***

Client Testimonial from Greater Accra Poultry Farmers Association (GAPFA) on AB Intel

*AB Intel did a very good job with developing our business plan. He put together the information we provided him into a plan which we presented to EDAIF and they have approved a grant of over GH¢ 83,000 (\$25,937) for us to acquire a feed nutrient level analysing machine. I think that the consultant is very dedicated to his work, and he even followed up with emails to EDAIF on many occasions before the loan was approved. I will recommend him to anyone based on the quality of his work. - **Victoria Norgbey, Greater Accra Poultry Farmers Association (GAPFA)***

DEVELOP CASE STUDIES ON BAS TO BE USED IN TRAININGS

USAID-FinGAP has developed a SOW to hire a consultant who will develop case studies to be used for training BAS Providers. The case studies will highlight the creative ways in which SMiLEs are being financed by impact investors and financial institutions using the financial products. They will also highlight the challenges encountered by SMiLEs, the BAS providers, and FIs as they work together to facilitate financing for agribusinesses, and how these challenges are being mitigated. The assignment will begin in Q4.

HOLD TRAININGS ON STRATEGIC INVESTMENT IDENTIFICATION

Next quarter the project will conduct training for BAS Providers on scaling up equity financing for target SMiLEs.

DEVELOP CURRICULUM AND TRAIN BAS PROVIDERS ON FINANCIAL STATEMENT ANALYSIS, BUSINESS PLAN DEVELOPMENT

A number of BAS Providers supported by the project indicated the need for capacity building to be able to develop financing proposals in the context of agribusiness, which is new to them. It is important that these firms are able to meet the financial analysis requirements of FIs that provide the right kind of capital for agribusiness clients, and are committed to engaging more deeply in the project's value chains. USAID-FinGAP is providing hands-on training to improve the BAS Provider's capacity in this area.

This quarter a SOW was developed for a consultant to conduct a training needs assessment, including preparing a curriculum and training materials for BAS Providers, as well as deliver the training on business plan development and financial analysis. The project is in the process of hiring a consultant to do this work.

DEVELOP CURRICULUM/HOST TRAININGS BASED ON OTHER PRIORITY BAS PROVIDER NEEDS

In order to ensure that all financing is provided in line with USAID-FinGAP's EMMP, the project's Environmental Review Specialist trained USAID-FinGAP FI grantees and BAS Providers on environmental screening procedures in Accra. A separate training session was held in Tamale for PFI on the development of their own internal environmental screening criteria and systems.

A total of 58 people were trained in environmental

due diligence to improve their skills in environmental review procedures in credit facilitation processes. Twenty nine (29) participants, including 20 males and 9 females attended the training in Accra. The Tamale training was attended by 39 participants, including 34 males and 5 females.

The Environmental Advisor also developed the Project's Pesticide Safe Use Action Plan (SUAP), which has been approved by the Mission.



Environmental Certification Training for BAS Providers and FI staff in Accra, April 2015.

I have learned about the negative impact that comes from not doing due diligence, and will work hard to mitigate environmental pollution. - Aisha Imoru Batong, Tumu Cooperative Credit Union.

CONNECT BAS PROVIDERS TO MAIZE TRADERS ASSOCIATIONS, SOYBEAN PROCESSORS ASSOCIATION, RICE TRADERS ASSOCIATIONS, and POULTRY FARMERS ASSOCIATIONS/ACTORS VIA 1-2 NETWORKING OPPORTUNITIES

USAID-FinGAP hosted its annual Agribusiness Investment Summit in Accra on April 29 to present financing opportunities in the rice, maize and soy value chains and connect BAS Providers, investors, financial institutions and agribusiness leaders. Opening remarks were delivered by the US Ambassador to Ghana as well as Ghana's Deputy Minister of Food and Agriculture.

A total of 190 organizations/businesses represented by 345 individual participants (91 female, 254 male) attended the summit. As a result of the summit, 52 SMiLEs entered into initial agreements with 31 BAS providers and 21 Fls. Four BAS providers discussed potential collaboration in the future.

USAID-FinGAP grantees Exim Guaranty Company Ghana Limited and Ghana Agricultural Insurance Pool (GAIP) delivered presentations on new risk mitigation tools designed to make agribusiness financing more attractive; the Ghana Grains' Council shared information on its collateral enhancement program; and USAID-FinGAP promoted listing on the Ghana Alternative Market (GAX) and issuing corporate bonds as a strategy for raising long-term equity financing. Policy makers, donors, and think tank representatives held a session promoting Financing Strategies, Public Private Partnerships, and Women in Agriculture. The Summit culminated in business-to-business (B2B) meetings between investors, agribusiness leaders, and BAS providers.

USAID-FinGAP by inviting me to the 2015 Investment Summit has given me a lot of contacts which is improving my business. I was featured in the Summit Brochure and that has increased my credibility and marketing of my company both locally and internationally. - Akwasi Osei-Bobie, CEO of Farmers Hope

The event was great as it brought together all the actors in the agricultural financing in Ghana, There was a lot of information on what is happening in the [agric.] sector which would help potential clients understand the financing sources and the alternatives available to them. -Barbara Ghansah of Root Capital

USAID-FinGAP reviewed 84 evaluation forms from the Summit. Results from these evaluations include:

- 70% of the respondents said the Summit met their expectations; 84% gave a high rating for content quality.
- 80% expect to gain business or financing from the B-2-B session.
- 79% of the respondents intend to attend the next agribusiness summit; 93% requested the summit to be organized annually.

COMPONENT 2: FINANCIAL SECTOR SUPPORT UNIT

CONTEXT AND OVERALL APPROACH

In Ghana there is a wide disconnect between the financing provided by banks and the financing agribusinesses require. Agribusinesses generally need working capital in time to meet their seasonal cycles and also medium to long-term capital financing for growth and capital equipment purchases, but lack the necessary collateral to obtain it. Financial institutions that provide financing have little or no understanding of the agribusiness sector, demanding high collateral requirement and higher interest rates with short repayment tenor. USAID-FinGAP's FSS Unit is addressing this market failure through the following tasks:

- **Task 4: Financial Sector Capacity Building**, building the capacity of financial institutions to undertake agriculture related investments through trainings, technical assistance and new product development specific to agriculture.
- **Task 5: Small Grants Facility** incentivizing financing through a grants program that encourages the

introduction and uptake of risk mitigation tools, supports the development of new financial products, and encourages increased engagement and innovation in agribusiness financing in order to strengthen Ghana's maize, rice and soy value chains.

Additionally, the FSS Unit responds to the USG's and the GoG's Partnership for Growth (PFG) financial sector initiatives which aims to improve overall conditions of access to credit for SMEs.

TASK 4 ACTIVITIES – FINANCIAL SECTOR CAPACITY BUILDING

FINANCING FACILITATED

In Q3, USAID-FinGAP facilitated a total of **\$8,210,051** in financing to agribusinesses in the target value chains, bringing the total amount of financing to date to **\$21,113,391**, and surpassing the project's Y2 target 3 months before the end of the year. This is an approximately 122% increase over Q2 at \$3.7m, and a 62% increase over Q1 at \$5.06m.

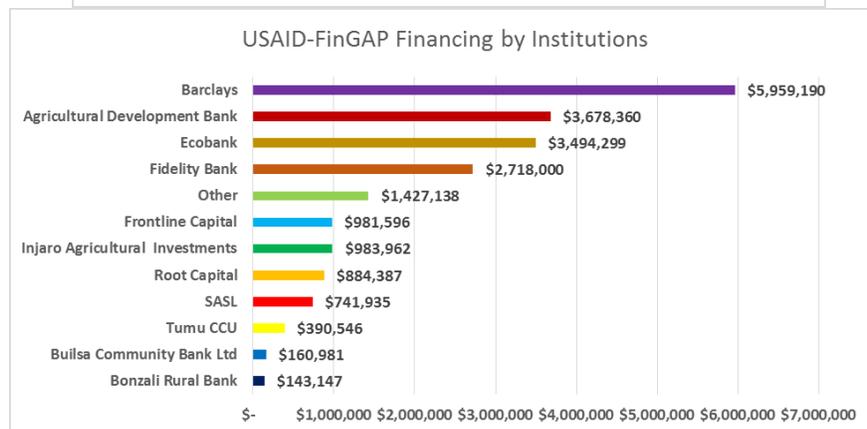
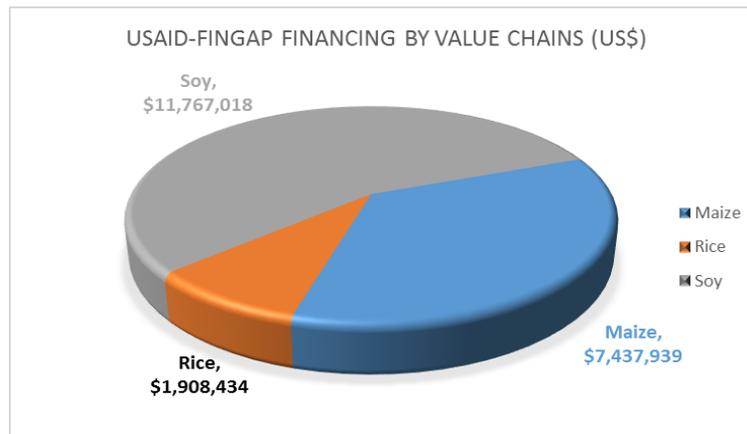
The increase in financing can be attributed to the maturation of the FI incentive grant scheme, and deepened relationships and collaboration between PFIs and BAS providers, as 94% of the financing for the quarter came from 7 out of the 14 (50%) FI grant awardees.

PFIs and BAS Providers are working in synergy to support their SMiLE clients to obtain finance. This has contributed to a tripartite relationship among FIs, BAS and SMiLEs and reduced processing time of financial proposals. The FIs are selecting specific BAS providers from the BAS network to assist their clients (SMiLEs) process their loans. The BAS Providers also help the FIs generate pipeline by developing lead and providing intact documentation on behalf of SMiLEs.

Notable deals financed this quarter include:

- **Barclays Bank**, the first FI to release new agribusiness financing under the USAID-FinGAP grant mechanism, disbursed a total of **\$3,649,931** in working capital to four SMiLEs during the quarter. The four SMiLEs are agri-input dealers supplying fertilizer, veterinary products and agro equipment in the rice, maize and soy value chains who will use the financing to increase their stocks to meet their customers' growing demands.
- **Ecobank Ghana Limited** released a total of **\$2,391,203** in working capital to five SMiLEs during the quarter. The SMiLEs receiving the financing include a large scale maize aggregator with a network of approximately 10,000 smallholder farmers (20% women), cultivating 71,000 acres in the 3 northern regions received \$1,359,083 to procure and supply fertilizer and other inputs to smallholder farmers ahead of the planting season. A soy processor SMiLE received \$517,746 to procure soy beans for processing. Another SMiLE received \$126,065 to augment its working capital to procure maize and soybeans for CCH and Ghana Nuts Limited, respectively. Lastly, a soy aggregator and an input dealer received \$129,436 and \$258,873 in working capital, respectively.
- **Injaro Agricultural Venture Capital Limited**, a grantee of USAID-FinGAP, released **\$983,962** to a major poultry feed production company for its working capital needs to procure soymeal and maize in order to boost production activities. This amount is a bridge loan from the financial institution to the agribusiness business prior to disbursement of its approved \$4M total investment (debt and equity mix) that is expected to take place before December 2015. This deal represents one of the earliest transactions facilitated by USAID-FinGAP.

- **Builsa Community Bank Limited** released **\$160,981** to 22 rice and maize aggregators and processors, including 12 women and women’s groups to expand their enterprises in Builsa North District of Upper East Region. USAID-FinGAP BAS provider Nunyuie Brothers Company Limited provided assistance.
- **Sinapi Aba Savings and Loans Limited** released a total of **\$181,775** for capital investment to various SMiLEs comprising: a Kumasi-based soybean processing company who received **\$76,201** to purchase additional equipment to expand its fixed capital investment and meet demand for soymeal among an estimated 100 poultry farmers, approximately 37% of who are female. The remaining financing of \$105,574 went to 6 SMiLEs in the target value chains to procure agro equipment and John Deere tractors.
- **Tumu Community Cooperative Credit Union**, released **\$240,838** to a group of maize farmers representing 49 individuals (40 male and 9 female) to procure tractors and other mechanized equipment for production. This deal was facilitated by USAID-FinGAP BAS Provider Solutions Consulting Ltd, which also negotiated a reduced interest rate for the borrowers of 3% per month (rather than the 3.5% originally offered by the PFI).



DEMAND-DRIVEN, INSTITUTION-SPECIFIC TRAINING

PFI taking entrenched positions in agrifinancing are requesting customized training and technical assistance to increase their capacity in agribusiness financing. Whereas generic trainings benefit junior- and mid-level staff, it is apparent that customized trainings are more beneficial for middle- and senior-

level staff, and therefore are more effective in driving institutional change. The most requested trainings by banks are on product development, value chain financing, and risk management.

This quarter the project provided customized training to staff of two FIs: Opportunity International Savings & Loans Limited (OISL) and Fidelity Bank Ghana Limited.

OISL staff were trained on Warehouse Receipt Financing Systems (WRFS), which is an area in which the FI wants to strengthen its capacity. The training was attended by 30 participants and provided an overview of USAID-FinGAP's approach to unlocking agricultural financing through the use of BAS provider services, risk mitigation tools such as credit guarantee schemes from Eximguaranty Company Ghana Limited and Development Credit Authority and crop insurance from GAIP, capacity building of FIs, and the use of incentives to facilitate investments into target value chains.

The training for staff of Fidelity Bank was held in Kumasi for 27 of their staff from the northern sector of Ghana. This was the first of a two-part training program; the other session will be held in Accra for staff from the bank's branches in the southern sector of the country. The training covered agricultural value chains, new product development, and customer relationship management.

EVALUATE THE IMPLEMENTATION OF GRANTS

The project signed incentive grants with 14 FIs in December 2014 for a total value of **\$1,320,920** which will leverage an estimated **\$31,460,000** in incremental financing to SMiLEs.

PFI Incentive Grants

This quarter, \$8,210,051 in financing was released to 60 SMiLEs from seven PFI grantees. USAID-FinGAP is assisting the other PFIs with resolving challenges that prevent them from financing agribusiness investments, including liquidity and internal structures.

Grants to GAIP and Eximguaranty Company Ghana Limited

A total of \$105,000 was disbursed to GAIP to support its operations, including the purchase of a vehicle, recruitment of seven personnel, marketing through a radio interview, and creation of a platform to collaborate with other FIs. Two hundred and forty-seven (247) businesses including financial institutions, agribusinesses, outgrowers, NGOs, and individual farmers were introduced to GAIP's products, including Drought index and Multi-Peril Crop Insurance. GAIP premium income for 2015 amounted to \$116,554 (GHS 498,850 using the exchange rate as of June 30, 2015).

In Q3, USAID-FinGAP concentrated its efforts on marketing the risk mitigation tools that Eximguaranty offers to financial institutions and agribusiness firms, and will continue to do so next quarter. PFIs' adoption of risk mitigation tools such as EXIM and GAIP has been slow due to their perceptions of past performance of the two organizations with respect to honouring claims. More education of FIs and the potential benefits of risk mitigation tools are expected to increase usage.

INTEGRATE NEW FIS INTO THE PFI NETWORK IN ORDER TO ADDRESS FINANCING GAPS

During the review period, Fidelity Bank Limited signed an MOU with USAID-FinGAP, which will allow them to benefit from technical assistance from the project. USAID-FinGAP is working on a DCA facility for Fidelity's agribusiness portfolio, and in return Fidelity Bank Limited has committed to increase its agriculture portfolio from 7% to 10% over the next three years.

DEVELOP CASE STUDIES TO BE USED IN PFI TRAININGS

This task will be accomplished in the next quarter.

SUPPORT PFIS TO DEVELOP NEW PRODUCTS

USAID-FinGAP followed the earlier agribusiness product development training that was organized for PFIs by assisting three PFIs with customized training and technical assistance to develop new agricultural finance products. The three PFIs—Fidelity Bank, First Allied Savings and Loans Limited, and Bonzali Rural Bank Limited— all operate branches in the project's zone of influence. New products to be developed include: short-term working capital financing, medium-term investment financing, cascading value chain finance (including flow down finance to producers), and equipment financing or leasing.

DOCUMENT SUCCESS STORIES AND LESSONS LEARNED ON FINANCING DEALS

Success stories are included in Annex A.

ASSESS THE IMPACT OF THE TRAINING FACILITATED FOR THE PFIS

USAID-FinGAP developed an assessment form to collect data from staff of PFIs who participated in agribusiness financing trainings in order to assess the impact of these training modules on their agribusiness financing activities at the bank. From the assessments received so far, reviews have been overwhelmingly positive and appreciative of the contents of the trainings. USAID-FinGAP will continue with the data collection exercise during the next quarter.

COLLABORATE WITH DCA BANKS AND OTHER STAKEHOLDERS (INCLUDING EXIMGUARANTY) TO OFFER CREDIT GUARANTEE

Development Credit Authority

Following a USAID/DCA Washington field mission in Q2 facilitated by USAID-FinGAP, Fidelity Bank and First Allied Savings and Loans are both undergoing approval processes to access \$5M and \$3M DCA partial loan guarantee for their respective agricultural loan portfolios. The project supported this effort by linking DCA with the FIs, and providing technical information and assistance during the marketing and due-diligence process. Washington is expected to finalize the deal in September 2015.

Eximguaranty Company Ghana Limited

USAID-FinGAP and Eximguaranty Company Ghana Limited gave a presentation to Société Générale, a commercial bank in Ghana, to introduce them to the credit guarantee products. The presentation was well received by the bank, and they expressed their interest in the products used to mitigate the risks of lending to clients engaged in transportation of rice, maize and soy along the North-South Transport route. Another presentation was made to Yara Ghana Limited, a leading fertilizer supplier in Ghana. As most of the fertilizer supplied to farmers is on credit, Yara is interested in using the credit guarantee products to facilitate access to finance by SMiLEs who are not able to raise the requisite collateral to support their credit applications to PFIs.

TASK 5 ACTIVITIES- SMALL GRANTS FACILITY

ISSUE RFAS & GRANTS FOR FIS

No new RFA was released in this quarter. A total of **\$280,265** in performance-based incentive grants was disbursed to six PFIs for lending **\$8,210,051** during the reporting period, which is a leverage factor of 29:1 (see table below).

Name of Grantee	Grant Payments (\$)	Financing to Agribusinesses (\$)
Ecobank Ghana	50,000	2,391,203
Barclays Bank	160,000	3,649,931
Bonzali Rural Bank	12,500	143,147
Builsa Community Bank	20,925	160,981
Tumu Cooperative	25,000	240,838
Injaro Investment	11,840	983,962
Total	280,265	6,586,100

The performance-based grant payments to the PFIs have helped them procure more equipment, create new agribusiness finance products (in the case of Ecobank Ghana Limited and Barclays Bank Ghana Limited), and deploy more agribusiness staff to branches and agencies within the rice, maize and soy value chains.

ISSUE/ADVERTISE RFPs & SUBSIDIES TO BAS PROVIDERS

A new RFP was developed to solicit new BAS providers to join FinGAP's network of BAS providers. The proposals received will be evaluated and the successful bidders will be asked to join the USAID-FinGAP network in Q4.

SUPPORT PFG JOINT COMMITTEE ACTION PLAN YEAR 2 WORK PLANNING EFFORTS AND IMPLEMENTATION

USAID-FinGAP is actively developing alternative sources of financing and working to strengthen financial sector infrastructure through its work under PFG. In Q3, the project undertook the following activities in support of this component:

a. Assistance to the Securities and Exchange Commission Ghana

Furthering Goal 2, *Strengthening the Financial Sector Regulation and Supervision*, of the PFG JCAP Access to Finance component, USAID-FinGAP engaged a Capital Markets Advisor to build capacity of the SEC and develop manuals and systems to assist with regulatory, oversight, and enforcement matters, which will assist the SEC in the protection of share-, bond-, and stakeholders of the capital markets.

In April, the Capital Markets Advisor returned to Accra to continue the training with the SEC, focusing this time on improving the organization's capacity, regulation, and enforcement with regard to FIs' risk-based supervision (RBS). During this quarter, the Capital Market Advisor conducted a workshop on risk-based supervision (RBS) and anti-money laundering to the SEC.

A second capacity building event presented the International Organization of Securities Commissions (IOSCO) principles and basic activities to the SEC for implementation in their supervisory operations along the best practices for RBS. The consultant completed his second visit to Ghana in mid-quarter, and shall return for his final visit in mid to late July 2015 to complete the work by the end of Q4.

b. Providing support to GAX

USAID-FinGAP along with the COR and ACOR met with executives of the Ghana Alternative Market (GAX) in April and agreed to provide support to the GAX in two major areas: first, providing STTA support for an overall ‘awareness campaign’ targeting issuers and investors for GAX equity and debt listings, and secondly, to assist Ghanaian SME companies with listing on the GAX. A Consultant is currently in the field to complete a GAX awareness campaign, which will promote and market the GAX for SMiLEs as an alternative mode of financing as well as broadening the opportunities for investors.

c. Partnership for Growth Access to Credit Stocktaking Workshop

In June, USAID-FinGAP participated in the PFG Access to Credit Stocktaking Workshop to review the performance work plan of the PFG and develop strategies to increase overall SME access to credit. USAID-FinGAP will follow up on the recommendations made at this workshop next quarter

CROSS-CUTTING ISSUES

GENDER

USAID-FinGAP’s Case Leader visited Ghana in April to conduct a preliminary gender impact assessment on the project. The assessment was designed to analyze the environment for access to credit among female SMiLEs, assess the project’s performance in implementing the gender activities outlined in the Year 2 work plan, and develop recommendations to strengthen USAID-FinGAP’s ability to expand access to credit among female SMiLEs.

Results

The assessment found that on the demand side, women are involved in every step along the value chain, but are highly concentrated upstream. Demand for finance among women is significant and largely unsatisfied.

On the supply side, a number of large commercial banks are strategically providing new products and networking platforms for women, however none of the banks interviewed have studied the target value chains in-depth, nor have they studied the differentiated needs of men and women within the target value chains.



Left to Right: Naana Achiaa-Maize Distributor and USAID-FinGAP Case Leader

Drawing on BAS Providers assisting women in obtaining financing, the following lessons were drawn:

- USAID-FinGAP’s mini-summits have been effective tools to reach more female-led SMiLEs.
- Bundling groups of women with smaller credit needs is a preferred strategy to reach more female SMiLEs with financing.
- Female-led SMiLEs need different levels of technical assistance to access financing than their male counterparts.
- Female-led SMiLEs have specific financing and investment needs based on the segments of the value chain where they are located.
- USAID-FinGAP should ensure it does not saddle upstream clients with unserviceable debt.

Key actions based on this assessment include:

- Refine the data tracked by the project to include the value of the initial transaction and the associated on-lending disaggregated by gender.
- Track each transaction/deal's connections with other FTF projects to avoid duplication of reporting, especially with those projects working upstream in the target VCs.
- Begin systematic collection of SMiLE impact data to adequately measure impact on sales with respect to gender. Consider instituting business surveys used by other donor projects (e.g. ADVANCE II, IFC) to facilitate data collection.
- Map each value chain to understand where men and women are located, and what the financing demand is for each.
- Hold more mini-summits to be able to reach more female-led SMiLEs.
- Support and utilize networks of women to keep identifying more female-led SMiLEs as well as highlight female SMiLE successes in communications efforts ("Success Stories").
- Develop an award for most successful female-led SMiLE to present at annual agribusiness conferences.
- Encourage equity finance instead of debt for SMiLEs.
- Encourage BAS to work with PFIs and input providers that offer lower interest rates to female smallholder producers and upstream actors in the value chains

ENVIRONMENT

Following the development of a Safe Use Action Plan (SUAP), USAID-FinGAP's Environmental Advisor in April trained the project's PFI grantees and BAS Providers in Tamale and Accra on environmental screening procedures, and advised PFIs on the development of their own internal environmental screening criteria and systems.

COLLABORATION WITH FEED THE FUTURE IMPLEMENTING PARTNERS

USAID-FinGAP participated in the May 2015 CCC meeting during which several presentations on new products and services, and follow-on discussions, including:

- Human Network International introduced its new mobile phone information service providing free access to weather, pricing, costs and other information services.
- African LEAD's Champions for Change presented various networks that CCC members may join such as the Agricultural Advisory Services Network, which assists farmers and FBOs, and the Agricultural Financing Network, focused on improving access to financing for VC actors.
- Review of final Feasibility Study developed for the (now defunct) joint CCC project assisting up to 100,000 agricultural actors in the northern Volta region. While the projected impact was notable, due to the region's sparse population the CCC will consider another joint project in a more populous region.

PERFORMANCE INDICATORS

#	Indicator	Unit of Measure	Baseline	Y2 Q3 Achieved	Y2 Annual Target	Y2 Achieved	Annual Performance Achieved (%)
1	Number of SMiLEs including farmers, receiving business development services from USG-assisted sources (S)	Number of enterprises	0	78	20	120	600%
2	Number of BAS providers trained in deal making and BAS in agriculture	Number of providers	0	27	25	35	140%
3	Number of SMiLEs paying fees for BAS	Number of enterprises	0	36	10	47	470%
4	4.5.2-30: Number of SMiLEs, including farmers, receiving USG assistance to access loans (S)	Number of enterprises	0	60	35	86	246%
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)	Entity	0	133	45	189	420%
6	Total value of private capital deployed to targeted value chains by financial institutions with USG assistance	USD	\$ -	\$8,210,051	\$12,000,000	\$16,961,645	141%
7	Number of successful investment opportunities (proposals) funded	Number of opportunities	0	60	7	87	1243%
8	Value of agricultural and rural loans	USD	\$ -	\$6,767,875	\$8,000,000	\$14,493,752	181%
9	Value of new private sector investments in the agriculture sector or food value chains leveraged by FTF implementation	USD	\$ -	\$ 438,045	\$4,000,000	\$2,376,854.00	59%
10	Value of incremental sales in rice, maize and soya as a result of U.S. government assistance along the value chain	USD	\$ 9,188,176	N/A*	\$19,860,261	N/A*	N/A*
11	Number of PFIs receiving capacity/competency strengthening as a result of U.S. government assistance	Number of PFIs	0	18	5	28	560%
12	Number of grants disbursed / subsidy disbursed	Number of grants / Subsidy	0	128	30	184	613%

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13	Number of public-private partnerships formed as a result of U.S. government assistance	Number of PPPs	0	0	7	16	229%
14	Financial recovery rates for agriculture sector	Percent	75%	N/A*	80%	N/A*	N/A*
15	Value of agricultural loans by US government supported banks (on a percentage portfolio basis)	Percent	6%	N/A*	8%	N/A*	N/A*
16	Score, in percent, of combined areas of organizational capacity among U.S. government direct and indirect local implementing partners	Percent	73%	N/A**	N/A**	N/A**	N/A**
17	Number of new products offered by FIs (including DCAs)	Number of products	0	2	4	2	50%
18	Number of days of technical assistance in financial sector capacity provided to counterparts or stakeholders	Days (1 day = 8 hours)	0	74.5	850	209.5	25%
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 U.S. government assistance	Number	0	2	3	2	67%
20	Number of financial institutions receiving U.S. government assistance in extending services to micro and small businesses	Number of PFIs	0	2	10	3	30%

*This indicator is measured and reported annually.

**This indicator is measured and reported in the final year of the project.

ANNEX A: SUCCESS STORIES



Barclays Bank Ghana Far Surpasses its Initial Commitment to Agricultural Financing

Banks enter agriculture sector due to incentive grants and consulting services from USAID-FinGAP



Photo courtesy of USAID-FinGAP

Headed by Andrew Ahiaku, Barclays' Agribusiness Desk runs a program called *My Shoes Are My Office*, aimed at reaching 300 clients per week, a third of which are agribusinesses in maize, soybeans, and rice. The cost is partly covered by the incentive grant received from USAID-FinGAP.

“Our agribusiness loan portfolio was GH¢3 million. Currently, it stands at GH¢54.6 million, thanks to our relationship with USAID-FinGAP.”

-Andrew Ahiaku, Head of Barclays Agribusiness Desk

Barclays Bank Ghana, one of the oldest banks in Ghana, decided that to become a “bank of the future” it needed to invest in agriculture. Currently, the agriculture sector is contributing to approximately 22% of Ghana’s Gross Domestic Product, and continues to grow as demand for staple food products steadily increases. In January of 2014, Barclays established an agricultural desk, but only saw its agribusiness lending within the maize, soybeans, and rice value chains grow to a mere \$937,485.

Andrew Ahiaku, Head of the Agribusiness Desk at Barclays Bank, explains the low lending rate in agriculture was due to “the time and risk involved in generating financing; credit and relationship managers were not enthused to do agribusiness deals.” Barclays realized that to seriously establish itself in the sector, it needed to radically change the way it was doing business with the agriculture sector.

When Barclays entered into a relationship with USAID’s Financing Ghanaian Agriculture Project (USAID-FinGAP), the bank’s agribusiness portfolio began to flourish. In the past six months alone, Barclays has loaned over US \$17 million to nine Small to Medium, including Large, Enterprises (SMiLEs) in Ghana’s maize, soybeans, and rice value chains. The funds are stimulating investment along the supply chain and growing the country’s staple food supply.

USAID-FinGAP, established to help facilitate this type of financing in northern Ghana, supported Barclays with three distinctive programs. USAID-FinGAP introduced the bank to its network of 41 Business Advisory Service (BAS) providers who identify agribusinesses with solid investment opportunities, help the enterprises articulate their plans, and seek out appropriate sources of financing.

Site visits and information collection make appraising agribusiness deals costly and time consuming for financial institutions. BAS providers do the legwork for the banks, bringing the deals directly to them in nicely packaged proposals that make it easy for banks to assess the opportunity and see the potential for returns on their investments.

“Our pipeline of agribusiness deals have mostly come from USAID-FinGAP BAS providers,” Barclays’ Ahiaku said. “At the start of our relationship with the project, our agribusiness loan portfolio was GH¢3 million. Currently, it stands at GH¢54.6 million, thanks to our relationship with USAID-FinGAP.”

Smallholder farmers in Northern Ghana who supply raw materials to these agribusinesses are also benefiting from Barclays financing. Solutions Consulting Limited, a USAID-FinGAP BAS provider, secured a \$2.5 million loan for a large-scale poultry farm based in Kumasi. Although a Barclays client since 2003, this SMiLE had a limited loan facility of under \$700,000. With Solutions Consulting support in preparing and presenting the financing documentation, the enterprise

How Barclays Bank's Investments Strengthen the Supply Chain to Improve Food Security in Northern Ghana

After working with USAID-FinGAP, Barclays' agribusiness lending portfolio includes:

- \$4.1 million in working capital for agro input dealer to increase inventory and meet growing demand from maize, soybeans, and rice farmers for increased productivity
- \$3.8 million in working and fixed capital for agro mechanization equipment producer to improve access to farming tools for staple food farmers, predominantly women
- \$3.5 million in working capital for two fertilizer dealers and an agro equipment dealer to increase stocks to meet growing demand for maize, soybeans, and rice
- \$2.0 million for two SMiLEs to finance agribusiness investments in maize and soy
- \$1.7 million in working capital for poultry feed and supplies company to buy more raw materials from farmers for processing
- \$1.0 million in working capital for poultry farm to purchase feed and finance increased farming of raw materials of maize and soy
- \$500,000 in capital investment for warehouse management company to improve services for maize and rice clients
- \$450,000 in working capital for poultry feed company to increase production capacity, thereby increasing demand for maize and soy

received capital investment funds to purchase expanded housing storage, a feed truck, and a generator. These investments will allow the poultry farm to expand its egg producing poultry population from 600,000 birds to over one million, driving up the company's demand for feed. The loan also covers working capital to purchase feed (maize and soy) from aggregators as well as pre-finance approximately 650 smallholder farmers, 20% of which are female farmers, to produce maize for feed production.

The second source of USAID-FinGAP support for financial institutions is training. Barclays had been out of the agriculture lending business for over two decades since Ghana's government stopped intervening in banking. During that time Barclays and other banks invested in larger, more secure markets such as extractive industries (gold and oil), cocoa, and T-bills. Smaller enterprises, particularly those in agribusiness, were ignored.

USAID-FinGAP provided in-country capacity building programs with training materials full of localized context and case studies. Barclays no longer had to send its employees to South Africa for more generalized and more costly training. The staff gained a better understanding of local investment opportunities in maize, soybeans, and rice, strengthening their relationship with the BAS providers in pursuing deals. Barclays appreciates that lucrative agribusiness opportunities exist in Ghana and can be valuable assets within their portfolio while mitigating the risks.

According to Philip Sarpong, Managing Partner of Pinnacle Development Alternatives, a BAS Provider which facilitated \$1.7 million for a poultry feed SMiLE, "It was relatively easier and faster to get the financing for my client from Barclays Bank since they seem to have better understanding of agribusiness financing. We withdrew four such applications from other banks and redirected them to Barclays where they are now receiving favorable attention."

USAID-FinGAP's third program is a targeted, performance-based challenge grant. After a rigorous evaluation process, Barclays was selected as one of fourteen financial institutions to receive funds in exchange for a commitment to agricultural investment. The grants support the financial institutions in setting up agricultural desks, buying office equipment, providing additional training, and motivating staff. Barclays sent two agri-bankers into the field - one to the branch in Tamale and one to the branch in Kumasi - to drive sales along the target value chains.

"Due to the incentive grant, relationship managers are motivated to see agribusiness deals through since they are paid a cash/in-kind bonus on the completion of the deals," Ahiaku said.

The 14 selected financial institutions originally committed to provide an estimated US\$31.5 million in incremental financing to SMiLEs in the maize, soy, and rice value chains in exchange for a total incentive grant of over \$1.3 million. For every dollar invested in the grant program, agricultural financing will increase by over \$23. That ROI will likely prove to be a lot higher. On its own, Barclays' \$17 million in agriculture investment well exceeds its original \$2.36 million commitment.

"There is no way we will turn away from financing agribusinesses in the target value chain," Ahiaku concluded, confirming the bank's strategic slant in Africa towards this type of lending. "Moreover, we have established relationships now with agribusinesses and farmer groups all over the country. Even without the grant from USAID-FinGAP, our agribusiness desk will continue."



Small Rural Agribusinesses Expand as Bonzali Rural Bank Resumes Lending

Incentive grant and technical assistance from USAID-FinGAP puts agricultural financing back in business



Photo courtesy of Bonzali Rural Bank

Bonzali banker speaks to a women's group about microfinance after launching its renewed agricultural lending program.

“USAID-FinGAP training programs have helped to change our perspective towards agricultural lending.”

***-Samuel Yergome,
Special Purpose Microfinance
Coordinator for Bonzali Rural Bank***

Last year when Bonzali Rural Bank closed down its agricultural lending program, the leading rural bank in Ghana's northern region felt a gaping hole. The bank was founded on providing a comprehensive range of financial services to poor, rural communities, as well as small-scale enterprises, to enhance the standard of living in the region. Ignoring the agriculture sector meant the bank was ignoring a large, critical part of its market and falling short of its mission. Yet with over 15% of the agribusiness portfolio at risk for default and with the liquidity challenges facing the bank, Bonzali was forced to cease this type of risky lending.

To address this issue, in September 2014, Bonzali joined USAID's Financing Ghanaian Agriculture Project (USAID-FinGAP) as one of 14 selected Participating Financial Institutions (PFIs). USAID-FinGAP offered performance-based incentive grants and technical assistance to financial institutions willing to commit to lending to agribusinesses in the maize, soybeans, and rice value chains in Northern Ghana. Bonzali committed to incremental financing of \$250,000 for a grant award of \$25,000. The grant was used for internal financial literacy training, procurement of a motorbike for loan monitoring and recovery, and the purchase of a laptop for data capturing and analysis.

“Last year we stopped agriculture loans and only started again this year because of USAID-FinGAP's interventions such as capacity building, grants, and exposure to risk mitigation instruments,” Samuel Yergome, Special Purpose Microfinance Coordinator for Bonzali Rural Bank, said. “We have increased the number of loans to small enterprises, especially lending to groups.”

Now Bonzali Rural Bank is back in the business of agricultural lending – this time with a quality portfolio that will be sustainable. USAID-FinGAP training programs taught Bonzali staff proper due diligence strategies to find more secure financing opportunities and showed them how to protect their loan portfolio with risk mitigation tools. Technical assistance from the project helped the bank develop products to meet the needs of their target market and increase deposits. Staff also developed skills on cash flow lending in order to understand which enterprises will meet regular repayment.

“USAID-FinGAP training programs have helped to change our perspective towards agricultural lending,” Yergome said. “It has also broadened our knowledge on risk mitigation instruments and due diligence processes to ensure and maintain a quality loan portfolio. Repayment is now almost 100%.”

Through USAID-FinGAP's subsidy program, Bonzali is working to overcome its liquidity problem. Nunyuei Brothers Limited, a Business Advisory Service (BAS) provider within USAID-FinGAP's network, helped the bank secure close to



Photo courtesy of USAID-FinGAP

Ayishetu Adama, an aggregator in Tamale, used a loan from Bonzali Rural Bank to buy more grains from farmers and significantly increase her weekly sales of rice, maize, and soy.

\$900,000 from Ecobank Ghana for on-lending to Bonzali clients, primarily in the targeted maize, soy, and rice value chains.

“Nunyuei Brothers negotiated with Ecobank on our behalf for a lower interest rate, reduced processing and commitment fees, as well as other crucial terms and conditions that our bank would have found difficult to overcome,” Paul Atsu Fiawoo, Bonzali Rural Bank’s General Manager, said.

“It was quite challenging to raise funds for such a rural bank since the requirements were quite stringent,” Prince Akoto-Adepa, Managing Partner at Nunyuei Brothers, said. “We, however, pursued it with the technical support from USAID-FinGAP and achieved it. We hope to do that for other rural and community banks because we believe such loans will facilitate food security in Northern Ghana since most of these funds will be on-lend to support agribusiness investments by farmers.”

Ecobank echoed Akoto-Adepa’s sentiment and is excited to provide Bonzali with the loan. “Rural banks are closer to smallholder farmers who are the base and source of raw materials for most of the agribusiness processors that our bank supports,” Kingsley Adofo-Addo, Ecobank’s Account and Senior Relationship Manager, said.

So far Bonzali has released over \$140,000 in agribusiness loans to mostly female-dominated farmer-based organizations in the maize, soybeans, and rice value chains. Over 400 women from 28 different women’s groups expanded their agribusinesses in Northern Ghana because of these individual and group loans. Fifty-five farmer associations, six nucleus farmers, input dealers, aggregators, agricultural mechanization service providers, and processors have also received funding.

Ayishetu Adama, a rice, maize, and soy aggregator, used the loan to buy more grains from farmers. On her own, Adama was selling 10-15 bags per week in open market space in Tamale. Now with the support of loans from Bonzali, Adama is aggregating 50-80 bags per week.

“Since joining the bank, I have been able to increase the number of bags I sell,” Adama said. “I now operate from my own shop at Aboabo Market.”

With the support of USAID-FinGAP, Bonzali Rural Bank is once again following 100% of its mission.

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5	Type: (Small and Medium Enterprises)								
	Agricultural producer		4		34				
	Input supplier		0		7				
	Trader		0		30				
	Output processors		3		14				
	Non-agriculture		0		0				
	Other		0		0				
	Type: (Large Enterprises):								
	Agricultural producer		0		0				
	Input supplier		0		0				
	Trader		0		0				
	Output processors		1		1				
	Non-agriculture		0		0				
	Other		0		0				
	Gender (Small and Medium Enterprises)								
	Male		7		68				
	Female		0		17				
	Gender (Large Enterprises)								
	Male		1		1				
	Female		0		0				
	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)		Entity	0	28	45	189	420%	75
	Type of entity								
	<i>food security private enterprises (For profit)</i>				28		160		
	<i>Producers organizations</i>				0		29		
	<i>Water users associations</i>				0		0		
	<i>Women's groups</i>				0		0		
	<i>Trade and business associations</i>				0		0		
<i>Community-based organizations (CBOs)</i>				0		0			
Status									
<i>New</i>				28					
<i>Continuing</i>				0					
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6	Total value of private capital deployed to targeted value chains by financial institutions with USG assistance	USD	0	\$4,351,745.00	\$12,000,000.00	\$16,961,645.00	141%	\$19,500,000.00	109%
	Value Chains								
	Maize			\$2,090,000.00		\$5,465,539.00			
	Rice			\$312,626.45		\$1,698,903.00			
	Soy			\$1,949,118.82		\$9,797,203.00			
	Type of PFI								
	Commercial / Universal Banks			\$3,163,096.45		\$12,436,603.00			
	Rural & Community Banks			\$0.00		\$694,674.00			
	Micro Finance (NGOs), S&Ls & Credit Unions			\$90,000.00		\$651,935.00			
	Social Impact & Private Equity Funds			\$205,000.00		\$1,663,349.00			
NBFI			\$241,412.41		\$740,184.00				
Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)			\$0.00		\$468,509.00				
Other			\$652,236.41		\$306,391.00				
7	Number of successful investment opportunities (proposals) funded	Number of opportunities	0	8	7	87	1243%	12	58%
	Value Chains								
	Maize			2		22			
	Rice			1		12			
	Soy			5		15			
	Maize & Rice & Soy			0		10			
	Maize & Rice			0		23			
	Maize & Soy			0		4			
	Rice & Soy			0		1			
	Status								
	New			8					
Continuing			0						
8	Value of agricultural and rural loans	USD	0	\$3,699,509.00	\$8,000,000.00	\$14,493,752.00	181%	\$13,000,000.00	140%
	Size								
	Small			\$295,000.00		\$7,925,340.00			
	Medium			\$1,344,508.86		\$5,910,412.00			
	Large			\$2,060,000.00		\$658,000.00			
	Type: (Small and Medium Enterprises)								
	Agricultural producer			\$90,000.00		\$2,783,314.00			
Input supplier			\$0.00		\$3,731,015.00				

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	Trader			\$0.00		\$4,926,987.00			
	Output processors			\$1,549,508.86		\$1,297,590.00			
	Non-agriculture			\$0.00		\$1,096,846.00			
	Other			\$0.00		\$0.00			
	Type: (Large Enterprises):								
	Agricultural producer			\$0.00		\$0.00			
	Input supplier			\$0.00		\$0.00			
	Trader			\$0.00		\$0.00			
	Output processors			\$2,060,000.00		\$658,000.00			
	Non-agriculture			\$0.00		\$0.00			
	Other			\$0.00		\$0.00			
	Gender (Small and Medium Enterprises)								
	Male			\$1,639,508.86		\$13,673,682.00			
	Female			\$0.00		\$162,070.00			
	Gender (Large Enterprises)								
	Male			\$2,140,000.00		\$658,000.00			
	Female			\$0.00		\$0.00			
9	Value of new private sector investments in the agriculture sector or food value chains leveraged by FTF implementation	USD	0	3,849,197.00	4,000,000.00	\$2,376,854.00	59%	6,500,000.00	96%
	Size								
	Small			195,000.00		\$1,267,260.00			
	Medium			1,514,196.88		\$291,594.00			
	Large			2,140,000.00		\$818,000.00			
	Type: (Small and Medium Enterprises)								
	Agricultural producer			571,117.08		\$748,915.00			
	Input supplier			-		\$21,966.00			
	Trader			-		\$113,296.00			
	Output processors			1,138,079.08		\$474,677.00			
	Non-agriculture			-		\$200,000.00			
	Other			-		0.00			
	Type: (Large Enterprises):								
	Agricultural producer			-		0.00			
	Input supplier			-		0.00			
	Trader			-		0.00			

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10	Output processors			2,140,000.00		\$818,000.00			
	Non-agriculture			-		0.00			
	Other			-		0.00			
	Gender (Small and Medium Enterprises)								
	Male			1,709,196.16		\$1,558,854.00			
	Female			-		0.00			
	Gender (Large Enterprises)								
	Male			2,140,000.00		\$818,000.00			
	Female			-		0.00			
	Value of incremental sales in rice, maize and soya as a result of U.S. government assistance along the value chain	USD	9,188,176	9,188,176	19,860,261.00	TBD		29,048,437.00	TBD
Component 2: FSS UNIT									
11	Number of PFIs receiving capacity/competency strengthening as a result of U.S. government assistance		0	40	5	28	560%	9	0%
	Type of PFI								
	Commercial / Universal Banks			15		13			
	Rural & Community Banks			8		5			
	Micro Finance, S&Ls & Credit Unions			4		4			
	Social Impact & Private Equity Funds			3		0			
	NBFI			6		4			
	Insurance / Credit Guarantee			2		1			
Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)			2		1				
	Status								
	First Time			40					
	Continuing								
12	Number of grants disbursed / subsidy disbursed		0	22	30	184	613%	40	515%
	Type of recipient								
	BAS Provider			22		177			
	PFI			0		7			
	SMILE			0		0			
13	Number of public-private partnerships formed as a result of U.S. government assistance		0	0	7	16	229%	12	133%

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	Partnership Focus								
	<i>Agricultural production</i>		0		0				
	<i>Agricultural post-harvest transformation</i>		0		0				
	<i>Nutrition</i>		0		0				
	<i>Multi-focus</i>		0		0				
	<i>Other</i>		0		16				
14	Financial recovery rates for agriculture sector		75%		80%	TBD	TBD	TBD	TBD
	Type of PFI								
	<i>Commercial / Universal Banks</i>								
	<i>Rural & Community Banks</i>								
	<i>Micro Finance (NGOs), S&Ls & Credit Unions</i>								
	<i>Social Impact & Private Equity Funds</i>								
	<i>NBFI</i>								
	<i>Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)</i>								
15	Value of agricultural loans by US government supported banks (on a percentage portfolio basis)		6%		8%	TBD		8%	TBD
	Type of PFI								
	<i>Commercial / Universal Banks</i>								
	<i>Rural & Community Banks</i>								
	<i>Micro Finance (NGOs), S&Ls & Credit Unions</i>								
	<i>Social Impact & Private Equity Funds</i>								
	<i>NBFI</i>								
	<i>Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)</i>								
16	Score, in percent, of combined areas of organizational capacity among U.S. government direct and indirect local implementing partners		73%	N/A	N/A	N/A		N/A	N/A
17	Number of new products offered by Fis (including DCAs)		0	0	4	2	50%	6	33%
	Type of PFI								
	<i>Commercial / Universal Banks</i>			0		1			
	<i>Rural & Community Banks</i>			0		0			
	<i>Micro Finance (NGOs), S&Ls & Credit Unions</i>			0		0			
	<i>Social Impact & Private Equity Funds</i>			0		0			
	<i>NBFI</i>			0		1			
	<i>Insurance / Credit Guarantee</i>			0		0			

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	Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)			0		0			
18	Number of days of technical assistance in financial sector capacity provided to counterparts or stakeholders		0	356	850	1676	197%	1618	126%
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 U.S. government assistance		0	0	3	2	67%	5	40%
	Type								
	Inputs			0		0			
	Outputs			0		0			
	Macroeconomic			0		0			
	Agricultural sector-wide			0		0			
	Research/Extension/Information/Other Public Service			0		0			
	Food Security/Vulnerable Populations			0		0			
	Climate Change adaptation/natural resource management			0		0			
	Other			0		2			
	Stage								
	Analyzed			0		0			
	Drafted			0		2			
	Presented for legislation/decreed			0		0			
	Passed/approved			0		0			
Passed/Implemented			0		0				
20	Number of financial institutions receiving U.S. government assistance in extending services to micro and small businesses		0	0	10	3	30%	15	20%
	Type of PFI								
	Commercial / Universal Banks			0		0			
	Rural & Community Banks			0		0			
	Micro Finance (NGOs), S&Ls & Credit Unions			0		0			
	Social Impact & Private Equity Funds			0		0			

	NBFI			0		0		
	Other (GoG Agencies, Controlled Institutions, Donor Agencies / DFIs)			0		3		

ANNEX C: SNAPSHOT OF USAID-FINGAP PROGRESS TO DATE

Category	Inception of Project to Date	Q3 Only (Year 2)	Q3 Results as Compared to Overall Results
Financing to SMiLEs	\$21,313,391.00	\$8,210,051.00	39%
Subsidy/Grants Payments to PFIs and BAS Providers	\$911,979.21	\$675,554.00	74%
Number of SMiLEs Financed	89	60	67%
Number of Transactions Financed	93	60	65%
Number of Small Holder Farmers affiliated to SMiLEs Financed	43,251	29,123	67%
BAS Pipeline of Deals	133	78	59%
Value of BAS Provider Pipeline Deals	\$119,744,137.00	\$69,735,409.00	58%