GHANA TITLE III FOOD FOR DEVELOPMENT PROGRAM

USAID/GHANA

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I. EXECUTIVE SUMMARY

A. Objectives of the Program

USAID/Accra proposes to support specific Government of Ghana (GOG) development activities and programs with a grant of delivered wheat and rice. The total cost of the grant will be an estimated $40.4 million over a three year period, including $9.0 million for shipping. At current prices, this will amount to approximately 37,000 metric tons (mt) of wheat and 75,000 mt of rice under Title III, Section 301 of the Agriculture Development and Trade Act of 1990.

The commodity type and specifications are:

Wheat:
- Dark Red Northern Spring Wheat, No. 2
- Protein Content: 14% (Dry Basis)
- Hagberg 300-350 (Guarantee)
- Test Weight 78g (74g Acceptable)

Rice:
- U.S. No. 5, long grain well milled
- Brokens not to exceed 20 percent
- Moisture content not to exceed 15 percent

The Title III Program has two conditions tied to commodity shipments. Call Forwards after December 31, 1992, are conditioned on the submission of a plan that demonstrates how wheat can be marketed in Ghana in a manner that minimizes price distortions. Prior to ordering wheat after December 31, 1993, the GOG will implement the agreed upon plan for the marketing of wheat in Ghana in a manner that best simulates a distortion free market.

The proposed Title III Program addresses Ghana's food security problem. In 1987, Ghana had a deficit of about 138,000 metric tons (mt) of food. The World Bank projects that this will grow to 498,000 mt by 1995. The Title III Program will use local currency to finance investments to enhance food security by increasing and diversifying foreign exchange earnings so that Ghana can import food to meet its deficits without incurring international debt.

The GOG will use the local currency to address development constraints to increasing local production and diversifying exports. The local currency uses are designed to encourage and support private sector production. Conditions for local currency releases will bring about policy reforms that will facilitate the construction of priority infrastructure, provide support services to exporters, and assist exporters in obtaining credit.

The local currency uses and program-related policy changes are consistent with three of the four strategic objectives of the Development Fund for Africa. Title III Program activities will: recast the GOG role in supporting private sector exporters, and increase the capacity of non-governmental organizations (NGO) to provide services to micro and small scale exporters; encourage private sector investment through investment code reform; and enhance Ghana's food security through improved rural transport and greater access to foreign exchange.

Commodities shipped under the PL 480 Title III program will be consigned to the Ministry of Finance and Economic Planning (MFEP) and will be for sale to the private sector. Although the consignee is the MFEP, the agency initially responsible for the allocation and pricing of wheat will be the Ghana National Procurement Agency (GNPA). The future role of the GNPA will be the subject of study and negotiation during program implementation.

B. Program Issues and Guidance

This multiyear Title III Program Proposal is a follow-on effort to a single year FY 91 Title III program approved by AID/Washington on April 18, 1991. At the review of the single year program, AID/Washington requested the Mission to submit a multi-year proposal in FY 92 and to address several issues and concerns. ANNEX J summarizes the AID/Washington guidance, and either responds to the issues or indicates where in this multi-year proposal the issues are resolved.

The Mission prepared this Title III Program Proposal following the format guidance outlined in STATE 327618 for a modified food aid Program Assistance Approval Document (PAAD).

C. Recommendations

The proposed Title III Program is an integral part of the Mission's country development strategy as recently stated in the Country Program Strategic Plan (CPSP). The CPSP goal of broad-based, sustainable, market-oriented economic growth means, among other things, that the Ghanaian economy will meet the food needs of its citizens; all of its citizens will have access at all times to sufficient food and nutrition. The GOG will use the Title III generated local currency to promote and support food security with private sector, export-oriented activities and rural feeder road investment.

Ghana qualifies as a priority country for P.L. 480 Title III assistance because it has: the need to fill a rapidly growing food deficit; the capacity to use the food effectively; a demonstrated commitment to policies to reduce hunger and malnutrition; and a long-term plan for broad-based development.

The Program is technically, financially, socially, and economically feasible and sound. Therefore, USAID/Accra recommends authorization of a multi-year Title III Program Grant to the GOG.

II. BACKGROUND

A. Macroeconomic and Sectoral Framework

Detailed descriptions of the macroeconomic framework and performance of the food and agriculture sector appear in the recently prepared CPSP and the FY 91 single year Title III Program Proposal reviewed in AID/W in April of this year. This summary highlights the information previously presented.

1. Macroeconomic Background

From independence in 1957 until 1983 Ghana's economy was characterized by public sector oriented economic policies. A series of Ghanaian administrations introduced state-directed import substitution policies ostensibly designed to bring about growth with equity. Instead of economic growth, the import substitution policies led to: a succession of recessions and soaring inflation; an unwieldy system of price and import controls; an industrial sector burdened by poorly performing state owned enterprises (SOE); an inadequate and decaying physical infrastructure; and a large external debt.

Recognizing an untenable and deteriorating situation, the GOG introduced the Economic Recovery Program 1983-86 (ERP) in April, 1983. The original objectives of the ERP were to achieve macroeconomic stability and to improve the country's balance of payments, thereby putting the economy back on the path to positive real growth. The initial ERP was followed by a second ERP 1987-91 which focussed on specific sector and market reforms, and received structural adjustment support from the International Monetary Fund (IMF) and the World Bank. The ERP[1] effectively reoriented Ghana's national economic policy from being state-driven to being supportive of private-sector production and exports.

As measured by a wide range of macroeconomic indicators, the ERP has been a major success. The exchange rate has been devalued to realistic levels and the balance of payments is near equilibrium despite a 31 percent decline in the terms of trade between 1987 and 1990. Gross Domestic Product (GDP) growth rates averaged more than five percent per year during the ERP. The GOG achieved overall fiscal surpluses in 1987-90. Exports, traditional and non-traditional, have responded positively to the devaluation

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[1] ERP without a period designation refers to both the ERP 1983-86 and the ERP 1987-91.

and economic liberalization measures. Finally, much of the nation's infrastructure is being rehabilitated.

In response to the improved economic policy environment, Ghanaian exports increased from $439.1 million in 1983 to an estimated $871.0 million in 1990, an increase of $431.9 million or 98.4%. While exports doubled in value over the period 1983-1990, in fact since 1988 the value of exports has declined slightly due to a general deterioration in the prices of Ghana's exports. At the same time that Ghana's export earnings were declining slightly its imports were continuing to grow. The result is that while exports in 1988 were equivalent to 81% of Ghana's imports, in 1990 exports were only equal to 68.5% of Ghana's imports, with the deficit of imports over exports growing from $206.0 million in 1988 to $401.0 million in 1990.

For an economy at the stage of development of Ghana, there is a strong connection between economic growth and the availability of foreign exchange. The import needs for Ghana are many. Investment goods of all types are needed; apart from construction there is little production of capital goods and even the construction industry is heavily dependent upon imported equipment and materials. Petroleum products are either imported or crude petroleum imported and refined. Raw materials for industry and agriculture are needed for almost every sector. In addition, there is a rising demand for imported consumer goods including food items. In the case of the latter, rising incomes and urbanization have resulted in increased agricultural imports, such as wheat, wheat flour, rice and feed grains. As economic growth takes place, one can be certain that the economy will require a continuing flow of imports. This has been the case in Ghana. Imports of goods and services (estimated with 1975 prices) were 9-10% of GDP at the lowest point of the economy in 1982-1984. With the implementation of the ERP this share has risen steadily to 19% in 1990. In current prices, the share has increased from a low of 3% in 1983 to 29% in 1990. As the economy continues to expand there will be a continuing growth in the import bill, at least in absolute if not relative terms. Hence, it is essential that Ghanaian exports expand to begin to meet this need. While donor resource flows and remittances are presently making up the difference, Ghana's long term economic health depends upon a significant increase in Ghana's exports.

Ghana's export sector has two major problems at present. Its exports are predominantly raw materials or primary commodities and its exports are concentrated on four commodities: cocoa, gold, timber and electricity. These commodities provided $722.1 million or 87.5% of Ghana's exports in 1990 as compared to $409.2 or 93.2% in 1983.

For the long term success of the ERP Ghana must increase and diversify its export revenues. In terms of the traditional export sector, the World Bank states that medium term (1991-95) prospects for an increase in export value is encouraging for cocoa and gold but not so for timber and electricity. The Bank estimates that the value of cocoa exports will increase 20% between 1990-1993 as a result of increased production and an estimated $290/ton increase in cocoa prices. Likewise gold exports are projected to increase approximate 18% per year as a result of the production from new mines and the rehabilitation of existing mines. Timber exports are estimated to only increase at about 2% per year over the 1990-1995 period as a result of both environmental concerns and Government policy to push for value added timber exports. Electricity exports are projected to remain essentially stagnant over the 5 year period (a projected growth of 0.3%/annum). For the latter half of the 1990's the estimate for traditional export sector growth is even more pessimistic, with cocoa exports growing at approximately 2%, gold 5%, Timber 1.3% and electricity 0.5%. With those growth rates, unless there is a dramatic increase in non-traditional exports, the Ghanaian economy will either become much more dependent upon donor resources or the growth rate will decline and per capita income will stagnate or begin to decline.

Ghana's long-term economic growth then is contingent upon expanding and diversifying its export base. This means that Ghana must put increased emphasis on expanding its non-traditional exports (NTE). In fact, non-traditional exports have expanded rapidly over the 1983-1990 period, increasing from approximately $1.0 million in 1983 to $60 million in 1990. Much of this growth is due to the strong efforts of the Ghana Export Promotion Council. However, before NTE's can add in a meaningful way to economic growth they must become a larger percentage of GDP. At present, NTE's represent approximately one percent of GDP and 6.9% of total exports.

The Ghana Export Promotion Council has prepared a five year plan to increase non-traditional exports to 15% of total exports by 1995. This implies a 29% annual growth in nominal dollar terms of NTEs between 1990 and 1995. If the rest of the economy grows 5% per year and NTEs grow 29% per year, non-traditional exports will comprise 15% of exports in 1995 and approximately 3% of GDP. While it is doubtful that this rate of growth can be maintained over the next five years, it is not without precedent. NTEs grew at 30% per year between 1987 and 1990. Other economies, notably Korea, have been able to expand exports on a sustainable basis at this rate and higher. Korea's manufactured exports grew 34% per year over the period 1963-1986. Given the improved economic environment for exports, Ghana should be able to expand its NTEs at an impressive rate given adequate support, part of which would come from this project.

2. Food and Agriculture Sector Performance

Agriculture is the economic base for Ghana's economy. Nearly 70 percent of the population is dependent on agriculture and it employs about 60 percent of the labor force. Production from this sector accounted, on average, for 53 percent of GDP over the period 1975-1989. Cereals and root crops make up nearly 62 percent of agricultural GDP and, over the past five years, agricultural products provided 74 percent of the nation's exports.

Performance of the agricultural sector between 1975-1983 was extraordinarily poor. While the output of the sector during this period declined steadily at about 1.0 percent per annum, the decline was reversed in 1984, principally as a result of incentives provided under the ERP. Growth between 1984-1988 averaged 2.0 percent per annum. In 1989 it jumped to 5.9 percent, but declined to 1.7 percent in 1990, due primarily to poor rains. Increases in cocoa and timber production were principal contributors to this recovery.

The agricultural sector in Ghana is going through a difficult process of change and transformation. The focus of agricultural sector policy has always been food self-sufficiency (cocoa is not considered as part of the agricultural sector for policy and investment purposes in Ghana). Thus, the focus was on increasing production of maize, cassava, plantain, rice, sorghum, millet and oil palm. A variation of the import substitution argument was used for the sector with similar results as prevailed in the industrial sector. To the extent there was investment in the sector, resources went into research and extension for food crops. In fact, the marketing and transportation system severely reduced or eliminated any incentives to adopt the technology that was created. To eliminate or modify so called "excess profits" by middlemen, the Government set up a Food Distribution Corporation (FDC) to purchase produce from farmers at the minimum, and for the FDC, the maximum price set each year. The FDC, however, had little or no resources to purchase the produce nor to reach farmers at the village level. The result was a diversion of resources and efforts that would have been better spent improving the feeder road network. While the focus was placed on food crops and self-sufficiency, almost no resources were invested in the export sector to expand the production and export of coffee, pineapple, shrimp, lobster and tuna, to name a few products.

With the economic growth and transformation in recent years Ghana has had to rethink its sector strategy. Consumer demand has increased with the growth in per capita income and increased urbanization. Demand has increased for wheat, wheat flour, rice and meat, especially poultry. Ghana is increasing its imports of food products just as its import demand for raw materials and investment goods is growing. The World Bank projects, a growing food deficit for Ghana over the period 1991-1995. This time rather than focusing strictly on an import substitution model, Ghana is trying to meet the growing import needs by selectively increasing investment in the agriculture sector for food crop production while promoting, where appropriate, increased exports to pay for the food imports. In the case of the former, increasing investment, Ghana is seeking donor support to develop a large scale improvement in the feeder road network, while increasing investment in agriculture research and extension for food and export crops. At the same time, the GOG is seeking to aggressively expand exports, the bulk of which are agriculturally based. The purpose of this Title III activity is to assist the Government in this process by making available Title III agricultural commodities and thus easing the balance of payments impact of growing food imports while using the local currency resources to encourage the GOG to expand their investment in rural infrastructure and export expansion.

B. Country Commitment to Broad-based Sustainable Development

One can evaluate the GOG commitment to broad-based sustainable development and food security in word and deed. The stated GOG development objectives[2] relevant to the Title III Program are:

Provide all Ghanaians with food security by way of adequate and nutritionally balanced diets at affordable prices.

Reduce underemployment by raising labor productivity in agricultural production, marketing, and value added activities.

Increase the production of traditional agricultural exports, diversify into non-traditional exports, and increase the production of import substitutes.

Promote vertical integration between agriculture and manufacturing.

Promote balanced regional development.

As part of the ERP, the GOG demonstrated its resolve to achieve these objectives by: decontrolling the exchange rate; decontrolling a significant number of agricultural prices; revising administered agricultural prices to be closer to world market levels; liberalizing the import policy and tariffs on a wide range of agricultural products; improving the delivery of extension and research services to farmers; and initiating a program to improve rural roads to reduce the cost of transport.

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[2] See Ghana Medium Term Agricultural Development Programme (MTADP): An Agenda for Sustained Agricultural Growth and Development (1991-2000), Ministry of Agriculture, February 9, 1990.

The GOG continues to demonstrate its commitment to food security and equity with plans for additional agricultural policy reforms. The recommended reforms, worked out by the GOG in consultation with the World Bank, include: removing barriers to the entry of the private sector in producing, processing, and marketing of the crops where the GOG holds monopoly control; reduction of export levies on cocoa and coffee; introduction of more liberal trade policy for palm oil; reallocation of resources into targeted agricultural research, extension, and infrastructure; and continued privatization of the Ministry of Agriculture's (MOA) 17 priority state-owned enterprises.

To appreciate the depth of the GOG commitment, one must consider the discord created when the GOG adopted a private sector approach to achieve its development objectives. Many in the GOG were required to reverse their loyalty to the policies of the last two decades. Privileged groups lost income and protection with the removal of market distortions, yet the Government has stayed the course.

C. Other Donor Assistance and Coordination

1. Donor Food Aid Impact on Domestic Economy

The Mission has consulted closely with the World Bank in developing a Title III program. Indeed, the GOG will use almost half of the local currency for the World Bank Feeder Roads Program and the remainder for activities which support the World Bank structural adjustment program. Neither the World Bank, IMF nor the GOG consider the proposed uses of Title III local currency to be disruptive to the local economy.

USAID has also consulted with the World Bank and Canada's International Development Agency (CIDA), the only other wheat donor, concerning potential disruptive impacts of Title III wheat imports on local markets. The donors concur that there will be no significant disincentives, as demonstrated in the disincentives analysis (Annex B), at the proposed program level. No additional consultations on the impact of the Title III Program are necessary.

The Japanese aid program has consistently supplied \$1.5 to \$5.0 million in donated monetized rice, and the Italian Government provided approximately \$600 thousand of rice in 1991. None of the donors believe that the combined amounts of donated monetized rice will disrupt local production.

2. Other Donor Activities

The World Bank has been the foremost supporter of the ERP and has the most programs relevant to the Title III Program and USAID strategic objectives. From 1984 until 1988, the World Bank committed $899 million in program credits for urgently needed imports for key sectors, and sectoral project assistance in agriculture, industry, transport, forestry, energy, water supply, health and education.

Since 1987, the World Bank has provided Ghana with three structural adjustment credits. The GOG will draw on the third (SAC III) over the next three years. SAC III resources encourage private sector investment as a catalyst for sustainable growth.

Other relevant World Bank financed projects include the Rural Finance Project, the National Agricultural Extension and Training Project, and the National Feeder Roads Rehabilitation and Maintenance Project (NFRRMP). The World Bank Rural Finance Project seeks to: restructure and strengthen rural banks, making them more efficient in providing short and medium term credit, especially to small-holders; provide financing for input supplies and profitable agribusiness projects; and enhance local capacity for the appraisal of local credit.

The World Bank is designing a National Agricultural Extension and Training Project to continue and expand its previous assistance under the Agriculture Sector Rehabilitation Project. It will rehabilitate the extension, animal husbandry and fishery departments of the GOG.

Finally, the NFRRMP will be a 10 year project with an estimated $100 million being spent in the initial phase of four years. The NFRRMP will address both institutional development needs of the GOG Department of Feeder Roads (DFR) and an ambitious program of feeder road rehabilitation and maintenance. The program targets for the initial phase include the rehabilitation of 4800 km of high priority feeder roads, regravelling of 2850 km of rehabilitated high priority feeder roads, and spot improvement and culverting of 720 km of additional lower priority feeder roads. Title III local currency, along with donor assistance from DANIDA (Denmark), OPEC-Fund, and Japan will directly support the NFRRMP.

Between 1983 and 1990, Ghana received $1.1 billion in balance of payments support through a series of IMF stand-by and concessionary (structural adjustment facility and enhanced structural adjustment facility) arrangements. Since 1988, however, Ghana's net IMF lending has been negative, and because of its economic progress, Ghana is no longer eligible for the IMF's enhanced structural adjustment facility.

Ghana also receives substantial assistance from the African Development Bank, U.N. agencies, the EEC, and a number of bilaterals other than the U.S. The leading four bilaterals in 1990 were Japan, U.K., Germany and the U.S. Most of this assistance is closely coordinated with the World Bank and none of it duplicates or conflicts with the activities contemplated under a multi-year Title III Program.

III. PROGRAM DESCRIPTION

A. Rationale and Major Problems

The proposed Title III Program addresses Ghana's food security problem. In 1987, Ghana had a deficit of about 138,000 metric tons (mt) of food. The World Bank projects that with a population growth rate of 3.2 percent per annum, this deficit will grow to 498,000 mt by 1995.

To address this problem of a growing food deficit, the GOG has increased agricultural production by eliminating a number of the former policy biases against agriculture. As mentioned earlier, the agricultural sector has responded to the macroeconomic changes of the ERP. It has grown at an average rate of about two percent per annum since the inception of the ERP.

The GOG has identified additional policy changes it must make and project initiatives it must undertake for it to double the average annual growth in the agricultural sector to four percent[3] over the next 10 years, a rate that is admittedly ambitious. The GOG is addressing the constraints to increasing agricultural production to four percent per annum with numerous sources of funding and varying attitudes of priority.

It is important to note, even with the resolution of all these constraints, Ghana will still fall short of meeting its food needs. An agricultural growth rate of four percent will lag behind the growth in food demand from increases in population and per capita incomes. Increased agricultural growth is a necessary condition to achieve food security, but not sufficient.

To complete the journey to food security, Ghana must successfully execute an export promotion strategy that enables it to import food without incurring international debt. For Ghana, future food security and the ability to generate foreign exchange earnings are directly correlated. As noted, imports needed for economic growth are outstripping Ghana's exports. With a growing food gap and a deteriorating balance of trade, Ghana will face a situation where it cannot import food to fill a food deficit for lack of foreign exchange, and where domestic food prices rise so high because of large shortages that many Ghanaians will not have "access to food at all times."

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[3] See Republic of Ghana, <u>Medium Term Agricultural Development Strategy (MTADS) An Agenda for Sustained Growth and Development (1991-2000)</u>, World Bank Report # 8914-GH, June 28, 1991.

It is here that the Title III Program will concentrate its efforts; that is, Title III local currency will be used to address those constraints that preclude Ghana from increasing its exports, especially its NTEs. NTEs are an area of great potential as seen from its recent growth from $1.0 million in 1983 to $62.0 million in 1990. Studies undertaken by the World Bank, the GOG, and the Mission agree that there is substantial room for growth in NTEs, with a NTE target of $250-300 million for 1995 attainable if certain constraints facing NTE expansion are addressed.

The GOG has identified agriculture, manufacturing and handicrafts as the three priority areas for NTE promotion. Within these areas, the GOG has limited the focus to specific products. Based on a series of A.I.D. studies, the general key constraints to expanding exports have been identified as follows; finance, marketing, infrastructure, and technical support. Naturally, the relative importance of these constraints to increased exports of individual products vary somewhat from commodity to commodity.

1. Finance

In a survey of constraints, exporters have cited access to credit as the most binding constraint on their businesses. Credit to exporters has been particularly low. Less than three percent of all bank credit is available to NTEs. The available credit goes to importers or traditional exporters.

There are several reasons for the problem of credit access. Many new and small firms are involved in the NTE expansion. They have limited credit histories, and are seeking loans for export production and marketing, and occasionally ship on open-account rather than letters of credit. Banks are unfamiliar with this market and perceive it as high risk. The perceptions are reinforced by unsophisticated banking personnel who are not familiar with the intricacies of export financing.

The low investment in export oriented enterprises is also a finance problem. Increased export activity requires investment as well as credit. Private foreign and domestic investment has not grown in the past because of negative real interest rates, high taxation of equity, overly restrictive and cumbersome regulations on investing, and difficult access to credit.

Ghana has made a concerted effort to improve the investment climate recently. It has overhauled the tax code and controlled the money supply to a point where interest rates are no longer negative and inflation is falling dramatically. Nevertheless, foreign investment in areas other than gold mining has been negligible. If exporters are to raise capital, more fine tuning of the investment climate is necessary.

2. Marketing

In the constraints survey, Ghanaian exporters also indicated that lack of knowledge is a significant constraint to the expansion of exports. Ghanaian entrepreneurs do not have extensive experience in exporting. This means that few have knowledge of what the world market is for their products, and how to penetrate that market.

The lack of knowledge also applies to international product standards. They are generally higher than those found in local markets. Domestic competition, to the extent it has existed, tended to focus on price not quality, with the result that product quality has often been mediocre at best. In high-income export markets, quality is usually at least as important as price. In export markets, buyers are looking for high and constant quality merchandise delivered in significant quantities at regular intervals.

Meeting the standards depends on access to quality raw materials, intermediate goods, and new technology. Increasingly, to produce an internationally competitive product one needs "free" access to imported items which will be processed and re-exported, and access to technology. Ghana has a system of duty drawbacks that is supposed to meet exporters needs, but it is complicated and administratively time consuming. Ghana's requirements for registration and licensing of technology precludes many foreign firms from offering their technology to Ghana's private sector.

To market internationally requires expanded market analysis and diffusion of information about prices and standards either through technical assistance, joint ventures or stand alone foreign investment.

3. Infrastructure

Poor infrastructure was also identified by exporters as a significant constraint that inhibits the growth of exports. As NTEs increase, the demand put on Ghana's weak infrastructure becomes more serious and will constrain future NTE growth if left unresolved. Problems are especially acute in the feeder road network. An analysis of NTE potential in agriculture, manufacturing, and handicrafts identified a number of areas where producers cannot significantly increase their exports without improved feeder roads and other export-related infrastructure.

For example, produce and seafood exports are limited by the lack of refrigerated warehousing at the airport and at the ports, all exports are constrained by inadequate port handling facilities, and many small-scale agroprocessing facilities are confined to manual processing without electricity. It is important for the GOG to stay ahead of exporter infrastructure requirements;

a failure by Government to provide needed facilities, or blocking the private sector from doing so, results in lost orders and a bad reputation for Ghanaian exporters.

4. Technical Support

The growth of NTEs, and exports in general, will require redirecting institutional resources and streamlining ministries' roles. Currently, five GOG institutions control various aspects of the export sector: Ghana Export Promotion Council, Ghana Investments Center, Customs, Excise and Preventive Services, Bank of Ghana, Ministry of Trade and Tourism. To operate, exporters must have the approval of all these agencies.

In addition, private sector exporters face technical problems in management, operations, financial accounting and control, and production and marketing. The larger firms have resources to pay for advice from international accounting and consulting firms, and to bring in technical advisors. The medium and small scale producers are either dependent on technical assistance from donor funded activities, trade associations, or GEPC.

B. Integration/Coordination

The Title III Program strategy is to address certain constraints within each of these categories with policy reform and local currency funding. Title III policy reforms will encourage the GOG to solicit, evaluate, and fund export-oriented infrastructure activities that reduce the cost of getting exports to market. This will include rural feeder roads and other transport and communication infrastructure. Other policy changes will reorganize the Ghana Export Promotion Council (GEPC) to allow it to expand its activities in promoting exports. GEPC will be especially instrumental in assisting exporters with marketing and standards.

Title III local currency grants to NGOs will allow these NGOs to work with existing and potential micro and small scale exporters to increase exporter access to credit, capital, and technical assistance necessary to make export products more competitive in price and quality. Local currency will also create the capability in Ghana to conduct independent trade and macroeconomic policy analyses that support a continued economic liberalization program that will ensure that the costs and benefits of such policies are clearly evident to the nation's policy makers.

With international donor support, the GOG has embarked on an ambitious and comprehensive agricultural development program to raise production for food security. The proposed Title III Program assistance for NTE works to achieve the same food security objective in an area that does not have consistent donor assistance. Only six donors have export specific projects, and these are extremely limited in scope and geographic location.

The Title III Program is one of three Mission activities that address the priority constraints to NTE development. These three programs together provide an integrated program approach that will allow the Mission to accomplish its first strategic objective: increasing private sector-led export growth.

The Mission's goal is to assist Ghana in achieving broad-based, sustainable, market-oriented economic growth. This is the same goal for the Title III Program. One of the Mission's three strategic objectives for goal achievement is to increase private sector-led export growth.

As demonstrated in this proposal, the use of the local currency from Title III wheat and rice does not just support the CPSP strategic objective of increasing private sector-led growth, it is one of the primary components of it. The Title III Program is one of three activities designed to increase and diversify Ghana's foreign exchange earnings by encouraging and supporting Ghana's private sector exporters. The other two Mission activities supporting NTEs are the Trade and Investment Program (TIP) and Human Resource Development Assistance Project (HRDA).

The TIP, which is scheduled to begin in FY 92 also, will provide funding to alleviate the constraints to finance and investment for the private sector and provide focused specialized production and marketing technical assistance to individual private sector export firms. In addition, TIP resources will be used to reform and streamline the present non-functional duty drawback system. The HRDA will provide training, primarily for the private sector, to help establish Ghana as an effective competitor in regional and international markets. It will enhance the ability of Ghanaian firms to compete more effectively in the domestic, regional, and world markets. One example of the compatibility of the Mission's program is seen where one of the beneficiaries of HRDA assistance, Women's World Banking Ghana (WWBG), will use HRDA developed training programs to train exporters and/or potential exporters under the Title III local currency program.

The proposed Title III Program is also consistent with three of the four strategic objectives of the Development Fund for Africa (DFA). Title III conditions will increase the GOG's capacity to promote private sector exports by providing key infrastructure and support services (DFA Strategic Objective One). The Title III Program will initiate a plan to eliminate state monopoly control of the wheat and flour market (DFA Strategic Objective Two). Finally, the purpose of the Title III Program is food security (DFA Strategic Objective Four).

C. Program Purpose and End of Program Status

The purpose of the Program is to enhance food security by increasing and diversifying foreign exchange earnings. Since Ghana will not be able to meet its food needs through production alone, it will require foreign exchange to pay for imports.

The local currency generated under the Program will be used for broad budget support programs that, as the end of program indicators demonstrate, promote, increase, and diversify exports. While the Title III Program will not limit itself to agricultural exports, the dominance of agriculture in the economy is such that any trade strategy will have to first concentrate on agricultural exports and agroprocessing. By the end of the Program, it is expected that:

NTEs will have been raised to $___[4] million by 1995;

Ghana's agricultural crops in the feeder road development areas will have become competitive with internationally produced commodities, as measured by a __[5] percent decline by 1995 in the domestic resource costs at the wholesale level for major crops in affected areas;

The Ghana Export Promotion Council (GEPC) will develop and implement a strategic plan aimed at meeting the needs of private sector exporters;

Value of exports produced by NGO assisted micro and small scale exporters increases by $___[5] M by 1994.

Annual private sector investment in non-traditional exports will have reached $___[5] million by 1995;

The GOG will have funded $___[4] million in export related infrastructure as part of its Public Investment Program (PIP).

Ghana will have an independent Trade and Economic Policy Institute recognized by peer review for its quality of research on trade and economic policy.

D. Policy Reforms and Local Currency Programming

The GOG will use local currency generations from the Title III Program to support, through the GOG budget: infrastructure,

[4] Value to be determined after analyses of GOG data.

[5] Amounts to be determined after baseline study is completed.

policy and institutional reform, and private sector export development.

1. Infrastructure

Because of the importance of exports to Ghana's development needs, local currency will support the introduction of export considerations into the GOG's selection process for public infrastructure funding. The allocation of public expenditures has followed historical trends rather than current development priorities.

a. Rural Feeder Roads

One of the highest priority constraints to increased agricultural exports is the state of Ghana's roads. Ambitious plans to promote exports such as pineapple, vegetables, yams, cashews, black pepper, and mushrooms will not succeed at any significant level if Ghana's roads are not rehabilitated.

The World Bank analyzed the domestic resource cost (DRC), the cost of producing a unit of output in terms of domestic resources foregone, for most of the commodities currently cultivated in Ghana. The DRC for those crops grown using traditional methods increases markedly between the farm and wholesale market because of the high cost of transport and storage. For instance, the DRC more than doubles for traditionally grown maize, cocoyam, and plantain, and even tomatoes grown with improved plant material.

In many rural areas, 70 percent of the marketing costs are directly attributable to the poor state of the feeder road network. The most recent road condition data indicate that only one third of the network is in good or fair condition (6,900 km), while two thirds (14,100 km) is in poor or very poor condition. This has led to frequent disruptions of goods and passenger transport in most rural areas of Ghana, with scores of farm areas losing access to markets.

Clearly, the GOG cannot introduce and promote export crops if the road network burdens their competitiveness with this type of a handicap. The introduction of feeder roads in areas that can contribute to exports or import substitution will lower transport and storage costs, as well as increase yields from greater farmer access to improved technology. This will result in imports becoming less attractive and exports more competitive.

The Department of Feeder Roads (DFR) is responsible for feeder road planning, construction, and maintenance. It is the counterpart for the World Bank funded NFRRMP. In addition to providing $20.0 million for rehabilitation, the Title III Program will require that the DFR introduce an export focus into the selection of a portion of the feeder roads developed under NFRRMP.

The DFR selects roads for rehabilitation, repair and spot improvements at two organizational levels. At the regional level, the DFR selects areas for feeder roads based on agricultural production. At the district level, the DFR makes its selection of feeder roads based on agricultural production, transport costs, population density, and accessibility. As a condition to continued local currency funding, the DFR will demonstrate that it has annually selected at least 480 kilometers of feeder roads in NFRRMP using export potential as one of the criterion.

Improving a road to an export designated area is counterproductive if the road is not maintained. In the past, maintenance has not been adequate and newly rehabilitated roads have often deteriorated rapidly. Over the past three years, the DFR initiated a program to provide local communities with basic tools and encourage individuals within the communities to contribute their time for road maintenance without compensation.

While this approach has proven partially successful, the DFR realizes that it alone is not sufficient. The DFR needs additional funding for this activity. The GOG will initiate studies this year which will review alternatives such as revenue sharing, fiscal decentralization, and property tax assessments. As part of a the Title III Program the GOG will analyze the alternative financing arrangements it has studied and adopt a plan and fund a budget that provides a sustainable rural feeder road maintenance program.

The FY 91 Title III Program approved an allocation of $5 million of budget support to the DFR for the World Bank sponsored NFRRMP. Based on the introduction of an export focus in road selection and the development and implementation of a maintenance plan, the multi-year FY 92 Title III Program will provide an additional $15 million in local currency as non-project type assistance to the DFR.

The World Bank has prepared a Staff Appraisal Report, which provides the detailed costs and analyses of social, economic, and environmental impacts for NFRRMP.[6] USAID/Accra participated in the design of NFRRMP and based the reasonableness of the local currency co-financing on selected outputs of the World Bank Project.

b. Other Infrastructure

[6] A copy of the Staff Appraisal Report is provided in a bulk annex at USAID/Accra and AID/Washington for review.

Rural feeder roads are not the only infrastructure deterring private sector exports. Additional needs include such items as warehouses, cold storage, improved port handling facilities, water transport, communication installations, and expanded electrification.

The World Bank is working with the GOG to improve planning and budgeting for infrastructure projects. Investment in physical infrastructure accounts for 62 percent of the Ghana's PIP. The capacity of the GOG to prepare a rolling three year PIP has improved since the structural adjustment program. The IMF and the World Bank, with co-financing from the United Kingdom, are providing technical assistance for improvements in implementing the PIP.

What is missing is a sufficient funding for critical infrastructure needs of exporters. During the past few years as NTEs have expanded, a number of infrastructure problems have begun to emerge. Some of these are very large and some are quite small. The GOG's approach to dealing with these has been piecemeal; some of the major problems of road transport and telecommunications have received considerable attention, but the minor problems have drawn less. To ensure that these smaller export infrastructure needs are addressed, the Title III Program will provide approximately $6.5 million for budget support to the GEPC PIP infrastructure.

2. Policy and Institutional Framework

a. Ghana Export Promotion Council (GEPC)

Marketing and upgrading production standards to international levels are key constraints to the promotion of Ghana's exports. Recognizing this, the GOG established the GEPC to promote and develop exports in any manner that GEPC considered necessary. The GOG assigned the GEPC 14 functional areas. The mandate is fairly broad.

The GEPC has performed its duties admirably despite having to operate under difficult conditions. Over the past three years it has assessed the principle constraints to increasing NTEs and has attempted to address a number of the most pressing. Examples of its achievements are many: it assisted with the acquisition of land for upwards of 10 horticultural exporters; provided technical assistance in management and production techniques to vegetable and pineapple farmers; assisted in forming the Export Finance Company as a vehicle to increase the availability of export credit finance; assisted with a feasibility study of large scale shrimp farming investment in the eastern part of the country; provided assistance to improve the technical skills of four furniture manufacturers; organized handcraft producers into local cooperatives and undertook a skills development program for them; and initiated a range of market services - marketing tours and sales/trade missions for a variety of products, a study of problems related to market penetration into European markets, and organizing a number of product exhibitions. These efforts represent a start, though much is yet to be done; they contributed to the increase in NTEs from $27.9 million in 1987 to $62.3 million in 1990.

GEPC has recently designed a well rounded program for NTE development for 1991 to 1995. It has identified products with export potential and proposed programs to support their production and export marketing. As NTEs increase the likely course of GEPC will be to continue with product identification and development, but at the same time to increasingly look to others to assist in providing managerial and technical support to individual exporters.[7] A central role for GEPC would be to focus on the wide range of marketing issues, e.g., providing market information, determining what markets exist for what commodities, developing strategies and methods to assist in market penetration. To carry out a program of this sort requires a considerable increase in funding over past levels for GEPC.

Given present tight budgeting constraints facing the GOG, Title III resources will be utilized to provide $6.0 million over the period 92-95. While this increase in budgetary resources to GEPC will provide an impetus to increasing Ghana's NTEs, it is obviously not a long term solution to GEPC's budgetary needs. A longer term solution being raised by the GOG itself is the establishment of GEPC as an autonomous independent organization with independent revenue sources. The revenue sources to support an independent organization could come from either a small import tax for core funding plus fees for certain services or the income from an endowment fund plus fees for services. The import tax would be quite small as the GEPC budget is not large, estimated to average four million dollars per year. However, both the GOG and the IMF have raised questions about the appropriation of an earmarked tax for a particular organization. They are concerned that it may set a precedent that other organizations may want to follow. In the case of an endowment, the question to raise is where would the funds for an endowment come from (one possible source would be Title III resources). The Mission believes that it is premature to decide on either option at this moment. The Mission and the GOG believe that first GEPC should develop a strategic plan that would identify those export development or promotion functions that are best left to GEPC and those that the

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[7] An example of such assistance is that which will be provided by Technoserve, Womens World Banking and Aid to Artisans under this program.

private sector should assume. The strategic plan would examine GEPC's function and propose for the GEPC the legal status, organizational form and funding necessary for GEPC to undertake a comprehensive NTE promotion and development effort.

The strategic plan must justify GEPC's budget of time and money between the different and important functions of production, transportation, marketing, and areas of promotion. With the objective of maximizing exports, the GEPC must plan its allocation of resources on the impact the resources will have on exports. The imposition of the allocation that brings best results is not always easy in an environment where most of the funding comes from donors who have their own views on what is important. GEPC must come to a clear view in the strategic plan as to the places it wishes to put its resources and then deal with donor funds only when these are consistent with the strategic analysis. The strategic plan will include an organizational analysis assessing the functions and appropriateness of the various departments, staff needs, the role and composition of the Board of Directors, the need for regional offices inside Ghana, and the need for international offices. It will also propose a reasonable and sustainable source of funding for the GEPC which may tie funding allocations to performance.

The strategic plan will also recommend a time phased action plan for GEPC to utilize in making the transition from its present structure to its new status recommended by the plan. The Mission believes that this transition will require 2-3 years and, in the interim, Title III resources will be utilized by GEPC to maintain the momentum of implementation of its export promotion program. Title III resources could also be utilized to facilitate the transformation of GEPC as determined by the strategic plan.

In addition to assisting the activities of the GEPC, limited funds programmed for GEPC assistance could be provided to the Ghana Standards Board and the Policy Analysis Unit of the Ministry of Trade and Tourism (MOTT) to address relevant export related constraints. The Standards Board is charged with ensuring quality and standardization of products for export. It is responsible for, among other tasks, developing standards for exportable products and providing information to exporters on standards, codes, and regulations relevant to the importing country/region. The Policy Analysis Unit of the MOTT is potentially a key actor in the development of export policy for Ghana.

The Title III Program will provide $6.0 million in non-project type assistance to the GEPC as budget support to implement the agreed upon strategic plan and potentially to assist the Ghana Standards Board and the Policy Analysis Unit at the MOTT.

b. Trade and Economic Policy Institute

Within a year, Ghana will reinstate a democratically elected civilian government. While the current government is committed to a market driven economy, it will leave continuation of the reform movement up to the next administration. A small group of GOG officials and international donors have made all the economic reforms to date without independent analysis and public debate. The new government will most likely need to involve considerably more individuals in determining economic policy and require analysis that it can expose to public scrutiny.

One problem envisioned for Ghana is that the economic reforms to be put up for national debate by the democratically elected government will not receive adequate independent analytical consideration. Ghana is short on independent, in-depth analysis of economic reforms and their impacts. This is especially true for trade and export.

The void of Ghanaian economists doing analytical research is attributed in part to the low wages paid to university economists. Because of low wages, economic professors have to maintain secondary employment, often in unrelated fields. The leading economists do not have the time and money to dedicate themselves to research and analysis.

An independent institute with full time analysts will have the time and resources to extract economic data from the GOG for public use. It will have the capability to quantify benefits and identify the beneficiaries of policy reform. It will provide policy makers with independent analysis that will supplement political debates. While Ghana has a few economic and business institutes, none have the financial base to employ the staff needed to do the type of analysis required. Moreover, they are either affiliated with the GOG or not prepared to provide the independent analysis needed for sound policy making.

Title III local currency will therefore be used to help ensure that adequate analytical research capability is available for analysis of policy reforms. The GOG and Mission will approach other donors and parties to cooperate in establishing an independent trade and economic policy institute. The World Bank, CIDA and the African Capacity Building Fund are but three candidates interested in professional economic capacity strengthening in Africa. A team composed of staff and consultants of USAID, the GOG and other interested donors will explore the possibility of endowing a new or one of the existing institutes, although the institute must be independent of Ghanaian political parties and the GOG. The Mission, utilizing PD&S funds, will work with the GOG and other interested donors to determine the legal, administrative and financial requirements for the Institute.

Local currency from this Title III agreement will be utilized to create an endowment of $5.0 million to the Trade and

Economic Policy Institute. The interest income from the endowment should generate income of from $150,000 to $500,000 per year, assuming real interest rates of 3-10% per year (at present, real interest rates in Ghana are 10-12%). The percent of the Institute's expenses this income generation would cover will depend upon the number of staff at the Institute, their salaries and research budgets. The expectation is that the Institute would maintain a staff of 5-10 professional Ghanaian economists and would pay salary levels sufficient to attract and retain excellent Ghanaian staff. The Institute is expected over a 3-5 year period to generate sufficient income from its research program to pay for 50-70% of the operating expenses of the Institute with the balance coming from the endowment income. The Institute is to be independent from the Government but it is expected that the staff of the Institute will through their research efforts provide valuable policy advice on critical macroeconomic, trade, monetary and sectoral economic policy issues.

Success of the institute will be measured by its ability to define issues, identify relevant trade-offs of policy alternatives, and advise the public of the expected consequences of proposed programs. The objective is to improve the policy-making process, not produce academic studies. The institutes' analysts will begin by conducting research funded from the endowment. The design team, the GOG, the private sector, and a international board of directors will assist in setting a topical agenda, which will need to be reviewed and revised periodically.

3. NGO Export Extension and Support Services

Even with adequate infrastructure and government export services, private sector exporters face problems with financing operations, financial accounting and control, and production and marketing. The largest firms have resources to obtain formal credit and pay for advice from the international accounting and consulting firms. The small scale producers are either dependent on an informal credit system and technical assistance from donor funded NGOs, or they generally do without.

GEPC has began to identify and work with a limited number of NGOs which exhibit substantial potential. The Title III program will provide resources to carry this process forward. It will utilize NGO services to address the technical assistance and financing needs of small scale producers interested in exporting and to increase the ability of indigenous NGOs and cooperatives to assist more producers.[8] The local currency will support exporters

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[8] The TIP program provides programs to facilitate the flow of funds for investment and working capital to the export sector as well. These programs will benefit the medium to small scale firms.

through several primary NOGs, three of which have already been identified: Technoserve, Women's World Banking (WWB) and Aid to Artisans Ghana. It is anticipated that one or more other NGOs will be identified by the Technical Committee for funding (see discussion of local currency programming in Section IV.A.). As is stressed in the Financial Plan below, the budgets for NGO support given in Annex H are illustrative. Actual budget levels will be agreed upon by the GOG and USAID through the local currency programming process. The primary NGOs which do receive funding will work closely with GEPC in its efforts to further the export promotion strategy through support to micro and small scale enterprises.

Assistance to such enterprises is important to an export promotion strategy for several reasons. First, the goal of the GOG, Mission, and the Title III Program is broad-based sustainable growth. Using Title III local currency funds to assist small scale exporters is consistent with this goal and will result in the greatest income, productivity, and employment gains for low income Ghanaians. An increase of unwarranted concentration of exports into selected firms will waste resources, will reduce labor absorption, and will not be broad-based, especially in a nation where small scale farmers and manufacturers dominate the economy.

Second, small scale enterprises are more adept at combining scarce capital and abundant labor to produce and market many specialty products and certain items for intra-regional markets. For other products, small scale enterprises compete efficiently with larger exporters, or provide services and inputs for them. Initial experience with specialty items has proven small scale enterprises to be the best at producing art and handicrafts, and growing cashews, horticulture, and spices. In some endeavors, such as the growing of pineapples, small scale farmers have shown themselves to be competitive with plantation operations.

a. TechnoServe

The Title III Program will provide local currency to TechnoServe for assistance to private voluntary organizations (PVOs) and NGOs working with micro and small scale Ghanaian exporters.[9] NGOs, such as cooperatives and business associations,

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[9] A precise definition of micro and small scale enterprise is difficult and is partly a function of the economy in question. Micro enterprise has been characterized as businesses owned and operated by the poorest 20% of the population. Small scale enterprises have been identified as those managed by the poorest 50% of the population. Alternatively, one could use numbers of persons employed by enterprise or revenue generated. For our

and PVOs will submit requests to Technoserve for technical assistance and training for small scale exporters in management, operations, financial accounting and control, and production and marketing, as well as in preparing bankable proposals which can be submitted to local financial institutions for funding. The selection criteria will obviously require the proposals to have an export focus, and will take into consideration the potential for the organizations to become viable economic enterprises.

TechnoServe will conduct workshops for NGOs and PVOs to advise them of the availability and types of assistance. Once the assistance is approved, TechnoServe will provide technical assistance and training as needed. The Title III program will provide $900,000 to carry out the three year activity. Expected beneficiaries over this period are upwards of 1,800. At a minimum, TechnoServe will review on a quarterly basis the progress of the various organizations it is assisting and submit semi-annual implementation reports to USAID.

TechnoServe will be responsible for assuring that all activities are environmentally sound. TechnoServe staff will be aware of A.I.D. environmental procedures which are part of the Federal Regulations (22 CFR Part 216) and will not fund any organization that would result in AID having to make a negative threshold determination. TechnoServe will prepare a brief (one page) environmental statement for each activity describing the environmental impact (negative or otherwise) and appropriate mitigation measures. TechnoServe will maintain a copy of the determination on file in its Accra office for inspection.

b. Women's World Banking Ghana (WWBG)

Since 1988, WWBG has helped to provide women with credit and training through three programs: a loan guarantee fund, a development fund that loans to groups for specific projects, and a savings and credit project through susu groups.[10] Title III local currency funds will assist WWBG orient part of its activities towards exports.

WWBG's Development Fund helps provide credit through the Agricultural Development Bank (ADB) to small businesswomen, or women's groups, who operate on such a small scale that commercial

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guideline.

[10] Susu is an indigenous and informal form of savings mobilization operated in markets by male collectors for men and women. WWBG's Susu Project gives market women a safe place for savings, eliminates money lenders with high interest rates, and draws the women into the formal sector.

banks would not normally consider them. ADB lends to the recipients as long as WWBG maintains a 75 percent guarantee at ADB. This guarantee program has worked so well that the guarantee is fully utilized. The default rate is minimal as WWBG provides technical assistance and training to the loan recipients during the normal six month loan.

Under the Title III Program, WWBG will continue the guaranty program with the ADB for export related loans. WWBG will receive $750,000 in local currency of which $555,000 will be used as collateral in loan guaranty arrangements with commercial lenders for loans to small scale exporters, and $195,000 will support WWBG's operations and training programs for exporters. The credit guaranty program will benefit approximately 700 beneficiaries during the life of the program, while some 300 participants are expected to be trained. Obviously the number of beneficiaries will continue to grow after the Title III Program is ended.

WWBG will also assure that its guarantee is used for activities that are environmentally sound. As with TechnoServe, WWBG will be aware of AID environmental procedures and will prepare a brief (one page) environmental statement prior to approving use of local currency guarantee for a loan, confirming that it has not found the loan to be environmentally detrimental. It too will maintain a copy of its determination on file for inspection.

Pursuant to A.I.D. policy to coordinate with Peace Corps, the Mission will encourage Peace Corps Volunteers to promote the use of TechnoServe assistance and WWBG training and credit guarantee facility in their programs when appropriate. WWBG and TechnoServe currently have Peace Corps Volunteers, one each, assisting in their Accra offices.

c. Aid to Artisans (ATA)

As part of the effort to increase rural based exports, USAID/Ghana over the past year has worked with U.S. and Ghanaian NGOs, Aid to Artisans, U.S. (ATA) and Aid to Artisans, Ghana (ATAG) to determine the potential for expanding Ghanaian artisanal exports and the constraints to doing so. The Mission funded a pilot production and export exercise which revealed that Ghanaian artisan exports were viable and identified the problems to be addressed. The result of this exercise were exports of $30,000 to New York. In terms of specific problems facing exporters, two principle and inter-related problems have been identified: the timely fulfillment of orders which in turn is caused by lack of production capacity.

Resulting from the pilot exercise ATA and ATAG have developed a $1.4 million grant proposal divided 38%-62% between local currency and foreign exchange costs. The funds to meet the local currency costs of the proposal, $532.0 thousand, would be financed from this agreement while the balance of $868.0 thousand would be funded under the upcoming USAID/Ghana Trade and Investment Program (TIP). The objective of this national program will be to increase Ghanaian artisanal exports from the present level of $545.0 thousand in 1990 to $3.0 million per year by 1995. The Title III funds will be used to help cover the expansion costs of the ATAG office and staff as well as the in-country costs for a raw materials bank for artisans and the in-country costs of workshops and seminars. ATA will provide short-term TA in the design, product development and marketing area. ATA will be directly responsible for introducing Ghanaian products developed through the project to the U.S. market. To accomplish this, ATA will participate in five trade shows a year. In addition, every year ATA will sponsor a U.S. importer to come to Ghana with the interest of meeting producers and placing orders. ATA will also identify and develop contacts for the marketing/sale of Ghanaian crafts in Europe in collaboration with European embassy personnel in Accra, and through participation in the U.S. international trade shows.

This activity, in addition to increasing artisan exports by $2.5 million per year by 1995, is also expected to provide employment directly to 525 artisans throughout the country.

The GOG will make grants, in consultation with USAID, to Technoserve, WWBG, ATAG and other primary NGOs selected for funding with local currency. A joint allocation of Title III local currency grants by the Mission and the GOG to the NGOs and the trade and economic policy institute is consistent with the A.I.D. regulations for grants to Private Voluntary Organizations (PVO) for umbrella programs and institutional development/strengthening as described in A.I.D. Handbook 13, Chapter 2 2B.2.e. Furthermore, two Mission funded studies have identified TechnoServe, WWBG and Aid to Artisans as leading NGOs with sufficient financial and monitoring capability to manage local currency grants.

IV. IMPLEMENTATION ARRANGEMENTS

A. Commodity Allocation, Sale Procedures and Pricing

Under this program, A.I.D. will provide $40.4 million for wheat, rice, and shipping over a three year period: $10.8 million in FY 1992, $13.4 million in FY 1993, and $16.2 million in FY 1994. At current prices this will amount to a total of approximately 37,000 mt of wheat and 75,000 mt of rice. Shipping will cost approximately $9.0 million.

1. Wheat

Wheat shipped under the PL 480 Title III program will be consigned to the MFEP. Although the consignee is the MFEP, the agency responsible for the allocation and pricing of wheat will be the GNPA at least during the first two years of the program. By the third year, the recommendations from studies on the present wheat marketing system may result in changes in the system.[11]

GNPA will be responsible for planning the call forwards of the commodity with other commercial purchases and grant aid to assure an orderly flow through the ports and the distribution system. The wheat will be sold by GNPA to the four flour mills in Ghana. The involvement of the GNPA, a state-owned-enterprise, does not fulfill an A.I.D. objective of using the private sector in all aspects of commodity handling; this issue is discussed below in Market Analysis.

When the wheat arrives in Ghana it is unloaded directly into the miller's storage units. Because of the July, 1991 deregulation, the GOG no longer allocates flour to the regions. While parastatal distributors still exist, they compete openly with the private sector for flour. A large number of private bakers are now buying directly from the mills, and wholesalers seem to be mushrooming.

The price paid by GNPA for the wheat will be equal to that of the most recent sales of commercially purchased wheat by the GNPA to the mills or the FAS value of the commodity, whichever is higher, less acceptable port, handling, and other administrative costs incurred by the GNPA and agreed to by USAID. The exchange rate will be the GOG foreign exchange auction rate in effect on the date the commodities arrive in Ghana.

Local currencies generated by the sales will be paid by GNPA into a special account managed by the MFEP. Proposed programming of these currencies will be carried out by a technical committee for identified budget support purposes (see Sections D and E below). Upon approval of the programming by the MFEP and USAID, the local currencies will be transferred into special accounts of the agencies for which they have been budgeted. Payment of local currencies into the MFEP special account will be made by GNPA within 90 days from the time the wheat is discharged into the silos of the beneficiary mills.

2. Rice

The rice imports will involve the private sector in all aspects of commodity handling (purchase, storage, and handling). Because the rice market is functioning well in Ghana, the Title III Program will auction the donated rice, thus maximizing revenues and strengthening free market mechanisms.

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[11] The policy studies are discussed in Section IV, B. pages 28-29 and V.C pages 37 and 38.

As presently envisioned, the GOG will form an auction committee composed of representatives of the Ministry of Finance and Economic Planning, Ministry of Trade and Tourism, and Ministry of Agriculture. A USAID representative will serve as an advisor to the committee. The Committee will oversee the drafting of the terms of the auction, the announcing of the auction, and the opening and awarding of the bids.

Terms of the auction will be as follows:

The quantity and quality of rice available will be published within 30 days before its arrival. A sample will be available at a designated location for inspection.

Prospective buyers will be asked to bid on lots of 500 mt. Each bidder will submit his/her offer in terms of number of lots and the total price. Along with his/her bid the buyer will be asked to submit articles of incorporation or his/her business registration number and a bank guarantee covering the amount of the bid.

On receipt, bids will be numbered on the exterior of the envelope and posted by highest bid per lot. The lowest bid that exhausts the supply will be identified and all bidders above that level will be offered their bid commodities at that price.

Successful bidders will be required to deposit 15% of their total obligation immediately and pay the balance in equal monthly installments within 90 days after the vessel leaves the harbor. On deposit of their 15%, bidders will be given suitable documents allowing them to take delivery from the port at the time the vessel arrives and discharges the consignment. All payments will be made into the special account managed by the MFEP for payments of local currency generated under this program, and will be programmed in the same manner as are the proceeds from wheat sales discussed above.

B. Conditionality, Disbursements, Negotiating Status

1. Conditions Precedent to Call Forwards

Based on the Marketing Analysis, (Section V.C. and ANNEX G), the Title III Program will contain two conditions for ordering wheat.

Prior to the issuance of a Call Forward or the issuance by A.I.D. of documentation pursuant to which a commodity shipment will be made after December 31, 1992, the GOG will except as the Parties may otherwise agree in writing:

Furnish to A.I.D. in form and substance satisfactory to A.I.D.: a study that analyzes and presents alternative methods of deregulating the Ghana wheat market in such a way that the Ghana wheat and flour market will not be distorted.

Prior to the issuance of a Call Forward or the issuance by A.I.D. of documentation pursuant to which a commodity shipment will be made after December 31, 1993, the GOG will except as the Parties may otherwise agree in writing:

Furnish to A.I.D. in form and substance satisfactory to A.I.D.: evidence that the GOG has adopted policies suggested by the study that deregulate the wheat market in such a way as to remove to the extent possible any distortions in the Ghana wheat and flour market.

2. Conditions to Local Currency Disbursement

The conditions for Infrastructure and Policy and Institutional Framework are:

Prior to first disbursements for feeder roads or priority export related infrastructure, the GOG will furnish: a scope of work for a study to develop a long-term plan to finance a national feeder road maintenance program; and a plan and budget in the GEPC public Investment Program (PIP) for export related infrastructure, a portion of which could be financed by the Title III program as budget support.

Prior to disbursements in excess of five million dollars ($5,000,000) for feeder roads, the GOG will furnish to AID: a plan, including sources of funding, for long-term feeder road maintenance and a budget for its first three years; and a report indicating that at least 480 kilometers of feeder roads under the NFRRMP were rehabilitated because they were important for increasing non-traditional exports.

Prior to disbursements in excess of two million dollars ($2,000,000) for priority export related infrastructure the GOG will furnish to AID: a report that investment in export related infrastructure funded in the GEPC PIP under the first disbursement was made and a plan and budget in the GEPC PIP for subsequent investment in such infrastructure.

Prior to disbursements in excess of ten million dollars ($10,000,000) for feeder roads, the GOG will furnish to AID: evidence that the planned level of feeder road maintenance was carried out during the previous year and a report that at least 960 kilometers of feeder roads important for increasing exports were rehabilitated.

Prior to disbursement in excess of four million dollars (4,000,000) for priority export related infrastructure the GOG will furnish to AID: a report that investment in export related infrastructure funded in the GEPC PIP under the second disbursement was made and a plan and budget in the GEPC PIP for subsequent investment in such infrastructure.

Prior to first disbursement of local currency under the Title III Program for program support under the Policy and Infrastructure Framework component for the GEPC, the GOG will develop a strategic plan which clarifies the role of the GEPC in relation to private sector exporters and their needs to increasing NTEs, and which provides the GEPC with the budget necessary to carry out its NTE plan.

3. Negotiating Status

This multi-year Title III Program is a follow-on to a single year Title III Program signed in FY 91. Both Programs were designed with the advice and recommendations of a wide variety of Ghanaians. Because of the involvement of counterparts in the design of the Program, USAID/Accra expects no problems in negotiating a Title III Program agreement.

C. Monitoring, Evaluation and Audit

A detailed monitoring and evaluation plan appears in ANNEX K. The plan calls for monitoring performance and purpose (result) indicators related to the local-currency funded project activities. USAID, together with the GOG, will be responsible for monitoring activities. Baseline surveys and analyses and special evaluations will be conducted over the life of the program and beyond to assess achievement of program objectives. While the Title III Program is only a three year program, evaluations will be conducted in the fourth year since disbursement and use of local currency will continue into the fourth year after the start of the program.

The monitoring and evaluation plan follows the program logical framework. Baseline studies and analyses will be conducted within the first three months of the CY 1992 to allow reference points for future comparisons. ANNEX K presents the baseline surveys that will be required. Other special studies and evaluations are also presented in ANNEX K.

A final program evaluation will be conducted in Year 4 to assess achievements of the program purpose, identify other related accomplishments, determine lessons learned from program implementation, and provide recommendations for continuation of USAID's support for food security and export activities.

In addition to the monitoring and evaluation of performance and purpose level indicators, qualified accounting firm(s) will conduct annual local currency audits each year until all the local currencies have been disbursed. Furthermore, the

GOG and the NGOs will cooperate and comply with any audits and audit requirements of A.I.D. and or the Auditor General or his designee.

D. Program Planning and Management

The Secretary (or a Deputy) of MFEP will have overall GOG responsibility for the Title III Program. Both MFEP and USAID will monitor the program to ensure that it is achieving its objectives.

The principal monitoring and oversight body will be the Program Review Committee (PRC), which will be chaired by a Deputy Secretary of MFEP or his/her designate and will consist of the secretaries or deputy secretaries of the principal GOG implementing entities as well as a representative from the private sector and the AID Mission Director. The PRC will meet semi-annually. The first meeting will establish goals and objectives for the coming year. The second meeting will review programs in achieving these goals and objectives.

Three MFEP divisions will be involved in the program. The lead division and primary contact for USAID will be the International Economic Relations Division. This division will 1) negotiate the program agreement and amendments with USAID; 2) monitor the cedi generations; 3) advise the Budget Division on release of the cedi generations, and 4) have day-to-day management and oversight responsibilities. This division will chair a Technical Committee, consisting of representatives from all implementing entities involved in the program, which will be responsible for advising the MFEP on 1) programming of cedi generations; 3) identification of studies to undertake; and 3) monitoring of the overall program.

Within USAID, the Mission Director is responsible for the Program, including negotiation of agreements, management and oversight. For day-to-day implementation tasks and oversight, the Trade, Agriculture and Private Sector Office will take the lead. The Controller will be responsible for monitoring the GOG implementing agencies' financial management of the local currency generations. The Controller will prepare a quarterly report for the Mission Director describing the movement of local currency through the accounts.

Further, USAID will call on REDSO for assistance in certain areas. A Regional Legal Advisor will assist in preparation of Authorization and Agreement amendments and review of Project Implementation Letters. A Regional Food for Peace Officer will make quarterly visits to monitor the food program.

E. Financial Plan and Local Currency Management

1. Local Currency Program

The financial plan with accompanying notes (see ANNEX H) presents dollar disbursements for the program and local currency generations and programming by year. It demonstrates that sufficient eligible uses exist for the Title III local currency generations. The GOG and USAID have a good understanding of how they will program the local currency as demonstrated by the illustrative budgets.

While a good understanding exists, the Mission wishes to stress that the budgets are illustrative. Actual funding will depend upon compliance with conditions, submission of proposals, and on-going negotiations with the GOG. The purpose of costing illustrative examples of budget support for infrastructure and GEPC, and grant support for the Trade and Economics Policy Institute and for NGOs is to determine the reasonableness of the local currency programming, not to commit USAID or the Mission or the GOG to any individual line items or subprojects.

An illustrative summary of local currency programming is as follows:

USAID/ACCRA

PL 480 TITLE III FY 92 PROGRAM

LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

	1992	1993	1994	1995	TOTAL
INFRASTRUCTURE					
FEEDER ROADS	0	5,000	5,000	5,000	15,000
INFRASTRUCTURE	233	2,321	3,099	911	6,564
POLICY & INSTITUTIONAL FRAMEWORK					
GEPC	1,000	2,000	2,000	1,000	6,000
TRADE & ECON INST		5,000			5,000
PRIVATE SECTOR SUPPORT					
TECHNOSERVE	300	300	300	0	900
WWBG	250	250	250	0	750
AID TO ARTISANS	100	240	192	0	532
OTHER	100	250	250		600
MONITORING, EVAL & AUDITS	66	46	28	14	154
INFL & CONT	200	500	500	500	1,700
TOTAL	2,249	15,907	11,619	7,425	37,200

L/C GENERATIONS	10,200	12,400	14,600	0	37,200
WHEAT SHIPMENTS MT	0	12,000	25,000		37,000
RICE SHIPMENTS MT	25,000	25,000	25,000		75,000

While the estimated local currency generation is equivalent to $37.2 million, as indicated above in Section IV.A and in Annex H, the total dollar cost to AID is $40.4 million. Of the $37.2 million, $6.5 million worth of cedis results from the sale of wheat and $30.7 million from rice; estimated cost to AID is $7.9 million for wheat and $32.5 million for rice. This difference results from the following: current cost of wheat to AID, including the FAS cost plus shipping, is $214 mt. On the local market GNPA sells wheat to the mills at the equivalent of $176 mt, an amount which USAID can expect to be generated as local currency. 37,000 mt will thus generate $6.5 million worth of cedis. In the case of rice, FAS plus shipping is approximately $433 mt, whereas the current local market price is equivalent to $410 mt - an amount which would generate $30.7 million worth of cedis. These figures are based upon current market values and are, of course, subject to change as prices fluctuate.

2. Local Currency Management

The Mission completed an assessment of host country capability to manage local currency as part of its 1990 Internal Control Plan. The MFEP is responsible for direct management of the local currency accounts. The GOG Controller and Accountant General's Office (CAGO) does the accounting and reporting on local currency.

The Mission identified weaknesses in the host country control system because of irregular receipt of monthly expenditure reports from implementing agencies and delays by MFEP in sending approved levels of expenditures for budget sub-periods to the Controller and Accountant General Office (CAGO).

In spite of the weaknesses, the Mission concluded that the GOG budget process as managed by the MFEP is fairly straight forward and sufficient to trace and confirm expenditures. The GOG control environment is reasonable and final reports are credible.

The Mission is confident that the existing GOG local currency management is competent enough to allow the Mission to fulfill its responsibility of tracking the local currency to the achievement of the performance indicators.

V. FEASIBILITY ANALYSES

A. Social/Institutional/Political Feasibility

1. Social Feasibility

The negative impact of the Title III wheat and rice imports on domestic production will be minimal (See ANNEX C). According to two studies completed for USAID, the projected drop in prices for maize and tubers attributable to the Program's proposed wheat and rice imports is less than two percent. Consequently, the rural poor, primary growers of maize and tubers, will not be adversely affected by Title III wheat and rice shipments.

Several of the local currency activities will directly benefit the poor. Ghana's poor are largely found among the self-employed in agriculture. The local currency investments in feeder roads and infrastructure are expected to be predominantly for the agricultural sector. The rural poor beneficiaries of the feeder roads and infrastructure will enjoy increased profit margins. The activities of TechnoServe and WWBG will continue to be concentrated in agriculture and agribusiness. Both TechnoServe and WWBG have a history of working with the poor and disadvantaged, and will continue to do so with the Title III local currency. In addition, Aid to Artisans will assist low income artisans.

The local currency activities will be especially important for women. Ghanaian women make up half of the population and 47 percent of the labor force. They account for 70 percent of the total food crop production, and process and market nearly all the grain and starchy staple foods. The feeder roads alone will relieve women of the burden of headloading produce from the farm to the village market. A 1984 study found that women carry up to two head loads of 30 kilograms over an average of five kilometers per day. Increased transport alternatives will improve the price the women receive for their harvests, and increase their availability of productive time. WWBG focusses its credit guarantee program and training on women. TechnoServe will also include women in its assistance, as will Aid to Artisans.

2. Institutional Feasibility

The institutions most responsible for implementation of the Title III Program are: MFEP, DFR, GEPC, TechnoServe, WWBG, and Aid to Artisans.

The MFEP is responsible for the management, coordination and oversight of all macro-level financial and economic affairs of the Government of Ghana. MFEP has been the lead ministry for the design and coordination of the ERP. Mission experience with MFEP during the Agricultural Productivity Promotion Program (APPP) and the Integrated Agribusiness Development Program indicates that the Ministry is organized and capable of handling its responsibilities under the Title III Program.

The DFR is located within the Ministry of Roads and Highways. The DFR is responsible for the building, rehabilitation and maintenance of the entire system of feeder roads in the country. The DFR was an implementing institution under the APPP. Because of the excellent performance by the DFR under APPP, the Mission is confident that the DFR will accept and implement Title III reforms and activities.

An institutional analysis of the GEPC was prepared for the TIP PAIP earlier this year (this analysis is included in the Bulk Annex available at USAID/Ghana and in AID/W). The conclusion was that the GEPC is capable of implementing USAID projects, but that a strategic plan and reorganization was necessary. The Title III Program will initiate the development of the GEPC's strategic plan and feed this information into the design of the TIP PAAD.

TechnoServe has a full time staff of 23 paid employees (15 professional and 8 support). The professional staff has one expatriate and expects to add another. TechnoServe has an operating budget of $350,000, and has been working in community-based rural agriculture in Ghana since 1971.

WWBG has 13 full-time staff, 12 of whom are paid and one Peace Corps Volunteer. Of the 12 paid staff, six are professional. WWBG is adding more staff as it is expanding its credit program. Several of the professional staff hold graduate degrees, and the Board of Directors consists of experienced and prominent businesswomen in Ghana.

As noted, Aid to Artisans recently completed a pilot project which indicated that Ghanaian artisan exports are viable and identified problems which need to be addressed. Utilizing Aid to Artisans Ghana staff, along with technical assistance from Aid to Artisans (US), the pilot was implemented efficiently and in a cost effective manner. The success of the pilot argues for an expansion of the program.

3. Political Feasibility

The MFEP, GNPA, GEPC, DFR, and NGOs have been involved in the design of the FY 92 multi-year Title III Program. There is general agreement among all the parties concerning the conditions and local currency activities. USAID/Accra expects the negotiation of the Title III Program Grant Agreement to be straightforward and timely.

B. Economic Impact

With the exception of the trade and economic policy institute, positive economic impacts of the Title III Program local currency uses are built into the Program's design.

Economic analysis of the infrastructure activities takes place before the GOG approves expenditures. In the case of rural feeder roads, the World Bank evaluation calculated economic rates of return for individual feeder roads selected in the first and second phase of the project. The World Bank economic evaluation extrapolated from the first two phases to determine the economic feasibility of continuing the project. The ERRs averaged 47%, indicating a high return on this type of an investment. The GOG conducts detailed feasibility studies of infrastructure projects before it consents to funding them. With this policy, the introduction of export potential into the analysis of infrastructure feasibility will maintain the process of screening projects for economic and technical feasibility.

The development and implementation of a strategic plan for GEPC will only serve to improve its operations. The realization that the GEPC can increase its impact on NTEs is the driving force behind the strategic plan and reorganization.

TechnoServe evaluates economic and social impact of a project using a cost-effectiveness analysis. It only approves activities where the expected yield of benefits to a target group is greater than the project investment. WWBG evaluates all credit guarantee applications following standard credit approval processes. Aid to Artisans has built into it proposed project evaluation of the costs and benefits of alternative products, and will focus on those which prove most viable.

Traditional benefit-cost analysis is not a feasible methodology for the creation of the trade and economic policy institute. This is not to say that the potential benefits, improved economic policy, will not produce clear, tangible, economic returns. Indeed, if the institute initiates economic reform, or improves an economic reform, the magnitude of the returns from it can be quite large considering that small increases in real GDP over a decade are significant amounts in absolute terms. The Program costs of the institute are negligible in relation to the opportunity for benefits.

C. Marketing Analysis

A detailed Market Analysis appears as ANNEX G. This section presents a brief summary of the character of the Ghana wheat market, and discusses the issues involved in market reform. Unlike wheat, the rice market in Ghana is not regulated, is transparent, and does not need reform.

Ghana grows no wheat. The consumption of wheat in the past was determined by the amount of foreign exchange the GOG wished to allocate for wheat imports. Ghana has four mills with varying degrees of public and private ownership. The GNPA allocates wheat to the mills based on their capacity, flour and wheat stocks, and indebtedness to GNPA. The GNPA sets the price of wheat to the mills and the mill price to regional distributors.

The GOG has liberalized the wheat market significantly over the last two years. It allowed the private sector complete freedom to handle and distribute flour. The GNPA continues to hold a monopoly on buying, allocating, and pricing wheat (prices to the mills are set, as are ex-mill prices; wholesale and retail prices are not controlled), but its position as a monopolist borders the theoretical in that anyone can import flour.

There is an understanding between the Mission, AID/Washington, and the GOG over the need for a wheat market without distortions. The problem of obtaining a distortion free market is complex because of the small number of millers and the availability of commercial enhancement programs that subsidize non-aid wheat imports. Simply removing GNPA from the wheat market will not result in wheat being sold at equilibrium market prices.

Since the objective of A.I.D. is to remove distortions and unearned rents, the Title III Program will approach the issue methodically. Using local currency, the GOG will contract for a study to analyze and present deregulation scenarios that will best approximate wheat sales in an unsubsidized and unregulated market. With subsidized commercial wheat, a free wheat market may involve the imposition of tariffs to simulate an "all things being equal." Completion of the analysis will be a condition for any call forward after December 31, 1992.

The GOG will select the scenario and policies that result in retail consumers paying prices which are real. Final consumer's are not to be subsidized or gouged. Implementation of the agreed upon reforms will be a condition for any call forwards after December 31, 1993.

TITLE III PROGRAM NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PURPOSE			
To enhance food security by increasing and diversifying FX earnings	Raise NTEs to $___M by 1995	IBRD statistics - country reports	World Markets continue to demand products produced or capable of being produced in Ghana
	DRC at wholesale level declines ___ for major crops in rehabilitated feeder road areas by 1995	Study to calculate domestic resource cost ratios	
	GEPC will develop and implement a strategic plan aimed at meeting the needs of private sector exporters	Annual progress reports related to strategic plan	
	Value of exports produced by NGO assisted micro and small scale exporters increases by $__M by 1995.	Study of value of exports produced by NGOs	
	Annual private sector investment in NT export sector reaches $____million in 1995	Study on investment level plus GOG reports	
	GOG funds $___M in export related PIP infrastructure	Analysis of GEPC PIP	
	Trade & Econ Policy Institute recognized by Peer Review for its quality of research on trade and economic policy	Survey of Peer Reviewers	

ANNEX A
USAID/ACCRA
PL 480 TITLE III PROGRAM
LOGICAL FRAMEWORK MATRIX
1991

TITLE III PROGRAM NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Broad-based sustainable market-oriented economic growth	5% real annual growth per annum for Ghana	IBRD Statistics -- Country Reports	Political Environment will continue to support a market based economy
	5% real increases in rural incomes	Economic Policy Institute Studies	
SUBGOAL			
Economy supplying the food needs of its citizens	NTEs are equal to or greater than food imports	IBRD Statisitcs -- Country Reports	Climate remains considerably favorable for agriculture
	Domestic production plus imports equals total food needs	IBRD Statistics -- Country Reports	

TITLE III PROGRAM NARRATIVE	VERIFIABLE INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
OUTPUTS			
1. Infrastructure			
Feeder roads to be improved using export potential as a criteria	1,450 kms	IBRD progress reports/DFR MRH reports	
Routine maintenance plan including budget and administration developed	1 Cedis budgeted & expended	Submission to USAID	
Projects in PIP selected and funded in support of exports	Projects undertaken	GEPC reports	
2. Policy & Institutional Framework			
GEPC Strategic Plan & Budget	1	Submission to USAID	
	Cedis Budgeted & Expended	GEPC reports	
Economic Policy Institute Endowed	1	Quarterly Reports	
3. Private Sector Support (PVO/NGO UMBR)			
Exporters assisted by Technoserve TA	Number of exporters assisted	PVO quarterly reports	
Exporters Trained by Technoserve	Number of exporters trained	PVO quarterly reports	
WWBG guaranty program for export	1	PVO quarterly reports	
Exporters trained by WWBG	Number of exporters trained	PVO quarterly reports	
Exporters trained in Aid to Artisan workshops	Number of artisans trained	PVO quarterly reports	
Reform of wheat market	Public Notification by GOG	Submission to AID	

TITLE III PROGRAM NARRATIVE	VERIFIABLE INDICATORS		MEANS OF VERIFICATION	ASSUMPTIONS
INPUTS	USAID	GOG LC EQUIV ($000)		
1. Wheat	$ 7,900		A.I.D. Cont Reports Inputs are available in a timely fashion	
Rice	32,500			
2. Budget				
Infrastructure				
Feeder Roads		$15,000		
Infrastructure		7,164		
Policy & Institutional Framework				
GEPC		6,000		
Trade & Econ Policy Inst.		5,000		
Private Sector Support				
Technoserve		900		
WWBG		750		
Aid to Artisans		532		
Evaluations & Audits		154		
Inflation & Contingencies		1,700		
TOTAL	$40,400	$37,200		

ANNEX B
Commodity Needs Analysis

The food needs of Ghana have not changed since the submission of the FY 91 single year Title III Program. A fast growing population and increasing per capita incomes are raising the demand for food at such a rate that Ghana will not avert a food deficit even if it doubles the annual growth rate in domestic production.

The World Bank has projected growing food deficits for Ghana until the year 2000, assuming high income elasticities of demand for roots and cereals and high population growth of 3.2 percent per annum (see Table I). Given the inability for domestic production to fill Ghana's food deficit, the need for a trade strategy emerges. The World Bank analysis also implies that as the deficit in non-cereals (cassava, yam, cocoyam, plantain, and groundnut) grows, there will be a tendency to use cereals as a substitute. Of the cereals that may be used as substitutes in the future, rice and wheat are the two where a deficit presently occurs.

Wheat

Wheat qualifies as a commodity for the Title III Program because wheat is not produced in country, and an unmet demand for it can be filled without adversely affecting domestic prices, domestic production, or imports of other commodities. The demand for wheat is growing and the future outlook for U.S. wheat and flour sales is bright in the long term.

It is difficult to undertake a Food Needs Assessment (FNA) for a commodity like wheat in Ghana because of the nature of Ghana's previously regulated wheat market. An FNA attempts to estimate the food surplus or deficit for specific commodities by analyzing total consumption requirements, net domestic production, net change in stocks, and net imports. The first variable in the calculations, total consumption requirements, necessitates that one be able to determine per capita consumption.

Per capita consumption is usually estimated from historical averages and trends. Since the GOG regulates wheat imports through the Ghana National Procurement Agency (GNPA), historic wheat per capita consumption has been determined by foreign exchange availability and milling capacity. That is, the GOG determined how much wheat was available for sale based on the amount of foreign exchange it could allocate to wheat imports.

Using admittedly estimated beginning and ending stocks between 1987 and 1990, Table II presents a range in per capita consumption

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of Ghanaian-milled wheat of a low of 7.7 kilograms (kg) per person to a high of 8.6. The high of 8.6 in an earlier year (1987) and the low of 7.7 in a later year (1990) is explained by some substitution of flour imports for domestically milled wheat, and lower than usual wheat imports in 1990. These are consumption figures, however, and not demand.

Fortunately, it is possible to arrive at a rough estimate of demand for 1991 as presented in Table II. From the middle of January, 1991, Ghanaian millers have had sufficient wheat, and the importers have had access to foreign exchange and international flour. Since supply was available throughout the year, consumption in 1991 is indicative of demand.

While the beginning inventory for 1991 may be understated, it is safe to assume that beginning stocks were low because: commercial shipments in 1990 were only 75,000 mt; the last shipment arrived at the beginning of the last quarter when sales are highest; and at the beginning of the year, the millers were requesting a doubling of their quotas. One can calculate the year's ending inventory knowing wheat stocks at the beginning of November, the quantity arriving in December, and the projected sales for the last two months. Adding in the projected flour imports for the year, Table II establishes 9.5 kg per person as a conservative estimate of the per capita wheat demand in Ghana.

Table II projects the need for a multi-year Title III Program to supply 12,000 mt in 1993 and 25,000 in 1994 assuming the demand for wheat and flour grows three percent per annum for urbanization and higher per capita incomes, and population grows at 3.1 percent. The Usual Marketing Requirement of 100,000 mt over the next three years will be met with wheat and flour.

Because of abundant inventory at the end of 1991, and commitments for 1992, the single year Title III Program shipment arriving in January will be sufficient to cover any gap next year.

The large ending 1991 inventory is partially the result of an inappropriately timed A.I.D. FY 91 Title III shipment. When it was apparent the A.I.D. shipment would not arrive when originally scheduled, the GOG placed an additional unanticipated order. As a consequence, 1991 wheat shipments have exceeded all previous levels.

Rice

Unlike wheat, the Rice market is not regulated, and is transparent in terms of costs and the roles played by the different actors. Rice accounts for only eight percent of the overall cereal production in Ghana. Imports account for an average of 64 percent of total annual available supply. Over the last five years, Ghana has annually produced between 40,000 mt and 57,000 mt of rice.

Table III presents the FNA for rice. The data for production and imports comes from a USAID-funded study.[1] The calculation of per capita demand for rice relied on a five year average, as data on beginning and ending inventory are not available. In Ghana rice is typically stored by farmers as a capital asset to be disposed of at the highest possible price. Data from a 1990 survey in the East and Brong-Ahafo regions found that farmers waited several months before realizing sales. Without further studies of on-farm storage patterns, it is difficult to factor inventory fluctuations into annual consumption estimates. Unlike the farmers, rice traders have little storage capacity and hold minimal stocks for pipeline supplies rather than storage and speculation.

Using a five year average compensates for what was surely wide fluctuations in beginning and ending stocks; over five years, the fluctuations will even out. For future year calculations, an assumption is made that farmers hold 30 percent of their production in storage at the end of the year. Obviously, in periods when prices are low, stocks will be higher, and conversely, when prices are high, stocks will be lower. Although a constant estimate of 30 percent is not ideal, it at least acknowledges stocks as a factor in determining future annual consumption.

Ghana is undertaking several donor assisted irrigation projects and the availability and use of inputs for rice production is improving. The irrigation projects and increased use of technology have the potential to significantly increase rice production over the long-term. Since the irrigation projects are in early implementation stages, their impact during the life of the Title III Program will be rather limited. Nevertheless, to avoid underestimating domestic production, the rice needs assessment assumes 10 percent growth in domestic production per annum, the amount utilized by the World Bank for rice in its food needs projections.

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[1] See Ghana: Wheat and Rice Marketing Study, Sigma One Corporation, USAID/Accra, October 3, 1991.

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Commercial imports have grown rapidly in the last two years because of the liberalized GOG trade policies, while donated rice has dropped dramatically. The commercial imports for the first 10 months of 1991 were annualized to arrive at the expected commercial imports for the year. The five year average for commercial imports is 63,000 mt per year.

Over 70 percent of the imports in 1991 had their source and origin from Vietnam and China. The UMR average is set at 63,000 mt. Donor contributions of rice virtually ceased in 1991. Japan has provided between $1.5 and $5.0 million in rice over the last five years, and will continue its program at similar levels in the near future. A.I.D. last provided rice (17,000 mt) in 1990 under the PL 480 Title I Program.

Based on the demand of 9.4 kg per capita growing at three percent per year for urbanization and rising incomes, Table III estimates that the Title III Program will fill a 25,000 mt deficit in 1992, and will only partially fill growing deficits in 1993 and 1994.

USAID has decided to limit the Program to two shipments of 12,500 mt per year to avoid market gluts on the one hand and reduce management burdens on the GOG and A.I.D. in attempting to fine-tune several commodity shipments throughout a year.

ble 1 Projected Demand and Supply for Ghana: 1987, 1985, 2000 (in grain equivalents, metric tons)
With Population Growth = 3.2% and high income elasticities

	1989					1995					2000				
	DEMAND	FEED	TOTAL	DOM SUPPLY	BALANCE	DEMAND	FEED	TOTAL	DOM SUPPLY	BALANCE	DEMAND	FEED	TOTAL	DOM SUPPLY	BALANCE
REALS, Total	855,036	47,464	902,500	764,337	(138,163)	1,132,468	65,705	1,198,173	948,001	(250,172)	1,431,839	86,166	1,518,005	1,145,234	(372,771)
Wheat	80,028		80,028	0	(80,028)	110,824		110,624		(110,824)	145,365		145,365	0	(145,365)
Rice	94,068		94,068	35,933	(58,135)	126,580		126,580	63,658	(62,922)	162,106		162,106	102,521	(59,585)
Maize	456,300	25,000	481,300	481,300	0	607,096	34,976	642,072	608,998	(33,074)	770,188	46,270	816,458	740,939	(75,519)
Millet	103,896	10,390	114,286	114,286	0	133,185	14,212	147,397	121,316	(26,081)	163,808	18,452	182,260	127,505	(54,755)
Sorghum	120,744	12,074	132,818	132,818	0	154,783	16,517	171,300	154,029	(17,271)	190,372	21,444	211,816	174,269	(37,547)
N-CEREALS															
TOTAL	1,788,696	20,000	1,808,696	1,808,696	0	2,398,772	27,981	2,426,753	2,178,483	(248,270)	3,063,615	37,016	3,100,631	2,548,409	(552,222)
Cassava	724,464	20,000	744,464	744,464	0	967,859	27,981	995,840	941,984	(53,856)	1,232,088	37,016	1,269,104	1,146,068	(123,036)
Yam	204,984		204,984	204,984	0	275,547		275,547	227,471	(48,076)	352,581		352,581	248,084	(104,497)
Cocoyam	418,392		418,392	418,392	0	562,418		562,418	481,244	(81,174)	719,651		719,651	540,775	(178,876)
Plantain	367,848		367,848	367,848	0	499,067		499,067	435,406	(63,661)	643,529		643,529	501,090	(142,439)
Groundnut	73,008		73,008	73,008	0	93,881		93,881	92,378	(1,503)	115,766		115,766	112,392	(3,374)
AL FOOD CROPS	2,643,732	67,464	2,711,196	2,573,033	(138,163)	3,531,240	93,686	3,624,926	3,126,484	(498,442)	4,495,454	123,182	4,618,636	3,693,643	(924,993)

rce: Ghana Medium Term Agricultural Development Strategy (MTADS): An Agenda for Sustained Growth and Development (1991-2000) World Bank.

TABLE II

TITLE III FOOD NEED DETERMINATION

ANALYSIS OF WHEAT CONSUMPTION AND DEMAND

YEAR	BEG WHEAT STOCKS	COMM WHEAT IMPORTS	WHEAT AID	TITLE III	ENDING WHEAT STOCKS	TOTAL CONSMPTN WHEAT	POP	PER CAPITA kg CONSMPTN WHEAT IMP	ESTIMATED PER CAPITA kg DEMAND	ESTIMATED TOTAL DEMAND	DEMAND FILLED W/ FLOUR IMPORT	(DEFICIT) SURPLUS
1987	0	105,001 i	10,000		228 d	114,773	13.39	8.60	9.50	127,205		(12,432)
1988	228	99,515 i	30,000		11,824 d	117,919	14.13	8.30	9.50	134,235	1,508	(14,808)
1989	11,824	99,915 i	23,000		10,651 d	124,089	14.57	8.50	9.50	138,415	19,288	4,962
1990	10,651	75,266 i	30,300		1,000 df	115,217	15.02	7.70	9.50	142,690	17,377	(10,096)
1991	1,000	139,000 i	33,000 j	26,000 b	73,000 a	126,000	15.49	8.10	9.50 h	147,155	20,658 e	(497)
1992	73,000	77,000 k	28,800 c	24,000 b	68,430	134,370	15.97	8.41	9.79 g	156,266	21,897 g	2
1993	68,430	76,450 k	24,000	12,000	38,079	142,801	16.47	8.67	10.08 g	166,018	23,211 g	(5)
1994	38,073	76,000 k	39,000	25,000	26,425	151,648	16.98	8.93	10.38 g	176,252	24,604 g	(0)

TABLE II
TITLE III FOOD NEED DETERMINATION
ANALYSIS OF WHEAT CONSUMPTION AND DEMAND

EXPLANATORY NOTES

a) Ending wheat stocks at 12/31/91 are calculated as follows:

CURRENT WHEAT STOCKS	07-Dec-91		49,064 MT
WHEAT SOLD BY END OF YR		(1)	(8,063) MT
MT SHIPMENTS AT END OF YR			32,000 MT

ENDING WHEAT STOCKS 12/31/91			73,000 MT

WHEAT STOCKS AT	07-Dec-91		49,064			
CONVERSION FACTOR		x	0.7260			

EQUIVALENT MT OF FLOUR			35,620			
SACKS/MT		x	20		SACKS	DAYS
			----------		SOLD/DAY	INVENTORY
EQUIV SACKS OF FLOUR			712,409	/	5,082	140

DAILY SALES	BAGS/DAY
MILL 1	502
MILL 2	1,000
MILL 3	0
MILL 4	0
ESTIMATE FOR UNKNOWNS	3,580

SALES OF GHANA MILLS	5,082
EQUIVLENT SALES PER DAY OF WHEAT IN MT	350

DAYS UNTIL 12/31		23
SACKS PER DAY		5,082

SACKS SOLD		117,082
	/	0.7260
x 50kg/1000 per mt		0.0500

MT WHEAT USED BY END OF YR		8,063 (1)

WHEAT STOCKS	STOCK 01-Nov-91
TFM	24,000
GOLDEN SPOON	3,000
IRANI FLOUR	20,000
TFCC	15,000

	62,000

b) FY 91 single year Title III program shipments.

c) Made up of:	CRS	15,800	MT
	TECHNOSERVE	5,000	MT
	ADRA	8,000	MT

		28,800	MT

d) Known amounts in all years for 1 and in 1988 for 2 mills.
Would be understated since 2 mills did not provide ending stocks.

e) Projected by Sigma One Corporation.

f) 1990 commercial imports were only 75,000 mt and evenly spread throughout year. While the 1990 ending stocks were probably higher than 1,000 mt, it is safe to conclude that they were quite low.

g) assumes a 3 percent growth rate for rising incomes and growing urbanization.

h) If calculations for wheat consumption and Sigma One projections for flour imports are correct, this is the effective demand for 1991. It was set at the amount where the deficit equaled or approached zero.

i) & j) COMMERCIAL SHIPMENTS

										WHEAT AID SHIPMENTS	
03-Jan-87	14,731	01-Jul-88	24,715	06-Feb-89	25,200	15-Feb-90	25,266	07-Jan-91	30,600	Apr-91	25,000
10-Jan-87	15,270	04-Jul-88	24,976	28-Jun-89	25,649	30-Jun-90	24,865	06-Apr-91	29,400	Oct-91	TITLE III LISTED
27-May-87	24,548	09-Sep-88	25,024	13-Sep-89	24,352	18-Oct-90	25,135	22-Jul-91	28,875		IN SEPARATE COLUMN
10-Jul-87	25,452	24-Nov-88	24,800	10-Oct-89	24,715			26-Sep-91	26,125		
25-Oct-87	25,000		----------		---------		----------	EXPECTED	24,000	EXPECTED	8,000 CRS
	---------		99,515		99,915		75,266		---------		---------
	105,001								1 139,000		1 33,000

k) The UHR for 100,000 mt of commercial wheat imports is made up of wheat and flour equivalent of wheat.

TABLE III

TITLE III FOOD NEED DETERMINATION

ANALYSIS OF RICE CONSUMPTION AND DEMAND

YEAR	BEG RICE STOCKS	DOM PROD RICE	COMM RICE IMPORTS	COMM RICE FROM CODE 935	DONOR RICE	TITLE III	ENDING RICE STOCKS	TOTAL RICE SUPPLY	POP	DEMAND PER CAPITA kg	SUPPLY PER CAPITA kg	ESTIMATED TOTAL DEMAND	(DEFICIT) SURPLUS
1987		48.1	37.7	37.7	22.3			108.1	13.39		8.1		
1988		57.0	48.0	48.0	38.1			143.1	14.13		10.1		
1989		40.2	31.0	31.0	41.3			112.5	14.57		7.7		
1990		45.0	90.0	27.8 d	22.7			157.7	15.02		10.5		
1991		48.0	108.3 a	33.4 d	5.0 a			161.3	15.49		10.4		
AVE		47.7	63.0	35.6 d	25.9			136.5			9.4 a		
1992	14.4 b	52.4 c	63.0		5.0	25.0	15.7 e	144.1	15.97	9.7 f		154.9	(10.8)
1993	15.7	57.7	63.0		5.0	25.0	17.3	149.1	16.47	10.0		164.9	(15.8)
1994	17.3	63.4	63.0		5.0	25.0	19.0	154.7	16.98	10.3		174.9	(20.2)

mt are in thousands

population in millions

TABLE III
TITLE III FOOD NEED DETERMINATION
ANALYSIS OF RICE CONSUMPTION AND DEMAND

EXPLANATORY NOTES

a) Data for averages comes from Sigma One Corporation report on marketing wheat and rice in Ghana. Report had 10 mos of import data which it annualized. An average was used to determine demand at 9.4 kg percapita because beginning and ending stocks were not available. Sigma One indicates that storing by farmers until rice prices are favorable is quite common. Using an average would compensate for inventory fluctuations over several years. Domestic rice production amounts are metric tons of rice, not paddy.

b) Since rice harvesting in the north occurs between October and December, and in some regions 58 percent of domestic rice sales take place in March-April when prices are traditionally better, it is assumed that 30 percent of domestic production is held over until the next year. Importers are interested in a rapid turnover, so no estimate of ending stocks is made for them.

c) Assumes a growth in production of 10 percent. Farmers are responding to price incentives and will be using improved technology. If GOG implements appropriate irrigation schemes, the growth in production could be quite higher, but would not measurably occur during the life of the Title III Program.

d) Commercial imports from friendly countries were determined by reducing 1991 commercial imports for amounts sourced from Vietnam and China. Amount of Vietnam and Chinese rice was unavailable for 1990, although Vietnam and China were known to be major suppliers. 1991 percentages of Vientnam and Chinese rice were applied to 1990. Source of commercial rice between 1987 and 1988 is not available and not known. This column was prepared for information purposes.

e) 30 percent of domestic production during year.

f) Assumes a growth in demand of 3 percent per annum for increasing percapita incomes and urbanization.

ANNEX C

DISINCENTIVE ANALYSIS

The donations of rice and wheat raise concerns about disincentives to local production, not only for the more closely related crops of maize and rice, but also across the spectrum of locally produced food stuffs. Studies undertaken by the Mission since the submission of the FY 91 program demonstrate that the quantities proposed do not pose a disincentive to production or commercial imports but do provide a needed resource to cover a widening national food deficit.

In the FY 91 Title III Program proposal, the Mission argued that wheat products constituted such a small percentage of total dietary needs that the impact of the proposed increases would be insignificant or even zero. For example, past U.S. wheat grant aid constituted less than one percent of the tonnage of local production (7,100,000 mt) of all major food crops, i.e., grains and tubers, and even less if meat, fish, and vegetables are considered.

Since that time, the Mission has benefitted from two more detailed analyses which have more forcefully demonstrated the absence of these disincentives. One, the E. J. Ariza-Nino study (see Bulk Annex for complete report) constructed a Food Characteristics Demand System for Ghana which included a complete set of food consumption relationships, embodied into a matrix of price and income elasticities, including cross-price elasticities. The model used readily available information on consumption and prices, plus some plausible assumptions about food consumption behavior.

Among the salient findings of the paper are low cross price elasticities for tubers and maize when increased quantities of rice and wheat are available. Some examples of the price effects on substitute crops for quantities similar to those proposed for the Title III Program appear in Table I. The price effect does not exceed two percent for rice and wheat imports in combinations similar to those contemplated under the Title III Program.

The price effect of the imports on rice and wheat on domestic rice prices is also neutral as the Title III rice is monetized. With a Title III monetized rice donation, the price of rice is determined more by world prices than by domestic supply and demand. Rice prices are right as far as the farmers are concerned, and have not decreased in real terms or in relation to imported rice during 1970-91. The five year average for commercial imports for rice and wheat (see ANNEX B) demonstrate that Title III wheat and rice will meet the UMR requirements.

Table I - Anticipated Price Effects from Additional Imports of Wheat and Rice in Ghana.

	Thousand tons of new imports		
New Wheat Imports	0	10	50
New Rice Imports	20	20	20
Product Prices	--percent change in prices --		
Maize	-0.44	-0.64	-1.47
Millet/s	-0.42	-0.57	-1.17
Tubers	-0.52	-0.74	-1.62
Bean/Nut	-0.17	-0.20	-0.31
Meats	-0.03	0.04	-0.32
Vegs.	0.03	0.00	0.14
Income	0.25	0.25	-0.23

Ariz-Nino, E.J., ibid.,

ANNEX D

COMMODITY/SHIPPING INFORMATION

Wheat

Under this program, AID will make available $7,918,000 for wheat and shipping over a three year period. At current prices this will amount to approximately 37,000 metric tons of wheat, and cost approximately $3.0 million for shipping.

Commodities shipped under the PL 480 Title III program will be consigned to the MFEP and will be for sale to local millers. Although the consignee is the Ministry of Finance and Economic Planning (MFEP), the agency responsible for its allocation and pricing will be the GNPA. GNPA will be responsible for coordinating the call forwards of the commodity with other commercial purchases and grant aid to assure an orderly commodity flow through the ports and the distribution system. On arrival from the U.S., the commodity will be discharged at the ports of Tema and Takaradi and flow directly into the millers' storage units.

1. Commodity Type and Specifications

   (a) Dark Red Northern Spring Wheat, No. 2
   (b) Protein Content: 14% (Dry Basis)
   (c) Hagberg 300-350 (Guarantee)
   (d) Test Weight 78g (74g Acceptable)

2. Delivery Schedules

   (a) FY 1993
   12,000 mt to arrive June, 1993

   (b) FY 1994
   25,000 mt to arrive June, 1993

3. Packaging and Marketing Information

   Wheat to be shipped bulk for processing into flour by local mills.

4. Ports of Delivery:

   Consignment for delivery to Tema and Takoradi Ports.

ANNEX D

Rice

Under this program, A.I.D. will make available $32,475,000 for rice and shipping over a three year period. At current prices this will amount to approximately 75,000 metric tons of rice, and cost approximately $6.0 million for shipping.

The rice shipped under the PL 480 Title III program will be consigned to the MFEP and will be for sale solely to the private sector. On arrival from the U.S. the commodity will be discharged to the private sector importers at the ports of Tema and Takaradi.

1. Commodity Type and Specifications

   (a) U.S. No. 5, long grain, well milled
   (b) Brokens not to exceed 20 percent
   (c) Moisture content not to exceed 15 percent

2. Delivery Schedules

   (a) FY 1992, 1993, 1994
   12,500 mts of rice to arrive May
   12,500 mts of rice to arrive August

3. Packaging and Marketing Information

   Rice to be shipped in 50 kg polypropylene bags.

4. Ports of Delivery:

   Consignment for delivery to Tema and Takoradi Ports.

ANNEX E

USUAL MARKETING ANALYSIS

The Usual Marketing requirement (UMR) is designed to ensure that PL 480 commodities do not displace or interfere with normal commercial sales. If the recipient country has made commercial purchases of the commodity to be programmed under PL 480, it must continue to do so, usually at a level reflecting its average commercial purchases over the last five years.

Wheat

Although wheat imports over the last five years have averaged 103,000 mt, the UMR for wheat is being established at a level of 100,000 mt. The commercial imports were excessive in 1991 due to an extra shipment to fill in for a delayed A.I.D. shipment. The commercial imports are divided equally between the U.S. under the Export Enhancement Program and from Canada under a Long Term Agreement (LTA).

The GOG now allows the commercial sector free access to flour imports. The shortage of foreign exchange in the Ghanaian economy will continue to create a gap between demand and supply. The level proposed under the Title III Program will therefore not displace nor interfere with normal commercial sales.

Rice

Commercial rice imports have averaged 63,000 mt over the last five years. The UMR is being established at this level. A large proportion, approximately 70 percent in 1991, of the commercial imports came from Vietnam and China. The balance of commercial imports came from Myanmar (Burma), Pakistan, Spain, Thailand, and the U.S.

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ANNEX F

STORAGE ANALYSIS

Port Facilities, Storage, and Handling (Bellmon Determination)

Wheat

Of the four flour mills in Ghana, three are located in the Port of Tema, (Tema Food Complex Corp., Irani Brothers, and Golden Spoon Flour Mill) and the fourth in the Port of Takoradi (Takoradi Flour Mills, Ltd.). These two ports have satisfactory handling capabilities and storage facilities, both ports having undergone major rehabilitation in recent years with assistance from the World Bank (at an estimated cost of $100 million), resulting in improved port storage shed, improved port security, improved turn around capacity, and improved overall operational efficiency. The primary Port of Tema has two quays (lengths: 4,300 feet and 2,900 feet) and nine berths (600 foot lengths with the exception of one which has a length of 480 feet). The berth drafts range from 25 feet to 31 feet, 6 inches. The Port of Takoradi, initially constructed in 1927, has six berths, all recently renovated.

The system for off-loading, storing, and processing wheat is efficient. It is directly linked to the private sector market and depends on minimal involvement by the state sector. In shipping wheat to Ghana, bulk wheat carriers must generally offload a portion of their cargo in Takoradi and the remainder in Tema. At both ports, wheat is unloaded either directly into the silos of the milling corporations or, in the case of the Tema-based mill of Irani Brothers and Others, Ltd., into trucks for a short two kilometer transit to the mill. Off-loading of wheat at port is undertaken either using sell-off-loading vessels equipped with their own grabs, or using evacuators which belong to the mills, supplemented by evacuators owned by the ports. The flour millers and port authorities emphasize the importance of shipping wheat in vessels equipped with their own off-loading facilities since the evacuators owned by both the ports and the mills are old and operate very slowly.

The MFEP will be responsible for submitting outturn survey reports to USAID within ten working days of completion of offloading. The survey reports will be accompanied by a detailed statement of allowable receiving, handling , and distribution charges.

Storage of bulk wheat in silos virtually eliminates pilferage problems, and losses are minimal. Each of the mills had enough storage capacity for three months production of wheat flour at prior throughput capacity. This enables the GNPA to plan the arrival of wheat shipments to ensure that each mill has sufficient

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stocks to keep it running without shutdowns. The flour mills have a combined silo storage capacity of 62,000 mt. They also have additional space or arrangements for space to accommodate approximately 15,000 additional mt.

The MFEP shall be responsible for all wheat lost or damaged in excess of one percent between the time of discharge and the time of sale. Justifiable costs, defined as port handling, storage, transportation and other charges applicable to the sale and distribution of commodities will be deducted from the proceeds of the sale. Any unforeseen expenses may also be deducted from the proceeds with the written agreement of the Minister of Finance and Economic Planning and the USAID Director. There will be a need to coordinate PL 480 Title III wheat deliveries with arrivals of commercial wheat import shipments. A.I.D. needs to fine-tune its ordering and shipping system to avoid shortages and gluts on the local market.

Rice

Storage is not a concern in Ghana for rice. Commercial importers are interested in a rapid turnover and only order quantities that they can sell in their normal revenue cycle. Rice is imported in 50 kg bags and is not constrained by silo storage capacity.

ANNEX G

MARKETING ANALYSIS

Wheat

Wheat is not produced in country; all supplies are imported either through commercial purchases or food aid grants. All wheat imports, both commercial and aid, are entirely from the U.S. and Canada[1] and flow through the Ghana National Procurement Agency, (GNPA). GNPA makes all commercial purchases, allots the mills the quantities they will receive, and sets the price they will pay. It also sets the prices the mills must charge the wholesalers for the finished flour.

Once wheat arrives in Ghana and is delivered to the mill, GNPA assesses each mill a cost per ton. For commercial imports these costs represent CIF values, port charges, duties, a capital cost of 25 percent of CIF values, and a two percent margin for GNPA. Although the GNPA has had a monopoly on the import of wheat, it has not obtained excessive profits. Because of its laxity in collecting its accounts receivable and its small profit margin on sales, it has suffered losses from its wheat imports.

In the last two years, the GOG has liberalized the wheat market. It severely weakened the GNPA's control of the market by opening the market up to private sector imports of flour. Private flour importers are supplying the market with soft flour for pastries and confectioneries, and some bakers are reportedly mixing soft flour with locally milled flour to bake bread. Moreover, even though no bread flour imports have been reported, nothing precludes the private sector from importing bread flour. In July 1991, the GOG also opened up the domestic marketing of wheat flour to the private sector, which began the process of displacing government distributors.

The milling industry of Ghana is comprised of four mills of varying capacities and types of ownership. Of the four mills, two are 100 percent privately owned, one is 60 percent privately owned and 40 percent publically owned, and one is 100 percent publically owned.

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[1] Ghana's preference for high-loaf bread means that it must import high protein (14 percent), quality Hard Red Spring wheat, a class only produced in sufficient quantities for export from the northern U.S. states of North Dakota and Minnesota and by the bordering provinces of Canada. More specifically, Ghana prefers a particular quality of this HRS wheat class: Dark Northern Spring wheat, No. 2.

The millers sell the flour to bakers and wholesalers; the wholesalers sell mainly to bakers and a small proportion to retailers or to consumers other than commercial bakers. At least 90 percent of the flour marketing at the wholesale and retail levels is controlled by women, including the bakeries. There are 10 large bakeries in Accra, and about four in Kumasi; the rest are medium and small scale bakeries operated and staffed entirely by women.

Since July 1991, public distributors of flour such as the Ghana National Trading Corporation, Social Security Bank, and the Regional Development Corporations have had to compete with the private sector in the marketing of wheat. They are all distributing substantially less flour now than before. Another event resulting from the deregulation is the vertical integration of the mills into wholesaling and even retailing flour. All indications are that the market is rapidly becoming efficient.

What complicates deregulation of the wheat market is the existence of international subsidies. Total deregulation would subsidize the consumer since wheat and flour imports are available from the U.S. under the Export Enhancement program (EEP), and from Canada under the Long Term Program. These programs offer wheat and flour at subsidized rates that do not reflect the real cost of the wheat on the world market. If the GOG were to break up the monopoly on wheat imports, the private sector would be free to import subsidized commercial wheat that would distort the economy of local staples.

The goal is to establish a market system that would present the consumers with a price level that reflects real costs and preserves an adequate level of competition in the industry. A preemptory elimination of the GNPA may not bring the desired results.

For example, there is some uncertainty as to the results of a sudden elimination of public allocation of imports and the freeing of ex-mill prices. The degree of competitiveness among the three private firms is not clear nor is their individual economic viability. Further, the current level of involvement of the mills in setting the current policy environment is not known nor is it known to what degree they benefit.

There is little dispute over the need to reform the wheat market in Ghana. USAID has approached the GOG and obtained agreement that steps will be taken to fundamentally reform the existing market structure.

As part of the Title III Program, the GOG will undertake a study with local currency generations to determine the best way of

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deregulating the wheat market. The findings will be included in the Title III Program policy reforms to be put in place by December 31, 1993. The study will include:

An analysis of varying scenarios of private sector involvement that minimize market distortions.

An examination of the use of tariffs on subsidized commercial wheat imports to bring their CIF values in line with world market/non subsidized prices.

An examination of the use of tariffs on imported flour at levels that reward efficient domestic production but provide an economic alternative to flour prices that represent monopolistic or uneconomic milling practices.

An analysis of the financial impact of current policies on the mills, the GOG agencies, and the wholesaler/retailers and consumers.

The purpose of the analysis is to recommend reform equitable to all: consumers, wholesalers, and millers.

Once the recommendations are made, the GOG will execute the policies necessary for a rational flour market. It is anticipated that, inter-alia, there will be:

an elimination of subsidies to the mills, i.e., particularly the end of free credit with GOG funds, and

the rationalization or elimination of ex-mill price setting.

These reforms, and any others that are deemed necessary by the results of the studies, will be put in place by the beginning of 1994.

Rice

The marketing of rice in Ghana goes through two routes: public and private. The private channel is the predominant one in the marketing system. It handles all the domestically produced rice and 90 percent of the imported rice. Women are the most important at both ends of the private channel; they buy paddy from farmers in the producing areas, parboil it, have it milled, and sell it retail or wholesale. As rice approaches the household stage, it moves basically through private merchants, predominantly market women.

The public channel is a holdover from an era of larger involvement of the government in rice processing, marketing, and trade. If the GOG decided to stop all marketing activities in the

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public channel, the rice market would hardly notice. GNPA used to hold a privileged position in rice imports: it used to be the sole importer or the preferred recipient of import licenses. Since 1987, GNPA is one of many importers, and it is reportedly subject to payment of the full import charges in the form of tariff and sales taxes.

The first mark-up at 30 percent occurs at customs. Importer mark-ups vary between 16 to 28 percent. Importers pay the costs of: transportation from the port to a bonded warehouse at Tema or directly to Accra, loading and unloading, storage costs, and financial charges.

Wholesalers sell at four to 10 percent above the price paid to importers. Wholesalers bear the costs of transportation from the importer's warehouse to their store, loading and unloading, storage costs, and financial charges.

When the bags are opened and rice is sold at retail by market women, the equivalent mark-up is from 25 to 39 percent. Their costs are transportation from wholesalers' stores, financial charges, and their imputed wages.

In the final analysis, those consumers that acquire imported rice only at retail end up paying a price which is 73 percent above the duty-paid ex-Tema cost. However, consumers that are able to buy by the "mini" bag from wholesalers only pay 30 percent above the duty-paid ex-Tema cost. The rice market in Ghana is not regulated, and is transparent in terms of costs and the roles played by the different actors.

Because the rice market is functioning well in Ghana, the Title III Program will use it to the extent possible. As detailed in Section IV.A., the rice will be auctioned to prospective buyers who will take possession of the rice at the time of its arrival in Ghana.

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
DOLLAR DISBURSEMENTS BY YEARS
(MILLION $)

	1992	1993	1994	TOTAL
WHEAT	0	2.6	5.4	8.0
RICE	10.8	10.8	10.8	32.4
TOTAL	10.8	13.4	16.2	40.4

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

	1992	1993	1994	1995	TOTAL
INFRASTRUCTURE					
FEEDER ROADS (SEE NOTE 1)	0	5,000	5,000	5,000	15,000
INFRASTRUCTURE (SEE NOTE 2)	233	2,321	3,099	911	6,564
POLICY & INSTITUTIONAL FRAMEWORK					
GEPC	1,000	2,000	2,000	1,000	6,000
TRADE & ECON POLICY INST(SEE NOTE 5)		5,000			5,000
PRIVATE SECTOR SUPPORT					
TECHNOSERVE (SEE NOTE 3)	300	300	300		900
WWBG (SEE NOTE 4)	250	250	250		750
AID TO ARTISANS (SEE NOTE 7)	100	240	192		532
OTHER	100	250	250		600
EVALUATIONS, & AUDITS (SEE NOTE 6)	66	46	28	14	154
INFLATION & CONTINGENCIES	200	500	500	500	1,700
TOTAL	2,249	15,907	11,619	7,425	37,200
WHEAT SHIPMENTS/LOCAL CURRENCY DEPOSITS	0	2,100	4,400		6,500
RICE SHIPMENTS/LOCAL CURRENCY DEPOSITS	10,200	10,300	10,200		30,300
TOTAL LOCAL CURRENCY DEPOSITS	10,200	12,400	14,600		37,200
MULTI YEAR TITLE III PROGRAM					
WHEAT SHIPMENTS MT	0	12,000	25,000		37,000
RICE SHIPMENTS MT	25,000	25,000	25,000		75,000

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 1
FEEDER ROADS

	1992	1993	1994	1995	TOTAL
REHABILITATION OF ROADS (KMS) LABOR BASED CONTRACTORS		1,950	2,000	2,000	5,950
REGRAVELLING AND DRAINABE IMPROVEMENTS		1,100	1,200	1,100	3,400
SPOT IMPROVEMENTS & CULVERTING		1,600	1,800	1,900	5,300
KOFORIDUA TRAINING SCHOOL BUILDING		100			100
CREDIT LINE FOR LABOR BASED CONTRACTORS		250			250
		5,000	5,000	5,000	15,000

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 2
PRIORITY EXPORT RELATED INFRASTRUCTURE

				TOTAL
ILLUSTRATIVE PROJECTS:				
EXPORT MARKETING TELECOMMUNICATINS SYSTEM				
10 FIXED & 9 MOBILE RADIO TELEPHONES				120,000
CONSTRUCTION OF AIR FREIGHT FACILITY FOR EXPORT PRODUCE				
FEASIBILITY AND DRAWINGS			45,000	
CONSTRUCTION BLDG 1	900 SQ MTS	$350/SQ MT	315,000	
CONSTRUCTION BLDG 2	900 SQ MTS	$350/SQ MT	315,000	
CONSTRUCTION OFFICE BLDG	600 SQ MTS	$400/SQ MT	240,000	
CONSTRUCTION MCHNRY PAVI	300 SQ MTS	$350/SQ MT	105,000	
			1,020,000	1,020,000
FISHING HARBOR MODERNIZATION				
FISH HANDLING SHED	700 SQ MTS	$350/SQ MT		245,000
ELECTRIFICATION RELATED TO EXPORTS				2,668,000
LAKE VOLTA TRANSPORT				
FERRY RAMP REHABILITATION (3)			2,196,000	
LAKE VOLTA TRANSIT SHEDS	900 SQ MTS EA	$350/SQ MT	315,000	
			2,511,000	2,511,000
				6,564,000

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 3
ILLUSTRATIVE BUDGET TECHNOSERVE

STAFF COSTS	YR 1	YR 2	YR 3	Total
Resident Manager (Co-financed w/Title II L/C)	25,000	25,000	25,000	75,00
Project Managers/Technoserve (6 @ 8400)	50,400	50,400	50,400	151,200
Admin Salaries	47,800	47,800	47,800	143,400
Office	33,750	33,750	33,750	101,250
International Travel	1,400	1,400	1,400	4,200
Local Travel	8,000	8,000	8,000	24,000
Equipment	4,200	4,200	4,200	12,600
Outside Services	20,000	20,000	20,000	60,000
Vehicle	22,500	22,500	22,500	67,500
Other	1,400	1,400	1,400	4,200
Sub Total	214,450	214,450	214,450	643,350
AFD O/H 18.4%	39,459	39,459	39,459	118,377
Sub Total	253,909	253,909	253,909	761,727
G & A O/H 18%	45,703	45,703	45,703	137,109
TOTAL	299,612	299,612	299,612	898,836
ROUNDED	300,000	300,000	300,000	900,000

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 4
ILLUSTRATIVE BUDGET FOR GUARANTY PROGRAM FOR WWB

	1992	1993	1994
OPENING CASH BALANCE		15,250	36,208
MONITIZATION PROCEEDS	250,000	250,000	250,000
REPAYMENT: LOANS		0	0
INTEREST EARNINGS	5,250	10,958	16,836
ADDITIONS TO EXPORT TRUST	255,250	276,208	303,044
PROJECT LOANS			
LOAN GUARANTEES	175,000	175,000	175,000
BENEFICIARY TRAINING	5,000	5,000	5,000
PROGRAM OPERATIONS	60,000	60,000	60,000
TOTAL USES OF EXPORT TRUST	240,000	240,000	240,000
ENDING BALANCE	15,250	36,208	63,044
CUMULATIVE COLLATERAL	175,000	350,000	625,000
WWBG RISK	75%	75%	50%
BANK RISK	25%	25%	25%
AMOUNT OF END USER CREDIT	218,750	437,500	787,500
REAL INTEREST RATE 3.00%			

ADDITIONAL STAFF FOR EXPORT PROMOTION			PER YR
LOAN OFFICERS/TRAINERS	3	8,000	24,000
SECRETARY			2,400
EQUIPMENT COSTS			15,000
SUPPLIES			5,000
RENT			6,000
HOUSEKEEPING AND MAINTENANCE			1,000
TELEPHONE/FAX			2,000
OUTSIDE SERVICES			4,600
			60,000

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 5
ILLUSTRATIVE BUDGET FOR TRADE & ECON POLICY INSTITUTE

		PER YEAR LABOR	OTHER	TOTAL
STAFF COSTS				
PROFESSIONAL STAFF	$1,000/MOS/PROF (6)	72,000		72,000
RECEPTIONIST (1)		1,500		1,500
ADMINISTRATIVE ASSTNTS	$400/MOS/PER (3)	14,400		14,400
OVERHEAD				0
RENT	$2.50 X 303 SQ MT		9,090	9,090
INSURANCE			5,000	5,000
HOUSEKEEPING AND MAINTENANCE		3,000		3,000
PUBLICATION/SEMINARS			15,000	15,000
OFFICE SUPPLIES			6,000	6,000
EQUIPMENT COSTS			16,750	16,750
TELEPHONE/FAX			6,000	6,000
OTHER (SPECIFY)				
TOTALS COSTS		$90,900	$57,840	$148,740

OFFICE EQUIPMENT FOR INSTITUTE:

OFFICE EQUIPMENT	
OFFICE CHAIRS (8)	2,800
DESKS (8)	3,200
CONFERENCE ROOM TABLE	1,100
CONFERENCE CHAIRS	3,000
SMALL OFFICE NEEDS	750
TELEPH SYS/LINE INSTAIL	5,900
PHOTOCOPIER	4,500
FACIMILE MACHIE	1,200
P.C. WITH PRINTER (10)	35,000
FILING CABINETS (5)	3,500
SOFTWARE/TRAINING/SET-UP	10,200
OTHER	12,600
TOTAL EQUIPMENT COSTS	83,750

AN INSTITUTE WITH ANNUAL EXPENSES OF		
	$150,000	
NEEDS AN ENDOWMENT OF		$5 MILLION
WITH A REAL INTEREST RATE OF		3%
USAID CONTRIBUTION	100%	$5.0M
OTHER DONORS (AFRICAN ECON CAPACITY BLDG FOUNDATION, WORLD BANK, AND OTHERS)	0%	$0.0M
		$5.0M

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ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGAMMING BUDGET BY YEARS

NOTE 6
MONITORING AND EVALUATION

		TOTAL	1992	1993	1994	1995
FIST YEAR EVALUATION	480 HRS X $30.00	14,400		14,400		
SECOND YEAR EVALUATION	600 HRS X $30.00	18,000		18,000		
THIRD YEAR EVALUATION	480 HRS X $30.00	14,400			14,400	
WHEAT DEREGULATION STUDY	600 HRS X $30.00	18,000	18,000			
BASELINE STUDIES	1200 HRS X $40.00	48,000	48,000			
FIRST YEAR AUDIT	480 HRS X $25.00	12,000		12,000		
	40 HRS X $50.00	2,000		2,000		
SECOND YEAR AUDIT	480 HRS X $25.00	12,000			12,000	
	40 HRS X $50.00	2,000			2,000	
THIRD YEAR AUDIT	480 HRS X $25.00	12,000				12,000
	40 HRS X $50.00	2,000				2,000
TOTAL		154,800	66,000	46,400	28,400	14,000
		154,800				

ANNEX H

USAID/ACCRA
PL 480 TITLE III FY 92 PROGRAM
LOCAL CURRENCY PROGRAMMING BUDGET BY YEARS

NOTE 7
ILLUSTRATIVE BUDGET OF OPERATING COSTS FOR AID TO ARTISANS

	1992	1993	1994	Total
ATAG Office in Accra				
Salaries and Per diems	6,100	15,000	11,900	33,000
Office Rental, Utilities Equipment	15,600	37,800	31,300	84,700
ATAG Field Office				
Salaries and Per diems	29,100	70,500	56,100	155,700
Office Rental, Utilities Equipment	14,400	35,300	27,900	77,600
Vehicles and Transportation	12,900	31,900	24,900	69,700
Materials Bank	9,400	20,100	16,200	45,700
Workshops/Seminars	9,600	22,800	18,300	50,700
Exhibitions/Local Marketing	2,900	6,600	5,400	14,900
	100,000	240,000	193,000	532,000

ANNEX J

PROGRAM ISSUES

This multiyear Title III proposal is a follow-on effort to the single year Title III program approved by AID/Washington on April 18, 1991. At the review of the single year program, AID/Washington requested the Mission to submit a multi-year proposal in FY 92 and to address several issues and concerns.

This Annex summarizes the issues and either responds directly to the issue or indicates where the Title III Program Proposal addresses it. This Annex also presents the guidance cable. The issues it raised pertinent to the Title III Program were:

1) Issue: The FY 1991 proposal planned to use local currency from Title III as project-type assistance. AID/W was concerned about the management burden created when local currency is used for project-type activities. AID/W suggested the Mission consider using the local currency as non-project assistance contingent upon fertilizer sector reforms.

Response: The Program is designed to maintain a minimal administrative burden on the Mission while at the same time keeping the Mission involved in policy discussions and general program direction.

The Infrastructure component will use $15 million in local currency for non-project type assistance to support the World Bank National Feeder Roads Rehabilitation and Maintenance Project. The Title III Program assistance will require the DFR to incorporate an export related selection criteria into its decision-making process. Furthermore, World Bank management, financial controls, monitoring and reporting requirements will apply to the roads rehabilitated under the NFRRMP, reducing Mission management concerns and workload.

The GOG will be allowed to utilize an additional $6.5 million in non-project, local currency assistance for infrastructure paid out of its development budget. USAID will approve this non-project allocation after the GOG has incorporated an export criteria in its planning process for priority infrastructure. Mission management responsibility will be limited to assuring that the GOG infrastructure selection process conforms to the agreement, and not involve any monitoring of construction.

The Policy and Institutional Framework component will condition $6.0 million in local currency budget support (non-project type) on institutional reforms at the GEPC.

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The Private Sector Support component will fund local currency PVO/NGO activities (project type) through NGO's which will act as grant coordinators. The grant coordinators will be responsible for the time-consuming project management and administrative functions. It will also endow a non-partisan trade and policy institute which is not management intensive.

2) Issue: Program objectives should be clearer, indicators of performance should be measurable, and local currency uses should be limited to one or two activities such as roads and local NGOs.

Response: The multi-year program has the single objective of ensuring food security by increasing foreign exchange earnings. Program performance indicators are measurable. Mission has limited local currency uses to infrastructure, policy reform, and PVO/NGOs activities designed to increase exports. Mission considers the additional use of local currency for budget support at the GEPC (non-project type) to be administratively manageable.

3) Issue: The impact of significantly increased wheat imports on consumer prices of wheat and other major staples should be carefully analyzed.

Response: See Annex B, Disincentives Analysis, and two detailed studies in the Bulk Annex: Potential Disincentive Effects of Food Imports in Ghana, Ariza-Nino, WID AID Washington, August 1991; and Ghana: Wheat and Rice Marketing Study, Sigma One Corporation, USAID/Accra, October 3, 1991.

4) Issue: AID/W seriously questioned continued reliance on GNPA to market wheat and set prices versus a free market approach. If private sector participation in marketing wheat is not feasible because of the limited number of millers, Mission should consider importing wheat flour.

Response: A condition of this multi-year proposal is the reform of the wheat market (see Marketing Analysis). Importing wheat flour will not remove market distortions in and of itself. Private sector importers can already import flour. Because of the availability of subsidized wheat and a limited number of capable wheat and flour importers, the reforms will have to be introduced methodically.

5) Issue: If wheat remains the commodity of choice, the proposal must demonstrate that: 1) there is a quantifiable food gap that can only be filled by a cereal crop; 2) that wheat is the most appropriate commodity to fill that projected food (cereal) gap; and 3) the importing of wheat will not be a disincentive to commercial imports of wheat or domestic food production and marketing.

Response: See Annex A, Food Needs Assessment and Annex B, Disincentives Analysis.

6) Issue: Mission will need more information regarding roads before the USAID Director can make a 611 (a) determination.

Response: Mission considers the proposed assistance to DFR as non-project type assistance. Under Title III, the DFR will incorporate an export criteria into its road selection process. Nevertheless, the World Bank Staff Appraisal Report (August 15, 1991) for National Feeder Roads Rehabilitation and Maintenance Project establishes the firm cost estimates necessary for a 611 (a) determination. Detailed budgets of illustrative examples for local currency uses appear in Appendix H and demonstrate adequate eligible uses to which Program proceeds can be used.

7) Issue: The PVO/NGO assistance for microenterprises may be targeted at too small a scale. Mission should consider the extent to which micro-enterprises are the optimal target for such large resource transfers.

Response: TechnoServe, WWBG and Aid to Artisans will be free to provide financing and support services to both small and micro scale enterprises.

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TAGS:
SUBJECT: GHANA FY 1991 P.L. 480 TITLE III PROGRAM

REF: STATE 145771

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1. ECPR MET TO REVIEW SUBJECT PROPOSAL 4/18/91. CONSENSUS OF THE ECPR WAS THAT USAID/GHANA SHOULD BE COMMENDED FOR A MAJOR BREAKTHROUGH IN FOOD AID PROGRAMMING. IT IS THE FIRST FY 91 AFRICAN PROGRAM RECEIVED IN AID/W WHICH MOVES FROM TRADITIONAL TITLE I TO THE NEW TITLE III AND SEEKS TO INTEGRATE THE TWO ASSISTANCE ELEMENTS TITLE III PL 480 AND DFA.

IN ADDITION, THE ECPR RECOGNIZED THE SHORT TURNAROUND TIME BETWEEN RECEIPT OF INTERIM TITLE III GUIDANCE FOR FY 91 AND TARGET DATE FOR SUBMISSION OF PROPOSAL.

SUBJECT TO REVISIONS DISCUSSED BELOW ECPR AGREED TO RECOMMEND DA/AID APPROVAL OF A SINGLE YEAR TITLE III PROGRAM FOR GHANA FOR FY 1991, IN THE AMOUNT OF DOLS. 10 MILLION FOR WHEAT IMPORTS. DOLS 10 MILLION INCLUDES COST OF BOTH COMMODITY AND TRANSPORT.

THE ECPR ALSO RECOMMENDED TO THE AA/AFR APPROVAL OF THE

DFA PORTION OF THE PROPOSAL AS A STAND ALONE ACTIVITY. USAID/GHANA IS AUTHORIZED TO PROCEED WITH PROJECT PAPER PREPARATION, REVIEW/APPROVAL AND AUTHORIZATION. PER REFTEL PROJECT SHOULD BE AUTHORIZED WITH REDSO/WCA RLA CONCURRENCE.

PARTICIPANTS AT THE ECPR REVIEW WHICH WAS CHAIRED BY AFR/PD DIRECTOR TIM BORK INCLUDED REPRESENTATIVES FROM AFR/CCWA AFR/DP AFR/TR PPC AFR/MDI GC/AFR AND OMB. WRITTEN COMMENTS WERE ALSO PROVIDED BY SEVERAL OFFICES INCLUDING FVA/FFP. THE FOLLOWING PARAGRAPHS DISCUSS THE CONCLUSIONS REACHED BY ECPR AND PROVIDE DETAILED GUIDANCE ON (A) CHANGES TO BE MADE TO THE TITLE III PROPOSAL AND (B) COMMENTS/SUGGESTIONS FOR THE DOLS. SEVEN MILLION DFA STAND ALONE PROJECT.

TITLE III PROPOSAL

2. SUMMARY.
A) AS DISCUSSED IN ECPR TITLE III CAN BE USED IN ONE OF THREE BASIC MODALITIES:
1) NON-PROJECT ASSISTANCE (NPA), WHERE PROVISION OF THE GRANT COMMODITY ITSELF PROVIDES LEVERAGE FOR POLICY REFORM;
2) PROJECT ASSISTANCE WHERE USE OF LOCAL CURRENCIES FOR DEVELOPMENT PROVIDES JUSTIFICATION FOR THE GRANT. LOCAL CURRENCIES MUST BE DEPOSITED IN A SPECIAL ACCOUNT AND MONITORED TO END USE; OR,
3) SOME COMBINATION OF 1) AND 2) ABOVE.

THERE WAS CONSENSUS IN THE ECPR THAT THE BASIC JUSTIFICATION OF THE PROPOSED GHANA TITLE III PROGRAM AS PRESENTED WAS USE OF LOCAL CURRENCIES FOR DEVELOPMENT. AS STATED ABOVE, THIS IS ACCEPTABLE UNDER TITLE III. HOWEVER THE REQUIREMENTS FOR ACCOUNTABILITY AND MANAGEMENT OF TITLE III LOCAL CURRENCIES BY USAID ARE QUITE STRINGENT; FOR EXAMPLE, LOCAL CURRENCY MAY HAVE TO BE TRACKED TO ITS END USE. FOR THIS REASON MISSION IS ADVISED TO RECONSIDER WHICH MODALITY OF TITLE III BEST SUITS GHANA AT THIS TIME. MANY OF THE PARTICIPANTS AT THE ECPR SUPPORTED RECASTING THE PROGRAM INTO NPA MODALITY WITH THE OBJECTIVES FOCUSSED ON FERTILIZER SECTOR REFORMS.

B) IN ADDITION TO NEED FOR CLARIFICATION OF MODALITY OF PROGRAM THERE WAS AGREEMENT THAT THE GHANA TITLE III PROGRAM REQUIRED GREATER FOCUS AS FOLLOWS:
1) PROGRAM OBJECTIVES SHOULD BE MORE CLEARLY DEFINED;
2) INDICATORS OF PERFORMANCE TOWARDS OBJECTIVES SHOULD BE WELL-DEFINED AND MEASURABLE WITHIN THE ONE-YEAR TIMEFRAME.

3) IF A REFORM COMPONENT IS TO BE INCLUDED, REFORMS SHOULD BE LIMITED IN SCOPE MEASURABLE AND ACHIEVABLE WITHIN ONE YEAR; AND,
4) THE USE OF LOCAL CURRENCY PROCEEDS -- WHETHER OR NOT THE USE IS THE JUSTIFICATION OF THE PROGRAM — SHOULD BE LIMITED TO ONE OR TWO ACTIVITIES/ISSUES.

C) THERE WAS BROAD AGREEMENT THAT THE PROGRAM SHOULD BE APPROVED FOR ONE YEAR ONLY. THIS WAS BASED ON CONCERN OVER INADEQUATE ANALYSIS OF THE IMPACT OF THE SIGNIFICANTLY INCREASED WHEAT IMPORTS ON CONSUMER PRICES OF WHEAT AND OTHER MAJOR STAPLES, AND THEREFORE DOMESTIC PRODUCTION PRICES OF MAJOR STAPLES.

D) FINALLY SIGNIFICANT CONCERN WAS EXPRESSED THAT RESPONSIBILITY FOR ALLOCATION AND PRICING OF U.S. WHEAT WOULD BE THE GHANA NATIONAL PROCUREMENT AGENCY (GNPA) AND THAT GIVEN THE LIMITED NUMBER OF MILLERS, A FOCUS ON THE EXPANSION OF PRIVATE SECTOR PARTICIPATION IN THIS AREA WOULD NOT BE FEASIBLE.

3. MULTI- VS. SINGLE-YEAR PROGRAM.
THERE WAS GENERAL AGREEMENT THAT A MULTI-YEAR APPROACH TO TITLE III FOR GHANA, AS DESCRIBED IN THE PROPOSAL WAS NOT JUSTIFIED BY THE DOCUMENT. IT WAS AGREED THAT A SINGLE-YEAR PROGRAM COULD BE RECOMMENDED FOR DA/AID APPROVAL. WHILE APPROVAL OF A SINGLE-YEAR PROGRAM DOES NOT PRECLUDE CONSIDERATION OF A REQUEST FOR TITLE III ASSISTANCE NEXT YEAR, ANY FOLLOW-ON PROGRAM WILL BE REVIEWED IN LIGHT OF PROGRESS TOWARDS THIS YEAR'S PROGRAM OBJECTIVES. MISSION SHOULD BEAR IN MIND THAT THE NEW TITLE III IS INTENDED AS FOOD FOR DEVELOPMENT. SPECIFICALLY, PROGRAM OBJECTIVES AND BENCHMARKS FOR ACHIEVEMENT OF THESE OBJECTIVES (PERFORMANCE INDICATORS) ARE SERIOUSLY EVALUATED. SUCCESSFUL ACHIEVEMENT OF OBJECTIVES IS A CRITERION FOR CONTINUATION OF THE PROGRAM. PERFORMANCE WILL BE EVALUATED MORE RIGOROUSLY UNDER THE NEW TITLE III THAN WAS THE CASE HISTORICALLY UNDER TITLE I.

4. COMMODITY ANALYSIS. ECPR CONCURRED IN MISSION'S CHOICE OF WHEAT AS COMMODITY TO BE PROVIDED ON GRANT TERMS UNDER TITLE III. HOWEVER, ONE OF THE MAJOR THEMES EMPHASIZED BY THE TITLE III LEGISLATION IS PRIVATIZATION OF FOOD AND AGRICULTURAL DISTRIBUTION SYSTEMS. THEREFORE USAID/GHANA SHOULD ENSURE, TO THE MAXIMUM EXTENT POSSIBLE, THAT THE BENEFITS OF HANDLING IN-COUNTRY TITLE III COMMODITY TRANSACTIONS ACCRUE TO PRIVATE SECTOR ORGANIZATIONS RATHER THAN TO STATE, STATE-OWNED OR STATE-CONTROLLED ENTERPRISES.

A) IN THIS REGARD, ECPR SERIOUSLY QUESTIONED CONTINUED RELIANCE ON GNPA TO MARKET WHEAT AND SET PRICES VERSUS A FREE MARKET APPROACH. THERE WAS CONSENSUS THAT THE NEXT BEST OPPORTUNITY FOR THE MISSION TO ADDRESS THIS CONCERN WOULD BE IN THE FY 1992 PROPOSAL.
B) ECPR ALSO RECOMMENDED THAT MISSION CONSIDER FOR ANY MULTI-YEAR PROGRAM IN THE FUTURE, IMPORTATION OF WHEAT FLOUR AS OPPOSED TO WHEAT, TO CONTRIBUTE TO MORE COMPETITIVE ENVIRONMENT CURRENTLY CONTROLLED BY FOUR MILLERS.

IF WHEAT REMAINS THE COMMODITY OF CHOICE IN ANY FOLLOW-ON TITLE III REQUEST SUCH A PROPOSAL MUST HAVE A SOUND ANALYSIS THAT DEMONSTRATES CLEARLY THAT: (1) THERE IS A QUANTIFIABLE FOOD GAP THAT CAN ONLY BE FILLED BY A CEREAL CROP; (2) THAT WHEAT IS THE MOST APPROPRIATE COMMODITY TO FILL THAT PROJECTED FOOD (CEREAL) GAP; AND (3) THE IMPORTING OF SIGNIFICANT QUANTITIES OF WHEAT WILL NOT BE A DISINCENTIVE TO EITHER COMMERCIAL IMPORTS OF WHEAT OR TO DOMESTIC FOOD PRODUCTION AND MARKETING, INCLUDING DOMESTIC CEREAL PRODUCERS AND THE PRODUCERS OF OTHER IMPORTANT STAPLE FOODS (E.G. YAMS). AID/W WOULD EXPECT THAT SUCH A

NEW PROGRAM WOULD SUPPORT POLICY AND REGULATORY REFORMS WHICH WOULD MOVE FOOD MARKETING AND PRICING TO OPEN, COMPETITIVE MARKETING SYSTEMS WITH UNSUBSIDIZED DEREGULATED MARKET-DETERMINED PRICES FOR ALL CEREALS AND CEREAL PRODUCTS.

PLEASE BEAR IN MIND THAT CONDITIONALITY MAY BE CONSIDERED TO PROMOTE PRIVATIZATION OF FOOD DISTRIBUTION SYSTEMS FOR COMMODITIES OTHER THAN WHEAT. IN OTHER WORDS, IF THE PROBLEMS WITH REFORM OF THE SYSTEM FOR THE IMPORTATION AND SALE OF WHEAT ARE TOO INTRACTABLE, PERHAPS IMPROVEMENTS INVOLVING ANOTHER COMMODITY (OR COMMODITIES) CAN BE ACCOMPLISHED.

6. OTHER DONOR ACTIVITIES: RELATED TO PARA 5. ABOVE SUGGEST MISSION CONTINUE TO CONSULT CLOSELY WITH THE IBRD AND POSSIBLY OTHER DONOR ORGANIZATIONS IN YOUR EFFORTS TO ENSURE THAT PROPOSED WHEAT IMPORTATION PROGRAM WILL NOT HAVE A DISRUPTIVE IMPACT ON LOCAL FARMERS OR THE ECONOMY.

7. USE OF LOCAL CURRENCIES.
ECPR ENDORSED USES OF LOCAL CURRENCIES FOR DEVELOPMENT PROJECTS MUTUALLY AGREED UPON BY GOG AND USAID. HOWEVER, BECAUSE OF MANAGERIAL IMPLICATIONS OF LOCAL CURRENCY DISPERSION AND DILUTED ABILITY TO ASCRIBE IMPACT WHEN LOCAL CURRENCY IS DIVIDED AMONG MANY USES, THERE WAS STRONG CONSENSUS THAT IF LOCAL CURRENCIES ARE DEPOSITED INTO SPECIAL ACCOUNT AND PROGRAMMED TO END USE, THESE USES SHOULD BE MORE NARROWLY FOCUSSED THAN PROPOSED. ONE SUGGESTION WAS THAT ALL LOCAL CURRENCIES BE USED ONLY FOR ROAD CONSTRUCTION AND LOCAL NGOS. OUTPUTS AT THE PROJECT LEVEL PROVIDE ONE MEANS OF INSURING THAT MEASURABLE

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INDICATORS ARE OBTAINED UNDER THE ONE YEAR PROGRAM. HOWEVER MISSION SHOULD BE AWARE OF SIGNIFICANT ACCOUNTABILITY AND MONITORING DEMANDS ON STAFF TIME OF TRACKING LOCAL CURRENCY.

6. REVISED PROGRAM STATEMENTS.
AID/W REQUIRES REVISED MISSION STATEMENT OF THE GOALS AND OBJECTIVES FOR THIS ONE-YEAR PROGRAM AS WELL AS A DESCRIPTION OF THE (MEASURABLE) PERFORMANCE INDICATORS TO BE ACHIEVED EITHER THROUGH POLICY CONDITIONALITY OR USE OF THE LOCAL CURRENCY GENERATED BY THE TITLE III PROGRAM. PROMPT RECEIPT OF THE REQUESTED INFORMATION, ALREADY DISCUSSED IN TELCONS AND WITH MISSION REP. BIRGELLS DURING TDY, WILL ALLOW THE BUREAU TO RECOMMEND APPROVAL OF THE PROGRAM BY DA/AID.
NOTE: INDICATORS MUST BE MEASURABLE. THIS IS ESSENTIAL, AS RATIONALE FOR GRANT TITLE III IN THE ABSENCE OF POLICY REFORM IS THE DEVELOPMENT IMPACT FACILITATED/ENABLED BY THE LOCAL CURRENCY. PLEASE BEAR IN MIND AGAIN THAT THE INDICATORS SHOULD BE REALISTIC FOR A SINGLE-YEAR PROGRAM.

DFA PROPOSAL

THE FOLLOWING COMMENTS CONCERN DFA PORTION OF PROPOSAL BUT MAY ALSO OVERLAP WITH PROPOSED USES OF TITLE III RESOURCES PARTICULARLY LOCAL CURRENCY PROGRAMMING.

7. CREDIT PROGRAM. ECPR CONCLUDED THAT IT WOULD BE CONTRARY TO A.I.D. POLICY TO PARTICIPATE IN A DIRECTED, I.E. SUBSIDIZED CREDIT PROGRAM UNLESS APPROVED AS AN EXCEPTION BY THE AGENCY. THE POSITION OF AID ON THIS POINT REFLECTS THE EXTREMELY POOR RESULTS DOCUMENTED TO DATE ON THE EFFECTIVENESS OF SUCH PROGRAMS.

8. FERTILIZER PRICING. PRESUMABLY IF THE MISSION HAS A GRANT OR CONTRACT WITH THE INTERNATIONAL FERTILIZER DEVELOPMENT CENTER (IFDC), THE LATTER WOULD FOCUS ON THE PRICING ISSUES WHICH HAVE RESULTED IN SURPLUS FERTILIZER STOCKS AS WELL AS OTHER ASPECTS OF FERTILIZER MARKETING.

9. SEED INDUSTRY. ECPR EXPRESSED RESERVATIONS ABOUT THE NEED FOR A CERTIFIED SEED PROGRAM IN GHANA AT THIS TIME, PARTICULARLY ONE IN WHICH AID SUPPORT FOR GOG

INSTITUTIONAL INVOLVEMENT IS TO BE SUBSTANTIAL. IS THERE A CLEAR NEED FOR A SOPHISTICATED CERTIFIED SEED PROGRAM? PAGES 16 AND 17 OF THE PROPOSAL MENTION THE ESTABLISHMENT OF PRICING AND REGULATORY PRACTICES AS APPROPRIATE FOR THE PUBLIC SECTOR. THE SHIFT AWAY FROM GOVERNMENT CONTROL OF THE SEED INDUSTRY TOWARD PRIVATE SECTOR AGENTS (MENTIONED ON PAGE 16) APPEARS MORE CONSISTENT WITH GHANA'S NEEDS IN THE AGRICULTURAL SECTOR.

NEITHER THE MISSION DOCUMENT NOR THE IFDC PROPOSAL PROVIDES INFORMATION SUGGESTING THAT IFDC HAS A PREDOMINANT CAPABILITY IN THE SEED PRODUCTION OR MARKETING AREA. A SOLE SOURCE AGREEMENT WITH IFDC FOR THE SEED COMPONENT SHOULD THEREFORE BE CONSIDERED VERY CAREFULLY.

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10. IF THE PROPOSED STUDIES ARE TO BE FINANCED UNDER THE DFA, THEIR CAUSAL RELATIONSHIP TO ACHIEVING THE PROJECT PURPOSE SHOULD BE FULLY DESCRIBED IN THE PROJECT PAPER.

11. GRAY AMENDMENT ENTITIES. SINCE A SIGNIFICANT REDESIGN OF THE DFA PORTION OF THE PROJECT IS TO BE DONE THE FINAL PROJECT PAPER SHOULD IDENTIFY OPPORTUNITIES FOR CONTRACTING WITH GRAY AMENDMENT ENTITIES.

12. PARTICIPATION OF AFRICAN WOMEN. USAID/GHANA REP BIRGELLS MEET WITH PPC/WID REP, AND THAT OFFICE PROVIDED WRITTEN COMMENTS AS WELL AS ATTENDING THE ECPR MEETING. AS FINAL DESIGN WORK IS CARRIED OUT MISSION SHOULD DIRECT ATTENTION SPECIFICALLY TO HOW IT CAN DIRECT RESOURCES EQUITABLY TO THE MAJORITY OF THE TARGET POPULATION, WHICH HAPPENS TO BE WOMEN TRADERS, FARMERS AND PRIVATE SECTOR AGENTS.

13. LOGICAL FRAMEWORK. THE LOGICAL FRAMEWORK WAS RECEIVED AND DISTRIBUTED AFTER THE PROPOSAL REACHED AID/W. IN THE REDESIGN PROCESS, THIS DOCUMENT WILL CHANGE. AMONG OTHER THINGS, THE NEW LOG FRAME SHOULD SERVE AS A VEHICLE TO TRACK THE ORGANIZATION OF BASE-LINE GENDER DISAGGREGATED DATA GATHERING AND TARGETING OF WOMEN BENEFICIARIES AS A CONSEQUENCE OF THEIR PARTICIPATION IN AND BENEFIT FROM, THE PROPOSED ACTIVITIES. ADDITIONALLY, THE LEVEL OF WOMEN'S PARTICIPATION IN THE PROJECT ACTIVITIES SHOULD BE BASED ON THE PERCENTAGE OF WOMEN IN THE POPULATION OR THE PLANNED ACTIVITY, WHICHEVER IS GREATER.

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14. 611(A) DETERMINATION. ACCORDING TO THE PROPOSAL, THE MISSION EXPECTS TO HAVE SUBSTANTIALLY MORE INFORMATION REGARDING THE ROADS TO BE REHABILITATED OR MAINTAINED BY

JULY 1991. IN ORDER FOR USAID DIRECTOR TO MAKE 611(A) DETERMINATION THIS ADDITIONAL INFORMATION REGARDING REASONABLY FIRM PROJECT COSTS WOULD BE CRITICAL BEFORE A FUNDING COMMITMENT IS MADE.

15. INITIAL ENVIRONMENTAL EXAMINATION. AN IEE ACCEPTABLE TO GC/AFR OR RLA IN REDSO/WCA AND SIGNED BY THE BUREAU ENVIRONMENTAL OFFICER WILL BE NEEDED PRIOR TO PROJECT AUTHORIZATION.

OTHER COMMENTS/CONCERNS

16. INSTITUTIONAL CAPACITY OF NONGOVERNMENTAL ORGANIZATIONS (NGOS). THE PROJECT MAY PROVIDE RESOURCES FOR NGOS AND COOPERATIVES TO ASSIST MICRO-ENTERPRISES DEVELOPMENT IN AGRIBUSINESS AND AGRO-PROCESSING. SOME NGOS IN GHANA (SEVERAL EXAMPLES CITED IN PROPOSAL) ARE MAKING IMPORTANT EFFORTS TO INTRODUCE MORE APPROPRIATE MEDIUM-SIZED TECHNOLOGY TO GHANA. THE MISSION MAY WANT TO ASSESS THE EXTENT TO WHICH MICRO-ENTERPRISES ARE THE OPTIMAL TARGET FOR SUCH LARGE RESOURCE TRANSFERS. MIGHT THE SAME FUNDS NOT HAVE GREATER IMPACT ON GROWTH OF THE AGRICULTURAL SECTOR IF DIRECTED TO MEDIUM-SIZED ENTERPRISES, E.G., COOPERATIVES, RATHER THAN THE DEVELOPMENT OF MICRO-ENTERPRISES?

PERHAPS LARGER ENTITIES, SUCH AS COOPERATIVES, SHOULD ASSIST MICRO-ENTERPRISE DEVELOPMENT AND BE TARGETS OF SUCH ASSISTANCE THEMSELVES. SUCH AN ARRANGEMENT WOULD HELP DISSEMINATE THE TECHNOLOGY NEEDED TO BRIDGE THE GAP BETWEEN THE LARGE-SCALE INDUSTRIAL AGRO-PROCESSING FACILITIES THAT ALREADY EXIST IN GHANA (PRIMARILY STATE CONTROLLED) AND THE SMALL, ARTISANAL AGRO-PROCESSING OCCURRING AT THE HOUSEHOLD LEVEL.

17. USE OF IN-COUNTRY GHANAIAN EXPERTISE. SUGGEST THE MISSION INVESTIGATE OPPORTUNITIES FOR ECONOMIZING ON COSTS SUCH AS THE LOCAL CURRENCY MONITORING POSITION NOW BUDGETED AT DOLS. 170,000 (PAGE 31 OF PROPOSAL) WHICH ONLY PARTIALLY FUNDS TWO YEARS OF A PERSONAL SERVICES CONTRACT. SINCE GHANA REPORTEDLY HAS A LARGE SKILLED LABOR POOL OF ANGLOPHONES THERE MAY BE EXCELLENT CANDIDATES THAT THE MISSION COULD IDENTIFY THROUGH A COMPETITIVE SCREENING PROCESS AS A FIRST OPTION. EAGLEBURGER

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ANNEX K

Title III Monitoring and Evaluation Plan

A. Monitoring Plan

Monitoring activities for the Title III program will track and assess the progress and results of local currency-funded activities to enhance food security by increasing and diversifying foreign exchange earnings so that Ghana can import food to meet its deficits and will provide the baseline data required to monitor and evaluate the achievement of project targets and people level impact. To meet Women in Development objectives, data will be collected to allow disaggregation by gender.

1. Monitoring local currency-funded project activities

a. Performance Level Indicators

USAID will monitor the progress of the Title III programs by:

-- measuring the kilometers of feeder roads improved;
-- assessing the Department of Feeder Roads' budget and maintenance plan and actual expenditures;
-- documenting the number of PIP projects undertaken;
-- assessing the GEPC's budget and expenditures;
-- documenting the number of exporters assisted and trained by NGO's; and
-- examining the status of wheat market reforms.

b. Purpose Level Indicators

USAID will monitor direct results of project activities by tracking progress in the following areas:

-- increasing value of NTEs;
-- reducing the DRCs at the wholesale levels for major crops;
-- formulating and implementing a strategic plan by GEPC;
-- increasing value of exports produced by NGO assisted micro- and small scale export-related enterprises;
-- increasing levels of private sector investment in NT export activities;
-- increasing GOG budgetary support for export-related infrastructure improvements; and
-- performance of the Trade and Economic Policy Institute.

2. People Level Impact Monitoring

The people level impact monitoring will include the tracking of those private sector exporters and their employees who benefit from a well-funded, planned and staffed GEPC, from private sector support organizations and NGOs, and from GOG funded export-related infrastructure.

3. Monitoring Responsibilities

Monitoring is the responsibility of USAID and the GOG, including the GEPC and the MFEP, and the non-governmental organizations involved in the local currency program. USAID, through its Trade, Agriculture, and Private Sector Office (TAPSO) and the GOG will have responsibility for overall monitoring to ensure that the entire Title III program is implemented according to the agreements between USAID and GOG. The USAID TAPSO, assisted by the Mission's Monitoring and Evaluation Unit, will be responsible for tracking the results of local currency-funded activities through reports received from the NGO contractor, MFEP, GEPC, and baseline studies, special analyses and evaluations.

B. Evaluation Plan

The evaluation component of the Title III Program will be managed directly by USAID. All evaluation activities will be carried out with the full collaboration of the Government of Ghana, NGOs, and private sector institutions that are participating in the local currency program. The first year monitoring activities will provide the baseline data for the subsequent annual evaluations.

C. Proposed Monitoring and Evaluation Schedule for the Title III Program

1. Baseline Studies

Baseline data will provide the reference points against which the stipulated targets and objectives are evaluated. (See the Program Logframe.) Given that some of the purpose level indicators do not have data sources, special baseline studies will be conducted to develop a data base. Where data are already available, special analyses will be conducted to ensure that baseline data are documented at the project start. It is critical that the baseline studies and analyses are conducted immediately after the program commences. These surveys should be conducted between January 1992-April 1992.

The following is a brief description of the baseline studies required for the Title III Program.

1) Baseline Study for Rehabilitation of Feeder Roads.

Background: 1450km of feeder roads are to be rehabilitated to help improve productivity of non-traditional export crops. To determine the impact of the rehabilitated feeder roads on export crops, a baseline socio-economic evaluation needs to be conducted so that an economic rate of return can be calculated later.

2) Baseline Study on Domestic Resource Cost Ratios (DRCs).

Background: The MTADS (1991) has established that at the farmgate level, Ghana has an overall strong comparative advantage in the production of a wide range of crops namely rice, maize, sorghum, cotton, groundnut, tobacco and oil palm. This advantage erodes at the wholesale level mainly because of transport/marketing inefficiencies. The existing data on DRC unfortunately have no bearing on the non-traditional export sector, hence the need for baseline data by the end of 1991 or soon after the Title III Program begins are required to provide a data base for DRC on major export crops.

The baseline study on DRCs will enable the impact of selected feeder roads on the competitiveness of certain export crops to be determined. By examining the DRCs of crops along specific feeder roads at the start of Title III program, followed by the tracking of DRCs overtime, the competitiveness of selected export crops on those feeder roads can be determined. It is expected that Ghana's export crops on selected feeder roads will become competitive when DRC is less than 1, thus reducing at the wholesale price by a percentage, yet to be determined, after the introduction of rural feeder roads every year for the project duration.

Note: The first two baseline studies will provide impact data on the rehabilitated feeder roads.

3) Baseline Study on Micro- and Small Scale Export-related Enterprises.

Background: Micro- and small scale export-related enterprises tend to have little experience, are viewed as "big risks," and tend to need greater assistance. Given the nature of the Title III program, these enterprises will be given resources previously not available to them. By assisting NGOs to provide training and support to micro- and small scale export-related enterprises, these export-related enterprises are expected to increase their export activities and hence the value of exports are expected to increase.

4) Baseline Study on Private Sector Investment in NT export activities.

Background: To date, private sector investment in NT export sector is limited, but the potential for growth is large. With the initiatives of the Title III program and overall favorable climate for export activities, private sector investment levels should increase. To accurately measure this increase, private sector investment levels need to be collected at the start of Title III to provide a point of comparison in subsequent surveys.

2. Baseline Analyses and Special Evaluations

The GOG collects data in certain areas that when analyzed properly and timely will provide baseline indicators. The GOG currently funds Public Infrastructure Projects (PIP), however, funds have not been targeted at those capital items which directly help the export sector. Under this program, it is expected that a budgetary line item and process will be developed for public sector infrastructure investment to address export bottlenecks. Special analysis on PIP funding and project activities is required to develop a PIP baseline indicator at the start of the Title III Program. This will permit changes in PIP activities to be assessed later. The MFEP and the GEPC currently collect data on PIP.

The GEPC currently collects data on the NT export sector. At the start of the Title III Program, the value of NTEs will be documented. With the activities funded by Title III generated local currency, it is expected that the value of NTEs will increase. The baseline value of NTEs collected at the program start will serve as a reference point for future analyses.

To evaluate the performance of the Trade and Economic Policy Institute, a special survey of peer reviewers will be conducted in Years 3 and 4. In addition, the client base and contracts that generate income for the Trade and Economic Policy Institute will be assessed to determine the economic health and viability of the Institute in Years 3 and 4.

3. Annual Follow-up Surveys

Using the same methodology of the baseline studies and special analyses, annual follow-up surveys will be conducted in Years 2 and 3 of the Title III Program as well as in Year 4, after the program has ended. The Title III Program will be generating cedis in Years 1, 2, and 3; however, disbursement and use will continue in Year 4. For this reason, monitoring and evaluation will occur beyond the life of the program. Results of these surveys will provide data for comparative purposes and indicate progress towards targets and actual achievement. Where possible, follow-up studies and analyses, as well as the monitoring of performance indicators, will be conducted prior to September of Year 2, Year 3 and Year 4 so that data will be available for Assessment of Program Impact (API) reporting in October.

A final evaluation will be conducted towards the end of Year 4, when local currency is expected to be fully expended. The final report will be comprehensive, including data from the previous 3 years, with the overall objectives of the program and actual achievements highlighted.

D. Implementation of Monitoring and Evaluation Plan

USAID will contract a local consulting firm(s) to carry out the baseline studies, to conduct the follow-up surveys in Years 2, 3, and 4 and to complete the final evaluation in Year 4. USAID's TAPSO will outline the baseline survey and special analyses requirements with the assistance of the Mission's Program Economist and Monitoring and Evaluation System Manager. TAPSO, together with the Monitoring and Evaluation System Manager, will monitor and managed the work of the local consultant(s).