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IDA/R2019-0216/1

June 13, 2019

Closing Date: Tuesday, July 2, 2019
at 6:00 p.m.

FROM: Vice President and Corporate Secretary

Ghana - Ghana Economic Transformation Project

Project Appraisal Document

Attached is the Project Appraisal Document regarding a proposed credit to Ghana for a Ghana Economic Transformation Project (IDA/R2019-0216/1), which is being processed on an absence-of-objection basis.

Distribution:
Executive Directors and Alternates
President
Bank Group Senior Management
Vice Presidents, Bank, IFC and MIGA
Directors and Department Heads, Bank, IFC, and MIGA

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Report No: PCBASIC0145161

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR144.4 MILLION

(US$200 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR A

GHANA ECONOMIC TRANSFORMATION PROJECT

June 11, 2019

Finance, Competitiveness and Innovation Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective April 30, 2019)

Currency Unit =	GHS (Ghanaian Cedi)
GHS 5.15 =	US$1
US$1 =	SDR 0.72162568

FISCAL YEAR
January 1 - December 31

Regional Vice President:	Hafez Ghanem
Country Director:	Henry Kerali
Senior Global Practice Director:	Sebastian-A Molineus
Practice Manager:	Douglas Pearce
Task Team Leader(s):	Kaliza Karuretwa, Cristian Quijada Torres

ABBREVIATIONS AND ACRONYMS

BRR	Business Regulatory Reform
CABs	Conformity Assessment Bodies
CAGD	Controller and Accountant General's Department
CPS	Country Partnership Strategy
CPESDP	President's Coordinated Programme of Economic and Social Development Policies
CPSD	Country Private Sector Diagnostic
DA	Designated Account
DB	Doing Business
DBR	Doing Business Reform
DFI	Development Finance Institution
DFID	UK Department for International Development
DLI	Disbursement Linked Indicator
DLR	Disbursement Linked Result
DPO	Development Policy Operation
EEP	Eligible Expenditure Program
EFA	Economic and Financial Analysis
EGA	Enterprise Ghana Agency
EMT	Economic Management Team
EODB	Ease of Doing Business
ERR	Economic Rate of Return
ESIA	Economic and Social Impact Assessment
ESMF	Environmental and Social Management Framework
ESMP	Environmental and Social Management Plan
ETP	Economic Transformation Program
EU	European Union
FDI	Foreign Direct Investment
FM	Financial Management
FMS	Financial Management Specialists
FoF	Fund of Funds
FSD	Financial Sector Division
FY	Fiscal Year
GAIN	Ghana Angel Investor Network
GAS	Ghana Audit Service
GAX	Ghana Alternative Stock Exchange
GBV	Gender Based Violence
GDP	Gross Domestic Product
GEPA	Ghana Export Promotion Agency
GET	Ghana Economic Transformation
GETP	Ghana Economic Transformation Project
GoG	Government of Ghana
GIPC	Ghana Investment Promotion Centre
GFZA	Ghana Free Zones Authority

GRA	Ghana Revenue Authority
GRM	Grievance Redress Mechanism
GRS	Grievance Redress Service
GSA	Ghana Standards Authority
HR	Human Resources
IA	Implementing Agency
ICT	Information and Communications Technology
IDA	International Development Association
IFC	International Finance Corporation
IFR	Interim Financial Report
IIS	Investor Information System
IMC	Inter-Ministerial Committee
IPA	Investment Promotion Agency
IPF	Investment Project Financing
IRMS	Investor Relationship Management System
IRR	Internal Rate of Return
IVA	Independent Verification Agent
LA	Lead Agency
LEG	Legal
LLC	Limited Liability Company
M&E	Monitoring and Evaluation
MDAs	Ministries Departments and Agencies
MENA	Middle East and North Africa
MFD	Maximizing Finance for Development
MOBD	Ministry of Business Development
MOF	Ministry of Finance
MOTI	Ministry of Trade and Industry
MSME	Micro Small and Medium Enterprise
NBSSI	National Board for Small Scale Industries
NEIP	National Entrepreneurship and Innovation Plan
NPF	New Procurement Framework
NPV	Net Present Value
NQI	National Quality Infrastructure
NQP	National Quality Policy
OM	Operations Manual
ORC	Office of the Registrar of Companies
P4R	Program for Development
PCU	Project Coordinating Unit
PDO	Project Development Objective
PE	Private Equity
PEVC	Private Equity and Venture Capital
PIM	Project Implementation Manual
PLR	Performance and Learning Review
POC	Project Oversight Committee
PPA	Project Preparation Advance
PPD	Public-Private Dialogue

PPP	Public Private Partnership
P-RAMS	Procurement Risk Assessment and Management System
PTB	Physikalisch-Technische Bundesanstalt
QER	Quality Enhancement Review
QI	Quality Infrastructure
RBF	Results Based Financing
RGD	Registrar General Department
RMERD	Resource Mobilization and Economic Relations Division
RPF	Resettlement Policy Framework
SAO	Senior Accountant Officer
SCD	Systematic Country Diagnostic
SCF	Startup Catalyst Fund
SEZ	Special Economic Zone
SIF	Strategic Industries Fund
SME	Small and Medium Enterprise
SOPs	Standard Operating Procedures
SORT	Systematic Operations Risk-Rating Tool
SPS	Sanitary and Phytosanitary Standards
SPV	Special Purpose Vehicle
STEP	Systematic Tracking of Exchanges in Procurement
SWOT	Strength Weaknesses Opportunities Threats
TA	Technical Assistance
TBI	Tony Blair Institute
TBT	Technical Barriers to Trade
TC	Technical Committee
TIA	Technical Implementing Agency
TOR	Terms of Reference
TSC	Technical and Strategic Committee
TTL	Task Team Leader
UCS	Use of Country Systems
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDB	United Nations Database
VC	Venture Capital
VCTF	Venture Capital Trust Fund
VGF	Viability Gap Fund
VPU	Vice Presidential Unit
WB	World Bank
WBG	World Bank Group
WTO	World Trade Organization

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Ghana	Ghana Economic Transformation Project	
Project ID	**Financing Instrument**	**Environmental Assessment Category**
P166539	Investment Project Financing	B-Partial Assessment

Financing & Implementation Modalities

[ ] Multiphase Programmatic Approach (MPA)	[ ] Contingent Emergency Response Component (CERC)
[ ] Series of Projects (SOP)	[ ] Fragile State(s)
[✓] Disbursement-linked Indicators (DLIs)	[ ] Small State(s)
[ ] Financial Intermediaries (FI)	[ ] Fragile within a non-fragile Country
[ ] Project-Based Guarantee	[ ] Conflict
[ ] Deferred Drawdown	[ ] Responding to Natural or Man-made Disaster
[ ] Alternate Procurement Arrangements (APA)	

Expected Approval Date	Expected Closing Date
02-Jul-2019	30-Nov-2025
Bank/IFC Collaboration	**Joint Level**
Yes	Complementary or Interdependent project requiring active coordination

Proposed Development Objective(s)

The Project Development Objective is to promote private investments and firm growth in non-resource based sectors.

Components

Component Name	Cost (US$, millions)

Enabling investments	35.00
Crowding-in investments: Promoting spatial and industrial planning and development	79.00
Accelerating entrepreneurship and MSME growth	80.00
Project management and evaluation	6.00

Organizations

Borrower:	Ministry of Finance
Implementing Agency:	Ghana Investment Promotion Center Ministry of Trade and Industri Ministry of Business Development

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	200.00
Total Financing	200.00
of which IBRD/IDA	200.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	200.00
IDA Credit	200.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Guarantee Amount	Total Amount
National PBA	200.00	0.00	0.00	200.00
Total	**200.00**	**0.00**	**0.00**	**200.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2020	2021	2022	2023	2024	2025	2026
Annual	2.00	15.00	30.00	40.00	40.00	40.00	33.00
Cumulative	2.00	17.00	47.00	87.00	127.00	167.00	200.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

Macroeconomics, Trade and Investment

Climate Change and Disaster Screening

This operation has been screened for short and long-term climate change and disaster risks

Gender Tag

Does the project plan to undertake any of the following?	
a. Analysis to identify Project-relevant gaps between males and females, especially in light of country gaps identified through SCD and CPF	Yes
b. Specific action(s) to address the gender gaps identified in (a) and/or to improve women or men's empowerment	Yes
c. Include Indicators in results framework to monitor outcomes from actions identified in (b)	Yes

SYSTEMATIC OPERATIONS RISK-RATING TOOL (SORT)

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environment and Social	Moderate

8. Stakeholders	● Moderate
9. Other	
10. Overall	● Substantial

COMPLIANCE

Policy

Does the project depart from the CPF in content or in other significant respects?

[ ] Yes [√] No

Does the project require any waivers of Bank policies?

[ ] Yes [√] No

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment OP/BP 4.01	✔	
Performance Standards for Private Sector Activities OP/BP 4.03		✔
Natural Habitats OP/BP 4.04	✔	
Forests OP/BP 4.36		✔
Pest Management OP 4.09		✔
Physical Cultural Resources OP/BP 4.11	✔	
Indigenous Peoples OP/BP 4.10		✔
Involuntary Resettlement OP/BP 4.12	✔	
Safety of Dams OP/BP 4.37		✔
Projects on International Waterways OP/BP 7.50		✔
Projects in Disputed Areas OP/BP 7.60		✔

Legal Covenants

Sections and Description
Schedule 2 Section I.A.1(a) of FA.
The Recipient shall establish, within one (1) month after the Effective Date, and thereafter maintain at all times during Project implementation, a Project Oversight Committee (“POC”), with a composition, mandate and resources satisfactory to the Association to provide policy guidance and oversight for the Project.

Sections and Description
Schedule 2 Section I.A.2(a) of FA.
The Recipient shall establish, within one (1) month after the Effective Date, and maintain throughout Project Implementation, a Technical Committee for the Project, with a composition, mandate and resources satisfactory to the Association to be responsible for inter alia providing strategic and technical guidance on technical implementation of the Project in accordance with this Agreement and the PIM.

Sections and Description
Schedule 2 Section I.A.3(b) of FA.
The Recipient shall, not later than three (3) months from the Effective Date recruit, and thereafter maintain throughout the Project Implementation a monitoring and evaluation specialist with experience, qualifications and terms of reference acceptable to the Association.

Sections and Description
Schedule 2 Section I.A.3(d) of FA.
The Recipient shall, within three (3) months from the Effective Date, recruit, and thereafter maintain during the implementation of the Project, an independent external auditor for the Project, with qualifications, experience and under terms of reference acceptable to the Association.

Sections and Description
Schedule 2 Section I.A.5.1(a) of FA.
The Recipient shall cause VCTF to carry out Parts 3.3(a), 3.3(b) and 3.3(c) of the Project ("VCTF Parts") and to this end, shall cause VCTF to:
(a) not later than one (1) month after the Effective Date, or any such later date as agreed with the Association, establish, and thereafter maintain, throughout Project implementation, the Fund Management Teams, with composition, mandate, governance and management structure and resources satisfactory to the Association, in charge of carrying out the implementation of the Part 3.3(a) and 3.3(b), respectively, of the Project.

Sections and Description
Schedule 2 Section I.A.5.2(c)(ii) of FA.
The Recipient shall ensure that VCTF shall:
enter into an agreement with SCF and SIF respectively ("SCF Agreement" and "SIF Agreement", respectively) under terms and conditions acceptable to the Association, as set forth in the PIM, and including, inter alia, the obligation of SCF and SIF to:
(ii) not later than one (1) month from the selection of their respective BoD, or such later date as agreed with the Association, cause their respective BoD to select and maintain an Investment Committee in form and with functions, composition, resources, terms of reference and qualifications acceptable to the Association and as further described in the PIM. To this end, without limiting the generality of the foregoing, the Investment Committee shall (A) be authorized to make all decisions relating to the SCF Investments and SIF Investment and SIF Direct Investments, respectively, and (B) be composed of independent experts with relevant expertise in the area of venture capital financing and entrepreneurship in the Recipient's territory, as further defined in the PIM.

Sections and Description
Schedule 2 Section I.G.1 of FA.
No later than ninety (90) days after the Effective Date, the Recipient shall recruit on a competitive basis one or more organizations with experience, independence, integrity and capacity and under terms of reference acceptable to the Association ("Independent Verification Agent(s)" or "IVA") to verify the data and other evidence supporting the achievement of one or more DLI as set forth in the DLI Verification Protocol and recommend corresponding payments to be made.

Conditions

Type	Description
Effectiveness	Recipient has prepared and adopted a Project Implementation Manual in accordance with Section I.F of Schedule 2 of the Financing Agreement
Effectiveness	Recipient has established the Project Coordination Unit in accordance with Section I.A.3 of Schedule 2 of the Financing Agreement
Effectiveness	Subsidiary Agreement has been executed between the Recipient and VCTF
Effectiveness	Subsidiary Agreement has been executed between the Recipient and VCTF and is in full force and effect
Effectiveness	Project Agreement has been executed between VCTF and the Association and is in full force and effect
Disbursement	As detailed in Section III.B of the Financing Agreement: No payments made prior to the Signature Date
Disbursement	As detailed in Section III.B of the Financing Agreement: Under Category (4) of the Financing Agreement unless and until (i) the SCF has been established in accordance with Section I.A.5.2(a) of Schedule 2 of the Financing Agreement, (ii) the SCF Agreement has been executed according to Section I.A.5.2(c) of Schedule 2 of the Financing Agreement, and (iii) the Investment Committee for SCF has been established according to Section I.A.5.2(c)(ii) of Schedule 2 of the Financing Agreement
Disbursement	As detailed in Section III.B of the Financing Agreement: Under Category (4) of the Financing Agreement in an amount exceeding the committed amount for SCF Investments under one or more ESIV Agreements executed according to Section I.C of Schedule 2 of the Financing Agreement

Type	Description
Disbursement	As detailed in Section III.B of the Financing Agreement: Under Category (5) of the Financing Agreement unless and until (i) the PIM has been updated to include the SIF Manual according to Section I.F.1 of Schedule 2 of the Financing Agreement, (ii) the SIF has been established in accordance with Section I.A.5.2(b) of Schedule 2 of the Financing Agreement (iii) the SIF Agreement has been executed according to Section I.A.5.2(c) of Schedule 2 to the Financing Agreement, and (iv) the Investment Committee for SIF has been established according to Section I.A.5.2(c)(ii) of Schedule 2 of the Financing Agreement

Type	Description
Disbursement	As detailed in Section III.B of the Financing Agreement: Under Category (5) of the Financing Agreement in an amount exceeding (i) the committed amount for SIF Investments under one or more IV Agreements executed according to Section I.C of Schedule 2 to the Financing Agreement, and (ii) the amount committed under one or more SIF Direct Investment Agreements

Type	Description
Disbursement	As detailed in Section III.B of the Financing Agreement: Under Category (7) of the Financing Agreement, unless and until the Recipient has furnished evidence, including verification reports from the Independent Verification Agent, based on reports prepared by the Project Coordination Unit and other implementing entities as appropriate, certifying the achievement of the DLIs in accordance with the DLI Verification Protocol, satisfactory to the Association that (i) payments for Eligible Expenditures Program have been made in accordance, and in compliance with the procedures set forth in the PIM, as verified by the Recipient's Auditor General; and (ii) the DLIs, set forth in the Annex to this Schedule 2, for which payment is requested have been met and verified in accordance with the DLI Verification Protocol

I. STRATEGIC CONTEXT

A. Country Context

1. **Ghana is a middle-income country which has performed well in the last two decades, with economic growth slowing in recent years.** Between 2005 and 2012, the Ghanaian economy grew an impressive 7.7 percent per year on average, with an annual job creation rate of 4.0 percent, meaning that every 1 percent increase in economic growth was associated with 0.5 percent increase in job growth. Economic growth has largely been driven by commodity exports (cocoa and gold, for which prices more than tripled between 2000 and 2010) and the start of commercial oil production in 2011. However, GDP growth rates slowed between 2012 and 2016, averaging 5.6 percent (with a low of 1.6 percent in 2015), while picking-up again to 8.5 percent in 2017.

2. **Dependence on commodities results in volatility and non-inclusive growth.** Ghana's commodity driven growth has increased economic volatility with cyclic volatility costing Ghana about 0.3 percent of growth per year during 2000–2015, and as much as 0.7 percent per year in the early 2010s.[1] Moreover, while growth rates are still high, their impact on poverty has dramatically slowed since 2012. As emphasized by the recent Systematic Country Diagnostic (SCD) for the country, Ghana's largest fall in poverty, 2 percent a year, was experienced during 1991–1998. As growth accelerated, however, the annual reduction in poverty rate fell to 1.4 percent in 1998–2005 and 1.1 percent in 2005–2012. Between 2012 and 2016, the poverty rate declined by only 0.2 percent per year, and stood at 23.4 percent in 2016[2]. This may reflect the declining contribution of agriculture, in which the majority of poor households are engaged, the limited job opportunities for higher productivity in the services sector, and a largely capital-intensive industrial development in commodity focused sectors.

Table 1: GDP Growth, Poverty Reduction, and Sectoral Drivers

	Annual GDP growth (%)	Annual GDP per capita growth (%)	Annual poverty reduction (%)	Growth elasticity of poverty	Sector shares of GDP (%)			Sector contribution to GDP (%)		
					Agriculture	**Industry**	**Service**	**Agriculture**	**Industry**	**Service**
1991-1998	4.4	1.7	2.0	-1.18	42.6	15.1	32.4	24.0	-1.0	78.0
1998-2005	4.8	2.1	1.4	-0.55	40.1	18	31.9	29.0	20.0	51.0
2005-2012	7.7	5.0	1.1	-0.17	29.8	20.9	49.3	14.0	39.0	47.0
2012-2016	5.6	3.2	0.2	-0.07	21.2	26.4	52.4	n.a.	n.a.	n.a.

Source: Ghana SCD 2018

3. **Ghana needs to invest more, diversify, and increase productivity – in short, accelerate *economic transformation*, if it is to achieve higher and inclusive growth.** Ghana's medium-term prospects are strong: GDP growth was 8.5 percent in 2017[3] and is projected to be 7.5 percent in 2018, assuming fiscal consolidation remains on track. However, the "lack of structural transformation and economic diversification" are the key challenges to achieve inclusive development for commodity-dependent developing countries such as Ghana[4]. The oil and gas sector is expected to continue to be the main driver of growth, with a recovery of commodity prices in the medium term further boosting

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[1] Ghana SCD 2018.
[2] Ghana SCD 2018.
3 Trading Economics Magazine, *https://tradingeconomics.com/ghana/gdp-growth-annual*
[4] UNCTAD Commodity Markets, Economic Growth and Development Report 2017

exports earnings. However, at 16.7 percent of GDP during 2014–2016, Ghana's overall gross capital formation is low compared with its structural and aspirational peers and productivity growth remains limited. According to the World Bank Long-Term Growth Model, even if investment levels reached 25–30 percent of GDP—moderately higher than the historical average of 20–25 percent—the predicted per capita growth would not go much beyond the 1.7–2.5 percent range, barely keeping up with the projected 2.2 percent population growth. This suggests that raising overall productivity, in addition to higher investments in non-traditional (non-extractive) sectors, will be critical to ensuring that growth is inclusive and achieves poverty reduction.

Figure 1: Gross capital formation (% of GDP), average 2014-2016

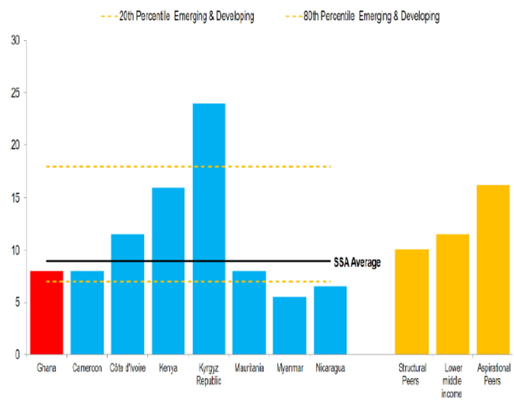
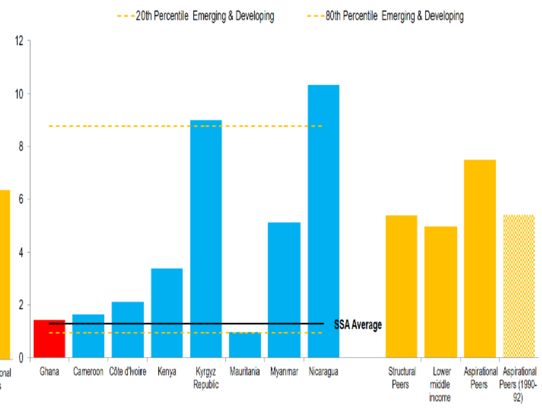


Figure 2: Foreign direct investment, net inflows (% of GDP), average 2014-2016



4. **The current Government's strategy is to transform the Ghanaian economy to achieve inclusive and sustainable growth, with the private sector as the main driver.** In the words of Ghana's President, the aim is to "build the most business-friendly economy in Africa" and foster the competitiveness of Ghanaian firms. To achieve this, the Government's agenda includes: reforming the energy sector; improving trade facilitation and the business environment; investing in infrastructure; and diversifying beyond primary products (hydrocarbons, gold and cocoa).[5]

B. Sectoral and Institutional Context

5. **Enhancing the quality of laws, regulations, and institutions that affect businesses will be a critical element to improving the competitiveness of the Ghanaian economy and its ability to diversify**. Doing business in Ghana is challenging: the Doing Business 2019 report ranked Ghana 114th out of 190 economies on the ease of doing business (EODB) index. Over the last five years, Ghana has recorded only a few positive reforms on the EODB index, counterbalanced by a series of actions making it harder to do business[6]. Several key constraints are highlighted by Doing Business reports:
    i. Starting a business—since 2012, the cost to start a business has increased by 70 percent as a percentage of income per capita (DB2012), along with increasing requirements and fees for registration/authentication (DB2017). While the Registrar General Department (RGD) implemented an on-line company registration solution, the uptake has been lower than expected (13 percent of total registrations in 2017 and 22.7

[5] Source: Government of Ghana, "I want to build the most business-friendly economy in Africa," http://ghana.gov.gh/index.php/news/3724-i-want-to-build-the-most-business-friendly-economy-in-africa.

[6] The Doing Business Distance to Frontier score indicates no change or declining performance in most indicators between 2017 and 2018.

percent by third quarter 2018), as the system has been plagued by inconsistencies in its operating guidelines which is comprised of both manual and on-line data input guidelines registration.

ii. Resolving insolvency—Ghana ranks 158th in this category with several key reforms (such as the Insolvency Bill) currently pending in the legislative process;

iii. Enforcing contracts—enforcement currently takes 710 days and costs 23 percent of the claim value (DB2018) with a clear need to enhance the efficiency of the judicial system; by reducing bottlenecks in the trial, judgment and enforcement phases in order to shorten these delays. While the paperless court system (e-justice) launched in March, 2019 will address some of the upfront bottlenecks, more support is required, especially related to enforcement;

iv. Trading across borders—although Ghana has introduced a paperless customs clearance processing system that should help reduce both time and money for border clearance, additional work is required to eliminate overlapping fees and sequential clearances.

6. **Foreign investment flows into Ghana have increased significantly since the mid-2000s, without successful diversification.** Over the past decade and a half, the country has attracted little efficiency-seeking investment that could be leveraged towards more transformative economic benefits. If Ghana is to remain competitive in this global context, it will urgently need to adopt investment policy reforms that provide investors with the fundamentals of legal certainty and minimize restrictions that are deterring new entrants. At the same time, the national agency in charge of investment promotion, the Ghana Investments Promotion Centre (GIPC) needs to be empowered to play a more assertive role in attracting strategic FDI.

7. **Ghana's private sector is still relatively weak and faces a number of challenges to increase its export and manufacturing competitiveness**. The delivery of quality and standardized products and services to local and international markets is critical to support rapid economic transformation underpinned by strong growth of manufacturing. Reaching these high standards of products and services demanded by global trading partners and customers is a challenge for most Ghanaian companies.

8. **Recognizing the importance of National Quality Infrastructure**, the Government of Ghana (GoG) has embarked on a reform agenda to strengthen the regulatory and institutional framework for Standardization and National Quality Infrastructure (NQI)[7]. The goal is to support companies to adopt appropriate production technologies and improved processes to ensure that all goods and services for international and domestic markets meet the required quality, environment, health and safety standards. One of the most critical shortcomings in the NQI system is the absence of a demand assessment for Quality Infrastructure (QI) services. This is needed so that the system can prioritize QI services, improving efficacy and efficiency in the utilization of public resources.

9. **The Ghana Standards Authority (GSA) is leading upgrades to the National Quality Infrastructure but faces several key constraints.** GSA faces a number of constraints limiting its capacity to implement its Strategic Plan and meaningfully contribute to key industrialization development and diversification programs. These include inadequate laboratory equipment, servicing and repair, inadequate provision of laboratory and office space, and insufficient training of GSA staff in metrology and certification of products and systems.

[7] NQI is defined as the institutional framework that establishes and implements the practice of standardization.

10. **Access to well located, well serviced and affordable industrial land is a binding constraint in Ghana, especially for Foreign Direct Investment (FDI).** The Ghana Country Private Sector Diagnostic (CPSD) (2017) reports that access to land for large-scale investment continues to be complex and costly, with one case taking as much as six years to secure its land lease. The market rate for one acre of land in the Tema Free Zone (the only operational Special Economic Zone (SEZ) in Ghana, already at full capacity) is US$350,000, reportedly the highest price in West Africa. Ghana's SEZ regime remains in inception stages despite the relative success in filling the TEMA Free Zone, two hours outside of Accra. The Tema Free Zone is operated by private developer/operator LMI Holdings and houses 75-80 companies (some with and without free zone status). The Tema Free Zone has received World Bank assistance in the past, and, as measured by uptake of plots, has been successful in providing serviced, industrial land to its tenant companies with a 98 percent occupancy rate. However, the demand of the private sector in Ghana for serviced, industrial land is far greater than this single project, and furthermore there have been some coordination challenges with LMI Holdings that should be improved upon for subsequent private developer/operators.

11. The Ghana Free Zones Authority (GFZA) is the regulator of free zone activities in the country, in accordance with the Free Zone Act of 1995. A nascent agency under the Ministry of Trade and Industry (MOTI), **GFZA is committed to improving its capacity for better analysis, planning, efficacy, and efficiency so that it can fulfill its mandate to improve the enabling environment for investments in Ghana through free zones**. Ghana's Free Zone Act allows private management of the country's Free Zones Enclaves, incentivizing a Public Private Partnership (PPP) framework, especially given the large upfront investment required for such initiatives. The Government has identified additional sites for which it seeks private developers; however, to do so effectively, investments are needed to upgrade the legal and regulatory frameworks for SEZs, upgrade GFZA's (or its successor organization's) institutional set-up, improve investor promotion and aftercare programs, and strengthen GFZA's or successor's overall capacity for critical analysis of potential sites (including economic, physical, and financial viability, environmental and social impact analysis, and overall cost-benefit analysis)[8]. There are multiple lessons learned from past experiences in working with the GFZA to which international best practices can be applied, such as coordinating more closely with the private developer/operator and the complications with co-locating companies with and without SEZ benefits.

12. **Ghana's entrepreneurship and SME support ecosystem has been growing steadily in recent years[9].** The 24 active entrepreneurship hubs (business incubators, accelerators, and similar spaces for entrepreneurs) now in Ghana represent an increase of 50 percent since 2016.[10] Although start-up activity and the number of formal SMEs are not yet tracked, US$266M of private capital was deployed in 15 venture capital deals in 2016-17 compared to US$63M in 16 deals in 2014-15, illustrating some growth in venture financing.

13. **However, entrepreneurs and SMEs still face considerable challenges to grow their businesses.** Beyond the poor business environment, SMEs also have difficulty accessing financing, have limited access to quality providers of technical assistance, and demonstrate inefficient practices and low management capabilities.[11] Entrepreneurship support organizations – ranging from hubs to investor networks to business mentorship organizations – are of mixed quality and are not able to adequately support businesses past start-up stage through to growth and maturity. The

[8] According to World Bank analyses on Ghana's SEZ regime
[9] This document refers to both SMEs and MSMEs. While project investments focus primarily on supporting entrepreneurs and SMEs due to their potential for growth and job creation, the project will also support with technical assistance the policy rationalization of instruments and programs that include micro-enterprises, hence MSMEs.
[10] https://www.gsma.com/mobilefordevelopment/wp-content/uploads/2018/03/Africa.pdf
[11] Enterprise Surveys, Ghana Country Private Sector Diagnostic (2018), Ghana Private Enterprise Foundation Survey (Annual), Ghana Association of Industries Survey (Annual)

hubs are concentrated in Accra and in ICT sectors. While some hubs are actively incubating and growing new start-ups, many are more akin to co-working spaces with limited support services.[12] These challenges in adequately preparing start-ups and SMEs for growth is reflected later on in opportunities for venture funding. Most Venture Capital (VC) companies operating in Ghana identify the poor quality of the pipeline of potential investees as one of the main constraints for their growth in the country[13]. The result is that SMEs in Ghana have lower productivity in comparison to countries at similar levels of development and few of Ghana's small firms grow into medium or large sized firms.[14]

14. **As expected, challenges to SME and start-up development are exacerbated for women.** The recent World Bank report "Profiting from Parity, Unlocking the Potential of Women's Businesses in Africa" documents that across three surveys in Ghana, women-owned businesses have 20 percent, 36 percent, and 82 percent lower profits than businesses owned by men. The report also identifies a range of factors that contribute to the gender gap in profits, including women's lower application of various advanced business practices and women channeling a lower share of their accessible capital into their business.

15. **Ghana's framework for entrepreneurship and enterprise support needs upgrading and better coordination**. The GoG supports multiple agencies and programs related to Micro Small and Medium Enterprise (MSME), entrepreneurship and enterprise development, many of which provide overlapping funding without clear coordination.[15] These institutions and programs include the National Board for Small Scale Industries (NBSSI), the National Entrepreneurship and Innovation Plan (NEIP), the Venture Capital Trust Fund (VCTF), and the Ghana Alternative Market. Current programs need consolidation and streamlining to be sustainable, including restructuring to ensure adequate separation of funding and implementation, along with more consistent provision of funding and incorporation of systematic monitoring and evaluation to assess the impact of programs. The two lead ministries for MSME and entrepreneurship development (MOTI and MOBD) have recently proposed national policies which appear to have significant overlap. The Government is now working to address that overlap and formulate an overarching MSME and entrepreneurship policy for the sector which rationalizes programs and establishes a new apex MSME and entrepreneurship agency. Without such clear rationalization of agency and program mandates, the impact that these programs may have on MSMEs and entrepreneurship will remain limited.

16. **As in most countries around the world, access to early-stage financing for new or growth-oriented companies is limited in Ghana.** While the Government created a fund of funds in 2004, through VCTF, to stimulate venture capital funding in the country, important challenges persist. Seed funding for new start-ups is limited, and venture capital, while growing, is limited by a shortage of investment-ready companies, lack of a stronger cadre of investment professionals and highly skilled lawyers, and legal and regulatory issues that include taxation, asset class categorization and the requirement for all VC funds receiving tax breaks to be legally registered in the country.[16]

[12] Mapping of Ghana Entrepreneurship Ecosystem (DFID, 2013), Accra Entrepreneurship Ecosystem (ANDE, 2017)
[13] "The Ghana VCPE Market: A Potential Role for the Venture Capital Trust Fund", report by Patrick McGinnis for the World Bank, December 2018.
[14] Ghana Country Private Sector Diagnostic (2018).
[15] Surveys of the private sector repeatedly reveal confusion over the mandates of these Government agencies and the low quality of delivery of the programs. Enterprise Surveys, Ghana Private Enterprise Foundation Survey (Annual), Ghana Association of Industries Survey (Annual)
[16] See The Ghana VCPE Market: A Potential Role for the Venture Capital Trust Fund", report by Patrick McGinnis for the World Bank, December 2018, and, for example, Omidyar Network, Accelerating Entrepreneurship in Africa Initiative: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013).

Assessments of the industry also point to limited knowledge of structuring VC type investments (from both the demand and supply sides), as well as lack of diversity in how the investments are structured as constraints for further growth of risk financing in the country.

17. **Reviews of the VCTF highlighted reforms, rebranding, and recapitalization as required actions to maintain the fund's viability and relevance for risk financing.**[17] The VCTF operates as a fund-of-funds designed to establish private investment funds and grow the venture capital ecosystem in the country. While the market for larger-sized deals (>US$1 million) in Ghana has been growing on its own, there is a potential role for public support to encourage a more diverse set of investment strategies and structures in this space – including debt, quasi-equity, equity, impact, green, and growth, which could benefit growth-oriented SMEs. This could be particularly important to advance the development of sectors strategic to Ghana's economic transformation. There is also a need and role for public intervention to make risk funding available for smaller transactions (less than US$500k), where the increase in diversity of investment strategies and structures is arguably even more important. For VCTF to continue to play a role in early stage financing, different assessments have all coincided in the need for the organization to go through a significant restructuring process to ensure, among other things: autonomy from Government and political influence over investment decision making, ensuring sustainable funding, and building the internal technical capacity of the VCTF.

C. Relevance to Higher Level Objectives

18. **The proposed operation is directly aligned with the World Bank's Africa Regional Strategy, which specifically lays out *economic transformation* as a mechanism for creating sustainable and inclusive growth in the region.**[18] The project is also consistent with and aligned to the Bank's Systematic Country Diagnostic (SCD) and Country Partnership Strategy (CPS)[19] whose governing pillars are: (i) improving economic institutions; (ii) improving competitiveness and job creation; and (iii) protecting the poor and vulnerable. In recent years, the CPS emphasis on enhancing overall competitiveness and job creation has assumed even greater importance and urgency, since the recent terms-of-trade shocks and commodity-price volatility generated considerable uncertainty regarding the oil sector's future economic contribution. Leveraging private sector funds through PPPs to create public goods is also consistent with the World Bank's established approach of Maximizing Finance for Development (MFD). In addition, the design of this operation is directly informed by the CPSD, both on focus areas (business environment, spatial solutions, and entrepreneurship) and on priority sectors (digital, education and agrobusiness). The investments in economic transformation under this project contribute to the World Bank Group (WBG) twin goals by supporting opportunities for business growth and job creation in non-resource based sectors.

19. **The Government of Ghana has expressed unequivocal commitment to take measures to diversify the economy** to better shock-proof against volatility in primary commodity prices, spur a transition to an economic structure that generates higher growth that is more sustainable over the long term and one that can better respond to the imperative of creating more and better jobs for a youthful and rapidly growing labor force. The Government vision

[17] Based on assessments conducted by the Bank, including the 2016 report on Ghana's venture capital and private equity ecosystem and a quick diagnostic done during 2018 by two individual expert consultants. For an expanded view of Venture Capital in Ghana and the role of VCTF, please see Annex 4.
[18] Africa Regional Update 2019: Eradicating poverty and boosting shared prosperity in Africa, The World Bank Group, February 2019.
[19] The World Bank Group's Country Partnership Strategy for the Republic of Ghana for the Period FY13-FY16 (Report #76369-GH) was discussed by the Executive Directors on August 20, 2013. The CPS was then extended to FY 18 through Performance Learning Review #105606-GH.

of a Ghana Beyond Aid is also anchored in spurring a culture of entrepreneurship among the youth and of value addition to leverage Ghana's primary products and move away from the export of raw materials. The Government of Ghana recognizes the critical role of the private sector in achieving this vision through economic transformation, also referenced in their development strategy, "The Ghana Coordinated Program of Economic and Social Development Policies".

20. **As part of Government's overall theme of "Sowing the seeds for Growth and Jobs," the Government's Economic Transformation Plan aims to:** a) build the most business-friendly and industrialized economy in Africa, capable of creating decent jobs and prosperity for all Ghanaians; b) modernize agriculture, improve production efficiency, achieve food security, and profitability for farmers with special emphasis on value-addition; c) promote sustainable and integrated infrastructure development across the country; d) develop leadership skills, quality education, entrepreneurship, job skills and creative skills; and e) promote diversification and investment growth in strategic sectors.

21. **The Project applies the WBG MFD approach, maximizing the GOG's scarce resources and will help ensure that IDA funding leverages and attracts higher levels of complementary private financing.** Close collaboration between the World Bank, the International Finance Corporation (IFC), and the Multilateral International Guarantee Agency (MIGA), along with the private sector in project design and implementation will be ensured to leverage private sector participation and investment in the infrastructure and services that will be delivered through the Project. This project is therefore an integral part of World Bank engagement with GoG and the country partnership strategy for boosting economic growth, accelerating poverty reduction again and enhancing shared prosperity in Ghana.

II. PROJECT DESCRIPTION

A. Project Development Objective

PDO Statement

22. The Project Development Objective is to promote private investments and firm growth in non-resource based sectors.[20]

PDO Level Indicators

The following indicators are proposed to monitor progress towards achieving the Project Development Objectives:

1. Improvement in the overall business enabling environment, as measured by the Doing Business Ease of Doing Business Score (Number);
2. Private sector investments leveraged through project activities (Amount, US$);
3. Increase (additional) in average value of gross sales by firms supported by the project (Percentage).

B. Project Components

23. The guiding principle of this Project is to promote and strengthen a growth model that is conducive to ***economic transformation***, to achieve higher rates of investment and productivity growth across the economy, especially in

[20] Non-resource based sectors denote sectors outside of extractive and oil and natural gas.

non-resource-based sectors. Economic transformation entails a shift in the overall sector mix both in terms of contribution to GDP as well as in labor force. For Ghana, this means growth of non-resource-based sectors in terms of both existing firms (and eventual employment) growth and the creation of new firms—essentially diversification away from the commodities sector. The project's impact on poverty reduction will come from contribution to overall economic growth and increased productivity in other sectors of the economy, which can help to (i) decrease macro volatility and its impact on equity in the country, (ii) create more and better employment opportunities that can raise incomes, and (iii) increase Government revenue through increased economic activity and subsequent tax receipts. The project is, therefore, well aligned with the World Bank's twin goals of ending poverty and promoting shared prosperity.

24. In order to support the Government of Ghana to achieve this comprehensive economic transformation model, the project will support activities organized under three complementary components, along with a fourth component for project management:

i) **Component 1 - Enabling investments (US$35 million equivalent),** will focus on improving the enabling business environment, investment attraction capacity and the quality infrastructure support system for companies that want to invest and grow their businesses in Ghana;

ii) **Component 2 - Crowding-in investments: Promoting spatial and industrial planning and development (US$79 million equivalent),** will focus on enhancing the Government's programs in investment promotion and spatial development (including Special Economic Zones), thereby addressing the constraint to access quality industrial land in the country;

iii) **Component 3 - Accelerating Entrepreneurship and MSME growth (US$80 million equivalent),** will support entrepreneurship and MSME growth in non-resource-based sectors, addressing specifically the limited development of the MSME and entrepreneurship support ecosystem, including early stage financing;

iv) **Component 4 – Project Management and Evaluation (US$6 million equivalent),** will finance project management activities including fiduciary responsibilities, procurement, communication and dissemination, as well as monitoring and evaluation of project implementation and its impact. This will include capacity building for the Project Coordinating Unit (PCU), the Economic Transformation Unit and the Resource Mobilization and Economic Relations Division (RMERD) within the Ministry of Finance (MOF).

25. These components will support the implementation of key activities and reforms according to the outline presented in the budget tables for each component. The funds to finance these activities will be disbursed through a mix of incentive-based disbursements (through targets for disbursement-linked indicators, DLIs) and regular disbursements against expenses. Disbursement of DLIs will be based upon the Eligible Expenditure Programs (EEPs) of Technical Implementing Agencies (TIAs) and other relevant agencies and will require both demonstration of execution of these eligible expenditures and achievement of specific DLI targets. Further detail on EEPs and verification protocols is provided in Annex 2.

26. To address World Bank corporate requirements, the project design has incorporated the following:

i. Citizen engagement: While the focus of the project's citizen engagement is on firms that benefit from project activities and investments, the project will also incorporate citizen engagement into the site evaluation and development process which will be supported under component 2. Further citizen engagement activities include focused private-public dialogue around implementation of key project activities that need input and guidance from the private sector (e.g. business environment reforms), as well as a requirement for the project to hold an annual public event to provide updates on the project's use of resources and results that have been achieved. This event will provide an opportunity for citizens to learn about the project, ask questions and provide feedback on its implementation. The project also includes a cross-cutting indicator to measure citizen engagement through a beneficiary survey across the components. Further detail is provided in the Results Framework.

ii. Gender Tag: To ensure an appropriate gender lens is incorporated into the project activities, the project will support a Gender Assessment under the Project Preparation Advance (PPA) to provide analysis of specific project-relevant gender gaps, identify action areas and corresponding indicator/s in response to identified gaps. Findings from this study, together with other existing assessments will be used to inform how activities are designed and implemented under all four project components. Additional gender based activities have been incorporated into Component 3, with further detail provided in the component description.

iii. Gender Based Violence (GBV): The project design has been evaluated for potential GBV risks, which are determined to be low. Specifically, the last mile infrastructure investments supported under Component 2 will require environmental and social impact assessments (ESIAs) prior to any construction works. Each ESIA will include a close examination of the impacted communities and infrastructure sub-projects which entail high GBV or environmental / social safeguards risks will not be financed.

iv. Climate Co-Benefit and Climate / Disaster Risk Screenings: The project has been assessed for both of these, and based on the screening done, the project was deemed to have no impact on Climate / Disaster Risks and low impact on climate co-benefits. The project has incorporated adaptation and mitigation climate co-benefits into the component design, with further detail provided in the component activities discussion.

Component 1: Enabling Investments (US$35 million equivalent)

27. The objective of this component is to improve the enabling business environment, investment promotion capacity and the quality infrastructure support system for companies that want to invest and grow their businesses in Ghana. This component will leverage the technical assistance for business reforms provided under the Ghana Investment Climate Project (IFC).

Sub-Component 1.1: Improving the Business Regulatory Environment (US$11.5 million equivalent)

28. The objective of this subcomponent is to improve the business regulatory environment affecting private investment in Ghana by supporting the country's Business Regulation Reform (BRR) program (2017-2020). The BRR's priority is to put in place a business regulatory environment that enables all businesses to spearhead the country's economic transformation, create more jobs, and encourage entrepreneurs to be successful in the domestic market and expand into regional and global markets. The project will initially support reforms in the area of business entry and operations, reinforce institutions and systems to improve the business environment (i.e. PPD, Investment Promotion, Export Promotion, online registry of business regulation, online publication and notification of business regulations). Other topics may be added during project implementation, such as business exit and trade facilitation, as opportunities arise for support. Through a Disbursement Linked Indicator (DLI), the project will also support establishment of an Inter-ministerial committee (IMC) which will oversee the BRR agenda. The DLI *Improving the business environment in Ghana* will provide complementary support to that being provided by other donors including IFC and incentivize the full implementation of the BBR. Ghana's Business Regulatory Reform program has seven pillars that are designed to institute policy reform measures that seek to encourage the private sector to invest in industrial

ventures.

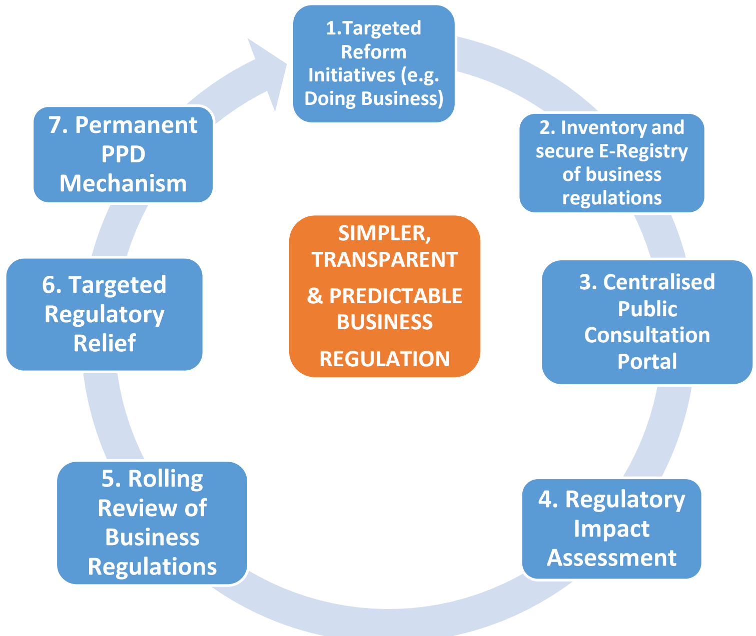


Figure 3: Ghana's BRR Strategy has seven pillars.

29. The project will support the Registrar General Department (RGD) to identify, design and implement administrative and institutional changes and streamline its operations in delivering business-registration services. It will also support the inter-connectivity of all agencies related to new business registrations (Registrar General, Ghana Revenue Authority, Social Security, Metropolitan Authority), in order to create a one-stop shop for business registration. This will include development of a data exchange solution, as well as required staff training to effectively support, maintain, and operate this e-Registrar solution. By investing in these tools and capacity building, this support will lead to a more streamlined registration procedure for businesses, leading to the following outcomes:
    - Reduce the regulatory burden on foreign and domestic businesses to start up a business through reducing time and cost of compliance with business-registration procedures;
    - Improve the efficiency of business-registration services through simplifying and streamlining procedures for business registration, and automating registry functions;
    - Shift from the revenue-generating approach for the registration services to a self-sustained model covering cost of provision of registration services;

30. The project will also support the implementation of the new Companies Act, specifically the establishment of an autonomous Office of the Registrar of Companies (ORC). The ORC will be headed by a substantive Registrar, with a full complement of staff and resources to operate a modern Companies Registry in Ghana. The support to the ORC will reduce the time associated with registering a business, and is as such, expected to have the following impacts:
    - Automate current business registrations (sole proprietorships and LLCs) at the central registry location.

- Digitize all historical records.
- Identify dead or dormant companies and create a new baseline.
- Show an increase in the monthly new-company registration rate.
- Identify any necessary legal and institutional changes.
- Train registry staff in new systems and make any personnel reorganization, increase or decrease of staff and all the necessary recommendations to the line Ministry.

Sub-Component 1.2: Investment Policy and Promotion (US$12.5 million equivalent)

31. The objective of this subcomponent is to assist the Government of Ghana in creating the conditions to better attract, support and retain foreign and domestic investment. The support provided will build upon the diagnostics and advisory work currently being carried out under the Ghana Investment Climate Advisory Project, and will be organized as follows:

Development of Ghana Investment Promotion Center (GIPC) Corporate Strategy: This subcomponent will support GIPC develop a well-articulated multi-year Corporate Strategy. It will serve as a roadmap to the attainment of pre-defined objectives and goals aimed at bolstering the quantity and quality of investment in Ghana. In addition to organizing GIPC's activities for maximum impact, the Corporate Strategy would help GIPC define and leverage its partnerships with stakeholders, help stakeholders understand its role, demonstrate its value, raise funds, build internal and external teams, bolster its advocacy for investment climate reforms, and expand and adjust its activities as needed to offer relevant and comprehensive services to investors.

Improving GIPC's Systems and Tools: This subcomponent project will support the enhancement and/or deployment of the systems and tools to ensure that GIPC is efficient and maximizes its ability to service investors, by providing software, hardware and training as needed, including:

- Investor relationship management system (IRMS): GIPC uses an investor tracking system where registered projects are recorded according to parameters such as sector, source country, and region in Ghana where the investment took place. The project will provide for the update and upgrade of the existing system to serve as a real tool for managing the relationship with existing and potential investors and supporting investment attraction and retention.
- Investor information system (IIS): the IIS refers to the content, platform and mechanism for storing, updating and disseminating the information that investors request from an Investment Promotion Agency (IPA) such as GIPC. This includes brochures, sector briefs, statistics, and any produced-to-order information. Information on a potential investment location is one of the most salient areas of assistance that investors request from an IPA; and having an IIS would help the IPA provide accurate, relevant and up-to-date information in a timely manner. The project will help GIPC take stock of, update and arrange the information most requested by investors into an IIS.
- Standard operating procedures (SOPs): SOPs are step-by-step instructions for routine operations, spelling out who does what, when, and how. Adopting SOPs helps IPAs become more efficient and deliver consistently high-quality services to investors. SOPs include the use and maintenance of tools/systems such as the IRMS and the IIS, as well as the execution of all investor- and stakeholder-facing activities. The project will support the development of SOPs at GIPC.

Roadmap for capacity building of GIPC staff**:** The project will support GIPC staff in acquiring and improving the skills needed to perform their tasks. This may include enquiry handling, investor outreach, investor aftercare, research and business intelligence, systems/IT, marketing, languages, etc. The support will include:

- Conducting an HR/staff skills audit;
- Devising a multi-year capacity building plan, and
- Capacity building through training programs, courses, workshops, seminars and study tours, as most appropriate.

Strengthening GIPC Investor Services**:** This activity will aim to improve the scope and quality of the services that GIPC provides to foreign and domestic investors in Ghana along the investment lifecycle. It will focus on building sector-specific investment promotion programs. These services can be divided into four categories: marketing, information, assistance, and advocacy; and can further be grouped into programs. The project will provide for the design and oversight of one or more programs of investors services, including:

- Investor outreach
- Investor aftercare
- Investor linkages
- Investor advocacy

Supporting Legislative Reforms to Minimize Sector-Specific Investment Barriers: Based on a review of relevant IPP legislation in one or two priority sectors (to be defined in GIPC's Corporate Strategy currently being developed), work under this activity will aim to identify key legal and regulatory barriers and support reform activities to remove such barriers and encourage investment in these particular sectors. This work will build from the analysis and activities carried out under the Ghana Investment Climate Advisory Project supporting revisions to the GIPC Act (2013).

Supporting upgrade in physical infrastructure of the GIPC space: The project will support minor upgrades to the physical infrastructure of the GIPC (minor works, remodeling and refurbishment), to improve investor experience.

Sub-Component 1.3: Improving Ghana's Quality Infrastructure (QI) (US$11 million equivalent)

32. The project will support the Government's industrialization agenda by strengthening the regulatory and institutional framework for QI in Ghana. Under these GSA objectives, the project will support key reforms, regulations and investments including the Ghana Standards Bill, NQI Policy, ISO certification of GSA units and departments, and development of regional labs. Specifically, the project will support GSA in the following ways:

i) **Develop a National Quality Policy (NQP).** The NQP will provide a shared vision for the Government of Ghana to develop and organize its QI system. The NQP will (a) provide the platform to establish the fundamental legislation on standardization, accreditation, metrology, conformity assessment; (b) help the GoG fulfills its obligations for the World Trade Organization's (WTO's) Sanitary and Phytosanitary Standards (SPS) measures and Technical Barriers to Trade (TBT) agreements; (c) clarify the roles and responsibilities of the different QI actors and specifies the mandate of each and every QI institutions in order to avoid overlap, duplication or conflict of interest, and hence additional cost on businesses; (d) outline the strategic guidelines for the national QI services to be internationally recognized; (e) align the QI institutions to make the best use of government resources and maximize integration, complementarity, and collaboration; and (f) bring all the stakeholders together through a participative and inclusive process to ensure that the national quality priorities are reflected in the NQP. The adoption of the NQP will require enhancing the legal and regulatory framework of the QI institutions in the country.

ii) **Demand Assessment:** The project will finance a Demand Assessment for QI services[21] in the country. This assessment will help ensure that the QI services offered and to be developed are based on clear demand from the local and export markets. Assessing the demand for QI services is fundamental in deciding where to_target government resources to maximize economic and social benefits to the country. The demand assessment will then inform the changes that will be needed within the NQI system in the country. For GSA specifically, it will help to define the processes of equipment procurement, the need to build new labs and premises, the need to create new services and the need to develop training and capacity building programs. The demand assessment will build on the GoG ongoing work of identifying quality gaps in key value chains in the country[22].

iii) **Develop the needed QI services:** The results of the demand assessment will determine the QI services such as standards development, testing, certification, calibration or accreditation services required by the priority sectors in the country. The project will help the GoG prioritize these services and establish the development and procurement plans as needed. Where possible, green principles will be incorporated into the QI service provisions to support climate co-benefit adaptation.

iv) **Develop Conformity Assessment Bodies** (CABs) in the country, as needed: The accreditation body evaluates the technical and managerial capabilities of the CABs through an independent review by competent assessors and technical experts. If the GoG does not develop an accreditation function, these services could be obtained from regional or international service providers.

v) **Support the development of QI ICT infrastructure:** This includes networks, websites, workflows, and Information Center. This is needed to enhance transparency and access to information and services. Common ICT platforms will enable collaboration and facilitate timely and effective sharing of information.

vi) **Support the administration and operations of the respective QI functions:** This includes developing operational manuals and/or implementing relevant quality management system applicable for the individual QI functions.

vii) **Institutional reforms:** the project will support institutional enhancements to ensure the QI functions have the proper organizational structure and institutional capacities. It also focusses on implementing good governance practices to avoid conflict of interest.

Overall Budget for Component 1		US$35 million
1.1	**Improving the Business Regulatory Environment**	**11.5 million**
•	Support for Business Regulatory Reforms and Governance	9 million
•	Operationalization of Office of the Registrar of Companies	2.5 million
1.2	**Investment Policy and Promotion**	**12.5 million**
•	Capacity Building of GIPC staff and improving GIPC's Systems and Tools	9.5 million
•	Support for Investment Promotion Campaign and Roadshows	2 million
•	Upgrade ICT and Office infrastructure	1 million
1.3	**Improving Ghana's Quality Infrastructure**	**11 million**
•	Capacity Building of GSA and related agencies	2.5 million

[21] ***QI services*** is utilized throughout the report as a collective term to denote the outputs of the QI organizations such as standard development, calibration, test reports, certificate, accreditation certificate and many more.
[22] The GoG is currently implementing **CALIDENA,** which is a Physikalisch-Technische Bundesanstalt (PTB) developed methodology that seeks to identify quality gaps in a value chain.

Overall Budget for Component 1	**US$35 million**
• Support the development of QI services infrastructure	7 million
• Support to Institutional reforms	1.5 million

Note: DLI allocation for DLI 2 and 3 will be reinvested in GIPC and GSA respectively for the activities listed above. The DLI allocation for DLI 1 will be distributed between the agencies implementing business regulatory reforms to be defined in detail in the PIM.

Disbursement Linked Indicators for Component 1:

DLI	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
DLI #1: Improving the business environment in Ghana	Formal establishment of a Doing Business reform inter-ministerial committee ("DBRIMC") and technical working groups for Doing Business ("DB") reforms. Annual DB reform action plans approved by DBRIMC. Formal establishment of the ORC.	Annual DBR action plan updated and approved by DBRIMC. Data exchange framework agreement adopted between line agencies including at least RGD, GRA, and the Social Security and National Insurance Trust.	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 4 indicators compared to the scores for the previous year.	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 4 indicators compared to the scores for the previous year subsequent to the achievement of DLI #1.3.	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 3 indicators compared to the scores for the previous year subsequent to the achievement of DLI #1.4.	Annual DB Action plan updated and approved by DBRIMC. Aggregate improvement in DB score on at least 3 indicators compared to the scores for the previous year subsequent to the achievement of DLI #1.5.	
Amount	**1.5m**	**1m**	**1m**	**0.5m**	**0.5m**	**0.5m**	**5.0m**
DLI #2: Revamping the Investment Promotion in Ghana	GIPC corporate strategy completed and approved by the GIPC's board. Investor services program designed	Key staff of GIPC recruited in line with GIPC corporate strategy Standard operating procedures adopted by GIPC's	Official launch of investment relationship management system ("IRMS") announced by GIPC's board. Official launch of investment	Maintained and updated IIS and IRMS.	Maintained and updated IIS and IRMS.	Maintained and updated IIS and IRMS.	

	and workplans approved by GIPC's board	board.	information systems ("IIS") announced by GIPC's Board.				
Amount	**2m**	**1.5m**	**1.5m**	**0.5m**	**0.5m**	**0.5m**	**6.5m**
DLI #3: Improving the national quality infrastructure for export diversification in Ghana	National QI policy adopted by the Cabinet, published and disseminated.	GSA staffing structure updated in line with updated GSA strategy National QI services program developed and workplans approved by GSA's board.	Ghana standard bill enacted, as specified in the DLI Verification Protocol.				
Amount	**1.5m**	**1.5m**	**1.5m**				**4.5m**
Total	**5.0m**	**4.0m**	**4.0m**	**1.0m**	**1m**	**1m**	**16m**

Component 2: Crowding-in Investments: Promoting spatial and industrial planning and development (US$79 million equivalent)

33. The activities under this component will assist the Government of Ghana to put in place a sound framework and processes for spatial planning and development (specifically for Special Economic Zones), that can lead to increased investments and to maximize their economic rate of return in terms of jobs, incomes and productivity growth. Also, the Project seeks to address certain aspects of Ghana's SEZ experience to date that were not optimal and seeks to place the country firmly on a path of SEZ development based on international best practices and lessons learned, such as enhanced coordination with private developer/operators of SEZs.

34. The component will involve:
    i. Streamlining SEZ policy, regulatory and institutional framework to incentivize private sector and PPP participation in SEZ development and operation
    ii. Technical assistance to build the institutional and planning capacity of the MoTI, GFZA or successor organization as well as of other relevant line agencies such as the Customs Authority and GIPC;
    iii. Disbursement linked indicators (DLIs) to support and advance regulatory and institutional reform in spatial development; and
    iv. A viability gap fund that will finance last-mile infrastructure in eligible zones.

35. Subcomponent 2.1 will focus on building the capacity of the relevant government institutions including support for the development of an SEZ policy to enable and foster the private development and operation of SEZs in Ghana on Government and privately-owned, litigation free lands, and support for the strengthening and clarification of the

Government's role as a regulator, enabler and promoter of spatial development. Subcomponent 2.2 will support last-mile infrastructure investments to make developmentally attractive SEZ projects viable.

Sub-Component 2.1: Technical assistance to build institutional and planning capacity (US$16 million equivalent)

36. This subcomponent will apply international best practice in light of lessons learned from the experience to date with the Tema Free Zone to provide technical assistance to a) develop the first set of diagnostics for both the country's overall SEZ regime and specific SEZ zones/projects, b) policy and regulatory capacity, c) build planning and development capacity to regularly carry out such assessments on needs, opportunities and potential for various zone projects, d) improve institutional efficiency, efficacy and strategic alignment with development objectives, e) strengthen investment promotion and marketing, and investor aftercare, and f) negotiating and coordinating with private developer/operators of SEZs. More specifically, diagnostics and subsequent training will focus on:

    i. **Benchmarking** to identify Ghana's comparative advantages and areas for improvement to compete with SEZ regimes in other countries.
    ii. **Value Proposition/Marketing Plan** for the SEZ regime in Ghana based on the benchmarking information and geared both toward potential private developer/operators and anchor/tenant companies in the SEZs. This exercise would include primary messages and strategies, target markets, countries, and investor profiles, promotional tools, website, and other marketing channels.
    iii. **Analysis of SEZ incentives** to determine if the specific incentives offered to SEZ developers and companies (i) are attractive and complementary to other incentives offered to the private sector in Ghana; (ii) are consistent with bilateral, regional, and international trade agreements, as well as best practices in terms of impact on growth, jobs and productivity, and (iii) are clear, well-advertised, and easily accessible.

37. The Project will also support diagnostics for a long list of eight to ten specific SEZ Projects with perceived potential for development:

    i. **Preliminary site assessments**: The TA will support preliminary site assessments for this select number of sites that have been proposed for the specific FZ/IP projects. These provisionally selected sites will also be assessed for security, environmental, social, resettlement, cultural, religious or other issues and risks, including any potential reputational risks for the WBG and development partners. The analysis will include information on the site coordinates, local context and surrounding communities, topography, both on-site and off-site infrastructure, environmental issues, social and resettlement issues, and SWOT (strengths, weaknesses, opportunities, threats) analysis. Finally, a site ranking exercise will be conducted by region, identifying the two to four priority projects according to a set of criteria (including economic impact, feasibility and social and environmental risks). These assessments will provide inputs into the prioritization plan for public investments in spatial development.
    ii. **Demand Forecasting:** For the two to four sites prioritized, the TA will help identify the demand from potential tenant companies and complete a 20-year demand forecast. This exercise will be coordinated closely by key stakeholders MoTI, GFZA or successor, and GIPC to identify potential developers and large anchor companies.

38. It is expected that the benchmarking, value proposition, and analysis of the SEZ incentives will be bundled into a single consultancy, to be conducted in parallel to the site assessment exercise. Once the preliminary site assessment has been completed, only those sites/SEZ projects that are deemed to be suitable for SEZ development will be the

subject of the demand forecasting exercise.

39. In addition to developing the first set of diagnostics listed above, this TA will provide relevant training and develop methodologies and operational manuals to streamline these diagnostics, identify other skill gaps and upgrade personnel capacity where possible, and prepare TORs for additional staff if necessary. Training topics include:
    i. Tendering process through an SPV for identifying potential world-class zone developers from around the world such as Dubai, Turkey, China, and India, along with Ghana
    ii. Obtaining quality consulting services, and evaluating performance
    iii. Negotiating contracts, leases and licenses with the private sector, including with private zone developers
    iv. Understanding zone revenue streams through sale and rental options for space, land, and buildings
    v. International best practice for regulating zones and models for empowering private developers
    vi. Investment promotion, investor aftercare, meetings with investors abroad and communications strategy
    vii. Review existing and standard agreements with SEZ developers/operators and SEZ tenants, and evaluate their effectiveness
    viii. Installation and operationalization of investor tracking system and other IT systems
    ix. Maximizing the impact of the SEZs on SMEs, including creating a linkages database for the full range of infrastructure and services needed in a free zone and linking large investors to growth SMEs; constructing office buildings with large spaces available for rental of SMEs; zone operator coordination for creating entire value-chains on-site (packaging, storage, services, recycling, etc.), and other initiatives in support of SMEs.

Sub-Component 2.2: Infrastucture investments for special economic zone development (US$63 million equivalent)

40. This sub-component will support spatial development with the establishment of a Viability Gap Fund (VGF) to be managed by a Special Purpose Vehicle (SPV), which will invest in off-site and on-site infrastructure in those zones identified as priority in subcomponent 2.1. Until this VGF is properly set-up, this activity will be implemented either through the hiring of a specialized firm to run the fund on behalf of the Government, or through the hiring of specialized and dedicated staff for the PCU. Funding off-site infrastructure is in keeping with the traditional government role of enabling such projects by building an access road or extending an electric power network to the doors of the SEZ. However, governments often recognize that in an incipient SEZ regime, such as Ghana's, the profitability of the SEZ may not initially be attractive enough for potential private developer/operators. Hence, the VGF could also be used to fund on-site infrastructure that is needed in order to enhance the project's feasibility and result in attractive internal rates of return for the private developer/operator. Often the minimal investment of the government in an on-site waste-water treatment plant or an electric power plant leverages significant funds from the private sector developer in creating public goods like infrastructure as well as other benefits such as job creation. The diagnostics conducted under Component 2.1 – the financial and economic analyses completed as part of the feasibility study – will determine if the benefits to the country outweigh the cost of on-site infrastructure projects in individual SEZs.

41. Eligibility for funding from the VGF will be conditional on a number of criteria including a) conformity with social and environmental safeguards/standards; b) high economic rate of return (especially with regards to jobs, income growth and promotion of strategic non-resource-based industries); and c) demonstration that private financing alone is not viable; and that this is a critical last-mile investment that crowds-in additional private finance. Feasibility studies and

master plans for specific infrastructure projects as well as for entire SEZ projects will also be funded through the VGF.

Additional criteria to access VGF would include, but not be limited to:

- The industrial estate land (and other land where off-site infrastructure may be needed) is undisputed, legally owned by the Government or the private developer and is not subject to any actual or impending legal liability or contingency that could give rise to a legal claim;
- The environmental and social impact assessment identifies low to moderate social and environmental issues and those that are identified contain approved environmental management plans and sufficient health and safety schemes to mitigate negative impacts in a cost-effective way. Projects that are deemed to have significant environmental and social safeguards risks will not be funded under the project;
- The feasibility study demonstrates the economic, physical and financial viability of the industrial estate;
- The developer/operator demonstrates experience in successfully developing industrial estates;
- The developer/operator has the financial resources to carry out the obligations of a developer/operator;
- The master plan presented by the private developer/operator is comprehensive and includes land use planning and zoning, on-site infrastructure plans and phasing plans.

42. The VGF will not be funding the following kinds of projects:
    - Those with any environmental issues too costly or prohibitive to mitigate (i.e., those for which mitigation will lead to unacceptably low internal rates of return (IRRs) or economic rates of return (ERRs)
    - Those involving dams and reservoirs, whether new construction or upgrading of dams and reservoirs
    - Those on lands for which acquisition, ownership, titling or leasing is ambiguous
    - Those requiring the founding of worker camps or villages for longer than two months.

43. Examples of off-site activities that could be funded under the VGF include: construction, paving or upgrading of access roads to the SEZ site; extension or upgrading of the electric power network to the SEZ site; extension or upgrading of the water network to the SEZ site, including pipeline construction or upgrading; provision of infrastructure and services to surrounding communities (schools, clinics and hospitals, water, electric power, waste treatment and solid waste removal).

44. Examples of on-site activities that could be funded under the VGF include: construction of an electric power plant or the extension of the network throughout the park; construction of an on-site waste water treatment plant or water purification/storage facility, waste stabilization ponds, storm drainage and capture systems, sewage systems; construction of a perimeter wall surrounding the SEZ; paving of internal roads; construction or upgrading of on-site customs office and facilities; construction of or upgrading on-site training facilities; and construction or upgrading of on-site day care facilities.

45. Other activities that could be funded under VGF (technical assistance, diagnostics and studies) include: site assessment; benchmarking; demand forecasting for specific SEZs; master planning for specific SEZs; feasibility study for specific SEZs (including industry and sector analysis, infrastructure analysis, and any other analysis included in the feasibility study); and environmental and social impact assessments, and management frameworks for specific SEZs.

46. This component will incorporate climate change adaptation and mitigation best practices, green technologies, and alternative sources of power into the infrastructure investments wherever possible[23]. However, we expect the majority of the last mile infrastructure investments will be largely climate change neutral.

Overall Budget for Component 2		US$79 million
2.1	**Institutional and planning capacity building**	**16 million**
•	Funding for training and studies	5 million
•	DLI related to Regulatory and Institutional reforms*	3 million
•	DLI related to Implementation capacity upgraded in spatial development*	4 million
•	DLI related to the licensing mechanism for private zone developers*	4 million
2.2	**Infrastucture investments for special economic zone development**	**63 million**
•	VGF for feasibility and other studies	5 million
•	VGF for last-mile infrastructure	58 million

**Note: The DLI allocations will be reinvested into the VGF.*

Disbursement-linked indicators for Component 2:

DLI	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
DLI #4: Regulatory and Institutional Reform in Spatial Development		Updated legal framework for SEZ completed.	Updated legal framework for SEZ approved by the parliament. Memorandum of cooperation signed between the institutions responsible for investment promotion and spatial development and related agencies and approved by the economic management team of the	Inter-agency cooperation in place as evidenced by survey conducted among public and private stakeholders (minimum score 60%). Spatial development strategy and related public investment prioritization plan developed and adopted by EMT.	Increase in inter-agency cooperation compared to the previous year, as evidenced by survey conducted among public and private stakeholders (minimum score 70%).		

[23] The World Bank publication "Low-Carbon Zones: A Practitioners Handbook" will serve as a guidebook for these interventions.

			Governmen t ("EMT").				
Amount		**0.5m**	**1m**	**1m**	**0.5m**		**3m**
DLI #5: Implement ation capacity upgraded in spatial developme nt			Three comprehen sive SEZ assessment s completed based on the prioritization plan.	Hiring of transaction advisor completed. At least one masterplan and feasibility study completed on the basis of the prioritization plan. Governanc e arrangemen t and operational manual completed and approved by the EMT for special purpose vehicle to operate the VGF.	At least two investment promotion trips completed in priority sectors. Conclusion of contract negotiation with one private developer/o perator for one of the three priority sites promoted.	At least two investment promotion trips completed in priority sectors (in addition to the trips completed under DLI 5.3).	
Amount			**0.5m**	**1.5m**	**1.5m**	**0.5m**	**4.0m**
DLI #6: Establishin g licensing mechanis m for private zone developer			Licensing mechanism for private zone developers, including accompanyi ng forms, drafted.	Licensing mechanism approved by Cabinet.		One new developer licensed for a specific SEZ, as specified in the DLI Verification Protocol.	
Amount			**0.5m**	**1.5m**		**2.0m**	**4.0m**
Total		**0.5m**	**2.0m**	**4.0m**	**2.0m**	**2.5m**	**11.0m**

Component 3: Accelerating Entrepreneurship and MSME growth (US$80 million equivalent)

47. The objective of this component is to enable the entry and expansion of enterprises with high-growth potential that can contribute to economic dynamism and job creation in the non-resource sectors of Ghana's economy. This will be achieved through strengthening and rationalizing the Government's main entrepreneurship and enterprise support programs, the delivery of financial and non-financial support to MSMEs, and the strengthening of entrepreneurship hubs and other organizations in the entrepreneurship ecosystem.[24]

48. The component will also attempt to address some of the constraints to women's entrepreneurship in the country, as identified in the recently completed World Bank report "Profiting from Parity, Unlocking the Potential of Women's Businesses in Africa". In particular, design of component interventions will try to take into account issues such as skills gaps (management and socio-emotional), confidence and risk preferences, access to networks and information, access to finance, and time constraints (especially relating to maternal responsibilities) that have an impact on the success of women entrepreneurs.

Sub-Component 3.1 Reform and Rationalization of Government Entrepreneurship and MSME Support Agencies (US$7 million equivalent)

49. Sub-component 3.1 will strengthen government agencies that support entrepreneurs, MSMEs, and innovative enterprises, including the NBSSI, NEIP, and VCTF. Another important goal of this sub-component is to improve coordination of NBSSI and NEIP activities, as well as to improve data gathering on MSME and start-ups and monitoring and evaluation of MSME and entrepreneurship programs and initiatives supported by the Government.

50. More specifically the sub-component will support the planned review and updating of the MSME and Entrepreneurship Sector Policy and improve the structure and operational efficiency of NBSSI. An institutional review will assess NBSSI's structure and capabilities, including its ability to finance and monitor programs and its current model of delivering services through NBSSI's network of BACs at the district level. The overall intent of the review and reforms is to make the NBSSI institutional structure fit for purpose in its transformation. Following this review and adoption of reforms, the sub-component will support capacity building of the NBSSI to ensure that its staff and systems are operating at a level to efficiently manage the organization and its programs.

51. The sub-component will support capacity building for the NEIP to strengthen its ability to plan, manage, and monitor its programs. The capacity building will include recommendations on how to improve operational efficiency and more effectively structure the NEIP, based on good international practice, to carry out its plans while maintaining appropriate separation between funding and implementation of programs.

52. The sub-component will support a review of the VCTF mandate, structure and strategy. Based on the outcomes of this review, this sub-component will also include support to the implementation of recommended reforms, including the strengthening of an independent governance and management structure, training and capacity building of staff, and strengthening of IT systems for a more effective management and tracking of VCTF and its activities. More broadly, the subcomponent will also review the legal and regulatory environment for venture capital in Ghana.

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[24] Entrepreneurship hubs is defined broadly for the project to include business incubators, accelerators, technology centers, or other organizations with a mission to support the start-up and growth of businesses.

53. To foster improved coordination among the agencies, and especially between NBSSI and NEIP, the sub-component includes funding to support the establishment of a new apex MSME and entrepreneurship agency, tentatively called as a place holder in this document the Enterprise Ghana Agency (EGA)[25]. The establishment of the EGA is intended to coordinate and consolidate the currently dispersed initiatives supporting MSMEs and entrepreneurship in the country. The EGA's final design will be based in part on the outcome of the MSME and entrepreneurship sector policy review.

54. The project includes a DLI to incentivize the establishment of the EGA and consolidation of entrepreneurship and SME support under its purview. The EGA will be developed based on good international practice of similar agencies such as Enterprise Ireland, Enterprise Singapore, the U.S. Small Business Administration, Chile CORFO, or MSME Corp Malaysia. International expertise with experience at these types of agencies will be brought to Ghana to provide practical knowledge and support on how to establish and operate the EGA and perform its program funding and oversight roles effectively. The project will also seek out long-term partnership opportunities for the EGA with a well-run, similarly mandated agency in another country to improve the EGA's chance for success in operations and sustainability. Key features expected for this new agency include:

i. Operational independence, to give the agency the ability to hire highly qualified professionals and to provide confidence to the private sector that support programs are free of political influence.
ii. Longer term funding allocation, to avoid stop-and-go annual funding uncertainty, while keeping strong fiduciary transparency and reporting of results responsibilities towards the Government.
iii. In general, operating by channeling resources to private sector providers of services, thereby providing appropriate separation of funding and implementation roles.
iv. Strong focus on monitoring and evaluating impact of programs and initiatives, to continually improve and adjust the suite of instruments being deployed to achieve overall objectives.

Sub-Component 3.2 High-Growth SMEs and Entrepreneurship Ecosystem Strengthening (US$28 million equivalent)

55. Sub-component 3.2 will support growth and productivity improvements for domestic SMEs[26] and start-ups by providing customized support to SMEs and support to Ghana's entrepreneurship ecosystem. The sub-component will target SMEs and start-ups with high growth potential operating in any of the non-resource-based sectors, in particular, the sectors identified by the Ghana CPSD (ICT, agribusiness and education).

56. The strategy for implementation of this subcomponent is for the direct support to SMEs, start-ups and entrepreneurship hubs to be initially channeled through a company (or two, if needed) to be embedded within the relevant agency and program (i.e. NBSSI and NEIP) and hired through a competitive process. Once the capacity is built and the new agency for MSME and entrepreneurship is established, the financing of these support programs will be transitioned to either the new agency or a reformed one (in case a new agency is not established), as agreed

[25] The name EGA is a placeholder for the name this agency will eventually be given by the Government of Ghana, based on the final outcome of the MSME and Entrepreneurship Sector Policy update. The important aspects are the structure, capacity, functions and roles that the new (or even reformed) agency will take on.
[26] As noted earlier, component 3.1 will support review of MSMEs policy and creation of EGA, whose mandate will include micro-enterprises in addition to SMEs and start-ups. However, direct project beneficiaries in components 3.2 and 3.3 will be SMEs and entrepreneurs, excluding micro-enterprises to focus on beneficiaries with higher growth potential.

by the GoG and the Bank at that point in time.

57. To support the emergence of high-growth SMEs, the sub-component will finance a *MarketConnect* type program[27] or a program that focuses on 360-degree assessments of business capabilities and growth targets and delivers custom-tailored technical assistance and grant financing to firms at different levels of growth (from those at entry level, to those gearing up for expansions, and those well placed for product upgrading and enhanced competitiveness). This support aims to assist their transition into the next stage of growth, improving their ability to increase sales and incomes, and create jobs. The support will entail technical assistance for up to 400 SMEs on business development, management capabilities, and productivity enhancing improvements. Participating SMEs will also be eligible for financial assistance, in the form of matching grants that address the need for one-time, productivity and competitiveness enhancing investments.

58. Specific calls for proposals for green technology and women-owned businesses will be incorporated into the MarketConnect type program. The design of the component will consider additional provisions for green businesses such as different matching requirements for financing purchases of green equipment. To address gender gaps, the MarketConnect type program will, among other things, include personal initiative training into the services provided to women-owned SMEs, and also directly examine opportunities to women's additional capital constraints for beneficiaries of the MarketConnect type program (e.g., lower cash matching requirements and greater in-kind provisions for participating women-owned businesses[28] as well as assigning specific pools and types of support for women-owned businesses only[29]).

59. The sub-component will also support the development of the entrepreneurship ecosystem by providing capacity building to entrepreneurship hubs to bring the quality of their services up to international standards. This will be done first through a benchmarking exercise for the projected 20 participating hubs, which will establish the baseline for where they are in terms of the quality of their services. Technical assistance and capacity building will follow, to address gaps identified during the benchmarking exercise.

60. After completing this upgrading exercise, the participating hubs that manage to improve their services will be eligible to receive funding to manage business acceleration programs for participating start-ups and SMEs. The programs at entrepreneurship hubs funded under the project will encourage collaboration among hubs to develop a more interconnected entrepreneurship ecosystem. To support female participation, participating hubs will also place an emphasis on expanding women's networks into male-dominated sectors and ensuring that these networks are welcoming to women (not only in terms of access, but also in terms of preventing an environment of sexual harassment).

[27] Such as the ones being financed by the World Bank in Zambia and other countries. The name *MarketConnect* can be changed via the Project Implementation Manual but is meant to describe the tailored business development support provided to high growth SMEs participating in the program.

[28] Research in Ghana indicates that giving women entrepreneurs in-kind grants increases their business profits, while providing them with cash grants does not, perhaps because in-kind contributions are easier for women to shield from household demands, while a follow up study found in cases where both male and female enterprises exist, cash grants or microloans are often invested in the male enterprise, even if the woman is the intended recipient (Fafchamps et al, 2014: https://www.sciencedirect.com/science/article/pii/S0304387813001375; Bernhardt et al, 2017: https://www.nber.org/papers/w23358)

[29] Further support for the use of personal initiative training, particularly for women, is supported by an impact evaluation in Togo which suggests that personal initiative (PI) training using a psychology-based approach to focus on persistence and initiative, rather than on technical management capacity, is more effective than traditional management training in increasing profits, especially for women. Campos et al, 2017: http://science.sciencemag.org/content/357/6357/1287.abstract

61. Additional funding will be available to "launch" 12 entrepreneurship hubs that are beginning operations and need core funding for the first two to three years of operations. Participating hubs can be existing or new hubs that have a mission to support entrepreneurs or SMEs. Eligible hubs include business incubators, accelerators, technology centers, or other entrepreneurship support organizations. It is expected that some of these hubs may have specific sector focus (e.g. digital technologies), and the project will look to proactively fund (either through *MarketConnect* type programs or incubation/acceleration programs) specific industries or value chains and women's entrepreneurship programs for at least some of the cohorts.

Sub-Component 3.3 Venture Financing for Early-Stage Businesses and Strategic Industries (US$45 million equivalent)

62. Sub-component 3.3 seeks to provide seed and venture capital to SMEs through the establishment of funds for co-investments in SMEs and strategic industries. Resources for these funds will be channeled through VCTF. As a requirement for VCTF to channel these funds to the private sector, it will need to complete a strategic review (funded under sub-component 3.1 of its governance, institutional and operational structure, and implement the recommended reforms from this assessment. The project will finance the implementation of these reforms, which may include training and capacity building and the procurement of IT systems. Should VCTF not be able to implement the reforms needed, the funding to stimulate early-stage financing will be channeled through a different vehicle to be agreed upon between the Government and the World Bank. Both of these types of investments will look to provide a potential pipeline of growth firms for IFC and other VC/PE later stage or larger scale investments.

63. *Startup Catalyst Fund (US$20 million).* This sub-component's resources will finance a new SME financing mechanism, the "Startup Catalyst" Fund (SC Fund), which will focus on promoting seed (start-up) and very early stage funding to start-ups and SMEs with growth potential. Following the recommendations of reviews conducted in 2018 identifying the greatest need for Government intervention in Ghana's private financing ecosystem to be the earlier stages of the enterprise/venture lifecycle, this SC Fund will focus on investments in the range of US$25K - US$500K, coming in a variety of equity, debt, or quasi-equity forms. The SC Fund would operate indirectly, i.e. by providing capital to third party partners that manage early-stage investment vehicles.

64. The SC Fund will operate at "arms-length", meaning that the VCTF would not be directly involved in the selection or financing of any SMEs. Rather, the managers of the third-party investment vehicles that are involved in early stage investment would undertake the assessment of SMEs and make investment decisions, validated by an external Investment Committee. In this way, the SC Fund would operate similarly to a "fund of funds", except that it would capitalize a wider range of investment vehicles, not only traditional investment (venture capital) funds. The SC Fund would be catalytic, meaning that it would seek to crowd in additional capital to any activity it finances. Such co-funding could be provided by, for example, private investors or development finance institutions (DFIs) that are keen to find ways to increase their early-stage investment in Ghana while managing related risks. The SC Fund calls for proposals will be structured to incentivize such co-funding[30]. The final design of the Startup Catalyst Fund will depend on recommendations of the VCTF strategic review.

[30] It is important to note that the returns to the SC Fund are expected to be loss-making over time given the challenge of investing in the early stage space. The SC Fund would therefore define the terms of its commitment within its calls for proposals that could provide some subsidy to the investment vehicles but would still seek to preserve the SC Fund's capital to the extent possible while achieving its policy objective of increasing access to early stage finance. As such, the Government would be expected to replenish the SC Fund from time to time as necessary, following regular reviews of both its financial performance and success in meeting its policy objective.

65. *Strategic Industries Fund Feasibility Analysis and Potential Capitalization* (*US$20 million).* The subcomponent will also finance a feasibility study for a potential "Strategic Industries" fund that would provide co-investment for qualified investment funds that make investments in businesses operating in sectors relevant to Ghana's economic transformation, such as agriculture, manufacturing, ICT. The feasibility study would clarify the market failure; identify a government investment strategy that will address the market failure while avoiding crowding out of private capital; and outline a design and structure for the fund if the analysis deems such an intervention is appropriate. Subject to this feasibility analysis, US$20 million would be made available through the Strategic Industries co-investment fund.

66. *Technical Assistance (US$5 million).* The subcomponent will also fund technical assistance (TA) to further develop the early stage financing ecosystem. This TA will go towards (i) fund management team training, (ii) investor training (e.g. for pension fund and insurance fund managers to better understand Private Equity and Venture Capital (PEVC) mechanisms), and (iii) reimbursement of actual TA expenses of PEVC funds that were made for completed early-stage investments.

67. In order to build momentum around the VCTF reform and revitalization, initial funding of US$12 million will be available for the VCTF to carry out the recommended institutional reforms (US$2 million), manage the technical assistance pool (US$5 million), and establish and make first investments from the Startup Catalyst Fund (US$5 million), with the remainder of the sub-component funding dependent on completion of the institutional reforms of the VCTF and feasibility analysis of the two new funding mechanisms. These activities will be subject to standard World Bank non-objections to ensure they are meeting the goals of the sub-component, in particular the establishment and first investment(s) of the SC Fund, which will need to be established according to general criteria presented in more detail in Annex 3 and to be finalized during implementation.

Overall Budget for Component 3	**US$80 million**
3.1 Reform and Rationalization of Government Entrepreneurship and MSME Support Agencies	**7 million**
• NBSSI Institutional Reforms and Capacity Building	1.0 million
• NEIP Capacity Building	1.0 million
• VCTF Strategic Review, Reforms, and Capacity Building	2 million
• Establishment of Enterprise Ghana Agency	3 million
3.2 High-Growth SMEs and Entrepreneurship Ecosystem Strengthening	**28 million**
• Management of *MarketConnect* and Entrepreneurship Programs	5 million
• *MarketConnect* type Program: o Management and Technical Support for 400 SMEs (100 SMEs x 4 years x US$25,000 of TA support) o Matching Grants for 200 SMEs (50 SMEs x 4 years x US$20,000 average grant size)	14 million
• Entrepreneurship Ecosystem Development o Entrepreneurship Hub Benchmarking and Capacity Development (US$100,000 of Support per Hub x 20 Hubs) o Entrepreneurship Hub Acceleration Programs (20 Hubs x 2 Programs Per Hub at US$100,000 per program) o Entrepreneurship Hub Launch Program (12 Hubs x US$250,000 of Support per Hub)	9 million
3.3 Venture Financing for Early Stage Businesses and Strategic Industries	**45 million**
• Startup Catalyst Fund -- Capital for Seed or Early Stage Financing Activities (Angels, Accelerators, Seed Funds)	20 million
• Strategic Industry Fund – Co-investment for qualified investment funds that make investment in strategic industries (US$500K - US$3 million of co-	20 million

investment for 10-15 investments)	
• TA for fund manager training, investor training, and fund TA expenses	5 million

Disbursement-linked indicators for Component 3:

DLI	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
DLI #7: Reforms of Enterprise Support Institutions	EGA established according to best practice, as specified in the DLI Verification Protocol, with budget allocation effective to cover EGA's operational costs		At least 30% of public entrepreneur ship funding is done through EGA (excluding VCTF funding)	At least 40% of public entrepreneur ship funding is done through EGA (excluding VCTF funding)	At least 50% of public entrepreneur ship funding is done through EGA (excluding VCTF funding) Evidence of effectiveness of EGA's program funding, management, and evaluation functions and operational performance, as specified in the DLI Verification Protocol.		
Amount	**2.0m**		**1.0m**	**1.0m**	**2.0m**		**6.0m**
DLI #8: Venture Financing	VCTF governance, operational, legal, and regulatory reforms, including approval of a sustainable funding model, and rebranding completed, as specified in the DLI Verification Protocol.	Approval by VCTF's board and MoF of a sustainable VCTF funding model, in line with recommendat ion of the VCTF organizationa l assessment financed by the Project.	10 SCF Investments and/or SIF Investments completed.	20 cumulative SCF Investments and/or SCF Investments completed.	30 cumulative SCF Investments and/or SCF Investments completed.	40 cumulative SCF Investments and/or SCF Investments completed.	
Amount	**3.0m**	**2.5m**	**2.0m**	**2.0m**	**2.0m**	**2.0m**	**13.5m**
Total	**5.0m**	**2.5m**	**3.0m**	**3.0m**	**4.0m**	**2.0m**	**19.5m**

C. Project Beneficiaries

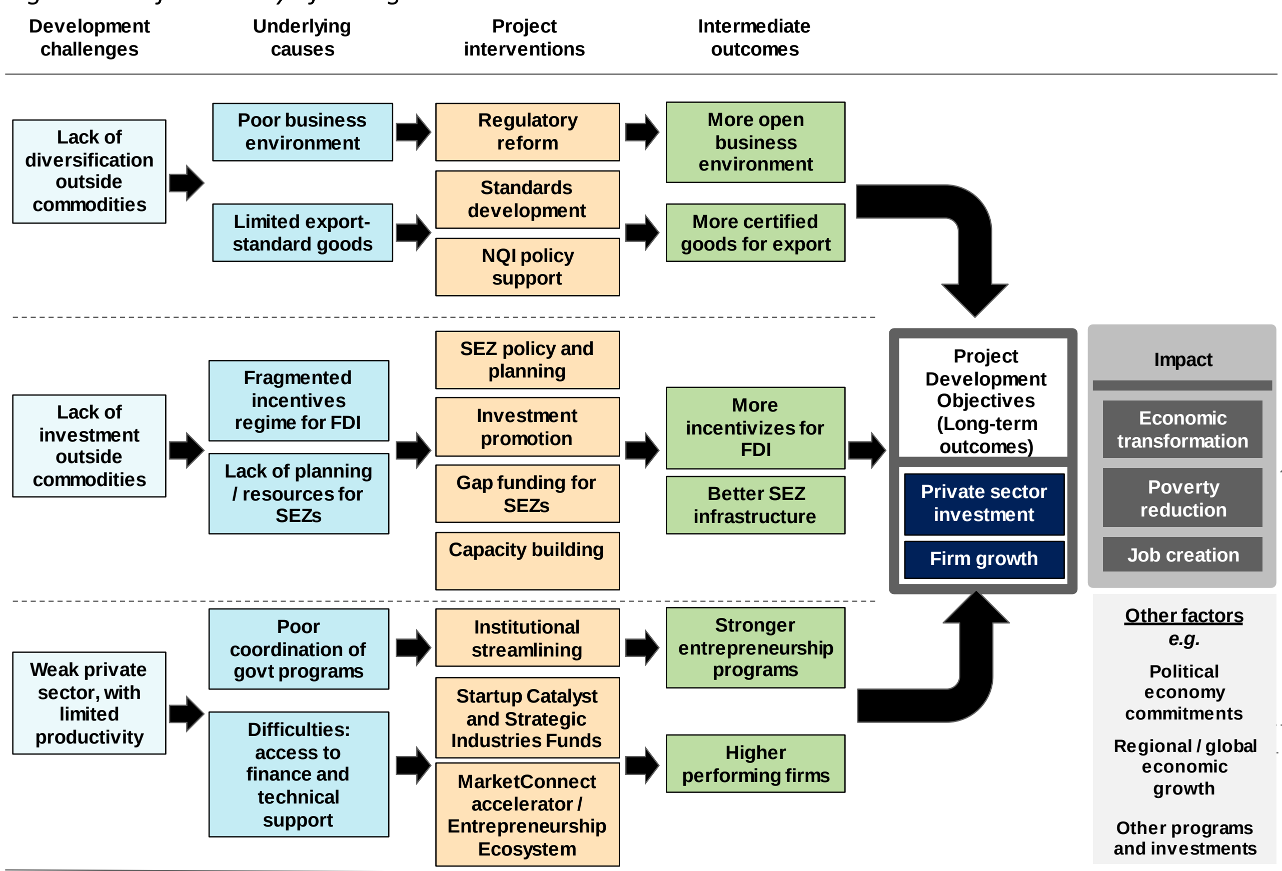
68. The primary beneficiaries of this Project are Ghanaian growth-oriented SMEs, entrepreneurs and investors, in addition to line agencies whose capacity to execute their sub-programs will be strengthened.

D. Results Chain

69. Problem statement: Dependence on commodities, limited diversification of the economy, and an underdeveloped private sector create volatility and sustainability risks for Ghana.

70. The project builds on the following Theory of Change, depicted visually below.

Figure 4: Project Theory of Change



E. Rationale for Bank Involvement and Role of Partners

71. The Bank's approach supports key aspects of the Ghanaian Government's Economic Transformation Program through both sector-specific and cross-sectoral interventions. The Bank's intervention is justified by the following factors:

i. The design of this operation is directly informed by the SCD as part of the Bank's overall strategy, in addition to specifically incorporating recommendations from the CPSD prepared jointly by the World Bank-IFC, and thus provides a first opportunity to move diagnostic work and its recommendations to concrete implementation.

ii. The need to address key investment climate constraints that impact all businesses and investments in Ghana, along with implementing investment promotion strategies that attract FDI in key sectors. The Bank has supported similar projects worldwide, including in Ghana, and is able to build upon existing or planned TA, IPF, and DPO operations.

iii. Experience in supporting spatial development programs especially as related to master planning arrangements for SEZs which are both financially sustainable and incorporate environmental and social safeguards into the design

iv. Experience designing and implementing development projects that address entrepreneurship development and innovation from both a sector-specific and horizontal (cross-cutting) perspective. Additionally, the Bank has experience in turning such programs into sustainable government-led solutions that will continue after the project has closed.

v. The World Bank's ability to successfully catalyze early stage financing for growth entrepreneurs.

vi. The World Bank's convening power to succeed in donor and line ministry coordination around the Government of Ghana's Economic Transformation program can play a critical role in program's success.

72. The project also connects well with the IFC's strategy for Ghana, which focuses on diversifying the economy and sustaining high rates of growth. Specifically, IFC has been traditionally focusing on: (i) MSME, capital markets, and financial infrastructure development; (ii) private sector participation in energy, transport, and water infrastructures; improvement to attract private sector participation; (iii) agribusiness; and (iv) tourism and real estate.

73. Development partners have supported private sector development in Ghana through a wide range of engagements focusing on business advocacy, skills development, access to finance, agricultural value chains and climate innovation. This project will work closely with development partners involved in the following programs to ensure complementarity in design without specifically redundant activities:

i. DANIDA has announced that its private sector development program will be phasing out by 2020 as part of the reduction of Danish Aid involvement. The Skills Development Fund previously supported by DANIDA will be supported under the World Bank Jobs and Skills Project (P166996), which will work in close collaboration with the MarketConnect type activity of the Economic Transformation Project.

ii. The European Union is supporting a budget support program that is expected to target public financial management, business climate, employment, and governance. The business climate component of this program will be focused on customs and contract enforcement, using improvements to the Doing Business agenda as a guide. The EU is committed to coordinating with the Bank team to ensure that this program is complementary to the investments under Component 1 of this project.

iii. DFID has approved a Jobs and Economic Transformation Program which will provide TA on the Government's industrialization agenda, transaction support for large investments in specific high-value sectors, support to domestic firms that focuses on improvements to local content, and zone related infrastructure to unlock and maximize private financing related to SEZs / industrial parks. The Bank and DFID teams are working in close collaboration to magnify the overall transaction support related to zone investments and maximize the total financing available for both planning and infrastructure investments.

iv. Tony Blair Institute (TBI): As part of its Africa Governance Institute, TBI is currently working with the

President's Delivery Unit and will be looking at supporting the Economic Transformation Unit within the GoG. Under this arrangement they will be able to provide direct ongoing TA and capacity support to the ETU, including the activities under the Economic Transformation Project (ETP).

F. Lessons Learned and Reflected in the Project Design

74. **The design of this project has been informed by the World Bank's experience supporting clients to achieve similar development objectives, including diversification goals in resource-rich countries**. A recent review of Bank experience promoting growth and diversification in resource-rich economies[31] identified the need to define a realistic diversification strategy and to focus on fundamentals, including investing in infrastructure, improving the business climate, and encouraging private investment. This lesson has informed ETP design, with Component 3 targeting these types of outcomes within high potential sectors in agribusiness, ICT, manufacturing and services, along with rationalizing the structure of SME and entrepreneurial support available in Ghana. Component 2 focuses on addressing access to land constraints by improving the planning and development processes for SEZs, while Component 1 focuses on overall improvements to the business climate to help encourage private investment.

75. **Component 1 draws on lessons learned that regulatory and institutional reforms to the business environment are necessary complements to firm-level interventions to achieve results beyond the direct beneficiaries.** Project design also leverages the experience of similar IPFs with DLIs, which proved effective in achieving results by building on existing reform programs and motivating clear outcomes rather than relying on significant TA activities.

76. **Component 2 is informed by Bank experience in supporting the planning, development, and management of SEZs as a tool to address constraints in the land market.** The design builds upon experience of similar IPFs and P4Rs, including those which finance last-mile infrastructure to help crowd in private investment. The design of the Viability Gap Fund also emphasizes a private sector-led identification process to select priority infrastructure investments to ensure high and immediate returns and a clear private sector response.

77. **The design of Component 3 is informed by the Bank's experience supporting industry competitiveness and SME development**. Lessons learned that inform project design include the benefits of an industry focus to ensure competitiveness interventions target specific binding constraints, and the importance of a private sector-led approach to SME support to have a focus on commercial viability. These lessons come from global experience as well as recent competitiveness and SME support activities in Ghana implemented by the WBG and other development partners. Lessons learned have informed project activity design in the following ways:

    i. The MarketConnect type intervention is informed by lessons learned that SME and entrepreneur support programs achieve better results in terms of productivity growth, investment generation, and overall firm growth when they provide intensive and custom-tailored business development support to SMEs and introduce matching grants in the context of this more holistic and strategic support structure. MarketConnect also ensures a clear commercial link between SMEs and their markets, with a focus on helping SMEs integrate into viable value chains. These lessons are incorporated via: 1) A clear focus on growth-oriented SMEs (which create more than 60 percent of new jobs around the world); 2) professional management of the SME support program to ensure clarity, accountability, and entrepreneurial dynamism in the way SMEs are identified, subscribed, and later supported and monitored; and 3) An integrated design that weaves TA with matching

[31] World Bank Group Engagement in Resource-Rich Developing Countries: The Cases of the Plurinational State of Bolivia, Kazakhstan, Mongolia, and Zambia. Independent Evaluation Group, World Bank Group, 2015.

grants support under a 360-degree, hands on, and custom-tailored SME support delivery mechanism that will work closely with beneficiaries for at least one and up to three years during project implementation.

ii. The Startup Catalyst Fund builds upon the lesson that the highest benefits are achieved by focusing on high growth potential start-ups and SMEs. The fund of funds structure allows for the VCTF to provide support to already existing accelerators and investor groups which are already working with high potential start-ups, rather than building another overlapping organization. Additionally, the financing will be accompanied by TA to better develop these existing funds to provide both better and wider support to entrepreneurs in Ghana.

iii. The Strategic Industries Fund builds on lessons from venture financing projects in the Middle East and North Africa (MENA), including Jordan, Lebanon, and Tunisia. Lessons include the need to require independent investment decisions, attract top fund management talent, and provide strong TA support to the fund managers and wider Private Equity and Venture Capital (PEVC) ecosystem.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

78. A Project Implementation Manual (PIM) detailing how the project will be implemented, including the institutional and implementation arrangements here presented, will be drafted and presented to the World Bank for review. Approval of the final version of the PIM will be a condition for effectiveness.

79. **A Project Coordinating Unit (PCU)** within the Ministry of Finance (MOF) will provide project oversight and lead day-to-day management of the project. The PCU will consist of a Project Coordinator, fiduciary specialists (FM and Procurement), Safeguards Specialists (Environmental and Social), Technical specialists (at least one per component), and specialists to cover other PCU functions such as M&E, Communications, etc. The Technical specialists will work directly with the Technical Implementing Agencies (TIAs) to ensure that each TIA is provided with the technical, financial, procurement, and political support required to achieve desired outcomes for the project. All procurement transactions will be consolidated within the PCU; however, the Procurement Specialist will work with procurement consultants and procurement staff within the TIAs to ensure appropriate procurement plans and processes for transactions relevant to the different TIAs. All other fiduciary and safeguards functions will also be centralized within the PCU.

80. **Technical Implementing Agencies** (TIAs) consist of the implementing institutions for the overall project. A full list of TIAs is provided in Annex 1. Each TIA will designate a project focal point who will receive technical support from the relevant Technical Specialist(s) within the PCU.

81. **Technical Committee** (TC): The TC will provide strategic, facilitative, and problem solving support to the project and will be comprised of each TIA focal point, with discussions led by the Project Coordinator.

82. **Project Oversight Committee:** The Oversight Committee will provide high level directional oversight to the project including the TIAs. The Oversight Committee will comprise Ministers (or their representatives) of all relevant Ministries and Heads of relevant Agencies and will be co-chaired by the Minister for Finance and the Minister for Trade and Industry or their representatives, as well as representatives from the private sector.

B. Results Monitoring and Evaluation Arrangements

83. The PCU will have responsibility for results monitoring and evaluation (M&E). Project M&E will be led by each Component Manager, supported by a shared M&E Specialist that will support all four components of the project. An

annual public event to report on project results, including both technical and financial, will be organized by the PCU. Details for this event will be included in the PIM. Data regarding the private sector in Ghana is generally limited, and the results indicators presented in this document are designed to be relatively simple to collect and report with this limitation in mind. One specific area where additional data collection is expected to be required is to establish a comparator group for SME beneficiaries, to measure the impacts of the MarketConnect type program under Component 3. This is expected to entail follow-up survey sampling from the Ministry of Business Development, Ministry of Trade and Industry and NBSSI and resources will be allocated to support this data collection in Component 4 of the project. The PCU will also coordinate with the Ministry of M&E to the extent required during implementation.

84. **The PCU will have responsibility for overall reporting to the Bank**. The Project Coordinator within the GoG's Economic Transformation Team will ensure timely completion of M&E activities across components. The Project Coordinator will also integrate component results and report them to the Bank in biannual progress reports, the specific format of which will be outlined in the Project Implementation Manual.

C. Sustainability

85. **Contributing to sustainable development is a central goal of the proposed project**. The higher-level objective that the project seeks to achieve is to establish a more diversified and sustainable growth path for Ghana by providing the foundations for growth in diversified economic activities (including increased private investment) that increases resilience. This higher-level objective is reflected in the project results chain, that ultimately seeks to achieve a more resilient economy. The Government of Ghana commitment to this objective and the specific target project outcomes is well reflected in the GoG's industrial development plans and "Ghana Beyond Aid".

86. **Specific project activities are also designed to achieve sustainability**. The project will finance capacity development and institutional strengthening that will last far beyond the project time period. Improvements to the investment climate, the NQI, and the SEZ regime will help to address key long-term constraints in the business environment including licensing, registration, quality infrastructure, and access to land. The support provided to entrepreneurs and SMEs will enable more competitive high-growth SMEs through direct SME support combined with improvements to the overall SME / entrepreneur support network. The project seeks to build governmental capacity to contribute to sustainable impact after the life of the project, including through direct institutional capacity support. Project activities also address key market failures related to productivity spillovers and investment climate constraints that will have impact beyond the life of the project.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis

87. As part of preparation for this project, an economic and financial analysis (EFA) has been conducted across the project components to determine the value of the anticipated benefits relative to the costs associated with this project. The Project Net Present Value (NPV) is estimated at US$44.5 million at a 15 percent discount rate[32], and the Economic Rate of Return (ERR) at 26 percent.

88. By component, a short description of the analysis is provided below, along with a component NPV and ERR where

[32] Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in Ghana.

appropriate. Further detail is provided in Annex 4.

i. TA project activities (Component 1 Enabling Investments, Component 2.1 Crowding-in Investments: Promoting spatial and industrial planning and development, Component 3.1 Reform and Rationalization of Government Entrepreneurship and MSME Support Agencies): Since these project components consist primarily of TA and institutional support investments, we have focused on activities aimed at unlocking future investments and private sector growth. While the economic return of such activities is difficult to directly quantify, implementation of this type of support is widely supported in the economic literature. Further detail is provided in Annex 4.
ii. Component 2.2 Infrastructure investments for special economic zone development: Our analysis assumes that the VGF will be used to implement five infrastructure subprojects, with an average of 50 firms (annual revenue US$1 million) benefitting from each of these. As such, our estimates focus only on the direct benefit to firms within a completed SEZ while the impacts would most likely be much larger, spilling over into real estate development and follow on investments. Including only the estimated direct benefits, the VGF NPV is estimated at US$35.1 million, with an ERR of 29 percent.
iii. Component 3.2 High-Growth SMEs and Entrepreneurship Ecosystem Strengthening: We estimate that each SME benefiting from the programs under Component 3.2 will show additional revenue growth (5 percent for BDS only recipients, 15 percent for those who receive financial support) for two years following the project support. Assuming 300 SME beneficiaries with half receiving financial support, the NPV for component 3.2 is estimated to be US$2.6 million with an ERR of 18 percent.
iv. Component 3.3 Venture Financing for Early-Stage Businesses and Strategic Industries: Our component design here aims to support ten seed funds and 10-15 co-investments in strategic industries. Using a conservative estimate of 400 total entrepreneur beneficiaries across these funds / co-investments with a 50 percent business failure rate and a revenue growth additionality of 15 percent for one year across surviving businesses, we estimate an NPV of US$6.8 million and an ERR of 26 percent for this sub-component.

89. **Rationale for public investment:** Project interventions are directly related to the provision of public goods that would facilitate private investments, but which themselves could not be viably provided with private sector participation: business regulatory reforms, support for investment promotion, spatial and industrial planning to help crowd-in private financing, and investments in high potential sectors, etc.

90. **World Bank's value added:** The World Bank offers significant value to the proposed project activities through provision of financing, technical assistance and convening services. The World Bank has significant experience in developing and supporting the implementation of agribusiness, manufacturing, ICT, spatial development, and overall business reform programs particularly in Sub-Saharan Africa. Ghana is in need of strong reforms and investments to support diversification and the sustainable development of the ICT, manufacturing, and agribusiness sectors. Based on its experience in entrepreneurship development, business regulatory reforms, spatial and industrial planning, and investment promotion (in existing and pipeline projects across Sub-Saharan Africa and globally), the World Bank is able to incorporate lessons learned from these programs into the design of this project. Further, the World Bank can draw upon the results and lessons from past operations in the region.

91. **Contribution to project design:** This EFA has been used as an input to refine details of the project design, which have then in turn further informed the EFA itself, such as the timing and size of project investments, the impact chain and results framework, and M&E indicators and their associated targets. During implementation, the project team will use current M&E data to evaluate the impact to date of the project. These actuals will be used to calculate an updated

interim rate of return and net present value. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design.

B. Fiduciary

(i) Financial Management

92. In line with the guidelines as stated in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010, a financial management assessment was conducted on November 11 2018 at the Ministry of Finance (MoF/FSD) on the proposed financial management arrangements to be used in the implementation of the Economic Transformation Project. The project will emphasize the use of country systems in line with the World Bank's practice of using those aspects of the county system deemed reliable. The project's FM systems will, therefore, be mainstreamed as part of the existing GoG arrangements as per the Public Financial Management Act, 2016 (Act 921).

93. The assessment of the Project's financial management arrangements indicates that they satisfy the Bank's minimum requirements as per the World Bank Policy for Investment Project Financing; and the overall financial management residual risk is assessed and rated as Substantial. The reasons include, inter alia; multiple agencies implementing key aspects of the project each with its own approval and authorization arrangements, transfer of funds (on an imprest basis) to the different implementing agencies who may not have similar fiduciary capabilities and the combination of IPF with Results Based Financing (RBF) components involving the verification of results as a basis for drawdowns all pose an inherent fiduciary risk.

94. The key FM arrangements can be summarized are as follows: The Director of Accounts of the MoF will have overall fiduciary responsibility for all financial management aspects of the project, but the routine daily transactional processing and reporting will be assigned to a fully dedicated Project Accountant in the capacity as the Senior Accountant Officer (SAO) of the Ministry, who is a staff of the Controller and Accountant General's Department (CAGD). Within the various implementing agencies, the respective Directors of Accounts or Heads of Finance will have overall fiduciary responsibility for all financial management aspects of the Project. The Heads of Accounts, working in collaboration with the Director of Finance of MoF and the Project Accountant, are to ensure that throughout implementation there are adequate financial management systems in place within their Agencies which can report adequately on the use of Project funds. In addition, and under the supervisory role of the Director of Accounts, the Project Accountant will be tasked with maintaining oversight responsibilities with regards to ensuring compliance with financial covenants such as submitting acceptable Interim Unaudited Financial Reports (IFRs), maintaining internal controls over project expenditure and engaging external auditors and ensuring compliance to submission of acceptable audit reports.

(ii) Procurement

95. The PCU will be responsible for all project procurement transactions, per the New Procurement Framework, in accordance with the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 (Procurement Regulations), revised November 2017 and August 2018 and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development

(IBRD) Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement.

96. Based on the Procurement Capacity Assessment carried out in November 2018, the summary assessment of the procurement risk is Substantial for the project and the prior review thresholds have been set to reflect this rating. The main risks identified are coordination of procurement and technical requirements across multiple agencies even with procurement transactions centralized within the PCU, the possibility of procurement staff movements, and the use of the new procurement framework.

C. Safeguards

(i) Environmental Safeguards

97. **The GET project is a Category B investment under the World Bank's Operational Policy on Environmental Assessment (OP 4.01), meaning that any environmental impacts are likely to be site-specific, potentially reversible, and with feasible mitigation measures**. The project will be implemented across the country but will prioritize areas that do not have ecologically sensitive sites. Interventions to improve quality and standard infrastructure under Component 1 may include the development of regional laboratories that will likely involve refurbishment of existing laboratories or construction of new ones, and procurement of specialized laboratory and testing equipment, which may generate different types of environmental and social impacts. The project will, therefore, consider environmental and social issues during the planning and the operational phase of these laboratories. Component 3 will finance support for SMEs in targeted non-resource industries (e.g. ICT, agro-industry, agro-processing, etc.), along with providing support for start-ups through a fund-of-funds approach via the VCTF. Specific investments would be informed by plans financed by the project during implementation, but no direct environmental impact is expected. Technical assistance for the planning of the SEZ and operationalization of a VGF for zone development under component 2 may have indirect or direct environmental and social risks and impacts. However, an evaluation of these environmental and social risks will be incorporated as part of all site assessments for VGF investment.

98. **An Environmental and Social Management Framework (ESMF) has been prepared, cleared, and disclosed in-country on April 8, 2019, as a framework for subsequent environmental and social analyses.** During project implementation, once the sites and activities are identified, the project will conduct Environmental and Social Impact Assessments (ESIA) for prioritized individual SEZ projects, to identify any social and environmental issues and prepare a site specific Environmental and Social Management Plan (ESMP) to provide mitigation measures for implementation. Considering these project plans, and that specific project sites are not known in advance, in addition to OP 4.01 Environmental Assessment, other World Bank environmental safeguards policies have been triggered including: Natural Habitats OP 4.04 and Physical Cultural Resources OP 4.11 (due to the territorial extent of the project and potential "chance finds" during implementation of activities, although the project is not expected to have any direct negative impacts on cultural property).

(ii) Social Safeguards

99. **Regarding social safeguards, the project is expected to produce positive benefits at a national level, and steps will be taken to minimize negative social impacts**. As noted above, an ESMF has been prepared as a framework for subsequent environmental and social analyses. Each prioritized individual SEZ project will also include an ESIA and a site specific ESMP to provide mitigation measures for implementation. Activities deemed to have significant

environmental and social safeguards risks will not be funded under this project, including an evaluation of GBV risk. Investments under the VGF will be implemented in areas designated as SEZ that comprise mainly industrial estates on land that is free of any adverse encumbrance and is legally and clearly owned by the Government or the private developer. Whether on greenfield or brownfield sites, SEZ projects will be prioritized where there are no encroachment or squatter issues, but to facilitate achievement of the project objective, sites assessed to have only minor resettlement impacts may be considered, if the potential impacts are localized and can easily be mitigated. The project will not fund sites that may involve large and complex land acquisition and compensation. The project will also support improvements in the environmental and social regulatory framework to avoid adverse effects on the environment and natural resources and promote public participation in decision making.

100. **The risks identified above will be mitigated through several activities and instruments developed by the project**. A Resettlement Policy Framework (RPF) has been developed along with the ESMF. All of these instruments will engage with a variety of key stakeholders, local communities, and other vulnerable populations to ensure that their voices are incorporated into the project. Considering the project plans, the social safeguard Involuntary Resettlement OP/BP 4.12 has been triggered.

(iii) Other Safeguards

No other safeguard policies are triggered for this project.

(iv) Grievance Redress Mechanisms

101. The project includes a grievance mechanism (detailed in the RPF) based on policies and procedures that are designed to ensure that the complaints or disputes about any aspect of the land acquisition, compensation, resettlement, and rehabilitation process are being addressed. This mechanism includes a procedure for filing of complaints and a process for dispute resolution within an acceptable time period. This mechanism will be housed in the PCU at MOF and linked to all relevant project implementation agencies.

102. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB's independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank's corporate Grievance Redress Service (GRS), please visit http://www.worldbank.org/en/projects-operations/products-and-services/grievance-redress-service. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

V. KEY RISKS

103. **The overall risk for the Ghana Economic Transformation Project is assessed to be Substantial**. The team has identified the major risks and, where possible, proposed measures to mitigate their impacts. The risks identified as Substantial are the following:

a. **Macroeconomic:** Ghana is still emerging from the recession of 2015-16 and remains in a challenging fiscal situation and vulnerable to external shocks. The country authorities are taking some important steps to strengthen the fiscal framework, but macroeconomic fluctuations could still generate new fiscal pressures, decreasing fiscal space for longer-term investment spending. Fluctuations due to an external shock could also deter private sector investment and growth, creating risk for achieving the project's private sector growth objectives. Despite these vulnerabilities, with downside risks on the fiscal side, most other macroeconomic indicators remain strong: Overall GDP is expected to grow by around 6.4 percent between 2019 and 2021, while an average of 6 percent growth is projected for the non-oil sector over the same period. Mitigation measures are relatively limited, but project activities explicitly seek to lay the foundations for future growth and diversification.

b. **Technical Design of Project**. The project design is complex given the range of activities and investments to support both specific sectors and cross cutting investment climate, investment promotion/spatial solutions, and entrepreneurship support. Furthermore, in order to implement the reforms needed to see success with various components, there is the risk of dependence on government institutions to approve and enact new legislation and regulations. The competitive selection of private firms and establishment of SPVs under Component 2 and 3 achieves private sector engagement in the prioritization of activities and selection of beneficiaries; but it also creates risks for potential implementation delays as competitive calls must be organized and launched. Resulting implementation risks are mitigated through supporting intra-government coordination through establishment of a PCU in the Ministry of Finance with strong technical expertise; utilizing existing project management capacity in the Ministry of Finance project management staff and the hiring of consultants to strengthen implementation capacity at the level of implementation agencies. Project design also seeks to mitigate cross-ministerial coordination challenges, with DLIs to incentivize cross-ministerial coordination and harmonization of programs.

c. **Institutional Capacity for Implementation and Sustainability.** The Government's institutional capacity is adequate to implement and sustain the supported reforms; however the number of implementing agencies involved in the project considerably increases the associated risks. The SCD found that challenges with policy coordination and program implementation impact effective resource allocation and limit the efficiency of Government (World Bank SCD, 2018). The SCD concludes that the Government needs to improve coordination at the center and strengthen its centralized sector planning function. This is important to ensure that Government decisions are implemented and that those with responsibility are held accountable. "Poor planning is widespread across all sectors" (World Bank SCD, 2018: p55). These risks are relevant for this operation, particularly in the entrepreneurship space. Addressing the complex issues in the sector requires extensive coordination across multiple agencies and ministries, as well as high level political commitment to follow through implementation and ensure accountability. There are primarily two channels to mitigate the associated risk in this operation. *First*, the implementation arrangement coordinated through the Ministry of Finance, is in itself designed to bring together the main actors across Government and reduces the risk of capture. *Second*, supporting the Government to establish and monitor an effective implementation mechanism will help to address the coordination challenges.

d. **Fiduciary.** Due to the complexity of implementation across a wide range of agencies and ministries, fiduciary risks are assessed as Substantial. These risks will be mitigated through centralization of financial management and oversight of procurement within the PCU in the MOF.

VI. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Ghana
Ghana Economic Transformation Project

Project Development Objectives(s)

The Project Development Objective is to promote private investments and firm growth in non-resource based sectors.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	End Target
Enabling investments			
Improvement in the overall business enabling environment as measured by the Doing Business Ease of Doing Business Score (Number)		59.22	70.00
Cross-cutting			
Private sector investments leveraged through project activities (Amount(USD))		0.00	20,000,000.00
Accelerating Entrepreneurship and MSME growth			
Increase (additional) in average value of gross sales by firms supported by the project (Percentage)		0.00	15.00
Increase (additional) in average value of gross sales by women-owned firms supported by the project (Percentage)		0.00	15.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
			1	
Enabling Investments				
Improvement in investor perception of GIPC performance (Number)		0.00		15.00
Increase in number of QI services delivered (Number)		0.00		100.00
Crowding-in investments: Promoting spatial and industrial planning and development				
Viability Gap Fund established (Yes/No)		No	Yes	Yes
Number of infrastructure subprojects implemented under Viability Gap Fund (Number)		0.00		10.00
Accelerating Entrepreneurship and MSME growth				
Number of SMEs benefitting from capacity upgrading support (Number)		0.00		300.00
Of which women-owned (Number)		0.00		120.00
Number of SMEs and entrepreneurs receiving financial support (Number)		0.00		150.00
Of which women-owned (Number)		0.00		60.00
Cross-cutting				
Number of direct jobs created by the project (Number)		0.00		1,000.00
Of which women (Number)		0.00		400.00
Beneficiaries satisfied with quality of services provided by the project (Percentage)		0.00		75.00

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Improvement in the overall business enabling environment as measured by the Doing Business Ease of Doing Business Score	This indicator will track the aggregate Doing Business Score (Ease of Doing Business score) for Ghana over the lifetime of the project.	Annual	Doing Business Report	Project Implementation Progress Report	PCU (reporting based on Doing Business)
Private sector investments leveraged through project activities	This indicator tracks private investments leveraged through project activities, including investments realized to develop SEZ and early-stage or risk financing for SMEs and start-ups supported by the project, in non-resource sectors.	Annual	Project Implementati on Progress Report	Project Implementation Progress Report	PCU
Increase (additional) in average value of gross sales by firms supported by the project	This indicator will measure the increase over and above the average increase in the value of sales registered by a sample among beneficiary SMEs with attribution to Component 3b. The project will do a small annual sampling to calculate the average value of sales in the absence of the project by working with the Statistics Bureau to obtain data from	Annual	Beneficiary survey	Beneficiary survey	PCU

	a sample of comparable firms. Since the indicator will be averaged across SME beneficiaries, the time element of firm growth will be averaged over the lifetime of the project. The component expects to support an additional 15% increase in gross sales for beneficiary SMEs at the end of the project.				
Increase (additional) in average value of gross sales by women-owned firms supported by the project	Supplemental indicator to specifically measure the project's impact on additional gross sales for women-owned firms supported by the MarketConnect program under Component 3. A comparator group for women-owned firms will also be used to establish what the growth in gross sales would be for women-owned firms without the project activities.	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
Improvement in investor perception of GIPC performance	This indicator will be based on a GIPC survey of investor perception. Baseline will be measured at project effectiveness.	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU / GIPC
Increase in number of QI services delivered	This indicator will track the number of QI services delivered by Ghana Standards Authority.	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU / GSA
Viability Gap Fund established	Technical and operational components of the Viability Gap Fund established including both public and private participation.	Semi-annual	Project implementation progress report	Project implementation progress report	PCU
Number of infrastructure subprojects implemented under Viability Gap Fund	The number of infrastructure investments financed by the Viability Gap Fund to provide critical last-mile infrastructure for SEZs.	Every six months	Project Implementation Progress Report	Project Implementation Progress Report	PCU
Number of SMEs benefitting from capacity upgrading support	The number of SMEs that receive assistance from the support financed under Component 3b (MarketConnect and Entrepreneurship Hub Ecosystem).	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU

Of which women-owned					
Number of SMEs and entrepreneurs receiving financial support	The number of entrepreneurs and SMEs that receive financial assistance from the SME support funds under Components 3b and 3c.	Annual	Project implementation progress report	Project implementation progress report	PCU
Of which women-owned					
Number of direct jobs created by the project	This indicator measures the direct number of jobs created by the project, including additional jobs created amongst beneficiaries of the MarketConnect program (Component 3b) and employees of companies which set up operations in any of the SEZs supported by the project (Component 2).	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU
Of which women	Measures the number of female jobs created for both the construction jobs under 2b an amongst MarketConnect beneficiaries (component 3b)	Annual	Project Implementation Progress Report	Project Implementation Progress Report	PCU
Beneficiaries satisfied with quality of services provided by the project	Satisfaction amongst direct project beneficiaries based on a beneficiary survey. This	Annual	Beneficiary survey	Beneficiary survey	PCU

	survey will include staff of the government organizations supported under all project components, the SMEs and entrepreneurs supported under component 3, potential SEZ investors and developers under component 2, and communities where SEZ infrastructure projects are developed and supported by the project through Component 2. To close the gap on the feedback provided, this survey will cover the same group of beneficiaries year on year to ensure that the feedback is being appropriately acted upon. Results from these surveys will be discussed between The World Bank and the PCU and other implementing agencies at least on an annual basis, to ensure the analysis of the data collected is being used to adjust project implementation as needed.				

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Ghana
Ghana Economic Transformation Project

A. Implementation arrangements

1. The Project is committed to ensuring strong Government ownership and commitment in the implementation of Project activities, and sustainability of future results. The Project will therefore build on existing institutional structures, ensure broad representation of relevant institutions, and promote inter-ministerial coordination and alignment essential to achieving overall project objectives. The Ministry of Finance will be the key implementing Ministry while the Ministry of Trade and Industry, Ministry of Business Development, the Venture Capital Trust Fund, the Ghana Investment Promotion Center, the Ghana Standards Authority, the National Board for Small Scale Industries, Registrar General Department, and the National Entrepreneurship and Innovation Plan will each play leading roles in overseeing the implementation of the project. The Project will set up a Project Coordination Unit within the MOF to coordinate daily project activities and to resolve any emerging challenges while implementing the Project. The Project will also establish technical working groups comprised of relevant private sector representatives, as well as legal and technical experts to support reform implementation within specific areas.

2. A Project Coordinator will lead the PCU to manage day-to-day implementation of the project, including working with Technical Implementing Agencies (TIAs) who will be leading the implementation of their relevant project activities. The Project Coordinator will ensure each TIA is provided the technical, financial and political support required to achieve desired outcomes for the Project. The Project will also set up both a Technical Committee (TC) and an Oversight Committee to provide strategic guidance and monitor the overall performance of the Project based on its Results Framework.

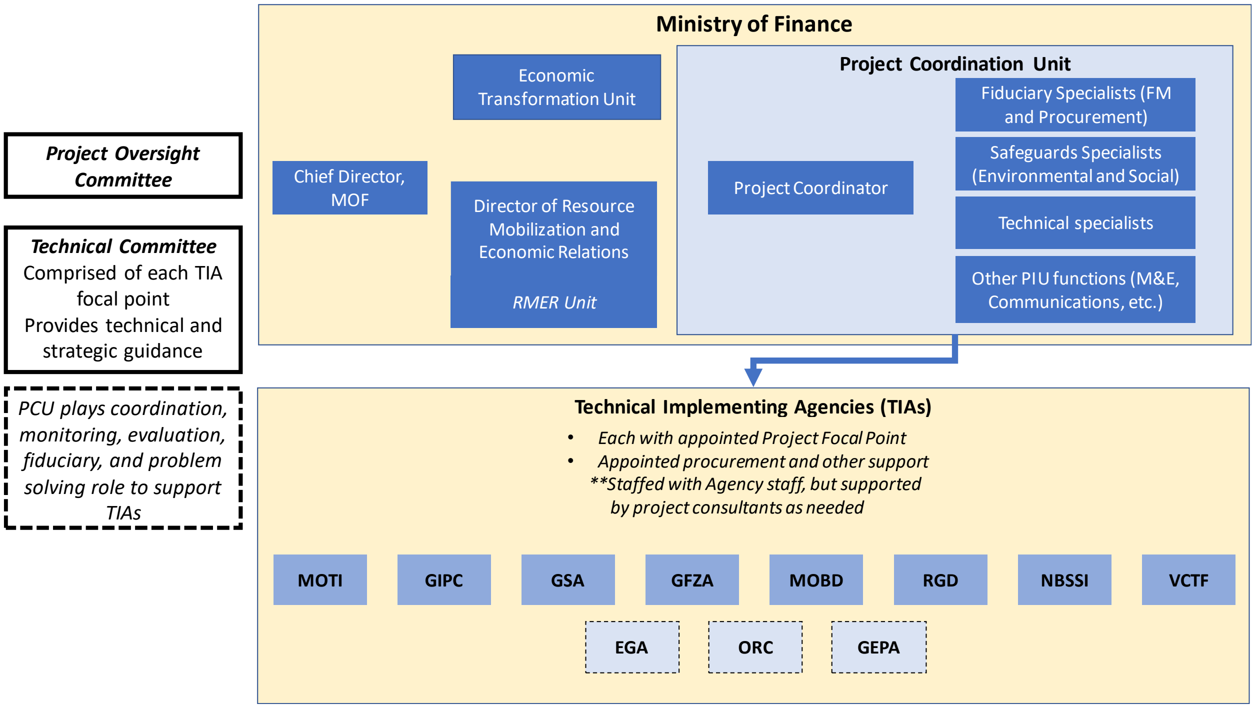
3. The implementing institutions responsible for the overall project implementation include the following:
1) Ghana Investment Promotion Center (GIPC);
2) Registrar General Department (RGD);
3) Ghana Free Zones Authority (GFZA);
4) Ghana Standards Authority (GSA);
5) Venture Capital Trust Fund (VCTF);
6) Ministry of Trade and Industry (MOTI);
7) Ministry of Business Development (MOBD);
8) National Board for Small Scale Industries (NBSSI);
9) National Entrepreneurship and Innovation Plan (NEIP).

Table 1.1: Technical Implementing Agencies for each Component

Components	TIA
Component 1: Business Regulatory Reforms	Ministry of Trade and Industry
Component 1: Business Registration Reforms	Registrar General Department
Component 1: Strengthened Investment Promotion	Ghana Investment Promotion Center (GIPC)

Component 1: Strengthened National Quality Infrastructure	Ghana Standards Authority (GSA)
Component 2: Spatial Development	Ghana Free Zones Authority (GFZA) and Ministry of Trade and Industry
Component 3: Support to Entrepreneurship Development	Ministry of Trade and Industry
Component 3: Support to Entrepreneurship Development	National Board for Small Scale Industries
Component 3: Support to Entrepreneurship Development	Ministry of Business Development
Component 3: Support to Entrepreneurship Development	National Entrepreneurship and Innovation Plan
Component 3: Support to Venture Capital Development	Venture Capital Trust Fund

Figure 1.1: GETP Implementation Arrangements



4. The implementation structure will comprise a Project Oversight Committee (POC), Lead Agency, Technical Implementing Agencies and a Technical Committee as well as Collaborating Agencies.

5. **The Project Oversight Committee (POC)** will have oversight responsibility of the project. It will comprise Ministers (or their representatives) of all relevant Ministries (including but not limited to MOF, MOTI, Ministry of Justice, etc.), Heads of relevant Agencies and Private Sector representation by one or more individuals / organizations relevant to the project components. The POC will be co-chaired by the Minister for Trade and Industry and the Minister for Finance or their representatives. The POC will meet biannually with the Project Coordination Unit as its Secretariat.

6. The **POC** will specifically perform the following roles:

- provide overall strategic advice and policy guidance for implementation of the project;
- review and discuss bi-annual and annual project progress reports and make recommendations;
- assess progress towards achieving the project's objectives and take corrective actions if necessary; and
- facilitate the timely execution of the project.

7. **The Lead Agency (LA):** The Ministry of Finance will be the Lead Agency responsible for coordinating the activities of the Implementing Agencies and constitute a Project Coordination Unit (PCU) to be run by a Project Coordinator, Procurement, Financial Management and M&E Experts. The PCU will also include technical specialists whose focus will be to work with the Technical Implementing Agencies (TIAs) to support implementation of relevant project activities. The Lead Agency represented by the PCU will be responsible for the following:

- Opening and maintaining the project designated Account;
- Coordinating the preparation of the annual work/procurement plans and submitting consolidated plans to the World Bank;
- All fiduciary and safeguards functions of the project, including consolidated procurement processes in collaboration with the TIAs thus ensuring quality control and appropriate application of World Bank procurement rules—essentially the PCU will consolidate procurement plans across the TIAs, and process technical inputs for these procurements received from the TIAs;
- Where certain items/services are required by all the agencies, the procurement will be done by the LA in collaboration with the Implementing Agencies to ensure efficiency and economies of scale;
- Collating M&E reports and other reports that may be required and submitting the same to the World Bank;
- Serve as secretariat to the POC – convene meetings and ensure that decisions made by the POC are implemented;
- Monitor and assess progress and results under the project results framework, and address implementation challenges;
- Build relationship across the component and sub-components managers to find solutions to complex implementation challenges;
- Arrange the audit of the project.

8. **Technical Implementing Agencies (TIAs)**: Line ministries and agencies will be responsible for the day-to- day implementation of the various components of the project. Each TIA will have a designated focal point for all GETP activities. Each TIA focal point will be supported by the relevant technical leads within the PCU. Procurement capacity across the TIAs will be supported by Procurement consultants who are mapped to the PCU and will report to the Procurement Specialist within the PCU. These Procurement consultants will supplement the procurement capacity of each TIA and ensure adherence to World Bank procurement rules; however, all procurement transactions will be consolidated within the PCU. Each TIA will have the following responsibilities:

- Achieving the component and subcomponent objectives with the support of the PCU especially the relevant technical lead;
- Opening and maintaining project account(s);

- Procurement of goods and services;
- Preparing the component's annual work/procurement plans and forwarding the same to the PCU for consolidation;
- Providing leadership to the sub-components managers and guiding them to deliver timely project activities;
- Translating strategic decisions and instructions into operational plans at the component levels; and
- Monitoring and assessing progress toward achieving the expected outcomes of their respective components.

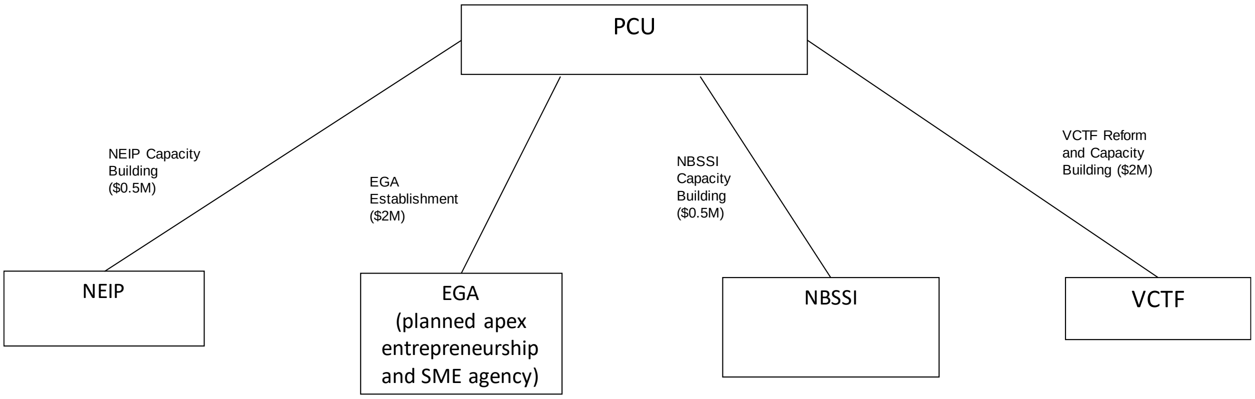
9. **Technical Committee (TC)**: The TC shall be made up of the focal points from the TIAs and chaired by the Project Coordinator. The TC will meet every quarter to review implementation progress and propose lasting solutions to challenges that may arise. The TC shall be responsible for providing quality assurance on the technical aspects of the Project including providing relevant data and information required for the implementation of activities and reviewing various reports. While the POC and TC will both have some overlap with the Inter-ministerial Committee and Technical Working Groups supported under Component 1, project focal points will be focused on the GETP full time, with different representatives within the IMC. The roles and responsibilities of the Technical Committee members shall include:

- Acting as liaison officers between the PCU and the TIAs;
- Submitting Annual Work Plans and Budgets to the PCU;
- Ensuring the timely preparation of Project Progress Reports;
- Attending meetings to discuss Project Implementation and Progress Reports; and
- Resolving strategic and technical issues and implementation challenges arising from the project, including involving leadership within the relevant TIA as necessary

Component 3 Specific Implementation Arrangements

10. Component 3 implementation will require the participation of MOF, MOTI, and MOBD to ensure that reforms and activities are completed in line with the Government's vision. Under subcomponent 3.1, each of these ministries will access funding to carry out the reviews and reforms of their agencies (VCTF, NBSSI, and NEIP respectively). Disbursement of this subcomponent funding will be partially linked to the completion of the reforms of the relevant agencies.

Figure 1.2: Component 3.1 Implementation Arrangements

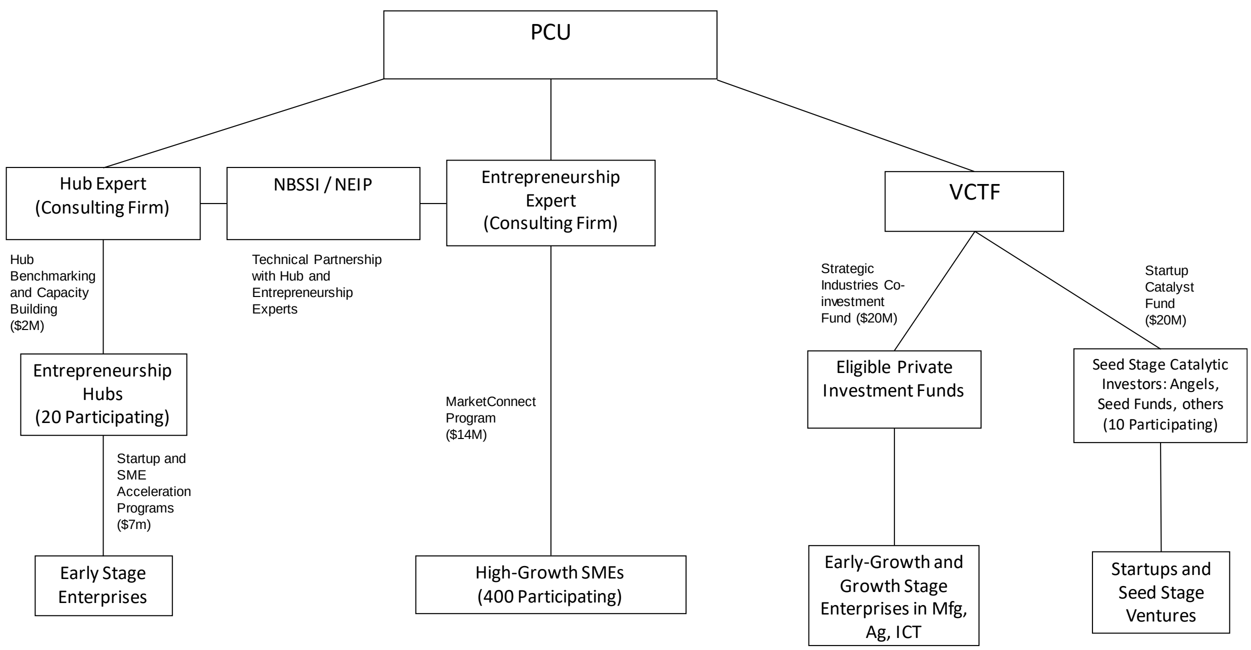


11. For sub-component 3.2, the PCU will hire expert consulting firm(s) that will support the entrepreneurship hub benchmarking, capacity building and acceleration programs, as well as the MarketConnect type program. Importantly, the management of these programs is intended to be turned over to the EGA after it is established. In the shorter term, the consulting firms will be embedded in both NBSSI and NEIP on the design and delivery of these programs to demonstrate and transfer good practice in program management and delivery. Disbursements for the MarketConnect type program and business acceleration programs will be based on the implementing partners achieving planned results.

12. For sub-component 3.3, the VCTF will establish and manage Startup Catalyst and Strategic Industries funds. The funding will not be provided to the VCTF until its reform effort has been completed. If VCTF is not able to carry out the expected reforms, the project will look for other alternatives to still provide support to the venture financing ecosystem in Ghana, especially with regards to technical assistance and capacity building activities.

13. Grant and investment decisions for Components 3.2 and 3.3 will be technical decisions made by professionals with relevant expertise to ensure that grants and investments are provided to the highest potential beneficiaries.

Figure 1.3: Components 3.2 and 3.3 Implementation Arrangements



B. Financial management and disbursement

Introduction and Summary

14. In line with the guidelines as stated in the Financial Management Practices Manual issued by the Financial Management Sector Board on March 1, 2010, a financial management assessment –was conducted at the Ministry of Finance (MoF/FSD) on the proposed financial management arrangements to be used in the implementation of the Economic Transformation Project.

15. The objective of the assessment is to determine: (a) whether the lead agency has adequate financial management arrangements to ensure project funds will be used for purposes intended in an efficient and economical way; (b) the project's financial reports will be prepared in an accurate, reliable and timely manner; and (c) the entities' assets will be safe guarded.

16. The project will emphasize the use of country systems in line with the World Bank's practice of using those aspects of the county system deemed reliable. The project's FM systems will therefore be mainstreamed as part of the existing GoG arrangements as per the Public Financial Management Act, 2016 (Act 921). The assessment of the Project's financial management arrangements indicates that they satisfy the Bank's minimum requirements as per the World Bank Policy for Investment Project Financing; and the overall financial management residual risk is assessed and rated as Substantial. The reasons include, inter alia; multiple agencies implementing key aspects of the project each with its own approval and authorization arrangements, transfer of funds (on an imprest basis) to the different implementing agencies who may not have similar fiduciary capabilities and the combination of IPF with RBF components involving the verification of results as a basis for drawdowns all pose an inherent fiduciary risk.

17. However, the risk is partially mitigated by adopting a centralized financial management arrangement within the Ministry of Finance, specifically at the Accounts Unit of the Financial Sector Division of the MoF. The Accounts Unit of the FSD has been in recent times and is currently involved in providing fiduciary support for two other IDA funded projects (Economic Management Strengthening (P152171) and Ghana Financial Sector Development Project (P161787)) and the performance is considered as satisfactory without any significant internal control lapses or fiduciary weakness. The FM risk rating will be assessed periodically (quarterly) during implementation.

18. The key FM arrangements are as follows: In line with the World Bank's default of using those aspects of the county system which are reliable, the Project's financial management systems are expected to be largely mainstreamed as part of the existing Government of Ghana fiduciary arrangements but where necessary complimented by the Project Implementation Manual (PIM).

The key FM arrangements can be summarized are as follows:

19. The Director of Accounts of the MoF will have overall fiduciary responsibility for all financial management aspects of the project, but the routine daily transactional processing and reporting will be assigned to a fully dedicated Project Accountant in the capacity as the Senior Accountant Officer (SAO) of the Ministry, who is a staff of the CAGD. The assessment indicates that the Project Accountant has the requisite technical skills and competence capable of managing the project funds. The responsibility of the Project Accountant (SAO) is to ensure that throughout implementation there are adequate financial management systems in place which can report adequately on the use of project funds and ensure that project funds are used for the purposes intended and in line with the PDO.

20. Within the various implementing agencies, the respective Directors of Accounts or Heads of Finance will have overall fiduciary responsibility for all financial management aspects of the Project. The Heads of Accounts, working in collaboration with the Director of Finance of MoF and the Project Accountant, are to ensure that throughout implementation there are adequate financial management systems in place within their Agencies which can report adequately on the use of Project funds.

21. In addition, and under the supervisory role of the Director of Accounts, the Project Accountant will be tasked

with maintaining oversight responsibilities with regards to ensuring compliance with financial covenants such as submitting acceptable Interim Unaudited Financial Reports (IFRs), maintaining internal controls over project expenditure and engaging external auditors and ensuring compliance to submission of acceptable audit reports. On behalf of the Chief Director, the Project Accountant will also be responsible for maintaining and operating the project's designated account and supporting the processing of payments to contractors and service providers for all contracts and activities under this project.

22. On signing of the Financing Agreement, and as part of strengthening the technical capacity of the accounts and fiduciary staff, the Bank FMS will conduct a series of trainings on IDA financial management and disbursement guidelines for the accounts and other project staff.

Project Financial Management

23. Specifically, and in terms of systems for accounting and financial reporting, the project will use the existing GoG accounting and reporting processes and guidelines as provided by the MoF, CAGD and the GAS. Currently the GoG is implementing and rolling out the IFMIS which will be the only system for financial management of all funding i.e. discretionary budget allocations, donor funding and internally generated funding. The GIFMIS will be the primary system for transaction recording to enable the timely preparation of monthly/quarterly financial reports related to the overall Project expenditures. Prior to implementation, the GIFMIS department within CAGD shall be tasked with supporting the Implementing Ministries Departments and Agencies (MDA) in configuring the system to allow for accounting and reporting on the use of the Project funds. With regards to annual audits, the Ghana Audit Service, as per its mandate, will be required to audit the project funds and issue acceptable audit reports to the IDA not later than six months after the previous year end.

Strengths and weaknesses of the Financial Management System

24. As mentioned above, the MoF/FSD Accounts department as part of the Ministry of Finance's Accounts and Finance Department has a fully functioning accounts unit which is staffed with a mix of qualified and unqualified accountants with varying levels of experience particularly in public sector accounting. However, given the design complexities of the current project i.e. multiple implementing agencies, hybrid implementation of IPF with Results Based Financing (RBF), verification of DLR/DLI etc. and the expected work load on the Accounts Unit of the FSD, it is proposed that the Director of Finance should strengthen the capabilities of the Unit by assigning two additional accounts staff to complement the existing arrangements.

25. A possible weakness could arise from the inherent risk associated with challenges in inter-departmental coordination, oversight and controls between the PCU and the key implementing agencies. Specifically, for Financial Management this could result in delays in preparing and approving consolidated budgets, delays in releasing of fund and challenges in providing appropriate supporting documentation. This risk is primarily being mitigated through the creation of the Financial Management Working Group to discuss and resolve all fiduciary matters and any expected bottlenecks.

Table 1.1: Agreed Action Plan[33]

	Action	Date due by	Responsible
i.	Assign two additional accounts staff to the Accounts Unit	Not later than two months after effectiveness.	Director of Finance (MoF)
ii.	Appoint an external auditor for the Project- formally notify the Ghana Audit Service of the project	Not later than three months after effectiveness	Director of Finance (MoF)
iii.	Development of a Project Implementation Manual	Effectiveness condition	All MDAs

Summary Financial Management Assessment

26. A summary of the key findings of the financial management arrangements as assessed at the MoF/FSD is presented as follows:

Budgeting Arrangements

27. The MoF Division for Resource Mobilisation and Economic Relations as a Government MDA follows the budget preparation guidelines as per the Public Financial Management Act (921) 2016 and the annual budget guidelines issued by the Ministry of Finance. Specifically, for this project, the budget will be derived from the IDA allocations which will serve as the basis for preparing the Annual Work Plans (AWP) and Procurement Plans.

28. The Director of the Division for Resource Mobilisation and Economic Relations, working in collaboration with the Project Accountant is responsible for initiating the budgeting process for the Project and obtains inputs (activities, schedules, timelines, cost) from the beneficiary agencies. All implementing agencies as Government MDAs follow the budget preparation guidelines as per the Public Financial Management Act (921) 2016 and the annual budget guidelines issued by the Ministry of Finance. Within the Ministries, the Director Policy Planning, Monitoring & Evaluation (PPME) are responsible for initiating and coordinating the budgeting process for the Project and obtaining inputs (activities, schedules, timelines, cost) from the beneficiary agencies.

29. Specifically, and with regards to this project, the budgeting will be coordinated with the support of the Project Coordinator and the respective Focal Persons within the implementing and beneficiary agencies and a consolidated budget prepared. Once the budgets are completed it will be approved by members of the Oversight committee/chief director for onward submission to the Bank for review and clearance. In addition, the Bank approved PIM will outline the budgetary processes for preparing the Annual Work Plans. The current budgetary control processes used mostly for the Government's discretionary budget are capable of monitoring commitments and outstanding balances and this helps to reduce risk of multiple payments. The assessment indicates that budgeting processes are satisfactory and can be relied upon to reflect the various components to be implemented.

Accounting Arrangements

30. Under the oversight and supervision of the Director of Accounts of the MoF, the dedicated Project Accountant will be responsible for overall fiduciary aspects of the Project. Specific accounting issues such as recording and processing of payment vouchers etc., will be handled within the Accounts Unit. The Unit is staffed with an adequate staff with various levels of skills and competencies. Specifically, for this project, the daily transactional issues will be

[33] Note: This is the agreed upon Action Plan but is not a legal covenant of the project to allow for time frame adjustments.

the responsibility of the Senior Accounts Officer (SAO) who has been assessed to have the requisite technical skills and experience. In terms of accounting systems, the GoG is in the process of rolling out an automated integrated financial management system (GIFMIS) using Oracle Financials and is currently transitioning from a manual system to an automated accounting system. It is expected that this project will be part of selected IDA funded projects piloting the use of GIFMIS system to account and record on the use of donor funds.

Internal Control and Internal Auditing

31. Consistent with the decision to adopt some aspect of the use of country systems (UCS) for implementation, the project's internal controls will rely on the Government established accounting and internal control guidelines[34]. In addition, the expenditure initiation and related controls will follow the authorization and approval processes as pertains within the Ministry of Finance and complimented by additional guidelines as per World Bank Financial Management and Disbursement policy. The Ministry has a functioning internal audit unit headed by the Internal Auditor who is adequately qualified and experienced to help ensure a sound control environment throughout implementation.

32. The assessment indicated that the internal audit and control environment is adequate for project implementation; the role of the internal auditor will be regularly assessed during implementation support missions by reviewing their reports and management responsiveness to their findings. This is to ensure that the role is not limited to transactional reviews (pre-auditing) but adds value to the overall control environment through risk assessment. The Internal Audit Unit is expected at a minimum to issue half yearly review reports on the reliability or otherwise of the internal control environment and in addition highlight any new risks and propose mitigation measures to address such risk.

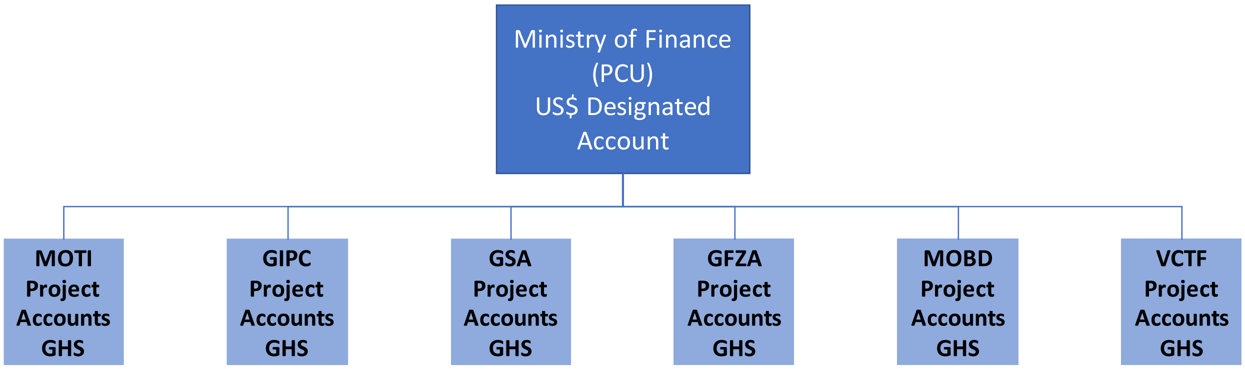
Funds Flow and Disbursement Arrangements

33. The design features of the proposed project cater to the requirements of a ***hybrid structure***, all within the IPF instrument of the World Bank. This basically involves a results-based (DLI/DLR) financing approach for approximately 24 percent of project financing across Components 1, 2, and 3, and a traditional investment financing approach to cater to remaining activities under all four project components.

34. The proposed operation is estimated at **US$200 million** to be allocated to the implementing and beneficiary agencies in the form of an IDA Credit. Proceeds of the finance will be used by the MDAs for payment for eligible expenditures as defined in the Financing Agreement and further detailed in the respective Annual Work Plans and Budgets and Procurement Plans. Disbursement arrangements have been designed in consultation with the Borrower after considering the assessments of the Implementing Agency's FM capacities and anticipated cash flow needs of the operation.

[34] Documented in the Public Financial Management Act, 2016 (Act 921) and any subsequent regulations, and the Internal Audit Agency Act 2003 (Act 658)

Figure 1.4: Funds Flow Diagram



The above funds flow and accounting procedures will be further elaborated and documented in the Project Implementation Manual (PIM).

35. The proposed arrangement is to have a **single US dollar Designated Account (DA**) account located at the Bank of Ghana (denominated in US dollars) to support implementation. The Designated Account shall be under the direct responsibility of the Chief Director of the Ministry of Finance and the Director of RMERD as the Lead Implementing Agency, and managed and operated by the Director of Accounts of the MoF in collaboration with the Project Coordinator.

36. The daily transactional processing and reporting on the DA shall be done by the "Project Accountant" who is part of the PCU and reports functionally to the Project Coordinator (PC) and under the authority of the Chief Director. The Project Accountant shall be supervised technically by the Director of Finance.

37. In addition to **the single US dollar Designated Account**, the Project shall open **local currency** (GHS) denominated "Project Accounts" for the key implementing agencies involved in the Project. i.e. *GIPC, GFZA, VCTF, MoTI, GSA and others* that may be considered appropriate to facilitate the implementation. Other agencies will also be able to receive direct transfers from the US$ Designated Account to be used to pay for eligible Project activities as identified in the approved Annual Work Plans. The Project Accounts shall be managed by the respective Heads of Finance and the operations and utilization of funds in the local currency Project accounts will follow the GoG approval and authorization hierarchy as pertains in the respective agency.

Disbursement Arrangements

38. Disbursement arrangements and use of funds. Proceeds of the financing will follow the standard World Bank procedures for Investment Project Financing, for use by the Borrower for eligible expenditures as defined in the Financing Agreement. Funds flow and disbursement will be implemented under the principles of traditional IPF arrangements using the **report-based disbursement arrangements**. Under this arrangement, the allocated resources will be advanced to the MoF/PCU's Designated Account based on an approved six-monthly forecast of expenditures and replenished quarterly for further periods of six months.

39. Upon effectiveness, the initial request for advance will be based on the consolidated expenditure forecast for six months, subject to the World Bank's, i.e. Task Team Leader (TTL) and FMS, approval of the estimates and cashflows. Subsequent replenishments of the Designated Account will be done quarterly based on the forecast of the net

expenditures and cash flow requirements for the subsequent half-year period. The IFRs (including the ‘procurements subject to prior reviews’ and ‘Designated Account reconciliation statement’) will serve as the basis for requesting advances and documentation.

40. On receipt of funds into the Designated Accounts, the Project Coordinator and the Project Accountant working in collaboration with the Chief Director and Director of Finance of the Lead Implementing Agency -i.e. MoF shall transfer, on an imprest basis, the quarterly funds allocations to the respective Local Currency “Project Accounts” of the participating implementing agencies.

41. Subsequently and on a quarterly basis, the Project Accountant shall request financial reports and other documents evidencing payment of eligible expenditure paid from the local currency Project Accounts and use the same to prepare a consolidated Financial Report for submission to the World Bank and other stakeholders. Supporting documentation will be requested along with withdrawal applications as specified in the Financial Management and Disbursement Letter issued for the Project. This will comprise summary reports (IFRs) for payments made by the Borrower from the DA and requests for reimbursements for eligible expenditure. Copies of original documents or records shall be requested only for certain categories of expenditures subject to prior review as specified in the disbursement letter.

Modalities for Disbursements under RBF components – components 1, 2, and 3

42. Results Based Financing- The total resource allocation to be implemented under the Results Based Financing approach using DLIs and DLRs is US$46.5 million across components 1-3 of the project. As per the design, disbursement under this component provides for achievement of the DLIs which will be measured and valued in monetary terms for each respective year through a set of identifiable and measurable DLRs over the six-year period. These DLIs are considered significant indicators of performance that will influence behavioral and policy reforms required for achieving visible outcomes in the sector. For each subcomponent, the respective DLI has been defined into a number of achievable DLRs which have been translated into variable prices as the equivalent value for achieving the DLR in each year of implementation.

43. Satisfactorily Achieving the defined DLRs as identified in the Results Framework and Monitoring table and also in the Financial Agreement will constitute the primary basis for triggering credit disbursements under the project. The DLRs have been individually priced, and as such the eligible disbursement amount will be the sum of the achieved DLRs multiplied by the unitary monetary value (price) as per the disbursement schedule (see Table 1.2 with Disbursement Categories).

44. Since this is an IPF operation, the underlying principle will be to disburse, after project effectiveness an initial advance. The initial advance shall be based on a forecast of the funding required to potentially achieve the set of DLRs in each year, based on the approved Annual Work Plan and Budget. Subsequently on a half-yearly basis, the Recipient will provide satisfactory documentary evidence including (i) acceptable interim financial report (IFR), (ii) EEP spending reports, and (iii) evidence of independent verification of the set of DLRs for that particular year which have been achieved. These reports will then form the basis of documenting the advances made into the Designated Account. Further advances will be made on the approval of the net cash requirements (next six months forecast of expenditure) as reviewed and approved by the World Bank. Additional details of the verification protocols and the independent verification process shall be documented in the PIM.

45. However, in subsequent years and beyond the first year, only one DLR relating to the prior year can remain unmet to allow for disbursements of any further advances against the potential for meeting future period DLRs. This means that while noncompliance with a DLR in a period will result in funds associated with that DLR being withheld, disbursement associated with the achievement of other DLIs will not be affected. As long as the project is able to meet any of the DLRs with expenses beyond the value of the DLI allocation, the project can request for such earned amounts as a reimbursement into any Government account other than the Designated Account.

46. Where achievement of a DLR cannot be certified, an amount equivalent to the unitary DLR price will be withheld or considered as undocumented and outstanding obligation on the Recipient. This amount will be paid at any later date, during project life, and at the discretion of the World Bank's task team when such achievement can be verified. The task team may consider that a later achievement of the DLR performance would not qualify for disbursement against the unmet DLR if it determines that the on-schedule achievement of the DLR is critically fundamental to achieving the overall objectives of the project. A schedule of the DLI/DLR matrix with the indicative DLR value is included in Annex 2.

47. **Government EEP**. The overall Government program of expenditures to be supported under the components is defined as the set of defined eligible expenditures for salaries incurred by the Recipient as described in the Financing Agreement. For purposes of this project, it has been agreed that the set of EEP shall be the total expenditure on salaries paid by the Government or incurred by the respective MDA. Such EEP would be verified by the independent verification agency as part of the documentation for achieving DLRs.

Funds flow and disbursement arrangements and modalities for disbursements under all other components (Non-RBF components)

48. Other than RBF-based disbursement (under Components 1, 2, and 3), all other components will be implemented under the principles of traditional IPF arrangements using **report-based disbursement arrangements**. With this approach, the allocated resources will be advanced to the Project under the Designated Account based on an approved six-monthly forecast of expenditures and replenished quarterly for further periods of six months using IFRs. The initial disbursement will be based on the consolidated expenditure forecast for six months, subject to the review and approval, by the WB Task Team Leaders (TTLs) and FMS. Further replenishments of the Designated Account will be done quarterly based on the forecast of the net expenditures for the subsequent half-year period.

Table 1.2: Disbursement Categories

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training, and Operating Costs under Parts 1, 2.1, 3.1, 3.2(a)(i), 3.2(b)(i), and 4 of the Project.	33,200,000	100 %

(2) Goods, works, non-consulting services and consulting services under Part 2.2 of the Project.	45,800,000	100 %
(3) Sub-Grants under Part 3.2(a)(ii), 3.2(b)(ii) and 3.2(b)(iii) of the Project.	8,000,000	100 %
(4) Capitalization of SCF under Part 3.3(a) of the Project.	9,800,000	100 %
(5) Capitalization of SIF under Part 3.3(b) of the Project.	9,400,000	100 %
(6) Consulting services, non-consulting services, Operating Costs and Training under Part 3.3(c) of the Project.	3,600,000	100 %
(7) Eligible Expenditures Program under Parts 1, 2 and 3 of the Project.	33,500,000	Up to 100% of the Amount of Financing allocated to each DLIs set forth in the table in the Annex to the Financing Agreement
(8) Refund of Preparation Advance	1,100,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	144,400,000	

49. If ineligible expenditures are found to have been made from the Designated Accounts, the Recipient will be obligated to refund them, and IDA will have the right to suspend disbursement of the funds if reporting requirements are not complied with as provided for in the FA. The World Bank's FM team will periodically assess the adequacy of FM systems and this will form the basis of any change in disbursement methods. Further details on disbursement arrangement will be provided in the Disbursement Letter.

Financial Reporting Arrangements

50. The Project will be required to prepare and submit quarterly IFRs to account for activities funded under this credit. The Project Accountant is responsible for preparing and submitting acceptable quarterly Interim Unaudited Financial Reports (IFRs). IFRs for the project are expected to be submitted not later than 45 days after the end of each quarter. The financial reports will be designed to provide relevant and timely information on project management,

transfers between implementing agencies, and various stakeholders monitoring the project's performance. The formats, content and frequency of reporting has been agreed upon at negotiations and further detail will be documented in the PIM. As a minimum, these reports will include:

i. A statement of sources and uses of funds showing the use of funds by components as per the PAD (useful in monitoring implementation of the components)
ii. A statement of sources and uses of funds showing the expenditure by category as per the Financing Agreement (for allocating expenditure as per the Financing Agreement)
iii. A budget variance report comparing the utilization of approved budget against expenditure (useful to the TTL to monitor implementation and fund utilization)
iv. A Designated Account reconciliation statement
v. A list of payments (made in that quarter) made against contracts subject to the World Bank's prior review List of current commitments, that is, signed and ongoing contracts
vi. A cash forecast for six months (to be the basis of requesting additional funding)
vii. Any other report that shall be required to provide further and more details on project expenditure

Auditing

51. In line with its mandate as per the Ghana Audit Service Act (Act 584), the Auditor General is solely responsible for the auditing of all funds under the Consolidated Fund and all public funds as received by Government ministries, agencies and departments and generally the capacity of the GAS is assessed as satisfactory. In this regard, and consistent with the use of country FM systems, the Ghana Audit Service (GAS) will conduct the audit of the project's financial statements.

Conclusion of the Assessment

52. A description of the project's financial management arrangements as documented in the preceding paragraphs indicates that they satisfy the Bank's minimum requirements as per Bank Policy. Overall the financial management residual risk is assessed and rated as **Substantial.**

Supervision Plan

53. Based on the risk rating of the project and the current FM arrangement, it is expected that in the first year of implementation there will be four quarterly onsite visits to ascertain adequacy of systems, supplemented by desk reviews of IFRs and audit reports. The FM supervision mission's objectives will include ensuring that strong financial management systems are maintained for the project throughout project tenure. In adopting a risk-based approach to FM supervision, the key risk areas of focus will include assessing the accuracy and reasonableness of budgets, their predictability and budget execution, compliance with payment and fund disbursement arrangements and the ability of the systems to generate reliable financial reports.

C. Procurement

54. *Technical Implementing Agencies (TIAs):* line ministries and agencies will be responsible for the day-to-day implementation of the various components of the project. The Agencies will allocate staff as necessary to constitute

their project implementation teams (PITs), including at a minimum one technical focal point and one procurement staff.

55. Procurement for the project will be carried out, per the New Procurement Framework, in accordance with the 'World Bank Procurement Regulations for IPF Borrowers' dated July 2016 (Procurement Regulations), revised November 2017 and August 2018 and the World Bank's 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by International Bank for Reconstruction and Development (IBRD) Loans and IDA Credits and Grants' (revised as of July 1, 2016), as well as the provisions stipulated in the Financing Agreement. The bidding documents to be used will be the Standard Procurement Documents recently enhanced with the Environment, Social Health and Safety.

56. Procurement Capacity Assessment was carried out on November 26, 2018, in accordance with OCSPR guidelines and Procurement Risk Assessment and Management System (P-RAMS). The summary assessment of the procurement risk is substantial for the project and the prior review thresholds have been set to reflect this rating. Procurement post-reviews and technical audits will be carried out annually by the Bank Procurement Specialist and Technical Specialist or independent auditors and based on the findings of the reviews, the prior review thresholds will be reviewed. The main risks identified are the following:

- Difficulties in coordinating procurement requirements across multiple agencies even with procurement transactions centralized within the PCU;
- The possibility of procurement staff movements;
- The use of the New Procurement Framework (NPF).

57. The proposed mitigation measures will include (i) The borrower to provide adequate incentives to attract and maintain the existing procurement staff and to ensure effective coordination of procurement activities by the multiple implementing agencies; (ii) WB to organize and deliver training sessions for the staff on the New Procurement Framework immediately after effectiveness, with hands-on support to ensure the proper use of the borrower regulations; (iii) intensify training in Procurement and Contract Management by the Bank; and (iv) Supplement the efforts of the staff by hiring a procurement consultant to support them if the need arises.

58. The table below is the Thresholds and Procurement Methods to be used under the Project for now for a risk rating of substantial:

Table 1.3: Thresholds and Procurement Methods

	Prior Review Threshold in (US$ '000)					Procurement Method s Thresholds (in US$'000)							
			Consultants			Works			Goods, IT and non-consulting services			Shortlist of National Consultants	
RISK RATING	Works	Goods, IT Systems+ Non Con. Serv	Firms	Individuals	Single Source & Direct Contract	Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Open International or ICB	Open National or NCB	Request for Quotation/ National Shopping	Consulting services	Engineering & construction supervision
SUBSTANTIAL	≥$10,000	≥$2,000	≥$1,000	≥$300	≥$100	≥15000	<15000	≤200	≥3000	<3000	≤100	<300	≤500

59. The thresholds will be revised periodically based on re-assessment of risks. All contracts not subject to prior review will be post-reviewed.

Additional Notes:

- Operating expenditures are neither subject to the New Procurement Framework nor prior or post review mechanism. Operating expenditures are normally verified by TTLs and FM Specialists.

- Irrespective of the thresholds and category of risk, the selection of all consultants (firms or individuals) hired for legal work or for procurement activities are respectively cleared by the LEG VPU unit with the relevant expertise and the designated PS/PAS or RPM as required.

- Prior Review Contracts for the Hiring of Individual Consultants: Apart from legal work and procurement assignments, irrespective of the thresholds and category of risk, which shall respectively be reviewed by LEG VPU Unit with the relevant expertise and the designated PS/PAS or RPM as required, review of the selection process for all other individual consultants (Technical Experts) shall be solely by the TTL.

- Special cases beyond the defined thresholds are allowed based on applicable market conditions.

- Thresholds for which a shortlist may comprise only national consultants, the Borrower does not need to publish in UNDB online.

Procurement Planning:

The Borrower has prepared a Project Procurement Strategy for Development (PPSD and hence Procurement for both PPA and the main project.

Systematic Tracking of Exchanges in Procurement (STEP) will be the primary software or platform to be used to submit, review, and clear all Procurement Plans and prior review procurements.

Below is the table showing the major procurement activities, the cost estimates, the World Bank's oversight and the selection methods that have been used to prepare the procurement plan for the first 18 months:

Table 1.4: Procurement Activities

Contract Title, Description and Category	Estimated Cost USD ('000) and Risk Rating	Bank Oversight	Procurement Approach/Competition (National, International, Open, Limited, Direct, Sole Source, QCBS, QBS etc, Negotiations, BAFO)	Evaluation Method (Rated Criteria, (VfM), Lowest Evaluated Cost	Expected and actual proposal submission date
Component 1					
Review of NBSSI ACT To tailor the functions and objects of the ACT to the vision of conversion of NBSSI into an Agency-	50/Low	Post Review	Limited, IC	Most Qualified	20/10/2019
Project Management Training of the core team that will manage and report on the activities.	20/Low	Post Review	Limited	Most Qualified	20/10/2019
Restructuring of NEIP Secretariat-***Consultancy***	100/Low	Post Review	Open, National, CQS	Rated Criteria	20/12/2019
Component 3					
Review of NEIP and NBSSI Current training manuals, operating procedures for business advisory centres and business resource centres and development of revised curriculum and training content-***Consultancy***.	130/Low	Prior Review	Open, IC	Most Qualified	27/10/2019
Review and design of NBSSI and NEIP website and online marketing Platform. ***Non-Consultancy***	50/Low	Post Review	Limited	Most Qualified	17/10/2019
Stakeholder Engagements and activities relating to the development and finalization of the National Entrepreneurship Policy-***Consultancy***	100/Low	Post Review	Open, National, CQS	Most Qualified	23/10/2019

Implementation Plan and Road Map for the National Entrepreneurship policy- ***Consultancy***.	50/Low	Post Review	Limited, IC	Most Qualified candidate	30/11/2019
Review of NEIP and NBSSI M&E systems (includes M&E tools used for follow-ups after training Support to NEIP Beneficiaries of SMEs, M&E tools for project evaluation etc.) -***Consultancy***	60/Low	Post Review	Limited, IC	Most Qualified candidate	17/11/2019
Review of Service Delivery Processes of core Service Departments and develop revised Processes to enhance efficiency. (i.e. Entrepreneurship Development Department and Women Entrepreneurship Development Departments) – ***Consultancy***	15/Low	Post Review	Open, IC	Most Qualified candidate	31/12/2019
Component 4					
Project Coordinator	80/Low	Prior Review	Open, IC	Most Qualified Candidate	30/09/2019
Procurement Expert- ***Consultancy***	24/Low	Prior Review	Open, IC	Most Qualified Candidate	6/09/2019
M&E Expert-***Consultancy***	18/Low	Post Review	Open, IC	Most Qualified Candidate	6/10/2019
Setting up of the ETP PCU- ***Consultancy***	25/Low	Post Review	Limited, IC	Most qualified candidate	12/08/2019
Stakeholder consultations	30/Low	Post Review	Limited, IC	Most Qualified Candidate	3/08/2019
Development of the Environmental and Social Management Framework (ESMF) -***Consultancy***	50/Low	Post Review	Open, National, CQS	Rated Criteria	08/04/2019
Project Coordination and Operational Expenditure- ***Consultancy***	30/Low	Post Review	Limited, IC	Most Qualified	30/08/2019
Supply of 20 Laptops, 50 Desktops, 2 Giant Photocopies and accessories -**Goods**	100/Low	Post Review	National, RFQ	Lowest Evaluated Cost	13/09/2019

Supply of 20 Air Conditioners and Installation-**Goods**	20/Low	Post Review	National, RFQ	Lowest Evaluated Cost	17/10/2019
Supply of 50 Office Tables, Chairs and Fittings-**Goods**	50/Low	Post Review	National, RFQ	Lowest Evaluated Cost	12/11/2019
Supply of Stationery-**Goods**	50/Low	Post Review	National, RFQ	Lowest Evaluated Cost	19/11/2019

Activities to be financed by the Project Preparation Advance (PPA).

The PPA is financing the following activities:

Table 1.5: PPA activities

Activity Description	Category	Budget (US$ million)	Procurement Arrangement
Component 1		**0.63**	
Development of a Strategic Plan for Ghana Investment Promotion Centre (GIPC)	Consultancy	0.20	Open and National; Lumpsum Contract
Development of a plan for the operationalization of the Registrar General Department	Consultancy	0.15	Open; IC
Demand assessment of NQI Services	Consultancy	0.08	Limited; IC
Capacity assessment of staffing of key stakeholder agencies, including benchmarking, scenarios and recommendations for increasing competitiveness and service delivery (GIPC, NCA, GIPC, RGD)	Consultancy	0.20	Open and National; Lumpsum Contract
Component 2		**0.20**	
Economic and financial analysis of potential sites for future including benchmarking to determine the value proposition and demand from private sector	Consultancy	0.13	Open; IC
Design of criteria, selection procedures, admin mechanisms for the Viability Gap Fund for last mile infrastructure in priority zones	Consultancy	0.07	Limited; IC
Component 3		**0.22**	
Staffing assessment and Capacity building plan for National Board for Small Scale Industries and National Entrepreneurship and Innovation Plan	Consultancy	0.10	Open; IC
Strategic assessment of the Venture Capital Trust Fund (VCTF)	Consultancy	0.12	Open and National; lumpsum Contract

D. Implementation support plan and resource requirements

60. The expected skills mix and resource needs to provide this implementation support are provided in the following table. The project is actively seeking supplementary financing to support supervision in addition to the standard Bank budget allocations.

Table 1.6: Implementation support plan

Time	Focus	Required skills	Resource estimate (in staff weeks)
First 12 months	Overall technical and operational support with a focus on start of implementation	Task team leader	16
		Co-task team leader	16
		M&E specialist	4
	Technical expertise for Component 1	Business environment reform specialist	4
		Investment promotion specialist	4
		Quality infrastructure specialist	4
	Technical expertise for Component 2	SEZ specialist(s)	8
	Technical expertise for Component 3	SME and entrepreneurship development specialist(s)	8
		Fund management specialist	6
	Safeguards capacity development and oversight	Social safeguards specialist	4
		Environmental safeguards specialist	4
	Fiduciary capacity development and oversight	Financial management specialist	6
		Procurement specialist	8
Years 2 through 7	Ongoing technical and operational support	Task team leader	12
		Co-task team leader	12
		M&E specialist	4
	Technical expertise for Component 1	Business environment reform specialist	4
		Investment promotion specialist	4
		Quality infrastructure specialist	4
	Technical expertise for Component 2	SEZ specialist(s)	10
	Technical expertise for Component 3	SME and entrepreneurship development specialist(s)	8
		Fund management specialist	6
	Safeguards capacity development and oversight	Social safeguards specialist	4
		Environmental safeguards specialist	4
	Fiduciary capacity development and oversight	Financial management specialist	6
		Procurement specialist	8

61. To ensure appropriate supervision, especially in the overall direction of project implementation, the team will incorporate a midterm review at approximately year 2.5 of implementation. By conducting this midterm review earlier on (rather than waiting until after year 3.5 of the project), the team will be able to make larger project adjustments if needed to ensure the best possible support of the PDO.

ANNEX 2: DLIs and EEPs

1. DLIs financed under the GET project will support implementation of programs, institutional reforms, and legal and regulatory reforms led by the different TIAs of the project. The PCU within the MOF will be responsible for working with the TIAs to monitor progress toward and completion of the targets associated with these indicators and reporting this to the Bank through the Project Coordinator. Documentation of execution of eligible expenditures will provided by the TIAs in coordination with the PCU.

2. DLI disbursement will be based on execution of eligible expenditures which will be verified by Bank supervision team staff. Given that the GoG does not have experience with World Bank DLI-based financing, the selection of eligible expenses is designed to be relatively simple from an implementation perspective. Selection of the indicators is based on how to incentivize key reforms and support the various TIAs across a number of initiatives.

3. Eligible expenditures will include expenditures for departments / divisions of the TIAs engaged in activities related to the PDO, with distinctions drawn between DLIs for each component. TIAs whose expenditures will be eligible include the Ghana Investment Promotion Centre, Ghana Standards Authority, Ministry of Trade and Industry, Ghana Free Zones Authority, Ministry of Business Development, Venture Capital Trust Fund, National Board for Small Scale Industries, the National Entrepreneurship and Innovation Plan, and budget areas related to SMEs / entrepreneurship within the Ministry of Finance. Expenditures will primarily consist of staff salaries within the TIAs which could be initially financed by GoG allocation, internally generated funds, or other donor financing. Documentation of the expenditures will include invoices from the TIAs. Given that the eligible expenditures are based on staff salaries, advances against the DLIs will not be possible.

4. Verification of completion of the indicators will be done by an independent third party verification agent (IVA) who will be recruited under the Project Preparation Advance (PPA). TORs for the IVA will be included in the Project Implementation Manual and will include coverage of the different subject areas relevant to the DLIs. The IVA will enlist relevant technical subcontractors as needed to confirm verification and work with the Bank's fiduciary team members to verify eligibility of expenditures.

5. Below there is an overview of the DLIs with detailed tables on specific verification protocols for completion of specific DLIs and the relevant eligible expenditures afterward, by component. Given the links between component activities, many EEPs across components are overlapping.

Project component	DLI allocation ($ MM)	Total allocation (US$ MM)	% DLI
Component 1: Enabling investments	**16**	**35**	**46%**
DLI #!: Improving the business environment in Ghana	5.0		
DLI #2: Revamping investment promotion in Ghana	6.5		
DLI #3: Improving the national quality infrastructure for export diversification in Ghana	4.5		
Component 2: Crowding-in Investments: Promoting spatial and industrial planning and development	**11**	**79**	**14%**
DLI #4: Regulatory and Institutional Reform in Spatial Development	3.0		
DLI #5: Implementation capacity upgraded in spatial development	4.0		
DLI #6: Establishing licensing mechanism for private zone developer	4.0		
Component 3: Accelerating Entrepreneurship and MSME growth	**19.5**	**80**	**24%**
DLI #7: Reforms of Enterprise Support Institutions	6		
DLI #8: Venture Financing	13.5		
Component 4: Project Management and Evaluation	**0**	**6**	**0%**
TOTAL PROJECT ENVELOPE	**46.5**	**200**	**23%**

Component 1: Enabling investments

DLI #	DLI name	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
1	**Improving the business environment in Ghana**				
Y1	Formal establishment of a Doing Business reform inter-ministerial committee ("DBRIMC") and technical working groups for Doing Business ("DB") reforms	Report developed jointly by MOTI and PCU, with documentation of the decree, membership of the IMC, and TORs for the technical working groups	1.0	First two (1a and 1b) must be achieved to unlock 1.0 MM disbursement, but 0.5 MM disbursement for achievement of 1c is separate.	TBD
	Annual DB reform action plans approved by DBRIMC	Joint MOTI / PCU report with attached DB Reform action plans and official approval by the IMC			
	Formal establishment of the ORC	PCU report documenting formal establishment of the New Office of the Registrar of Companies	0.5		
Y2	Annual DBR action plan updated and approved by DBRIMC	Joint MOTI / PCU report with attached DB Reform action plans and official approval by the IMC	0.5	To be achieved before the end of the second year of Project implementation.	TBD
	Data exchange framework agreement adopted between line agencies including at least RGD, GRA, and the Social Security and National Insurance Trust	Joint MOTI / PCU report with attached framework agreement between the noted line agencies	0.5	DLI scalable and split	
Y3	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 4 indicators compared to the scores for the previous year.	Doing Business Report	1.0		TBD
Y4	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 4 indicators compared to the scored for the previous year subsequent to the achievement of DLI #1.3.	Same verification protocol as Y3	0.5		TBD
Y5	Aggregate improvement, as specified in the DLR Verification Protocol, in DB score on at least 3 indicators compared to the scores for the previous year subsequent to the achievement of DLI #1.4.	Same verification protocol as Y3	0.5		TBD
Y6	Annual DB Action plan updated and approved by DBRIMC.	Joint MOTI / PCU report with attached DB Reform action plans and official approval by the IMC	0.25	To be achieved not later than six years after the Effective Date.	TBD
	Aggregate improvement in DB score on at least 3 indicators compared to the scores for the previous year subsequent to the achievement of DLI #1.5.	Doing Business Report	0.25	DLI scalable and split	
	Total		***5.0***		

	2 Revamping investment promotion in Ghana	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
Y1	GIPC corporate strategy completed and approved by the GIPC's board.	GIPC report with attached Corporate Strategy and documentation of official GIPC Board Approval	1.0	DLI scalable and split	GIPC
	Investor services program designed and workplans approved by GIPC's board	GIPC report including investor services program and workplans along with documentation of GIPC Board approval	1.0		
Y2	Key staff of GIPC recruited in line with GIPC corporate strategy	GIPC report documenting new hires and associated justification in the Corporate Strategy, supported by PCU report	1.5	Both must be achieved for disbursement of the DLI	GIPC
	Standard operating procedures adopted by GIPC's board.	GIPC report with attached SOPs and documentation of official GIPC Board Approval, validated by PCU			
Y3	Official launch of investment relationship management system ("IRMS") announced by GIPC's board.	GIPC report with attached documentation of IRMS launch from GIPC Board	0.75	DLI scalable and split, both must be achieved within 3 years of project effectiveness	GIPC
	Official launch of investment information systems ("IIS") announced by GIPC's Board.	GIPC report with attached documentation of IIS launch from GIPC Board	0.75		
Y4	Maintained and updated IIS and IRMS.	GIPC report outlining updates made to both IIS and IRMS in line with international good practices	0.5	Must be achieved within one year of Y3 target.	GIPC
Y5	Maintained and updated IIS and IRMS.	Same verification protocol as Y4	0.5	Must be achieved within two years of Y3 target	GIPC
Y6	Maintained and updated IIS and IRMS.	Same verification protocol as Y4	0.5	Must be achieved within three years of Y3 target	GIPC
	Total		***6.5***		

	3 Improving the national quality infrastructure for export diversification in Ghana			Scalability / Other requirements (if applicable)	TIA receiving DLI
Y1	National QI policy adopted by the Cabinet, published and disseminated.	GSA report on National Quality Policy with attached documentation on Cabinet adoption and dissemination of Policy	1.5		GSA
Y2	GSA staffing structure updated in line with updated GSA strategy	associated discussion on strategy with attached new hire documentation	1.5	Both must be achieved for disbursement of the DLI	GSA
	National QI services program developed and workplans approved by GSA's board.	GSA report on new NQI Services program and workplans with attached NQI Services program and workplans and documentation of GSA Board approval			
Y3	Ghana standard bill enacted, as specified in the DLI Verification Protocol.	GSA report with attached documentation on approval of Ghana Standards Bill by Cabinet	1.5		GSA
	Total		***4.5***		

Eligible expenditures for Component 1:

- Staff expenditures for Ghana Investment Promotion Center (comprised of both GoG allocation and internally generated funds), as documented in Line 1 of GIPC's budgets
- Staff expenditures for Ghana Standards Authority (comprised of both GoG allocation and internally generated funds), as documented in Line 01502 of the MOTI's budgets
- Staff expenditures for Ghana Export Promotion Authority (comprised of both GoG allocation and internally generated funds), as documented in Line 01504 of the Ministry of Trade and Industry's budgets
- Staff expenditures for the Office of the Registrar of Companies which is to be created as an independent agency by the Companies Act, budget line to be determined

Component 2: Crowding-in investments: Promoting spatial and industrial planning and development

DLI #	DLI name				
4	**Regulatory and Institutional Reform in Spatial Development**	**Verification Protocol**	**DLI amount (US$ mm)**	**Scalability / Other requirements (if applicable)**	**TIA receiving DLI**
Y1	Updated legal framework for SEZ completed.	GFZA report with documentation of completion of updated framework for special economic zones	0.5		MOTI
Y2	Updated legal framework for SEZ approved by the parliament	GFZA report with documentation of Parliament approval of updated framework for special economic zones	0.5	DLI scaleable and split	MOTI
	Memorandum of cooperation signed between the institutions responsible for investment promotion and spatial development and related agencies and approved by the economic management team of the government ("EMT").	GFZA report outlining details of memorandums with memorandums attached along with documentation of EMT approval	0.5		
Y3	Inter-agency cooperation in place as evidenced by survey conducted among public and private stakeholders (minimum score 60%).	PCU report outlining survey conducted of at least 50 public and private stakeholders of spatial development policy, with at least half being current or potential private investors. Minimum score on the survey must be >60%.	0.5	DLI scaleable and split	MOTI
Y3	Spatial development strategy and related public investment prioritization plan developed and adopted by EMT.	GFZA report outlining spatial development strategy and public investment prioritization plan, with strategy and plans attached, along with documentation of EMT approval	0.5		
Y4	Increase in inter-agency cooperation compared to the previous year, as evidenced by survey conducted among public and private stakeholders (minimum score 70%).	PCU report outlining survey conducted of at least 50 public and private stakeholders of spatial development policy, with at least half being current or potential private investors. Minimum score on the survey must be >70%.	0.5		MOTI
	Total		***3.0***		

	5 Implementation capacity upgraded in spatial development	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
Y3	Three comprehensive SEZ assessments completed based on the prioritization plan.	GFZA report detailing choice of three assessments and their relation to prioritization plan, with three comprehensive zone assessments attached	0.5	Three assessments required for any disbursement	MOTI
Y4	Hiring of transaction advisor completed.	GFZA report documenting hiring of new Transaction Advisor.	0.5	DLI scaleable and split	MOTI
	At least one masterplan and feasibility study completed on the basis of the prioritization plan.	GFZA report with attached masterplan and feasibility study	0.5		MOTI
	Governance arrangement and operational manual completed and approved by the EMT for special purpose vehicle to operate the VGF.	GFZA report with attached governance arrangements and operational manual for VGF SPV, along with documentation of EMT approval	0.5		MOTI
Y5	At least two investment promotion trips completed in priority sectors.	GFZA report documenting two investment promotion trips and connection to priority sectors, including conclusions for next steps	0.5	DLI scaleable and split	MOTI
	Conclusion of contract negotiation with one private developer/operator for one of the three priority sites promoted.	GFZA report with attached signed documentation with one private developer for one of the three priority sites	1.0		MOTI
Y6	At least two investment promotion trips completed in priority sectors (in addition to the trips completed under DLI 5.3).	GFZA report documenting two investment promotion trips and connection to priority sectors, including conclusions for next steps	0.5		MOTI
	Total		***4.0***		

6	Establishing licensing mechanism for private zone developer	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
Y3	Licensing mechanism for private zone developers, including accompanying forms, drafted.	GFZA report on draft licensing mechanism and its applicability, including consultation with stakeholders	0.5		MOTI
Y4	Licensing mechanism approved by Cabinet	GFZA report outlining approval procedure for licensing mechanism, with attached documentation of approval by Cabinet	1.5		MOTI
Y6	One new developer licensed for a specific SEZ, as specified in the DLI Verification Protocol.	GFZA report with documentation of developer license for an SEZ project	2.0		MOTI
	Total		***4.0***		

Eligible expenditures for Component 2:

- Staff expenditures for Ghana Free Zones Authority (comprised of both GoG allocation and internally generated funds), as documented in Line 1 of GFZA's budgets
- Staff expenditures for Customs division of Ghana Revenue Authority, provided in Line 0440102 – Customs Division of GRA's budgets
- Staff expenditures for the Ministry of Trade and Industry, with the following budget lines within the MOTI budget:
    - Line 0150102 PPME
    - Line 0150103 Trade Development
    - Line 0150104 Industrial Development
    - Line 01507 Regional Trade Offices
- Staff expenditures for Ghana Investment Promotion Center (comprised of both GoG allocation and internally generated funds), as documented in Line 1 of GIPC's budgets
- Staff expenditures for Ghana Export Promotion Authority (comprised of both GoG allocation and internally generated funds), as documented in Line 01504 of the Ministry of Trade and Industry's budgets

Component 3: Accelerating Entrepreneurship and MSME growth

DLI #	DLI name	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
7	Reforms of Enterprise Support Institutions				
Y1	EGA established according to best practice, as specified in the DLI Verification Protocol, with budget allocation effective to cover EGA's operational costs	PCU report with documentation of EGA establishment and institutional governance and strategic plan, along with documented MOF budget allocation and disbursement that is adequate to cover EGA operational costs for the next 12	2.0	To be achieved not later than the December 31, 2022	EGA
Y3	At least 30% of public entrepreneurship funding is done through EGA (excluding VCTF funding)	PCU report with documentation that at least 30% of public entrepreneurship funding through EGA	1.0		EGA
Y4	At least 40% of public entrepreneurship funding is done through EGA (excluding VCTF funding)	Same verification as Year 3, with documentation of 40% instead of 30%.	1.0		
Y5	At least 50% of public entrepreneurship funding is done through EGA (excluding VCTF funding)	PCU report with documentation that at least 50% of public entrepreneurship funding through EGA	2.0	Both parts of DLI must be achieved for disbursement.	EGA
	Evidence of effectiveness of EGA's program funding, management, and evaluation functions and operational performance, as specified in the DLI Verification Protocol.	EGA report documenting their program funding management and evaluation functions and operational performance, validated by PCU			EGA
	Total		***6.0***		

	8 Venture Financing	Verification Protocol	DLI amount (US$ mm)	Scalability / Other requirements (if applicable)	TIA receiving DLI
Y1	VCTF governance, operational, legal, and regulatory reforms, including approval of a sustainable funding model, and rebranding completed, as specified in the DLI Verification Protocol.	VCTF report outlining all reforms to governance, legal and regulatory framework, and operations in line with global best practices. Documentation of approved plans for putting in place the permanent funding model according to the recommendation of the VCTF organizational assessment financed	3.0	To be achieved not later than 31 December 2021.	VCTF
Y2	Approval by VCTF's board and MoF of a sustainable VCTF funding model, in line with recommendation of the VCTF organizational assessment financed by the Project.	VCTF report with documentation current permanent funding model generating adequate internally generated funds to cover VCTF operational costs and existing commitments.	2.5		VCTF
Y3	10 SCF Investments and/or SIF Investments completed.	Report with documentation of 10 cumulative private investments.	2.0		VCTF
Y4	20 cumulative SCF Investments and/or SCF Investments completed.	Same verification protocol as Y3, but with documentation of 20 cumulative private investments	2.0		VCTF
Y5	30 cumulative SCF Investments and/or SCF Investments completed.	Same verification protocol as Y3, but with documentation of 30 cumulative private investments	2.0		VCTF
Y6	40 cumulative SCF Investments and/or SCF Investments completed.	Same verification protocol as Y3, but with documentation of 40 cumulative private investments	2.0		VCTF
	Total		***13.5***		

Eligible expenditures for Component 3:

- Staff expenditures under Ministry of Finance, specifically for the following departments, as documented in MOF's budgets, with the total allocation provided in Line 12 of GoG's national budget:
  - Line 0100103 Debt Management Division
  - Line 0100104 External Economic Relations Division
  - Line 0100105 Economic Research and Forecasting Division
  - Line 0100106 Real Sector Division
  - Line 0100107 Financial Sector Division
  - Line 0100108 Public Investment Division
  - Line 0100109 Monitoring & Evaluation Division
  - Line 0100110 Revenue Policy Division
- Staff expenditures for Ministry of Business Development, as documented in Line 25 of GoG's national budget
- Staff expenditures for NEIP, as documented in Line 1 of the NEIP budget
- Staff expenditures for National Board for Small Scale Industries (NBSSI), as documented in Line 01503 of the Ministry of Trade and Industry's budgets
- Staff expenditures for Venture Capital Trust Fund (VCTF), as documented in the line labeled "Salaries" listed under Staff Cost in the VCTF budgets
- Staff expenditures for Ghana Export Promotion Authority (comprised of both GoG allocation and internally generated funds), as documented in Line 01504 of the Ministry of Trade and Industry's budgets
- Staff expenditures for the Ministry of Trade and Industry, with the following budget lines:
  - Line 0150102 PPME
  - Line 0150103 Trade Development
  - Line 0150104 Industrial Development
  - Line 01507 Regional Trade Offices
- Staff expenditures for the to-be created Enterprise Ghana Agency (EGA)
- Staff expenditures for the Support Services division of the Ghana Revenue Authority, provided in Line 0440104 – Support Services Division of the GRA's budgets

ANNEX 3: Venture Capital in Ghana and the role of VCTF

1. With the goal of stimulating venture capital funding in the country, the Government of Ghana established the VCTF in 2004 (The VCTF Act). While VCTF has played an important role in the development of VC in the country, seed funding for new start-ups is still limited, and venture capital, while growing, is limited by a shortage of investment-ready companies, lack of a stronger cadre of investment professionals and highly skilled lawyers, and legal and regulatory issues that include taxation, asset class categorization and the requirement for all VC funds receiving tax breaks to be legally registered in the country.[35] Assessments of the industry also point to limited knowledge of structuring VC type investments (both from the demand and supply side), as well as a lack of diversity in how the investments are structured as constraints for further growth of risk financing in the country.

2. The VCTF Act was unorthodox because it combined the legal framework to create a financial actor (the Fund of Funds) with a legal framework for a subset of PE/VC funds in the ecosystem. This has led to gaps in the regulatory environment for PE/VC funds. For example, the VCTF Act lacked clarity in terms of whether its provisions, including tax incentives, apply broadly to venture capital funds or to only a subset of funds applying for VCTF funding.[36]

3. Government intervention in PE/VC is not unusual; typically, intervention in the PE/VC ecosystem manifests itself through three key approaches. The first is a more traditional role for the government, where it helps create a conducive legal/regulatory and tax framework for PEVC funds. The second, and more interventionist approach, is when the government recognizes that a lack of risk financing is, for example, undermining the innovation ecosystem and preventing innovative ideas with commercial potential from reaching market. In this case, the government may elect to play the role of a venture capitalist, justifying its intervention because early stage financing, while able to deliver a huge impact, is well known to be consistently under-supported. In fact, academic research finds government VC expands the total pool of financing for the market as well as at the enterprise level.[37] A third mode of intervention, which the VCTF exemplifies, is the government-sponsored Fund of Funds, providing seed capital to PE/VC funds in the ecosystem, and building the capacity of both domestic fund managers and co-investors in the process.

4. The VCTF was set up "to provide financial resources for the development and promotion of venture capital finance for Small and Medium Enterprises (SMEs)[38] in priority sectors of the economy as shall be specified from time to time." These priority sectors were to be recognized according to the Government development plan outlined by the National Development Planning commission every year. The VCTF has operated primarily as a fund-of-funds designed to

[35] See, for example, Omidyar Network, Accelerating Entrepreneurship in Africa Initiative: Understanding Africa's Challenges to Creating Opportunity-Driven Entrepreneurship (2013).
[36] For more on this see Divakaran, Shanthi; Schneider, Sam; Mcginnis, Patrick J.. 2018. *Ghana Private Equity and Venture Capital Ecosystem Study (English)*. Policy Research working paper; no. WPS 8617. Washington, D.C. : World Bank Group. http://documents.worldbank.org/curated/en/244861539865691381/Ghana-Private-Equity-and-Venture-Capital-Ecosystem-Study
[37] *"The Effects of Government-Sponsored Venture Capital: International Evidence*" by James A. Brander, Qianqian Du, and Thomas Hellman. Review of Finance (2015).
[38] The VCTF Act 2004 defined SMEs as "an industry, project, undertaking or economic activity which employs not more than 100 persons and whose total asset base, excluding land and building, does not exceed the cedi equivalent of $1 million in value."

establish private investment funds and grow the venture capital ecosystem. Cedi 17.5 million (US$17.5 million) of the initial capital was allocated towards capital infusion into venture capital funds; and cedi 2 million (US$2 million) was to set up a technical assistance fund, provided as grants to allow investee companies to get expertise in areas such as corporate governance or financial management. However, a confluence of events occurred to jeopardize the outcomes of the VCTF program. In 2007, the National Reconstruction Levy, which served as the main source of funds for the VCTF, was repealed because of the negative impact it was perceived to be having on businesses. VCTF's budget became inconsistent and there were no other actors to sustain the market, particularly on commercially viable terms. VCTF also faced a number of structural challenges that weakened its ability to execute on its objectives.[39] VCTF therefore made minimal investments as a fund of funds after 2009 – a notable exception being its follow-on investment of US$2 million in Oasis Capital's second fund in 2018.

5. While the market for larger-sized deals (about US$1 million plus) in Ghana has been growing on its own, there is a potential role for public support to encourage a more diverse set of investment strategies and structures in this space – including debt, quasi-equity, equity, impact, green, and growth, which could benefit growth-oriented SMEs. This could be particularly important to advance the development of sectors strategic to Ghana's economic transformation. There is also a need and role for public intervention to make risk funding available for smaller transactions (less than US$500k), where the increase in diversity of investment strategies and structures is arguably even more important.

6. For VCTF to continue to play a role in early stage financing, different assessments have all coincided in the need for the organization to go through a significant restructuring process to ensure, among other things: autonomy from government and political influence over investment decision making, ensuring sustainable funding, and building the internal technical capacity of the VCTF. Based on a World Bank independent market study completed in January 2019, a reformed VCTF could potentially provide leadership in three distinct areas: (i) it could serve as an entity to convene the industry, help it to effectively advocate for legal and regulatory changes, upgrade human capital across the ecosystem, and stoke greater collaboration, (ii) it could serve as an anchor of a pipeline development-focused technical assistance (TA) effort to increase the number of investment ready companies in Ghana, and (iii) subject to institutional reform, it could serve as the conduit for a renewed fund sponsorship and/or fund of funds (FoF) investment effort by the Ghanaian Government that could spur new entrants and foster a more diverse VCPE landscape. Re-energizing the VCTF would show the commitment of the Ghanaian Government to supporting the VCPE industry, which would send a positive signal to investors, investees, and other players in the ecosystem. Second, re-activating the VCTF could serve to rehabilitate its image while enhancing its credibility.

[39] For more on this see Divakaran, Shanthi; Schneider, Sam; Mcginnis, Patrick J.. 2018. *Ghana Private Equity and Venture Capital Ecosystem Study (English)*. Policy Research working paper; no. WPS 8617. Washington, D.C. : World Bank Group. http://documents.worldbank.org/curated/en/244861539865691381/Ghana-Private-Equity-and-Venture-Capital-Ecosystem-Study

The Current State of the VCPE Market in Ghana[40]

Figure 3.1: VCPE Investment in Ghana, 2013-2017

	# Deals	US$MM	# Deals	US$MM	# Deals	US$MM	# Deals	US$MM	# Deals	US$MM	# Deals	US$MM
	2013		2014		2015		2016		2017		Total	
Private Equity	7.0	26.7	8.0	57.5	8.0	5.7	7.0	60.0	8.0	206.6	38	356.5
Infrastructure & Real Assets	0	0	2	75	0	0	1	0	0	0	3	75.0
Total	**7**	**26.7**	**10**	**132.5**	**8**	**5.7**	**8**	**60.0**	**8**	**206.6**	**41**	**431.5**

Source: EMPEA

7. As shown in Figure 3.1 above, over the past five years, publicly disclosed VCPE investments in Ghana exceeded US$400 million (including infrastructure and real assets investments). Since the research that underpinned the World Bank diagnostic on Ghana's Private Equity and Venture Capital (PE/VC) Ecosystem, there have been at least 15 new investments, representing more than US$250 million in deployed capital. This investment activity includes the following announced transactions:

Figure 3.2: Recent VCPE Investment in Ghana

African Infrastructure Investment Managers (Infrastructure)	
2016	AIIM acquired a minority stake in the Amandi power plant from Rontom Trust.
AfricInvest (PE)	
2017	AfricInvest Private Equity Fund III invested in International Community School Limited (ICS), a leading private K-12 school in Ghana.
Goodwell Investments (Impact)	
2016	Goodwell invested in Innovative Microfinance, a micro-finance institution licensed by the Bank of Ghana since 2008.
Investisseurs & Partenaires (SME/Impact)	
2016	I&P, Energy Access Ventures, and Blue Haven Initiative invested in a US$7.5 million Series A round backing PEGAfrica, an off-grid solar power company.
2017	I&P participated in a $13.5 million Series B financing for PEGAfrica that also included Energy Access Ventures, Blue Haven Initiative, and Acumen Fund.
LeapFrog Investments (Impact/PE)	
2016	LeapFrog Investments acquired a majority stake in Ghana-based life insurance provider UT Life Insurance Company.
2018	LeapFrog Investments sold its full stake in Petra Trust to Capital Alliance Private Equity IV Limited, a fund managed by African Capital Alliance.
Synergy Capital Managers (SME)	
2016	Synergy completed an equity investment in Vester Oil Mill Limited Ghana, one of the top five seed oil mill operators in Ghana. Vester was an investee company of the VCTF-backed fund Activity Venture Finance
West Africa Emerging Markets Growth Fund (WAEMGF)(PE)	
2016	WAEMGF announced a EUR5 million equity investment in Surfline Communications Limited, the leading provider of 4G LTE data and other related services.
2016	WAEMGF invested in First Atlantic Bank Ghana Limited.

[40] This section is adapted from "The Ghana VCPE Market: A Potential Role for the Venture Capital Trust Fund", report by Patrick McGinnis for the World Bank, December 2018.

8. As these examples show, there is investment across a number of sectors, including the infrastructure, SME, PE, and impact verticals. Moreover, it is worth noting that anecdotal evidence suggests that there is growing interest from impact investors, such as Goodwell, from the United States and Europe.

9. At present there is an array of VCPE firms investing in Ghana. The funds included in Figure 3.3 below are pan-regional, regional, and Ghana-focused players that are actively assessing opportunities and seeking to make investments. Several of the Ghana and West Africa-focused funds (Yaro, Wangara, I&P, and Growth Mosaic) are currently fundraising. It is also important to note that Abraaj, which was once an important player in Ghana and Sub-Saharan Africa is now under liquidation. As such, the future status of its portfolio and its team remains unclear.

Figure 3.3: VCPE Funds Active in Ghana

Fund	Current Fund	Geography	Ghana Office
Helio Investment Partners	$1.1 billion	Pan-Regional	No
African Infrastructure Investment Managers	$750 million (Fundraising)	Pan-Regional	No
LeapFrog Investments	$350 million	Pan-Regional	No
ECP Investments	$640 million	Pan-Regional	No
Vanrage Mezzanine Capital	$280 million (Fundraising)	Pan-Regional	No
AfricInvest	€194 million	Pan-Regional	No
Goodwell Investments	€100 million	Pan-Regional	No
Synergy Capital Managers	$100 million	Nigeria/Ghana	Yes
Yaro Capital	$100 million (Fundraising)	Pan-Regional	Yes
Investisseurs & Partenaires (I&P)	€80 million (Fundraising)	Pan-Regional	Yes
Oasis Capiital Ghana	$50.5 million	West Africa	Yes
West Africa Emerging Markets Growth Fund	€38.5 million (Fundraising)	West Africa	Yes
Wangara Green Ventures	$20 million (Fundraising)	Ghana	Yes
Growth Mosaic	$2 million (Fundraising)	Ghana	Yes

10. Outside the VCPE space, there is some investment activity from business angels, although it is not structured, and the exact size and nature of the space remains opaque. The Ghana Angel Investor Network (GAIN), which was created by VCTF is no longer operational. As such, various actors in the early stage ecosystem – such as Growth Mosaic and ImpactHub – have sought to fill the gap by creating pipeline and connecting promising firms to angels. Moreover, Leticia Browne, the former head of GAIN, has started a new firm called Intelligent Capital in which she works directly with 15 angels and introduces opportunities to them. She notes that the flow of capital from angels remains very small, since high net worth individuals are reluctant to invest in companies that are early stage and often informal in nature.

11. Finally, beyond capital, several funds in the market operate with the support of technical assistance facilities. Although the total sum of TA available in Ghana is difficult to ascertain, several funds do have TA facilities. For example, Oasis Capital Ghana has a US$2 million TA fund that serves both pre-and post-investment needs. Meanwhile, two firms that are currently in the market raising capital, Wangara and I&P, will also have TA facilities. Wangara's US$1.2 million TA serves to cover launch, SME, and team expenses, while I&P is raising a pre-investment facility of an undetermined size. Beyond these facilities, there is a range of private sector TA (where the company seeking TA must pay for the services itself) provided by consulting firms.

Fundraising Activity by VCPE Funds Operating in Ghana

12. Given the recent pace of investment activity, it is clear that the VCPE market in Ghana remains a focus area for a range of investors. In the past year (2018), two firms with a Ghana presence achieved strong momentum in their fundraising efforts:

a. *Oasis Capital Ghana*

Oasis announced the final close of its US$50.5 million Oasis Africa Venture Capital Fund (Fund II) in May 2018 (the fund was oversubscribed). In doing so, Oasis expanded its ambitions beyond those of is first fund, Ebankase (Fund I) which invested checks averaging US$1 million in companies operating in Ghana. With Fund II, Oasis has opened an office in Côte d'Ivoire and now targets investments of US$500,000 to US$5 million, with an average check size of US$3 million. While the firm will continue to invest in both convertible debt and equity structures, it anticipates having a stronger bias towards equity when structuring large investments, investments outside of Ghana, or investments in multi-national companies. For example, equity represented just 20 percent of Fund I's investments, but Fund II targets a mix of 50 percent equity and 50 percent debt/quasi-equity. Notably, Oasis raised US$4 million of the capital in Fund II from Ghanaian pension funds. Additionally, the VCTF, which invested in Fund I, committed US$2 million to Fund II.

b. *Investisseurs & Partenaires (I&P): I&P Afrique Entrepreneurs (IPAE II)*

IPAE continues to fundraise for its €80 million I&P Afrique Entrepreneurs Fund (IPAE II), having announced a first close of €50.3 million in December 2017. This new fund is larger than the €54 million managed by IPAE I and the firm anticipates increasing its average investment size. While IPAE I targeted investments of €300,000-€1.5 million, IPAE II will make investments of as much as €3 million. It will continue to take minority stakes and will invest via equity, convertible debt, or other quasi-equity structures.

13. The success of these two funds in raising new, larger funds, highlights several important dynamics that speak to the current status of the Ghanaian VCPE industry. First, investors are willing to back fund managers that have proven that they can successfully deploy and manage capital in Ghana. For example, at US$50.5 million, Oasis's new fund is larger than the total amount of capital invested by the first generation of five VCTF-backed funds taken together. Second, while both Oasis and IPAE invest in equity, they also both choose to invest via debt and quasi-equity structures in many of their transactions. Third, in a region where fundraising is very challenging, both funds have managed to attract non-government and non-DFI sources of capital, such as pension funds, corporations, and family offices, to their investor bases. Finally, both funds have expanded their ambitions with their new funds. Both are looking at larger investments than in the past and Oasis has now opened an office in Côte d'Ivoire with an eye to investing in regional champions.

ANNEX 4: Technical, Economic, and Financial Analysis

1. As part of preparation for this project, an EFA has been conducted across the project components to determine the value of the anticipated benefits relative to the costs associated with this project. The NPV is estimated at US$44.5 million at a 15 percent discount rate[41], and the ERR at 26 percent. Details on these calculations are provided in the "Detailed Economic Analysis" section further below.

Rationale for Public Intervention

2. Project interventions are directly related to the provision of public goods that would facilitate private investments, but which themselves could not be viably provided with private sector participation: business regulatory reforms, support for investment promotion, spatial and industrial planning to help crowd-in private financing, and investments in high potential sectors, etc.

World Bank's value added

3. The World Bank offers significant value to the proposed project activities through provision of financing, technical assistance and convening services. The World Bank has significant experience in developing and supporting the implementation of agribusiness, manufacturing, ICT, spatial development, and overall business reform programs particularly in Sub-Saharan Africa. Ghana is in need of strong reforms and investments to support diversification and the sustainable development of the ICT, manufacturing, and agribusiness sectors. Based on its experience in entrepreneurship development, business regulatory reforms, spatial and industrial planning, and investment promotion (in existing and pipeline projects across Sub-Saharan Africa and globally), the World Bank is able to incorporate lessons learned from these programs into the design of this project. Further, the World Bank can draw upon the results and lessons from past operations in the region.

Contribution of EFA to project design

4. This EFA has been used as an input to refine details of the project design, which have then in turn further informed the EFA itself, such as the timing and size of project investments, the impact chain and results framework, and M&E indicators and their associated targets.

5. During implementation, the project team will use current M&E data to evaluate the impact to date of the project. These actuals will be used to calculate an updated interim rate of return and net present value. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design.

Impact of the project on the borrower's fiscal situation and analysis of anticipated cost recovery

6. A financial analysis on the ability to recover the cost associated with this loan has been developed as part of this economic analysis for the Government of Ghana. Based on a 1.6 percent interest rate, a 20-year repayment period, and a 5-year grace period, the Government ERR is expected to be approximately 32 percent assuming that the Government is able to collect 10 percent in taxes following the project investments. This estimate is different from the project ERR because it is the project return from the perspective of the

[41] Discount rate: This is based on the risk-adjusted opportunity cost of capital for World Bank financing in Ghana.

Government—including both the costs of the loan (interest, commitment and service charges) and the tax benefits that the Government could receive from increased revenues of project beneficiaries. These factors are not included when calculating the ERR from the perspective of the World Bank, since the only costs from that perspective are the disbursements themselves and the revenue side of the discounted cash flow calculation is based on the estimated increase in revenues of beneficiaries. It is also worth noting that the five year grace period allows for economic returns from the loan to accrue prior to the start of any repayment. This analysis will be updated at project mid-term along with the economic analysis.

Detailed economic analysis:
Component 1 – Enabling Investments
Sub-component 2.1 – Technical assistance to build institutional and planning capacity
Sub-component 3.1—Reform and Rationalization of Government Entrepreneurship and MSME Support Agencies

7. This economic analysis accounts for the benefits in Ghana as a result of the different investments under the project. This includes increases in the revenues of businesses supported by the project via infrastructure subprojects, business development services, and matching grants. To calculate this rate of return, we have estimated the monetary benefits of increased incomes to these beneficiaries, and the monetary value of jobs (aggregate salaries) that are created as a result of the project investments.

8. Since Component 1 (Enabling Investments), Component 2.1 (Technical assistance to build institutional and planning capacity) and Component 3.1 (Reform and Rationalization of Government Entrepreneurship and SME Support Agencies) consist of technical assistance activities, our discussion on these components focuses only on literature and qualitative analyses in support of such investments. For this analysis, we have considered the increases in income and the monetary value of the jobs that are created under Components 2.2, 3.2 and 3.3 as the income of the project investments—therein applying the discounted cash flow model for financial analysis of private investments within the context of a World Bank project.

9. For the purpose of this analysis, we will focus primarily on direct impacts of the project investments. Positive spillovers are likely to amplify the impact of project investments (e.g. financial sector reform and capacity building programs). This amplified impact will essentially create a multiplier effect related to the investments under this project. However, this multiplier effect has not been included in the project design for a number of reasons: i) for the sake of conservatism; ii) difficulties in attribution and measurement associated with using a sweeping multiplier; and iii) difficulties in determining the correct size and timing of the multiplier effect. Given this exclusion, the impacts from this project will likely be further reaching than what is described in the analysis here. Excluding this multiplier effect means that our calculations of the ERR noted here are based on quantified benefits to direct project beneficiaries, rather than incorporating further social benefit spillovers.

10. To provide further support for investments under these components, the relationship between the characteristics of the business regulatory environment and the performance of firms has also been documented (Djankov et. a1, 2002; Botero et. al, 2004, Acemoglu and Johnson, 2005; Mastruzzi, 2006; and Kaufmann et. a1, 2006) but most of this work is non-experimental and hence faces problems of endogeneity. At a high level, however, this link is fairly clear—an improved regulatory environment supports the overall performance of firms.

11. A recent study finds that barriers to starting a business are negatively and significantly correlated with business density and entry rate. Fewer procedures are associated with a greater number of registered firms and higher entry rates (Klapper, 2006). A similar relationship can also be found with the cost of starting a

business. It is estimated that for every 10 percent decrease in entry costs, density and the entry rate increase by about 1 percent (Klapper, 2006). Simpler entry encourages the creation of new companies. Easier start-up is also correlated with higher productivity among existing firms. A study which analyzes data in 157 countries, finds that a reduction in entry costs raises output per worker by an estimated 29 percent (Barseghyan, L "Entry Costs and Cross-Country Differences in Productivity and Output." Journal of Economic Growth 13 (2008)).

12. Similar research also highlights the importance of trade and investor facilitation on costs and ability to export. Delays in getting goods back and forth through the customs, as well as the overall unpredictability of transport times constrain firms from participating in time-sensitive production often important for manufacturing and agribusiness industries. Nordas (2005) finds that an additional day required for exporting is equivalent to being 70 km farther away from the trade partner. Similar calculations suggest that if time to export can be reduced by 1 percent, exports on average could increase by more than 1.5 percent. The investments under components 1 and 2 of the project pertain directly to the studies noted here.

Detailed economic analysis – Component 2.2: Infrastructure investments for special economic zone development

13. This component will support investments in last mile infrastructure delivered through a Viability Gap Fund to be set up by the project. Since the subprojects that will be financed by this fund are not yet determined, we have based our analysis on a per-beneficiary impact for an "average" subproject. In the economic analysis of this component, the ERR is expected to be 29 percent. The NPV is expected to be about US$35.1 million, with a discount rate of 15 percent. The sensitivity results of this component and the underlying assumptions are summed below.

14. The key assumptions are as follows:

    a. **Additional revenue growth to firms:** The primary assumption in this analysis is that project beneficiaries will demonstrate additional growth above that without the project investments. We estimate that infrastructure beneficiaries will show a 20 percent increase in revenues for one year following the infrastructure investments.

    b. **Job creation rate:** We assume a job creation rate of one job with an average annual salary of US$5,000 per US$10,000 extra in revenue across the project beneficiaries.

    c. **Number of beneficiaries:** We estimate approximately 50 beneficiaries for each of the five subprojects, each with annual revenues starting at US$1 MM.

Infrastructure assumptions	
Number of subprojects	5
Average number of beneficiary firms	50
Total beneficiary firms	250
Average annual revenue (USD)	1,000,000
Income growth (w/o Project)	5%
Income growth (w/ Project)	20%
Number of years	1
Cost as percentage of revenue	80%
Jobs / dollar revenue	0.0001
Average annual salary (USD)	5,000

15. **Sensitivity analysis:**

a. Reducing the average number of beneficiary firms per subproject from the assumed 250 to 200 reduces the ERR to 24 percent.
b. Increasing the average number of beneficiary firms per subproject from the assumed 250 to 300 increases the ERR to 34 percent.

Detailed economic analysis – Component 3.2: High-Growth SMEs and Entrepreneurship Ecosystem Strengthening

16. This component will support investments in SMEs through a business accelerator program (including matching grants) and support to entrepreneurship hubs. For the purpose of this analysis, we have lumped the impact of the TA with the impact on the specific business beneficiaries since this TA would likely amplify the impact on the business beneficiaries. In the economic analysis of this component, the ERR is expected to be 18 percent. The NPV is expected to be about US$2.6 million, with a discount rate of 15 percent. The sensitivity results of this component and the underlying assumptions are summed below.

17. The key assumptions are as follows:
    a. **Additional revenue growth to firms:** The primary assumption in this analysis is that project beneficiaries will demonstrate additional growth above that without the project investments. We estimate a steady state revenue growth rate of 2 percent for firms without the project investments, with an additional revenue growth totaling at 30 percent for beneficiaries who receive financing, and 15 percent for beneficiaries who receive only business development services.
    b. **Job creation rate:** We assume a job creation rate of one job with an average annual salary of US$8,000 per US$20,000 extra in revenue across the project beneficiaries.
    c. **Number of beneficiaries:** For the accelerator program, we estimate 300 SME beneficiaries total, with half of these receiving financing support.

	MG beneficiary	**BDS only**
Average grant size (US$)	50,000	-
Number of entrepreneurs	150	300
Cumulative post-project failure rate	10%	10%
Average annual income (US$)	350,000	350,000
Cost as percentage of income	80%	80%
Job creation rate (per $ revenue)	0.00005	0.00005
Average annual salary (US$)	8,000	8,000
Annual revenue growth (w/o project)	2%	2%
Additionality to growth rate	15%	5%
Number of years that additionality applies	2	3

18. **Sensitivity analysis:**
    a. Reducing the growth rate additionality to SME revenues from the assumed 30 percent to 24 percent reduces the ERR to 7 percent.
    b. Increasing the growth rate additionality to SME revenues from the assumed 30 percent to 36 percent increases the ERR to 24 percent.

Detailed economic analysis – Component 3.3: Venture Financing for Early Stage Businesses and Strategic Industries

19. This component will support investments in startups in strategic industries through a fund of funds approach via both institutional and financial support to the Venture Capital Trust Fund. For the purpose of this analysis, we have lumped the impact of the TA with the impact on the specific business beneficiaries since this TA would likely amplify the impact on the business beneficiaries. In the economic analysis of this component, the ERR is expected to be 26 percent. The NPV is expected to be about US$6.8 million, with a discount rate of 15 percent. The sensitivity results of this component and the underlying assumptions are summed below.

20. The key assumptions are as follows:

    a. **Additional revenue growth to firms:** The primary assumption in this analysis is that project beneficiaries will demonstrate additional growth above that without the project investments. We estimate a steady state revenue growth rate of 5 percent for firms without the project investments, with an additional revenue growth of 20 percent for one year following VCTF support.

    b. **Job creation rate:** We assume a job creation rate of one job with an average annual salary of US$8,000 per US$20,000 extra in revenue across the project beneficiaries.

    c. **Number of beneficiaries:** For the accelerator program, we estimate 400 entrepreneur beneficiaries total, with a 50 percent failure rate.

Average grant size (US$)	-
Number of seed funds	10
Entrepreneurs per seed fund	40
Number of entrepreneurs	400
Failure rate (annual)	50%
Average income (US$)	500,000
Cost as percentage of income	80%
Job creation rate	0.00005
Average salary	8,000
Annual revenue growth (w/o project)	5%
Additionality to growth rate	20%
Number of years that additionality app	1

21. **Sensitivity analysis:**

    a. Reducing the growth rate additionality to revenues from the assumed 20 percent to 15 percent reduces the ERR to 10 percent.

    b. Increasing the growth rate additionality to SME revenues from the assumed 20 percent to 25 percent increases the ERR to 37 percent.