

AMENDED AND RESTATED

SCHEDULES 1-3 TO ANNEX I

OF THE

MILLENNIUM CHALLENGE COMPACT

BETWEEN

THE UNITED STATES OF AMERICA
ACTING THROUGH

THE MILLENNIUM CHALLENGE CORPORATION

AND

THE GOVERNMENT OF THE REPUBLIC OF GHANA

JUNE 5, 2012

SCHEDULE 1 to ANNEX I

AGRICULTURE PROJECT

This Schedule 1 generally describes and summarizes the key elements of the Agricultural Productivity and Value-Added Development Project (the “*Agriculture Project*”) that the Parties intend to implement in furtherance of the Agriculture Project Objective. Additional details regarding the implementation of the Agriculture Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background.

Owing to its ability to grow successfully a wide diversity of tropical and sub-tropical crops, Ghana has the potential to become the leading West African supplier of horticultural products into the markets in neighboring African countries and the European Union (“*EU*”) where the demand for tropical, organic and conventional fruits and vegetables is experiencing strong growth. In addition, domestic food security can be significantly enhanced by expanding the country’s utilization of arable land dedicated to maize, yams, cassava and other traditional food crops.

Agriculture is the backbone of Ghana’s economy: it accounts for approximately 40% of the country’s GDP, directly employs more than 60% of the labor force and generates more than 55% of the foreign exchange earnings. The agricultural sector consists of five sub-sectors: crops (other than cocoa) and livestock account for 58% of the GDP attributable to the agricultural sector, cocoa for 20%, fisheries for 11% and forestry for the remaining 11%.

Ghana’s current agricultural production is largely dominated by rain-fed production of crops for local consumption by smallholder farmers using rudimentary technology. Furthermore, inconsistency in both the supply and the quality of agriculture crops hampers Ghana’s ability to compete against other countries supplying the same to the regional and EU markets. Despite non-traditional horticultural crops’ potential for earning foreign exchange, the agricultural sector currently produces mostly traditional crops under sub-optimal conditions, including lack of interconnectivity between production areas and markets and limited access to credit. Furthermore, insecure land access and inefficient land registration processes are key risks to the successful expansion of higher-value agribusiness.

Fortunately, a number of concrete steps can set the stage for significant increases in food security, household income, profitable agribusinesses, jobs creation and capital investment in Ghana’s agricultural sector. Specifically, in order to exploit fully its agricultural potential, Ghana must improve its yields of high quality product, increase the acreage devoted to commercial, high-value horticultural crops, and consistently meet the international export market standards. Inefficiencies in the value chain will be remedied by improving entrepreneurial and technical skills among farmers and businesses to maximize their output and sales by building a post-harvest infrastructure for preserving the quality of crops during their transportation from the production site to final market destination.

A number of mutually reinforcing activities has been identified to address the above-described constraints that Ghana is facing in achieving the Agriculture Project Objective within the Intervention Zones. In addition, the participation in, and benefits from, the Agriculture Project may extend to those farmers in nearby districts who operate or trade within, or provide supplies to, the Intervention Zones.

2. Summary of the Agriculture Project and related Projects Activities.

The Agriculture Project is designed to enhance the profitability of staple food and horticulture crops and to improve delivery of business and technical services to support the expansion of commercial agriculture among farmer-based organizations (“*FBOs*”), which are groups of eligible farmers, input suppliers selling to such farmers, or output processors buying from such farmers. MCC Funding will support the following Project Activities:

- *Farmer and Enterprise Training in Commercial Agriculture*: To accelerate the development of commercial skills and capacity among FBOs and their business partners (including service providers to FBOs and other entities adding value to agricultural crops such as processors);
- *Irrigation Development*: To establish a limited number of irrigation schemes to benefit FBOs and FBO partnerships for whom access to water is critical to the success of their business objectives;
- *Land Tenure Facilitation*: To improve tenure security for existing land users and to facilitate access to land in selected pilot zones in the north and south;
- *Improvement of Post-Harvest Handling and Value Chain Services*: To facilitate strategic investments by FBOs and other key actors of selected value chains in post-harvest infrastructure improvements and to build the capacity of the public sector to introduce and monitor compliance with international plant protection standards;
- *Improvement of Credit Services for On-Farm and Value Chain Investments*: To augment the supply of, and access to, credit provided by financial institutions operating in the Intervention Zones; and
- *Rehabilitation of Feeder Roads*: To rehabilitate up to 360 km of feeder roads in eight (8) districts in the Intervention Zones in order to reduce transportation costs and time, to increase access to major domestic and international markets, and to facilitate transportation linkages from rural areas to social service networks (including, for instance, hospitals, clinics and schools).

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Agriculture Project. Performance against these benchmarks, as well as the overall impact of the Agriculture Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that additional indicators will be identified during implementation of the Agriculture Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Agriculture Project, as well as the Project Activities undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Agriculture Project are identified in Annex II. Conditions precedent to each Project Activity under the Agriculture Project, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, any other Supplemental Agreements and the relevant Implementation Documents.

The following summarizes each Project Activity under the Agriculture Project:

(a) ***Project Activity: Farmer and Enterprise Training in Commercial Agriculture (“Commercial Training Activity”)***

Successful FBOs are critical to the development of Ghana’s agricultural potential. The Program will support FBOs by providing training in business management, planning and finance practices, market analyses and marketing, customer service and pricing mechanisms. By achieving critical mass, FBOs can exercise bargaining power in purchasing quality inputs and processing, transport, marketing and other services at lower prices, and consistently provide sufficient quantities of quality produce and crops in the necessary volume, as well as add value to these services, all necessary to enter the commercial markets with competitive products. The continued viability of the FBOs after the Compact Term will be a key to the Ghanaian farmers’ continued economic growth, improved farming practices, ability to secure best prices for inputs, access to credit and building of strong farmer communities.

The Commercial Training Activity seeks to strengthen and support both FBOs and certain agribusiness service providers who offer various value-adding services to the FBOs that meet a pre-determined set of criteria to be adopted by MiDA with the approval of MCC.

Specifically, MCC Funding will support the following:

(i) Extension activities by the Ministry of Food and Agriculture (“**MOFA**”). MOFA will be responsible for providing preliminary organizational and technical support to FBOs seeking eligibility to participate in the commercial training program. MCC Funding will be used for the mobilization of MOFA’s district level extension agents to identify nascent and existing FBOs, as well as farmers and suppliers who are good candidates to organize new FBOs in collaboration with the district assemblies.

(ii) Commercial training program for FBOs. An intensive, multi-phase commercial training program will be offered to the FBOs to improve significantly their skills in management, business planning, technology applications and marketing. Such FBOs will include small and medium-sized enterprises (“**SMEs**”) that provide agribusiness-related, value-adding services to farmers. Each phase of the program will incorporate training to improve business literacy and numeracy of the members of the FBOs. A priority will be placed on attracting significant participation of women and young adults and on encouraging their engagement in agriculture business opportunities in the target districts in each Intervention Zone. Specifically, the commercial training program will consist of the following three phases:

(1) Phase One: To strengthen the business capacity of FBOs, this phase will provide intensive training in strengthening the organization, developing a business vision, and learning to use realistic planning tools towards commercialization and profitability will be provided. Participants will be required to prepare a long-term business plan for approval in accordance with evaluation criteria, adopted by MiDA with the approval of MCC, before moving on to Phase Two of the program. An organization-building incentive will be available to each participating entity, whether an FBO or an SME, that completes and begins implementing the approved business plan.

(2) Phase Two: The business plans developed in Phase One will determine the specific technical training, infrastructure support and inputs to be provided to the

participating entities during Phase Two. The focus during Phase Two will be to enable the participating entities to transition into new agricultural crop varieties and to adopt and fully integrate good agricultural practices into their commercial operations.

(3) Phase Three: The assistance during Phase Three will focus on helping FBOs to maximize sales volumes in the commercial agriculture markets (domestic, regional or export), with consistent, competitive products and services. Training will focus on quality assurance management (including product handling and preservation, packaging and transportation), as well as on improving the linkages with processors and traders and facilitating their access to market through branding, advertising, information services and promotion of agricultural crops.

(b) ***Project Activity: Irrigation Development (“Irrigation Activity”)***

In order to combat the frequent crop failure and food shortage due to variation in the amount and intensity of rain, along with intermittent droughts, the Government has begun to encourage improved management of water resources by farmers and to support irrigation development programs. For instance, the Government, through the Ghana Irrigation Development Authority, has constructed 22 public irrigation schemes with a combined area of 8,745 hectares designed to grow rice, either double cropped or in rotation with vegetables.

Nonetheless, Ghana’s water resources, composed of Lake Volta, formed by the Akosombo Dam and the many tributaries of the Volta River, have been only lightly exploited to irrigate the country’s vast tracts of unused land. The Irrigation Activity aims to support the expansion of fruit and vegetable production by smallholder farmers, as well as the various farmer groups, by providing irrigated water to them.

Specifically, subject to the completion of the relevant SEAs to MCC’s satisfaction, MCC Funding will support the following:

(i) The rehabilitation or construction of a number of irrigation schemes, potentially in all three Intervention Zones, upon approval by MiDA of proposals for such schemes submitted by the RICs. The proposals will be evaluated for funding based on a pre-determined set of criteria to be adopted by MiDA with the approval of MCC, which will include, among others, appropriate assessment of the environmental and social impact of, approved permits for, and the appropriate screening for the economic effects of, the proposed construction.

(ii) With respect to each construction described in Section 2(b)(i) of this Schedule 1 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant irrigation infrastructure), an EIA, an EMP and a RAP, each as may be necessary; and

(2) Implementation of environmental and social mitigation measures, as identified in the studies described in Section 2(b)(ii)(1) of this Schedule 1 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such rehabilitation and upgrades, consistent with the World Bank’s Operational Policy on Involuntary Resettlement (OP 4.12).

(c) **Project Activity: Land Tenure Facilitation (“Land Activity”)**

Ghana currently suffers from an inadequate land policy and regulatory framework, fragmented institutional arrangements, and an underdeveloped land registration system. For instance, six separate public agencies operate in loose coordination under two different ministries, and each has a role in land administration. In part as a result of this institutional fragmentation, land transactions are costly and not transparent, and produce numerous tenure disputes. Other problems in land administration in Ghana include a lack of formal documentation of customary holdings, indeterminate boundaries of private and other land holdings, conflicting records of land rights and delays in negotiating and registering acquisition and transfer of land rights. Currently, there are approximately 40,000 land tenure disputes pending before the courts.

In Ghana, customary rights in land are prevalent and are offered strong legal protections by Ghanaian legislation. In addition, investors and local farmers access land use rights by long-term lease arrangements or other tenancy arrangements, and in some cases by purchases negotiated directly with the relevant community or the Government on behalf of the community. Sound agricultural development in Ghana would be greatly strengthened by making access to land more efficient and secure while preserving secure tenure for local communities.

The Government is in the process of implementing, with support from multiple donors, the Land Administration Project (“**LAP**”) that seeks to remedy these problems through a systematic reform of the policy and institutional framework governing land tenure. Consistent with the overall policy and methodological framework of LAP, the Land Activity seeks to contribute to an environment of more secure land tenure and more efficient land access.

Specifically, MCC Funding will support the following:

(i) Facilitation of land transactions by providing on-demand services. To facilitate land transactions on an on-demand basis in all the districts within the Intervention Zones, MCC Funding will be used to support:

(1) Assessment of the demand for assistance with land transactions and registration, as well as the potential risks to vulnerable people in land transactions, in each district within the Intervention Zones;

(2) Strengthening the capacity of the Lands Commission, and other land sector agencies as appropriate, for more efficient processing of land registration requests, including, subject to approval by MiDA and MCC, supplementing the staffing and providing equipment to automate the processing of land registration requests.

(ii) A pilot program for area-wide registration of rural land rights involving, among others, certain preparatory tasks (including, among others, community sensitization, composite maps and inventory of land rights) and the formalization of land rights consistent with the methodology developed under LAP (including, among others, resolution of land disputes via alternative-dispute resolution (“**ADR**”) mechanisms, formal demarcation of parcel boundaries and issuance of registered land titles). In this pilot program, the rural areas of the districts of Awutu Efutu Senya and Savelugu-Nanton will be pilot registration districts (“**PRD**”). Also, model land registration offices will be constructed in the towns of Winneba, Savelugu and Donkorkrum to serve the land registry and land administration needs of property owners in the respective districts of Awutu-Senya, Savelugu-Nanton and Afram Plains (Kwahu North).

(iii) Development of innovative solutions to the land tenure problems and the fostering of informed stakeholder dialogue on technical, social or policy issues relevant to land tenure and access. This activity will include the development and implementation of (1) a training action plan to build capacity for public and private sector land administration services; (2) workshops and other forums for dialogue; and (3) development and adoption of a gender strategy for implementation of the Land Activity.

(iv) Improvement of the courts' ability to process land disputes. To establish expeditious and inexpensive ways to resolve land disputes and to reduce the backlog of land dispute cases in certain circuit courts, MiDA will collaborate with the Judicial Service to refine their understanding of the nature and scope of existing land disputes and the prospective dispute resolution mechanisms to resolve such disputes; to finalize and implement an action plan identifying the most appropriate approach; to remove the identified backlog of land disputes in each participating court; to automate the records relating to the resolution of the land disputes; and to develop a practice manual on the use of various ADR procedures for use by various members of the circuit courts in the Intervention Zones involved in handling land disputes.

(d) ***Project Activity: Improvement of Post-Harvest Handling and Value Chain Services ("Post-Harvest Activity")***

A number of post-harvest infrastructure improvements are necessary for the Ghanaian horticulture export industry to become a significant supplier of fruits and vegetables to the EU and other export markets. Therefore, MCC Funding will be used to develop post-harvest handling capacity that maintains the quality of product from the farm to the market. In addition, the capacity of the public sector will be improved to meet International Plant Protection Convention ("**IPPC**") standards. In order to ensure the long-term growth and sustainability of the post-harvest infrastructure, the ownership and operation of such infrastructure will be privatized during the Compact Term based on a privatization plan adopted by MiDA with the approval of MCC.

Specifically, MCC Funding will support the following:

(i) Improvements to existing nucleus farm packhouses in the form of forced-air cooling and temporary cold storage units, to be owned and operated by the current owners of such packhouses. Nucleus farmers that procure products from small outgrowers, or are willing to procure outgrower-grown products in the future, will be eligible to obtain such improvements. Eligibility requirements will also include, among others, membership in an agricultural export or other approved sponsoring association that will facilitate the collection of the full repayment of the cost of such improvements, through a fully loaded per unit price which includes interest at a market rate. Such repayments will be deposited in a special account, the terms of which shall be authorized by MiDA with the approval of MCC and established by the export association for reinvestment into activities with the export association and that are consistent with the Program Objective. Prior to reinvestment of repayments, MiDA will adopt with the approval of MCC, a set of criteria for the reinvestment of the funds.

(ii) Construction of packhouses and other post-harvest infrastructure for eligible FBOs located in target districts within the Intervention Zones to serve the needs of disadvantaged smallholder farmers growing pineapple, papaya, mango, and certain vegetable and staple crops. The eligibility requirements will include, among others, a plan for full recovery of the operation and maintenance costs of such packhouses with the approval of MCC. Any required

permits, including environmental permits, will be obtained prior to construction. The ownership of the packhouses will be transferred from MiDA before the expiration of the Compact Term to the relevant FBOs that demonstrate sustained commercial operations.

(iii) Construction of infrastructure for packing, storage and cooling fresh agricultural produce at the Kotoka International Airport that meets international standards. The completed facility will provide for the full recovery of the cost of installation, operations and maintenance of such facility through user charges, in accordance with guidelines on provision of credit adopted by MiDA with the approval of MCC. Any required permits, including environmental permits, will be obtained prior to construction.

(iv) Upgrade of Ghana's capacity to meet IPPC standards. Equipment installation, systems improvement and staff training of the Plant Protection and Regulatory Services Directorate within MOFA, the Ghana Standards Board and the Water Resource Institute, will be implemented to improve service delivery to the private sector.

(e) ***Project Activity: Improvement of Credit Services for On-Farm and Value Chain Investments ("Credit Activity")***

Financial service providers are few and far between in most of the districts in the Intervention Zones and have limited abilities to expand rapidly. Only one commercial bank, the Agriculture Development Bank, is meaningfully engaged in making loans to agricultural clients in the Northern Zone and the Afram Basin Zone. Although there are 37 privately-owned rural banks and seven financial NGOs that serve rural clients in the Intervention Zones, their resources and capacity are very limited. The Credit Activity will support the other Project Activities under the Agriculture Project by facilitating access to credit in the Intervention Zones and assisting the banks to improve their ability to assess, grant and manage agriculture loans.

Specifically, MCC Funding will support the following:

(i) Provision of funds for banks, financial NGOs and other eligible financial intermediaries for on-lending to borrowers in the agricultural sector in the Intervention Zones. It is anticipated that rural banks and financial NGOs will access the facility to make seasonal and other working capital loans with maturities of less than 18 months, and commercial banks will access the facility to make working capital and medium-term loans. The financial intermediaries will assume one-half of the credit risk on the loans made using the facility. As an incentive to participate in granting and effectively collecting the loans, the highest-performing rural banks and financial NGOs will be eligible at the end of the Compact Term to receive a portion of the facility as a grant based on a set of performance evaluation criteria adopted by MiDA with the approval of MCC. This will strengthen the capital base of successful banks, enhancing their ability to sustain credit to farmers and the agricultural value chain. Provision of motor cycles to rural banks to improve monitoring and collection efforts.

(ii) Training for rural banks and financial NGOs on credit and management skills consisting of classroom and on-site training throughout the Compact Term, including the purchase of a mobile training center for use in the rural areas for banking training classes and the necessary technology.

(iii) Establishment of pilot programs intended to speed the flow of credit along the agriculture value chain, such as voucher programs with retail input providers.

(iv) Provision of funds, through grants, donations, loans, or other mechanisms, to public or private entities or NGOs, through which financing, both subsidized and at market rates, may be made available directly or by financial intermediaries to borrowers in the agricultural sector – including farmers, farmers organizations, agro-dealers, fertilizer wholesalers, and seed companies – and to make financing available for warehouse receipt systems, farmer groups, and agro-processing facilities in Ghana to support development of the Ghanaian agricultural value chain.

(f) ***Project Activity: Rehabilitation of Feeder Roads (“Feeder Roads Activity”)***

To improve transportation linkages and to reduce transport costs, MCC Funding will support the rehabilitation or upgrading of approximately 360 km of feeder roads in the Intervention Zones. In addition, MCC Funding will support the design and preparation of bidding documentation for the rehabilitation or upgrade of approximately an additional 590 km of feeder roads in the Intervention Zones. The extent to which the feeder roads are rehabilitated or upgraded will depend upon, among others, their current condition, the present and projected traffic volume as a result of increased agricultural activity and productivity in those districts, and the results of an EIA, if any, required under Section 2(f)(ii)(1) of this Schedule 1 to Annex I.

Specifically, subject to the completion of the relevant SEAs to MCC’s satisfaction, MCC Funding will support the following:

(i) Rehabilitation and upgrading of the identified segments of feeder roads as follows:

- (1) Approximately 53 km of feeder roads in Awutu Efutu Senya;
- (2) Approximately 94 km of feeder roads in Akwapim South;
- (3) Approximately 21 km of feeder roads in South Tongu;
- (4) Approximately 7 km of feeder roads in Keta;
- (5) Approximately 48 km of feeder roads in Ketu;
- (6) Approximately 13 km of feeder roads in Kpandu;
- (7) Approximately 14 km of feeder roads in Hohoe; and
- (8) Approximately 110 km of feeder roads in Savelugu Nanton.

(ii) With respect to each feeder road identified in Section 2(f)(i) of this Schedule 1 to Annex I, the following activities:

- (1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant feeder roads), an EIA, an EMP and a RAP, each as may be necessary;
- (2) Implementation of environmental and social mitigation measures, as identified in the studies described in Section 2(f)(ii)(1) of this Schedule 1 to Annex I, or as

otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such rehabilitation and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12);

(3) Posting of signage and making other safety improvements; and

(4) Project management, supervision and auditing of such rehabilitation and upgrades.

3. Beneficiaries.

The Agriculture Project will directly benefit more than 100,000 farm and rural households, comprising an estimated 500,000 individuals, through the commercial activities of at least 1,200 FBOs and 120 service providers located throughout the 23 target districts in the three Intervention Zones. In addition, the participation in, and benefits from, the Agriculture Project may extend to those farmers in nearby districts who operate or trade within, or provide supplies to, the Intervention Zones. In the Intervention Zones, farmers and others will also benefit through more secure land tenure with an estimated 5,000 tracts of land gaining registered rights, more efficient registration services and more efficient circuit courts for resolution of land disputes. Over 50 commercial banks, rural banks and financial NGOs will benefit from access to new funding, new banking capacity skills, and potentially a permanent injection of new capital at the expiration of the Compact Term to improve seasonal and medium-term credits to rural households and other enterprises engaged in commercial agriculture activities. The rehabilitation and upgrades to the feeder roads is expected to benefit up to 95,000 farm households and agricultural producers by facilitating access to domestic and international markets, and to critical social services.

4. Donor Coordination; Role of Private Sector and Civil Society.

Where a number of donors, trade associations and agricultural lenders are already supporting capacity building of the agriculture industry, the Commercial Training Activity, the Irrigation Activity and the Post-Harvest Activity will build upon, and complement, these existing efforts. The lessons learned from other donors' experiences, especially regarding the need to avoid narrowly targeted lending and over-subsidization of interest rates, in order to encourage sustainability will be incorporated into the implementation of the Credit Activity. The World Bank, Department for International Development of the United Kingdom, KfW Entwicklungsbank, Canadian International Development Agency, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH, and Nordic Development Fund all support the LAP. The Land Activity has been conceived within the framework of the LAP and the various lessons learned from the LAP to date will be considered in the implementation of the Land Activity. Selection of feeder roads for inclusion under the Feeder Roads Activity has been coordinated with those roads being funded by the EU under its Feeder Roads Improvement Project.

Ongoing consultations with private sector representatives, as well as smallholder farmers, large farmers, agricultural input suppliers, development organizations, microfinance institutions, processors, traders, exporters and transporters of agricultural products, agricultural industry associations, formal banking institutions, research and higher education institutions, and the representatives of women's and environmental NGOs will be held by MiDA throughout the implementation of the Agriculture Project.

5. U.S. Agency for International Development (“USAID”).

In 2005, USAID initiated the Trade and Investment Program for a Competitive Export Economy (“*TIPCEE*”) to achieve growth in Ghana’s sales of non-traditional exports. *TIPCEE* seeks to provide, among others, certain targeted farmers with training in improved agricultural practices and access to new varieties of seeds and inputs. The Agriculture Project has been designed with input from USAID so that *TIPCEE* and the Agriculture Project will mutually support each other. Furthermore, research on land issues by the Institute of Statistical, Social and Economic Research at the University of Ghana will inform the implementation of the small grants program under Section 2(c)(iii)(3) of this Schedule 1 to Annex I. While USAID currently has no projects focusing on the rehabilitation or upgrade of feeder roads in Ghana, the Government intends to continue dialoguing with USAID to identify areas in which USAID’s activities may complement the Feeder Roads Activity. Finally, USAID has reviewed and provided input into the designing of the Credit Activity, and the goals and methods of the Credit Activity are consistent with the practices in favor of financial institution’s sustainability and the avoidance of subsidies as advocated by USAID.

6. Sustainability.

Each Project Activity under the Agriculture Project is designed to advance the food crop and horticulture industry in Ghana and to lay the foundation for substantial and sustainable economic growth. To that end, the improvements in human resource capacity under the Commercial Training Activity, availability of water resources under the Irrigation Activity, land tenure security under the Land Activity, production of exportable produce under the Post-Harvest Activity, the amount of available credit to farmers under the Credit Activity, and efficiency gains in transportation of agricultural goods and access to inputs under the Feeder Roads Activity, together, are expected to transform subsistence and sub-scale cash framers into commercially viable operations, to create new, as well as to strengthen existing, suppliers, processors and marketers on sound business bases and to enhance a climate that attracts additional outside investment in the food crop and horticulture sectors in Ghana, thus leading to continued and sustainable growth of Ghana’s agricultural sector.

The environmental and social sustainability of the Agriculture Project will be assured through ongoing consultations with the public regarding the manner in which the Agriculture Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Agriculture Project and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Agriculture Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Agriculture Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Agriculture Project in accordance with the provisions of this Compact and any relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project management advisors. MiDA will ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, any required EIAs, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Agriculture Project and monitored by MiDA as necessary during the

implementation of the Agriculture Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Sections 2(b)(ii) and 2(f)(ii) of this Schedule 1 to Annex I.

7. Policy; Legal and Regulatory Reform.

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Agriculture Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) Government shall adopt an amendment to cause the National Plant Protection Organization to be in compliance with IPPC standards.

(b) Government shall take effective measures to implement the recommendations for legal and institutional reforms for land administration, land management and land tenure as proposed in a memorandum submitted by the Minister of Lands, Forests and Mines to the Cabinet and approved by the Cabinet on February 9, 2006.

(c) Government shall harmonize the relevant land legislation and regulations with the constitutional mandate related to public taking of land for the public good.

8. Proposals.

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Agriculture Project. MiDA will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.

SCHEDULE 2 to ANNEX I

TRANSPORTATION PROJECT

This Schedule 2 generally describes and summarizes the key elements of the Transportation Infrastructure Development Project (the “*Transportation Project*”) that the Parties intend to implement in furtherance of the Transportation Project Objective. Additional details regarding the implementation of the Transportation Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background.

Agricultural development is critically dependent on a sound transport network for access to inputs and markets. Ghana’s transport system consists of four modes: road, aviation, rail and maritime. Its national road network totals about 60,000 km while it has one international airport and four domestic airports. It has approximately 945 km rail network currently serving the southern half of the country, and its maritime infrastructure consists of 350 km of inland water transport over Lake Volta, in addition to the two seaports at Tema and Takoradi.

Road transport is the dominant mode of transport in Ghana, carrying almost 95% of the passenger traffic and 97% of all movable freight in the country. The Government has identified high transport costs as a barrier to achieving sustainable economic growth inhibiting the expansion of agricultural opportunities by restricting access and linkages to major domestic and international agricultural markets.

In order to address the problem of high transport costs, the Government has developed a rolling five-year strategic plan, out of which the first three-year segment was used to prepare the Road Sector Development Program (“*RSDP*”) for implementation over the period from 2002 through 2007. The objective of the RSDP is to reduce poverty and disparities in incomes, improve the standard of living in both the rural and urban areas, and raise the quality of life by improving access to social services, all through improved road infrastructure. In addition, under the GPRS, the Government is committed to providing a better distribution of the road network and other transportation linkages to reduce disparities between the urban and the rural communities.

MCC Funding will, therefore, be used to undertake improvements to the road network with emphasis on primary and secondary roads, principally in the Intervention Zones, consistent with the Government’s efforts to remove transport disparities between the rural and urban areas, to reduce vehicle operating and maintenance costs and to improve the competitiveness of agricultural producers using these roads. In addition, MCC Funding will also be used to undertake improvements to inland water transport to enhance the transportation network in the Afram Basin Zone.

2. Summary of Transportation Project and Related Projects Activities.

The Transportation Project is designed to reduce the transportation costs affecting agricultural commerce at sub-regional and regional levels in Ghana, in support of the Agriculture Project. MCC Funding will support the following Project Activities:

- *Upgrades to Sections of NI Highway:* To reduce the bottleneck in accessing the International Airport and the Port of Tema and to support an expansion of Ghana’s export-directed horticulture base beyond current production, by upgrading of 14 km of the

National Highway (“*N1 Highway*”) between Tema and Accra (specifically, the stretch of N1 Highway from Tetteh Quarshie Interchange to Mallam Road Junction, also known as “*TQM*”) and by constructing two grade separation interchanges at the Dimples-Achimota and Mallam Junctions to improve traffic management at these locations;

- *Improvements of Trunk Roads*: To facilitate the growth of agriculture and access to social services by rehabilitating or constructing up to 75 km of trunk roads in the Afram Basin Zone; and
- *Improvements of Lake Volta Ferry Services*: To facilitate the growth of agriculture in the Afram Basin Zone by improving the ferry services of Volta Lake Transport Company (“*VLTC*”) that connect Adawso on the southern shore to Ekye Amanfrom on the northern shore.

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Transportation Project. Performance against these benchmarks, as well as the overall impact of the Transportation Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that additional indicators will be identified during implementation of the Transportation Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Transportation Project, as well as the Project Activities undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Transportation Project are identified in Annex II. Conditions precedent to each Project Activity under the Transportation, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, other Supplemental Agreements or the relevant Implementation Documents.

The following summarizes each Project Activity under the Transportation Project:

(a) ***Project Activity: Upgrades to Sections of N1 Highway (“N1 Activity”)***

The TQM runs in an East-West direction, constitutes a part of the Accra –Tema Motorway and functions as a part of the larger Trans-West Africa Highway. It also supports the urban traffic movement within the Greater Accra Metropolitan Area. The existing TQM, a two lane road, is severely congested during the greater part of the working day, with an estimated traffic flow of between 28,000 and 35,000 vehicles per day.

Since 1996, traffic has been growing around Accra by approximately 7 to 7.5% each year. While overall traffic volumes in Accra continue to increase at a relatively rapid rate, the rate of increase observed on the TQM has been less, reflecting the degree of saturation on the road and travelers’ decisions not to use the route at congested times. Observed “free-flow” travel speeds on improved sections of the N1 Highway reach 50-70 km per hour; however, at narrower sections including the TQM, average speeds can drop to less than 10 km per hour.

As a result of this congestion and the associated high vehicle operating costs, the Government and its development partners have undertaken to improve and widen sections of the N1 Highway, including those that are contiguous to the TQM. Currently, the TQM acts as a bottleneck and negatively impacts the returns to the investment on the contiguous sections. MCC will fund rehabilitation to, and upgrades of, specific sections of the N1 Highway in an effort to improve the

efficiency of the greater road network in and around Accra, including access to the key sea and air export facilities.

Specifically, MCC Funding will support the following:

(i) Improvement and upgrade to the 14 km of N1 Highway between Tetteh Quarshie and Mallam Junctions as a three lane dual carriageway (without service roads) and provision of grade separation interchanges at the Dimples-Achimota and Mallam Junctions.

(ii) With respect to the improvements and upgrades identified in Section 2(a)(i) of this Schedule 2 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant sections of the N1 Highway), an EIA, an EMP and a RAP;

(2) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(a)(ii)(1) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12);

(3) Utility relocations, as may be necessary; and

(4) Project management, supervision and auditing of such improvements and upgrades.

(iii) Feasibility and design studies (that include an assessment of the economic rates of return), an EIA, an EMP and a RAP, each as may be necessary for service roads and grade separation at an additional six interchanges along the TQM (the construction of which shall not be funded by MCC Funding).

(b) ***Project Activity: Improvements of Trunk Roads (“Trunk Roads Activity”)***

MCC Funding will support the assessment and subsequent improvements of approximately 75 km of trunk roads. In addition, MCC Funding will support the design and preparation of bidding documentation for the rehabilitation or upgrade of approximately an additional 169 km of trunk roads in the Intervention Zones. Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) Improvements to the following trunk roads:

(1) Agogo – Dome Road (75 km). Upgrading of 75 km of road between Agogo and Dome to bitumen surfacing (including rehabilitation or construction of drainage culverts and bridges and contingent upon completion of an environmental audit).

(ii) With respect to the improvements and upgrades identified in Section 2(b)(i) of this Schedule 2 to Annex I, the following activities:

(1) A technical and environmental audit of the Agogo – Dome Road (75 km) to assess the impact of recent rehabilitation activities;

(2) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts of the relevant trunk roads), an EIA, an EMP and a RAP, each as may be necessary;

(3) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(b)(ii)(2) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12); and

(4) Project management, supervision and auditing of such improvements and upgrades.

(c) ***Project Activity: Improvements to Lake Volta Ferry Service (“Ferry Activity”)***

To facilitate growth of the agricultural sector of the Afram Basin Zone, MCC Funding will be used to support improvements to ferry services of VLTC, connecting Adawso on the southern shore to Ekye Amanfrom on the northern shore.

Specifically, subject to the completion of the relevant SEAs to MCC's satisfaction, MCC Funding will support the following:

(i) Construction of two double-ended vehicle/pedestrian ferries with hydraulic liftable propellers.

(ii) Training of VLTC staff, including management and occupational safety training for workshop foremen from VLTC's staff in Akosombo, VLTC's workshop staff, artisans, and ferry crew.

(iii) Rehabilitation of the Akosombo floating dock to enhance VLTC's construction, repair and maintenance capabilities.

(iv) Civil works at the landing stages at Adawso and Ekye Amanfrom to increase the ferry and vehicle handling capacities at the same landing stages.

(v) Rehabilitation of ferry terminals at Adawso and Ekye Amanfrom, including all-weather protection and adequate sanitation facilities to accommodate additional ferry and passenger traffic.

(vi) Extraction of tree-stumps from the crossing route between Adawso and Ekye Amanfrom to eliminate navigational and safety hazards during low water periods.

(vii) With respect to the improvements and upgrades identified in Sections 2(c)(i) – (vi) of this Schedule 2 to Annex I, the following activities:

(1) Feasibility and design studies (that include an assessment of the economic rates of return and poverty reduction impacts), an EIA, an EMP and a RAP, each as may be necessary;

(2) Implementation of the environmental and social mitigation measures, as identified in the studies described in Section 2(c)(vii)(1) of this Schedule 2 to Annex I, or as otherwise may be appropriate, including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12); and

(3) Project management, supervision and auditing of such improvements and upgrades.

3. Beneficiaries.

The principal beneficiaries of the Transportation Project are expected to be the users of the improved roads and ferry facilities since it decreases transportation costs to markets and social service delivery points and employees, in addition to the owners of urban and rural businesses that rely on the Ghanaian road network.

More specifically, the N1 Highway upgrades are expected to benefit approximately 150,000 daily users and should support a broader expansion of Ghana's export-directed horticulture beyond its current production base of less than 7,000 hectares. Improvements to the trunk roads are expected to open new economic opportunities for approximately 25,000 agricultural households and users, spurring agricultural production in the Afram Basin Zone, most of whom are considered poor or very poor. These improvements will also facilitate access to social services, including health and education, for these poor households. The benefits from time savings by introducing additional ferries will accrue to all users of the ferry. More fundamentally, improved reliable ferry service in the district of Afram Plains should generate improved access to inputs and markets for farmers and increased competition among truckers, which should in turn yield increased farmgate prices and reduced operating costs. These benefits are likely to be divided equally between farmer and users, on the one hand, and the vehicle owners, on the other hand, a great majority of whom are poor.

4. Donor Coordination.

Donor coordination in the transport sector in Ghana is organized through RSDP, bringing together, among others, the World Bank, the African Development Bank, Department for International Development ("*DFID*"), EU, Japan International Cooperation Agency and the Arab Bank for Economic Development, for a multi-year integrated funding program of approximately US\$1.2 billion. The collaboration takes place through the annual donor conference and in-country monthly meetings to review the performance of the sector. The road agencies in Ghana have received substantial donor support for construction, maintenance and institutional strengthening.

The Transportation Project coordinates with many ongoing and planned donor activities, and has been structured to ensure complementarity. For instance, there has been no material donor support to the VLTC in recent years whereas the Ferry Activity is designed specifically to support this critical transport link to one of the poorest districts in Ghana.

5. U.S. Agency for International Development.

USAID currently does not focus specifically on the construction and rehabilitation of the transportation infrastructure in Ghana. However, MiDA will continue to dialogue with USAID to identify potential opportunities for coordination with respect to the Transportation Project.

6. Sustainability.

The Ministry of Transportation (“*MoT*”) is the principal institution responsible for the effective and sustainable management of the road network in Ghana. As such, it plays a central role in coordinating and regulating activities of the road agencies (i.e., Department of Feeder Roads (“*DFR*”), the Department of Urban Roads (“*DUR*”), the Ghana Highway Authority (“*GHA*”) and the Ghana Road Fund (“*GRF*”). GHA, DFR and DUR are responsible for the administration, planning, control, development and maintenance of the trunk road network, feeder roads and urban roads, respectively.

Approximately 45% of the MoT’s annual budget is allocated to operation and maintenance of the existing road network. Currently, the maintenance of the roads is generally funded through GRF, which provides a sustainable and reliable source of funds to pay for maintenance of the road network. Its sources of revenue include fuel levies, vehicle registration fees, road use fees, road tolls, bridge tolls, ferry tolls, and international transit fees (for foreign vehicles entering Ghana). The MoT is committed to maintaining this funding. It has also developed a plan to increase the total number of kilometers of maintainable roads by about 3,600 km a year, primarily through spot improvement and rehabilitation of roads previously considered as non-maintainable. GRF monies will be used to maintain the roads constructed or improved under this Transportation Project.

While VLTC is financially self-sustaining based on current toll levels, a lack of suitable equipment to accommodate an increasing number of ferry passengers is a key constraint to consistent, economic service by VLTC. Its severely limited maintenance capacity and, by extension, its operational abilities endanger continuity and dependability of its service. Spare parts for the presently operating ferries are difficult to obtain and the main auxiliary engines of the current ferry are no longer in production. MCC Funding is critical in ensuring efficient and timely services and meeting projected demand. MCC Funding will expand VLTC’s service and maintenance capabilities and is expected simultaneously to reduce its recurrent direct costs.

The environmental and social sustainability of the Transportation Project will be assured through ongoing consultations with the public regarding the manner in which the Transportation Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Transportation Project (other than the district affected solely by the N1 Activity) and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Transportation Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Transportation Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Transportation Project in accordance with the provisions of this Compact and any relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project

management advisors. MiDA will ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, any required EIAs, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Transportation Project and monitored by MiDA as necessary during the implementation of the Transportation Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any other Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Sections 2(a)(ii), 2(b)(ii), and 2(c)(vii) of this Schedule 2 to Annex I.

7. Policy; Legal and Regulatory Reform.

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Transportation Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) Government shall allocate sufficient funds from GRF or other sources to ensure proper routine and periodic maintenance of the road network through continuing to increase GRF revenues (through fuel levies, tolls, vehicle registration/licensing fees, among others) and to ensure that GRF revenues are used first for maintenance before any allocations are made for other works (such as rehabilitation).

(b) Government shall adhere to agreements reached with donors under the RSDP and the upcoming Transport Sector Development Program.

(c) Government shall develop a maritime framework governing access and operations on Lake Volta with respect to the Ferry Activity.

(d) Government shall develop and approve the emergency response plans of VLTC with respect to the Ferry Activity.

8. Proposals.

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Transportation Project. MiDA will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.

SCHEDULE 3 to ANNEX I

RURAL DEVELOPMENT PROJECT

This Schedule 3 generally describes and summarizes the key elements of the Rural Services Development Project (the “*Rural Development Project*”) that the Parties intend to implement in furtherance of the Rural Development Project Objective. Additional details regarding the implementation of the Rural Development Project will be included in the Implementation Documents and in the relevant Supplemental Agreements.

1. Background.

Residents of rural areas of Ghana have spotty and frequently poor access to basic community services such as potable water, community sanitation, schools at all levels and domestic electricity. This has both limited the productivity of these people and made it difficult to attract or retain skilled entrepreneurs or workers in the rural areas. In turn, this has limited Ghana’s ability to realize the full potential of its agricultural resources.

In the past, the Government delivered community services, such as schools and water or sanitation facilities, with primary direction from the central government and little input from the local governments or the beneficiaries. Consequently, decisions on the location and the design of community resources were frequently suboptimal, and the resulting delivery of the related services inefficient. During the past few years, however, the Government committed to a strategy of decentralization to empower local governments and the beneficiaries in the hopes of more efficient delivery of community services.

One of the major obstacles to successful implementation of this strategy is the lack of adequately trained specialists in local governments. For instance, the lack of capacity at the local level to conduct public procurement results in leakage, misuse, and suboptimal use of public resources. Therefore, the Government and the donors have increasingly provided support to build the institutional capacity of local government units and to support the ability of rural populations to influence more directly the provision of community services that impact them.

In addition, currently in Ghana, there is a shortage of credit, as well as financial services, available in general to a large portion of the rural populations, and in particular to those engaged in agriculture. Much of the financial sector currently focuses on providing capital to people in the urban areas or on shorter-term commercial activity rather than to investments in agricultural production, partly owing to the high risks and transaction costs in making such loans.

Insufficiency of rural services has constrained the growth of the private sector in rural areas. Ghana’s development plans, including the GPRS and other strategies, have been designed to foster private sector led growth and development. However, the success of these programs has been constrained by the lack of services in rural communities. The Rural Development Project is designed to address each of these problems in a coordinated fashion by improving the design and delivery of community services through enhancing the capacity of the local government units, by allowing the beneficiaries to provide meaningful input on the decisions on investment in community infrastructure and by improving the efficiency of the rural financial institutions in order that they may serve the people in agriculture more effectively.

2. Summary of Rural Development Project and Related Projects Activities.

The Rural Development Project is designed to support agricultural and agri-business development under the Agriculture Project and to strengthen the rural institutions that provide complementary services. MCC Funding will support the following Project Activities:

- *Strengthening of Public Sector Procurement Capacity:* To support the development of procurement professionals and reinforce the capabilities of the Government to procure goods and services;
- *Support for Community Services:* To complement the Agriculture Project by funding construction and rehabilitation of educational facilities, construction and rehabilitation of water and sanitation facilities and electrification of the rural areas, and by providing capacity building support to local government institutions in support of proper management and maintenance of these investments; and
- *Strengthening of Rural Financial Services:* To automate and interconnect up to 134 rural banks and to provide other improvements in the national payments systems that will draw a large number of people currently not served or under-served into the financial system, and, if there is sufficient funding and appropriate waivers are granted, to interconnect the savings and loans institutions to the national payments system.

The M&E Plan (described in Annex III) will set forth anticipated results and, where appropriate, regular benchmarks that may be used to monitor the progress of the implementation of the Rural Development Project. Performance against these benchmarks, as well as the overall impact of the Rural Development Project, will be assessed and reported at the intervals to be specified in the M&E Plan, or as otherwise agreed by the Parties, from time to time. The Parties expect that additional indicators will be identified during implementation of the Rural Development Project. The *expected results* from, and the *key benchmarks* to measure progress on, the Rural Development Project, as well as the Project Activities undertaken or funded thereunder, are set forth in Annex III.

Estimated amounts of MCC Funding for each Project Activity for the Rural Development Project are identified in Annex II. Conditions precedent to each Project Activity under the Rural Development Project, and the sequencing of such Project Activities, shall be set forth in the Disbursement Agreement, other Supplemental Agreements or the relevant Implementation Documents.

The following summarizes each Project Activity under the Rural Development Project:

(a) ***Project Activity: Strengthening of Public Sector Procurement Capacity (“Procurement Capacity Activity”)***

The Procurement Capacity Activity is designed to strengthen the capacity of the various procurement entities within the Government to procure necessary goods, works and services with greater economy, efficiency and effectiveness. It is also intended to allow such entities to implement fully Ghana’s Public Procurement Act of 2003 (Act 663) by assisting the development of training materials for the staff of such entities, the formation of a career path within the Government, and the placement of trainees in such procurement entities to provide them with

practical application. It also is designed to train students who aspire to go into the procurement profession.

Specifically, MCC Funding will support the following:

(i) Development of the modules for training and certification that are relevant to the public sector and consistent with Ghana's Public Procurement Act of 2003 (Act 663), including consultation with educational institutions to develop a standard procurement curriculum for use in formal procurement training programs, development of an internationally-accepted educational program in procurement in conjunction with other international procurement bodies such as the Chartered Institute of Purchasing and Supply of the United Kingdom, and introduction of such curriculum to the various institutions that will offer courses in procurement.

(ii) Establishment of procurement as a career in public service with clear lines of promotion and reporting by assisting the Government in attracting a cadre of procurement professionals, in clearly defining the career paths as a procurement professional in the Government (including formulating the requirements for entry and promotion, defining a procurement career path with clear job functions, grades, promotion rules and salary structure) and establishing a well-trained procurement staff whose duties are institutionalized within the Government.

(iii) Provision of procurement-related training to potential procurement professionals by identifying a target group of professionals, students and public or civil service members qualified to enter into a structured procurement training program, establishing agreements, policies, procedures, and protocols with the various public and civil service organizations, educational institutions and private sector businesses to identify and provide short term and interim opportunities for procurement program participants to perform procurement and supply chain activities in both public and private sectors and establishing a procurement internship program that has entry requirements, predetermined procurement training requirements, clear job functions for the program, a stipend structure for internship assignments, and rules for compliance and completion.

(b) ***Project Activity: Support for Community Services (“Community Services Activity”)***

The Community Services Activity is designed to complement the Agriculture Project by providing educational, water and sanitation and rural electrification infrastructure in the Intervention Zones and by enhancing the capacity of local governments to deliver the related services. These interventions are part of a larger effort by the Government to expand the provision of basic community services throughout Ghana, and are specifically expected to enhance the sustainability of the Agriculture Project by providing the necessary infrastructure to improve health of communities, to enhance skill development through access to education, and to facilitate small-scale post-harvest processing of agricultural products. Availability of funding to the districts in the Intervention Zones will be a function of population, relative poverty and actual investment performance under the Agriculture Project. Specific investments will be driven by the demands of local communities, prioritized through a broad-based, inclusive process to enhance community ownership and strengthen sustainability.

Specifically, MCC Funding will support the following:

(i) Capacity building by the Ministry of Local Government and Rural Development for the local government units in the Intervention Zones to strengthen their ability to deliver community services, to manage assets and to ensure transparency and accountability in their operations.

(ii) Rehabilitation and construction of educational facilities in the form of primary, junior secondary and senior secondary schools, as well as vocational and technical institutions; *provided* that such rehabilitation or construction (1) is consistent with the agreed norms of the Ministry of Education, Science and Sports, Ghana Educational Service, and other parties as may be agreed from time to time between MiDA and MCC, (2) is included in the list of priorities of the relevant district's "District Development Plan," and reflected in the annual district budget and District Assembly Common Fund ("*DACF*") plans, (3) is in a community that demonstrates commitment to such rehabilitation or construction through contributions of cash or other property (including land and raw material) or labor, (4) is consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) adopted by MiDA with the approval of MCC, (5) meets criteria satisfying cost effectiveness, (6) is within a district in which the Agriculture Project is being implemented and (7) does not create any adverse environmental or social impact under the standards adopted by MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(iii) Construction of water and sanitation facilities to achieve improved health, to reduce the incidence of illness and loss of productivity due to unsafe drinking water and poor sanitation and hygiene, and to reduce the time required to procure potable water. MCC Funding will be used to fund boreholes (whether mechanized or using hand-pumps), small town pipe systems and community sanitary facilities; *provided* that, such construction (1) is consistent with the agreed norms of the Community Water and Sanitation Authority, as well as of the Ministry of Water Resources, Works and Housing, and other parties as may be agreed from time to time between MiDA and MCC, (2) is included in the list of priorities of the relevant district's "District Development Plan," and reflected in the annual budget and DACF plans, (3) is in a community that demonstrates commitment to such construction through contributions of cash or other property (including land or raw material) or labor, (4) is consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) and cost recovery mechanisms adopted by MiDA with approval of MCC, (5) meets criteria satisfying cost effectiveness, (6) is within a district in which the Agriculture Project is being implemented, (7) includes a hygiene education module and (8) does not create any adverse environmental or social impact under the standards adopted by MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(iv) Expansion of rural electrification to unserved and underserved areas which may include for domestic uses as well as for use in irrigation, agricultural processing and education. MCC Funding will be used to fund both on-grid and off-grid (including photovoltaic, biofuel and micro-hydro) rural electricity investments; *provided* that, such investment (1) is consistent with the policy and strategic plans of the Ministry of Energy, the Electric Corporation of Ghana, the Volta River Authority and other parties as may be agreed from time to time between MiDA and MCC, (2) is in a community that demonstrates commitment to such construction

through contributions of cash or other property (including land or raw material) or labor, (3) is consistent with the standards on adequacy of the provision of operating costs (including staffing, as well as the operation and maintenance, of the facilities) and cost recovery mechanisms adopted by MiDA with approval of MCC, (4) is within a district in which the Agriculture Project is being implemented, (5) meets criteria satisfying cost effectiveness, and (6) does not create any adverse environmental or social impact under the standards adopted by MiDA with the approval of MCC; *provided, further*, that the foregoing may be adjusted based on the results of the relevant SEA upon its completion.

(v) With respect to the activities identified in Sections 2(b)(ii), (iii) and (iv) of this Schedule 3 to Annex I, the implementation of the environmental and social mitigation measures including compensation of individuals, residences and businesses affected by such improvements and upgrades, consistent with the World Bank's Operational Policy on Involuntary Resettlement (OP 4.12).

(c) ***Project Activity: Strengthening of Rural Financial Services (“Financial Services Activity”)***

The Financial Services Activity is designed to extend the depth and value of financial services provided to rural populations including farmers by reinforcing their integration into the cash economy, as well as widening their access to savings, credit and cash transfer services. It will build on the capabilities of the rural banks that are privately-owned generally by members of the local communities. These projects will connect the rural banks into the national payments systems of Ghana, and will also facilitate internal and international remittance flows.

Specifically, MCC Funding will support the following:

(i) Extension and intensification of the program initiated under the World Bank Rural Financial Strengthening Project to automate the accounting systems of substantially all of the 134 rural banks (and their branches) using a common software platform. Priority will be given to automating those rural banks and their branches located in the Intervention Zones.

(ii) Connection of the rural banks and their branches to a wide area network. The rural banks and their branches will be connected through a grid to transform their product offerings and to reduce their operating expenses.

(iii) Support for the software to introduce check truncation, hardware to create a system for the automated clearing of electronic payments and technical assistance to review and propose amendments to the existing legal and regulatory structure for payments under Ghana's national payment system.

(iv) National campaign to educate businesses, banks, and consumers regarding the benefits of the Financial Services Activity to generate demand for use of the electronic payment products. A broad-based urban and rural education campaign will demonstrate the benefits of these new products and of the institutions that offer them.

3. Beneficiaries.

The Procurement Capacity Activity will directly benefit Ghana as approximately 11 to 15% of all goods and services produced in Ghana are consumed through public procurements. The

Community Services Activity will primarily benefit the same populations as the Agriculture Project, that is, the residents of the districts in the Intervention Zones. Institutional beneficiaries will also include the local government institutions (e.g., the district assemblies and their area councils). Finally, rural inhabitants will benefit from the continuing devolution and decentralization of provision of a full range of community services, thus increasing community empowerment. The beneficiaries of the Financial Services Activity will include the economically active population in rural areas as actual or potential clients of the rural banks, and more broadly, all users of financial services. The outreach of new financial services to rural communities and the poor should create incentives to de-emphasize cash transactions in favor of checks and other payment instruments, and the direct savings from such changeover will include, among others, a reduction in the national currency printing bill, the very substantial costs of secure currency transport, and the material interest expense that the Bank of Ghana incurs in issuing securities to absorb excess liquidity at the end of the cocoa season. The automation of the rural banks will also improve and streamline the supervision of these institutions by the Bank of Ghana, and otherwise improve the breadth and speed of management reporting systems.

4. Donor Coordination; Role of Civil Society.

The Procurement Capacity Activity complements the activities of other donors. DFID is actively supporting the Public Procurement Board (“*PPB*”) in Ghana with an interest in developing procurement capacity within existing government bodies. The increased demand for public sector procurement capacity created by the recent enactment of the Public Procurement Act of 2003 (Act 663) allows for multiple donors to be involved without duplication of efforts. In addition, policy and regulatory initiatives funded under this Rural Development Project will be designed to complement and support the efforts of other donors (including the World Bank) that are leading similar initiatives at the regional and district levels.

The Community Services Activity builds on the Community Based Rural Development Program, funded by the World Bank and Agence Française de Développement, strengthening local government service delivery, providing capacity building to local government units and building substantial enhancements to the quality and productivity of rural communities. The Community Services Activity will also be in line with efforts of the Government and other donors to strengthen local government institutions in order to facilitate the delivery of education and water and sanitation infrastructure. The district assemblies and area councils are assuming increasing responsibility for planning, coordinating and executing donor activities in their respective areas.

The efforts to automate the rural banks and to connect them through a wide-area-network under the Financial Services Activity are extensions and intensifications of the efforts of the World Bank, African Development Bank and International Fund for Agricultural Development, first, to create Apex Bank to provide services to the rural banks and, second, to begin the process of automation using a common software.

Finally, the civil society will play a key role in community by overseeing the organization, information dissemination, project implementation, and monitoring and evaluation with respect to the Rural Development Project.

5. U.S. Agency for International Development.

USAID has supported a number programs in the education sector which led to the construction of classrooms, staff houses and latrines, in addition to a program entitled Strategies for Advancing Girls' Education. USAID has also undertaken projects in community water and sanitation, including provision of hygiene education. The Rural Development Project will continue to advance the objectives of these USAID programs while also greatly expanding on them to complement the Agriculture Project.

6. Sustainability.

The Procurement Capacity Activity will create "educational capital," in the form of curricula and diploma programs, which will serve a longer-term goal of capacity building within the Government. The Procurement Capacity Activity is designed to continue as an institutional capacity program after the expiration of the Compact Term, under the direction of the PPB. During the Compact Term, the various ministries of the Government will be required to present sustainable and economically viable plans to maintain and provide continuing education for their respective procurement staff. The Community Services Activity will ensure appropriate measures for adequate cost recovery and continuing operation and maintenance as a condition precedent to approval of investments, providing a basis to ensure sustainability after construction. Rural banks participate voluntarily in the wide area network activity, subject to a commitment to maintain equipment and service from their operating budgets beyond the Compact Term.

The environmental and social sustainability of the Rural Development Project will be assured through ongoing consultations with the public regarding the manner in which the Rural Development Project is being implemented. SEAs will be conducted in each Intervention Zone affected by the Rural Development Project and, as necessary, environmental and social analyses (that include an analysis of the gender impacts of the Rural Development Project) will be conducted, as part of the technical survey and design of major investments in any physical infrastructure under the Rural Development Project to determine the environmental impacts and existence of economic and physical displacements, if any. Furthermore, the Government will ensure, directly or through MiDA (or any other Permitted Designee), that environmental and social mitigation measures are developed and implemented for each Project Activity under the Rural Development Project in accordance with the provisions of this Compact and any relevant Supplemental Agreements. MiDA will ensure that environmental and social assessment responsibilities will be included in the bidding documents for the design or supervisory firms, the construction firms, the independent technical auditing firms and any project management advisors. MiDA will ensure that HIV awareness and worker safety training will be included as well in the bidding documents for the construction firms. In addition, EMPs and RAPs, in form and substance satisfactory to MCC, will be developed and implemented under the Rural Development Project and monitored by MiDA as necessary during the implementation of the Rural Development Project. Any MCC Disbursements for construction will be contingent upon issuance of environmental permits, as needed, or any other Government statutory requirements. The Government will fund any project-related environmental mitigation costs (including resettlement costs) that are not already covered by MCC Funding pursuant to Section 2(b)(v) of this Schedule 3 to Annex I.

7. Policy; Legal Reform; and Procedural Changes.

The Parties have identified the following policy, legal and regulatory reforms and actions that the Government shall pursue in support, and to reach the full benefits, of the Rural Development Project, the satisfactory implementation of which will be conditions precedent to certain MCC Disbursements as provided in the Disbursement Agreement:

(a) The PPB shall develop a funding and sustainability plan for Procurement Capacity Activity (including the amount of such funding) in form and substance satisfactory to MCC.

(b) Service norms defining expected provision of relevant services to rural communities, and standards for appropriate designs, including initial capital cost and estimated continuing operating and maintenance costs, will be agreed among the various Government Affiliates, including the relevant ministries, departments and agencies, and adopted by MiDA, subject to approval of MCC, for all investments to be undertaken under the Community Services Activity.

8. Proposals.

Public solicitations for proposals are anticipated to procure goods, works and services, as appropriate, to implement all Project Activities under the Rural Development Project. MiDA will develop, subject to MCC approval, a process for consideration of all such proposals. Notwithstanding the foregoing, MiDA may also consider, using a process developed subject to MCC approval, any unsolicited proposals it might receive.