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Report No: PAD2862

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT ON A PROPOSED CREDIT

IN THE AMOUNT OF SDR 21.4 MILLION
(US$30 MILLION EQUIVALENT)

TO THE

REPUBLIC OF GHANA

FOR THE

GHANA FINANCIAL SECTOR DEVELOPMENT PROJECT

August 29, 2018

Finance, Competitiveness and Innovation Global Practice
Africa Region

CURRENCY EQUIVALENTS

(Exchange Rate Effective June 30, 2018)

Currency Unit = GH₵ (New Ghanaian Cedi)

4.78 GH₵ = US$1

US$1 = SDR 0.71094933

FISCAL YEAR

January 1 - December 31

ABBREVIATIONS AND ACRONYMS

AFRITAC	African Regional Technical Assistance Center
AQR	Asset Quality Review
ARB	Association of Rural Banks
ATM	Automated Teller Machine
AWP	Annual Work Plan
BoG	Bank of Ghana
BSD	Banking Supervision Department
CAR	Capital Adequacy Ratio
CGAP	Consultative Group to Assist the Poor
CPF	Country Partnership Framework
CPMI-WB	Committee on Payments and Market Infrastructures -World Bank
CPS	Country Partnership Strategy
CRA	Credit Rating Agency
CUA	Ghana Cooperative Credit Unions Association
DA	Designated Account
DFID-UK	Department for International Development- UK
DPC	Deposit Protection Corporation
DPF	Deposit Protection Fund
DPO	Development Policy Operation
EFO	Externally Financed Output
EMCB	Economic Management and Capacity Building
FDI	Foreign Direct Investments
FH	Finance House
FinCoNet	International Financial Consumer Protection Network
FIRST	Financial Sector Reform and Strengthening Initiative
FLSTAP	Financial and Legal Sector Technical Assistance Project
FM	Financial Management
FNGOs	Financial Non-governmental Organizations
FSD	Financial Sector Division
GAMC	Ghana Association of Microfinance Companies
GAS	Ghana Audit Service
GCSCA	Ghana Cooperative Susu Collectors Association
GDP	Gross Domestic Product
GEMS-TA	Ghana Economic Management Strengthening Technical Assistance

GHAMFIN	Ghana Microfinance Institutions Network
GHIPSS	Ghana Interbank Payment and Settlement System
GIFMIS	Government Integrated Financial Management Information System
GIZ	German Development Agency
GLSS	Ghana Living Standards Survey
GoG	Government of Ghana
GRS	Grievance Redress Service
ICR	Implementation Completion and Results Report
ICT	Information and Communication Technology
IDA	International Development Association
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFR	Interim Unaudited Financial Report
IMF	International Monetary Fund
KfW	German Government-owned Development Bank
KYC	Know Your Customer
LI	Legislative Instrument
M&E	Monitoring and Evaluation
MCU	Market Conduct Unit
MDA	Ministries, Departments, and Agencies
MDG	Millennium Development Goal
MFC	Microfinance Company
MFI	Microfinance Institution
MIS	Management Information Systems
MCC	Micro Credit Company
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MTR	Medium-term Review
NBFI	Non-bank Financial Institution
NFIDS	National Financial Inclusion and Development Strategy
NIC	National Insurance Commission
NPF	New Procurement Framework
NPL	Non-performing Loan
NPRA	National Pensions Regulatory Authority
OFISD	Other Financial Institutions Supervision Department
OSSES	Offsite Surveillance Electronic System
PAD	Project Appraisal Document
PDO	Project Development Objective
PIN	Personal Identification Number
PLR	Performance Learning Review
PoS	Point of Sale
PPA	Project Preparation Advance
PPSD	Project Procurement Strategy for Development
PSC	Project Steering Committee
PTC	Project Technical Committee
RAFiP	Rural and Agricultural Finance Program

RCB	Rural and Community Bank
RFSP	Rural Financial Services Project
S&L	Savings and Loans Company
SACCO	Savings and Credit Cooperative
SAO	Senior Accountant Officer
SASRA	Sacco Societies Regulatory Authority, Kenya
SCD	Systematic Country Diagnostic
SDI	Specialized Deposit-taking Institution
SEC	Securities and Exchange Commission
SECO	State Secretariat for Economic Affairs
SME	Small and Medium Enterprise
SMS	Short Message Service
SOE	State-owned Enterprise
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TTL	Task Team Leader
UNCDF	United Nations Capital Development Fund
VSLA	Village Savings and Loans Association
YSG	Youth Savings Group

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DATASHEET

BASIC INFORMATION

Country(ies)	Project Name	
Ghana	Ghana Financial Sector Development Project	
Project ID	**Financing Instrument**	**Environmental Assessment Category**
P161787	Investment Project Financing	C-Not Required

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
20-Sep-2018	30-Sep-2023

Bank/IFC Collaboration
No

Proposed Development Objective(s)

The objective of the project is to promote financial sector soundness and access to financial services by individuals.

Components

Component Name	Cost (US$, millions)

Improving Financial Sector Regulatory Oversight and Market Transparency and Discipline	8.00
Increasing the Outreach of RCBs and MFIs and Linking VSLAs to the Formal Financial Sector	13.00
Bolstering Financial Capability and Consumer Protection	3.60
Enhancing the Capacity for the Implementation and Monitoring of Financial Sector Policies and Supporting Project Implementation	3.40
Unallocated amount	2.00

Organizations

Borrower:	Republic of Ghana
Implementing Agency:	Ministry of Finance

PROJECT FINANCING DATA (US$, Millions)

SUMMARY

Total Project Cost	30.00
Total Financing	30.00
of which IBRD/IDA	30.00
Financing Gap	0.00

DETAILS

World Bank Group Financing

International Development Association (IDA)	30.00
IDA Credit	30.00

IDA Resources (in US$, Millions)

	Credit Amount	Grant Amount	Total Amount
National PBA	30.00	0.00	30.00
Total	**30.00**	**0.00**	**30.00**

Expected Disbursements (in US$, Millions)

WB Fiscal Year	2019	2020	2021	2022	2023	2024
Annual	1.32	4.29	5.98	7.05	7.64	3.73
Cumulative	1.32	5.61	11.58	18.63	26.27	30.00

INSTITUTIONAL DATA

Practice Area (Lead)

Finance, Competitiveness and Innovation

Contributing Practice Areas

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	No
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	Low
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Substantial

7. Environment and Social	Low
8. Stakeholders	Low
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

Not later than 90 days after the Effectiveness Date or any other date agreed with the Association, establish and thereafter maintain throughout the implementation of the Project, a Project Steering Committee.

Sections and Description
Not later than 90 days after the Effectiveness Date or any other date agreed with the Association, establish and thereafter maintain throughout implementation of the Project, a Project Technical Committee.

Sections and Description
Prepare and furnish to the Association not later than November 30 of each Fiscal Year during the implementation of the Project, a work plan and budget containing all activities proposed to be included in the Project during the following Fiscal Year, and a proposed financing plan for expenditures required for such activities, setting forth the proposed amounts and sources of financing therefor.

Sections and Description
Carry out not later than thirty-six (36) months from Effectiveness Date a midterm review to assess the overall progress in implementation of the Program;

Sections and Description
Furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.

Sections and Description
Not later than 30 days after the Effectiveness Date or any other date agreed with the Association, assign and thereafter maintain throughout the implementation of the Project, at least one procurement assistant, financial management specialist and monitoring and evaluation specialist to assist the Project Director and Project Coordinator.

Conditions

Type	Description
Effectiveness	Article IV 4.01 of the Financing Agreement. The Additional Conditions of Effectiveness consist of the following, namely the Recipient has prepared and adopted a Project Operations Manual satisfactory to the Association.

Type	Description
Effectiveness	Article IV 4.01 of the Financing Agreement. The Additional Conditions of Effectiveness consist of the following, namely the Recipient has recruited a project coordinator and procurement specialist with skills, experience, training and under terms of reference satisfactory to the Association.

Type	Description
Disbursement	Schedule II, Section III.B of the Financing Agreement. Notwithstanding the provisions of Part A above, no withdrawal shall be made for: (b) under category (2) unless and until the Recipient has (i) obtained a license for the operation of the Credit Rating Agency (CRA) in

	accordance with the Recipient’s national legal requirements; and (ii) ensured that in those cases where the Recipient holds more than 50% of the shares in the CRA, all the Recipient’s Government appointed directors are Independent Directors.

I. STRATEGIC CONTEXT

A. Country Context

1. **After nearly two decades of robust growth, which propelled Ghana into lower middle-income country status in 2011, the economy continues to navigate through challenging evolving circumstances, primarily including the issue of fiscal credibility across political cycles.** Favorable prices for exports and high levels of domestic investments and oil-related foreign direct investments (FDI) spurred growth to an average of 6 percent between 2001 and 2010 and above 10 percent between 2011 and 2013, as oil production increased. However, recurrent policy slippages mainly across political cycles have amplified the impact of external and domestic shocks creating persistent imbalances and contributing to intermittent economic slowdowns. Weak fiscal and monetary policies in 2012-14, terms of trade shocks from sharply lower oil prices and electricity rationing slowed growth to 3.5 percent in 2016. Progress on the macroeconomic stabilization program implemented at the beginning of April 2015 was initially uneven. On the one hand, the fiscal deficit remained high at 9.3 percent of Gross Domestic Product (GDP) in 2016—well above the target of 5.2 percent— leading to additional debt accumulation from 53 percent of GDP in 2013 to 73.4 percent in 2016 with its associated increase in interest costs. On the other hand, monetary policy tightening implemented in 2015 was instrumental for price and exchange rate stabilization.

2. **The year 2017 saw the turnaround of macroeconomic performance, reinforcing the government's resolve to put the economy on a positive pedestal.** The fiscal deficit declined to 5.9 percent of GDP in 2017 from 9.3 percent of GDP in 2016, underpinned by stern fiscal consolidation efforts aimed at correcting the large slippages in 2016. This turnaround was achieved primarily through expenditure cuts (1.3 percent of GDP), which were imposed on recurrent and domestically financed capital expenditures. The Government also capped transfers to Earmarked Funds at 25 percent of tax revenues, a first step towards correcting rigidities in budget implementation and creating resources for key priority and growth enhancing programs. On the other hand, total revenue (including grants) underperformed by 0.8 percent of GDP. The steep fiscal consolidation and the prudent implementation of the government's Medium-term Debt Strategy (MTDS) yielded positive results as the debt to GDP ratio went down from 73.4 percent in 2016 to 69.2 percent in December 2017. Ghana's economy is estimated to have expanded by 8.5 percent in 2017 from 3.6 percent in 2016, driven mainly by the mining and oil sectors. Inflation continued to moderate, allowing the central bank to cut its policy rate in 2017 and this has trickled down to cost of borrowing as the T-bill rates consistently declined. The external sector improved, the cedi remained stable, and foreign reserves rose. End-2017 data show a stronger performance in export earnings from oil, gold, and cocoa, while imports were subdued. The current account deficit narrowed to 4.6 percent of GDP from 6.7 percent of GDP in 2016.

3. **However, the macroeconomic outlook is subject to both domestic and external risks.** Ghana is likely to face high financing costs in the external market as the U.S. dollar strengthens and the U.S. Federal Reserve continues to increase policy rates. Also, the country's heavy reliance on primary commodities, including cocoa, gold, and oil, and the projected weakness and possible volatility in international commodity prices create significant uncertainty about its growth, export receipts, and domestic revenue. Fiscal challenges may arise from weak domestic revenue mobilization. In addition, the substantial legacy debt of the energy state-owned enterprises (SOEs), costly energy generating capacity, and operational losses within the power sector pose substantial fiscal contingent liability risks as well as risks to the financial sector over the medium term. Delays in the resolution of the energy sector's legacy debt, is a significant risk for Ghana's economic outlook.

4. **Based on data from the Ghana Living Standards Surveys (GLSSs), Ghana has made remarkable progress in poverty reduction since 1991.** About one-quarter of Ghanaians lived below the poverty line in 2013 and 9.6 percent were in extreme poverty. This is substantially down from 52.7 percent (below the poverty line) in 1991 and 37.6 percent in extreme poverty that same year.[1] Thus, Ghana achieved the first Millennium Development Goal (MDG) of cutting its early-1990's poverty rate in half by 2015. Sustained, robust economic growth, broadly shared, has been a major factor in the reduction of poverty, but structural transformation, including the increasing shares of services and industry in the economy have also contributed. Increased productivity in agriculture has led to higher incomes in the rural economy. Improved education and skills have also contributed to better wages and hence the reduction in poverty. However, persistent spatial inequality (including in access to financial services) remains an issue as the number of poor increased in Volta, Northern and Upper West regions, even while it declined in other regions.

B. Sectoral and Institutional Context

5. **The financial sector in Ghana has grown over the past seven years, but remains bank-dominated**. Total financial sector assets grew from 48 percent of GDP in 2010 to 68 percent in 2016. Commercial banks are dominant, with assets equivalent to 47 percent of GDP in 2016, followed by the fund management sector with 9.4 percent, and the pension sector with 9.2 percent. There are now 34 universal banks after the recent acquisition of two insolvent banks by one of the largest banks in the country. A third bank was placed under official administration in April 2018**.** While private credit to GDP (22 percent in 2016) is at par with the Sub-Saharan median, it is below the level implied by Ghana's level of income (FinStats 2018).

6. **Although the banking sector appears to be sound on average, it is vulnerable to high and increasing non-performing loans (NPLs).** Average capital adequacy ratio (CAR) was at 18.2 percent in April 2018, up from 17.4 percent in April 2017, well above the above the regulatory minimum of 10 percent and Bank of Ghana's (BoG) recommended level of 13 percent. However, there is a significant heterogeneity among institutions, with some of them falling below the minimum CAR and at risk of further deterioration in capital positions as a result of increasing and high NPLs, which stood at 23.4 percent in April 2018, up from 19.8 percent a year earlier. The Asset Quality Review (AQR) completed in March 2017 identified provisioning and capital shortfalls in some banks, which were required to recapitalize or face enforcement actions by BoG. Timely implementation of bank's recapitalization plans or enforcement action by BoG is critical to the solvency of the sector. After-tax profitability has declined slightly – from 4 to 3.6 percent of assets between April 2017 and April 2018 – as a result of low credit growth (negative in real terms during 2017) and increased provisioning of NPLs.

7. **There are many formal and informal financial institutions playing a key role in financial inclusion, particularly serving the least included segments of the population.** These include Microfinance Companies (MFCs), Micro Credit Companies (MCCs), and Financial NGOs[2] – jointly classified as Microfinance Institutions (MFIs); Rural and Community Banks (RCBs); Susu Collectors; Savings and Loans Companies (S&Ls); and Finance Houses (FH) (Table 1). S&Ls, FHs, and RCBs are also categorized as Tier 1 institutions; MFCs as Tier 2; MCCs and financial non-governmental organizations (FNGOs) as Tier 3; and Individual Money Lenders and Susu Collectors as Tier 4. Together, these institutions are known as Specialized Deposit-taking Financial Institutions (SDIs). As a

[1] World Bank, Poverty Reduction in Ghana: Progress and Challenges, 2015.
[2] Financial NGOs do not take deposits; Susu Collectors collect savings from client, which they usually deposit in other depository financial institutions.

group, SDIs account for around 14 percent of banks and SDIs' assets. There are also workplace, faith, and community-based credit unions with a total of 810,104 members[3] as of June 2017. Together with mobile money, SDIs and credit unions have been the main contributors to financial inclusion since 2010. In terms of size, S&Ls and FHs are relatively large and focus on consumer lending while RCBs and credit unions –both owned and governed by local communities – tend to have broader outreach, offering savings, credit, and payment services to less included groups such as women, the poor, and rural residents. Moreover, there are informal financial services providers such as Village Savings and Loans Associations (VSLAs).

Table 1: Select Indicators of SDIs and Credit Unions (as of March 2018, unless otherwise indicated)

	# Institutions	Assets (GH¢)	Deposits (GH¢)	# Deposit Accounts	# Active Institutions
Microfinance Institutions (MFIs)	565	1,762,692,789	1,035,557,600		359
Microfinance Companies (MFCs)	484	1,526,463,875	1,022,894,336	1531715**	306
Micro Credit Companies (MCCs)	69	212,656,789	8,903,214	1099**	43
Financial NGOs (FNGOs)	12	23,572,126	3,760,050	-	10
Rural and Community Banks (RCBs)	141	3,856,324,832	3,061,877,771	7278697*	110
Susu Collectors	576				
Credit Unions*	522	1,084,012,265	5,584,325		-
Savings and Loans Companies (S&Ls)	37	6,548,633,813	4,060,704,247		36
Finance Houses	23	3,172,371,153	2,021,241,054		20

*As of December 2017; **As of June 2017

Source: BoG, Association of Rural Banks (ARB) Apex Bank, and Ghana Cooperative Credit Unions Association (CUA).

8. **All SDIs are primarily regulated and supervised by BoG**. S&Ls and FHs are under BoG's Banking Supervision Department (BSD) [4] while the remaining institutions are under the Other Financial Institutions Supervision Department (OSFID). RCBs are also under the oversight of the ARB Apex Bank, with delegated functions from BoG. The division of labor between BoG and the ARB Apex Bank is not always clear and overlaps have been reported. The ARB Apex Bank also provides central bank-like functions, including keeping RCBs' reserves. Credit unions are regulated and supervised by the Ghana Co-Operatives Credit Unions Association (CUA) on behalf of BoG. However, CUA's capacity needs to be strengthened to effectively carry out its mandate. Susu Collectors and Individual Money Lenders are supervised by Ghana Cooperative Susu Collectors Association (GCSCA) on behalf of BoG. Overall, the sheer number of deposit taking institutions operating under different types of licenses makes it difficult for BoG and supporting Apex institutions to conduct effective supervision. In addition, the delegation of supervisory responsibilities by BoG to Apex institutions is not accompanied by an allocation of resources to Apex institutions by BoG.

9. **A significant number of SDIs are not operating in a safe and sound manner and are in violation of prudential norms.** The liberal licensing of financial institutions over the years without thorough due diligence allowed lightly capitalized institutions and unfit owners to operate deposit-taking businesses, putting small savers at risk. As shown in Table 1, not all SDIs are currently active because they have either stopped reporting or have folded up. Others are financially distressed, facing liquidity and/or solvency challenges. BoG estimates that 272

[3] Only credit unions affiliated to Ghana Co-Operative Credit Unions Association (CUA).

[4] BSD also regulates and supervises Remittance Companies (2), Leasing Companies (2), and Finance and Leasing Companies (3). These are primarily non-deposit-taking institutions.

MFIs and RCBs are distressed or have folded up. This represents 39 percent of the 707 total MFIs and RCBs as well as GH₵740 million of deposits and 705,396 of depositors at risk[5]. Given that the majority of distressed MFIs and RCBs have no recoverable assets, their resolution would entail significant fiscal costs. The ongoing liquidation of DKM (an MFI closed by BoG in 2016) is exposing the broader reach of MFCs' operations and the risks that a lightly supervised sector poses to public confidence and to the overall financial inclusion agenda.[6] Moreover, a considerable number of active MFIs do not comply with minimum capital requirements.[7] In fact, as of June 2017, 12 percent of active RCBs, 45 percent of active MFCs, and 53 percent of active MCCs were not compliant with their required minimum capital.

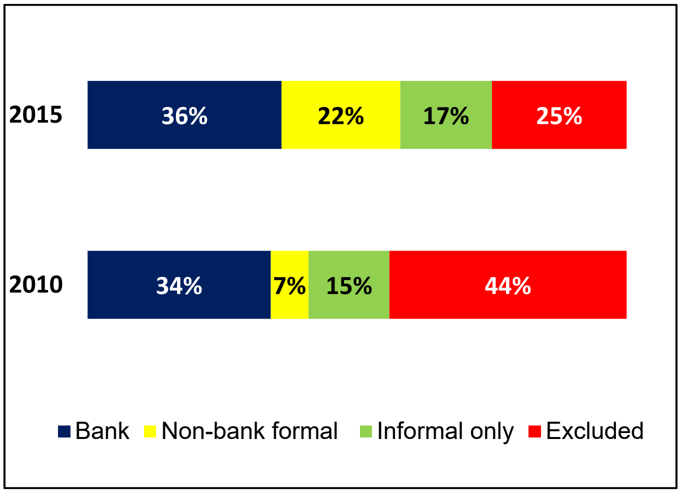
10. **Mobile phone penetration has created opportunities for the expansion of financial services and increased the role of non-financial institutions such as e-money issuers.** The total number of mobile voice subscriptions grew by 39 percent from 25.6 to 37.4 million between 2012 and 2017. In tandem, registered mobile money accounts increased 529 percent between 2012 and 2017, from 3.8 million to 23.9 million. Active mobile money accounts increased significantly from 345,434 to 11.2 million between 2012 and 2017. As a result, the volume and value of mobile money transactions skyrocketed since 2012 to 982 million and GH¢ 156 billion in 2017, respectively. MTN Ghana emerged as the main player in the mobile money space, with over 80 percent of the market share. While registered mobile money customers and usage increased in tandem with mobile phone penetration, they remain significantly below mobile phone ownership, demonstrating that there is space for mobile money to contribute even more to financial inclusion.

11. **Within the context of a growing and increasingly electronic financial sector, the percent of Ghanaians with access to formal financial services has increased regardless of stability challenges.** According to the Financial Inclusion Insights (FII) Survey (Consultative Group to Assist the Poor [CGAP] 2015), 58 percent of Ghanaians had access to formal financial services in 2015, up from 41 percent in 2010 (Figure 1, Panel A). While banks contributed 36 of the 58 percentage points in formal access, they only contributed 2 of the 17 percentage points increase between 2010 and 2015; conversely, mobile money alone accounted for 7 percentage points of the increase, and mobile money and other Non-bank Financial Institutions (NBFIs) – regulated MFIs, credit unions, insurance companies, etc. – jointly accounted for the remaining 8 percentage point increase. The percentage of Ghanaians with a registered financial account (bank, NBFI, or mobile money account) was 48 percent in 2015. More recent data (Findex 2017), shows that the percentage of Ghanaians with registered financial accounts increased to 58 percent in 2017, while the percentage with mobile money accounts increased from 13 to 39 percent between 2014 and 2017 (Figure 1, Panel B).

[5] *https://www.bog.gov.gh/privatecontent/Public_Notices/State%20of%20the%20Banking%20System.pdf*
[6] DKM failed in February 2016 and at the time was the second largest MFI in Ghana.
[7] As of June 30, 2017, the minimum capital requirements were GH₵7 million for S&Ls and Finance Houses; GH₵ 0.5 million for MFCs, MCCs, and RBCs; and GH₵0.3 million for FNGOs. The new minimum capital requirements are GH₵15 million for S&Ls and Finance Houses (effective December 31, 2018); GH₵ 2 million for MFCs and MCCs (effective June 30, 2018); GH₵1 million for RCBs (effective December 31, 2017); and GH₵0.3 million for FNGOs (unchanged). Individual Money Lenders and Susu Collectors are not subject to minimum capital requirements.

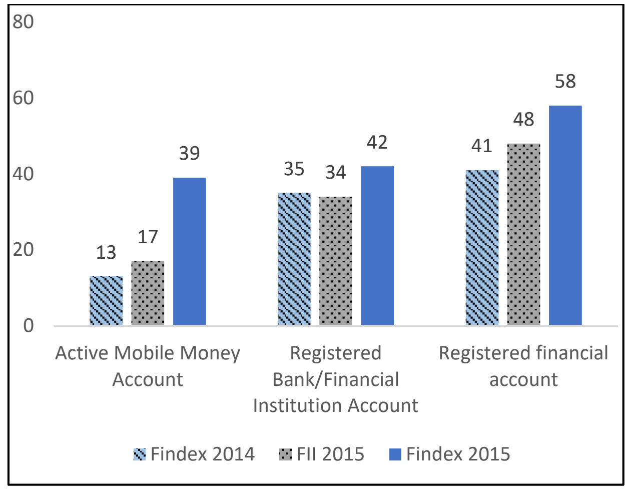
Figure 1: Access to Financial Services (in percent)

Pane A: All financial services
(FinScope access strands and definitions are used[8])



Source: CGAP, Financial Inclusion Insights (FII) Survey, 2015. National and regionally representative (N=3,002), Adults 15+

Pane B: Financial Accounts



Source: World Bank, Findex 2014 and 2017. Nationally representative (N=1000), Adults 15+

12. **Access to financial services is heterogeneous across regions and key demographics** (Annex 2). In terms of regions, Upper West, Northern, Volta, Upper East, and Brong Ahafo remain the least financially included, despite the largest gains in financial inclusion taking place in these areas. Similarly, rural residents and women have less access to banks than do their urban and male counterparts. Rural residents, women, and the poor rely more heavily on NBFIs and informal financial services than do urban residents, men, and the non-poor. In 2015, only 31 percent of women had bank accounts, compared to 43 percent of men (Figure 5 in Annex 2). Women rely more heavily on non-bank formal (26 percent) and informal financial services (20 percent), compared to only 19 percent and 12 percent of men, respectively. The 2017 Findex data confirm these gender disparities – 54 percent of women have registered financial account, compared to 62 percent of men.

13. **The Government's draft National Financial Inclusion and Development Strategy (NFIDS) 2017-2023, outlines a series of reforms to increase financial inclusion from 58 percent in 2015 to 75 percent in 2023.** The reforms are structured around five mutually reinforcing priority areas or pillars of financial sector development: (i) Financial Stability; (ii) Access, Quality, and Usage of Financial Services; (iii) Financial Infrastructure; (iv) Financial Consumer Protection; and (v) Financial Capability. In particular, the NFIDS acknowledges Ghana's financial stability

[8] "**Bank** – individuals using commercial bank products. This is not exclusive usage - these individuals could also be using financial products from other formal financial institutions or informal products; Non-bank forma/**Formal other** – individuals using financial products from formal financial institutions which are not commercial banks, such as MFIs or insurance companies. This excludes bank usage, but is not exclusive in terms of informal usage – these individuals could also be using informal products; **Informal only** – individuals using informal financial products only. This category is defined as exclusive informal usage and does not count those within the banked or formal other categories that also use informal services; **Excluded** – Individuals using no financial products to manage their financial lives – neither formal nor informal". Source: FinMark Trust, 2010. FisnScope Ghana: Top Findings.

challenges and seeks to address them as a pre-condition to promote sustainable financial inclusion and development. The increase in access to financial services is expected to create economic opportunities and contribute to poverty reduction.

C. Relevance to Higher Level Objectives

14. **The project is closely aligned with the World Bank Group's Country Partnership Strategy (CPS) for Ghana FY13 – FY16[9] (IDA/R2013-0227/2) and the 2018 Systematic Country Diagnostic (SCD), which will inform a new Country Partnership Framework (CPF) beyond the World Bank Fiscal Year 2019.** The CPS is organized around three priorities: (i) improving public institutions; (ii) fostering competitiveness and employment; and (iii) protecting the poor and vulnerable. Financial sector reform is identified as a key intervention to support Ghana's competitiveness and employment, including through financing the growth needs of Ghanaian businesses and advancing Ghana's aspiration to become a finance hub for the sub-region. Moreover, the 2018 SCD identifies limited access to finance as a constraint to private sector development. It highlights the importance of increasing access points (including through agency banking), expanding and increasing the value proposition of digital financial services, educating financial consumers, as well as strengthening deposit protection, cleaning up banking and microfinance sectors, and strengthening regulatory framework.

15. **The project is equally aligned with the Government's Coordinated Programme of Economic and Social Development Policies (2017-2024), which outlines various priorities for the financial sector.** Under the Programme, the Governments commits to "undertake financial sector reforms to deepen financial markets, promote financial inclusion, enhance the supervision and regulation of financial institutions and move the country away from cash towards an electronic payments system."

16. **The project is a key component of the World Bank Group's comprehensive portfolio supporting financial stability, financial inclusion, and private sector competitiveness in Ghana.** On financial stability, the World Bank has ongoing technical assistance (TA) on bank and MFI supervision and resolution, focusing on the development of the regulatory and resolution framework for the banking sector (particularly the implementation of the Banks and SDI Act), as well as the development of a resolution plans for SDIs. The new multisector Development Policy Operation (DPO) under discussion with the Government might include a financial sector pillar to support the implementation of the SDI resolution plan developed by BoG. On the financial inclusion and access side, the World Bank Group has supported the development of the NFIDS and is supporting reforms to expand the pension coverage to the informal sector, strengthen credit reporting and secured transactions (International Finance Corporation [IFC]), build a warehouse receipts systems (IFC), and promote digital financial services (CGAP). In addition, the planned Development Finance Project (US$150 million) might provide long-term financing to firms. Finally, on the competitiveness side, the Economic Transformation project might support improvements of the business environment, government intervention to crowd-in private investments, and firm entrepreneurship and innovation.

17. **The project fills gaps in the current World Bank portfolio, focusing on the strengthening of regulatory oversight of SDIs and promoting access to finance by individuals.** By strengthening the soundness and capacity of SDIs, credit unions, and VSLAs, this project would position these institutions to better play their intermediary role and to take advantage of the proposed Development Finance Project which might provide lines of credit to

[9] The CPS for FY13-16 was extended to FY18 through the Performance and Learning Review (PLR) (Report No. 105606-GH) completed in October 2016.

sound SDIs and other participating financial instutions. The project also complements interventions by other development partners and Government of Ghana (GoG), notably International Monetary Fund's (IMF) support to BoG on the introduction of Basel II; German government-owned development bank (KfW) support to the rolling out of deposit insurance for banks and SDIs[10]; enhancements to the financial sector infrastructure, including the development of interoperable ecosystems of digital financial products and services (led by Ghana Interbank Payment and Settlement Systems Limited (GHIPSS) and BoG); and introduction of a National ID (led by National Identification Authority).

II. PROJECT DESCRIPTION

A. Project Development Objective (PDO)

PDO Statement

18. **The objective of the project is to promote financial sector soundness and access to financial services by individuals.**

19. **The objective will be achieved by**: upgrading the regulatory framework for SDIs and credit unions and building supervisory capacity; promoting market transparency and discipline; upgrading systems used by RCBs, MFIs, and credit unions; increasing access points; linking informal groups with formal financial services providers; and educating and protecting consumers of financial services.

PDO Level Indicators

20. **Three indicators will be used to assess the project's progress towards the achievement of the PDO:** (i) percentage of reporting SDIs (MFC, MCCs, RCBs, S&Ls, and FHs) and credit unions in compliance with their respective minimum capital adequacy ratio or gearing ratio; (ii) number of deposit accounts within the RCB network (of which women); and (iii) number of customers enrolled in the ARB's e-banking platform.

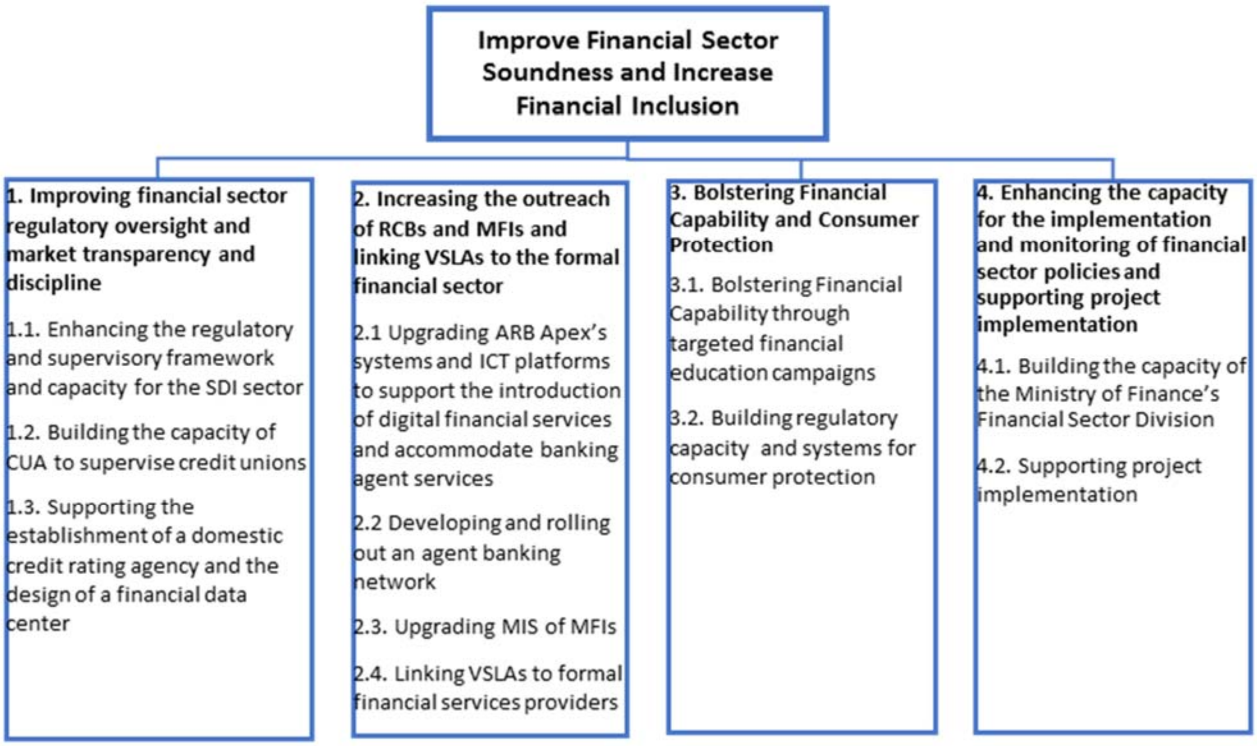
B. Project Components

21. **This is a five-year, US$30 million project aimed at supporting the implementation of Ghana's NFIDS by financing activities that will promote financial sector soundness and financial inclusion.** The project is premised on the notion that sustainable financial inclusion requires properly regulated financial services providers which are sound and do not put depositors and taxpayers at risk. The project supports institutions (mainly RCBs) with a track record in expanding financial services to underserved segments of the population, such as women, rural communities, poor, and farmers.

[10]The Deposit Protection Act (Act 931) establishes the Deposit Protection Fund (DPF) and the Deposit Protection Corporation (DPC) of Ghana. The DPC will be a pure paybox model, whereby it will only serve to pay claims to depositors. The initial capitalization of the DPF will be modest €26 million, with the MoF and BoG contributing €13 million each. MoF drew its contribution from a concessional loan from KfW, which is also providing a technical assistance grant to support the establishment of the DPC. In line with international best practices, only banks and SDIs that comply with minimum capital requirements shall be admitted to the deposit protection scheme, hence the urgency of resolving failing/failed institutions. Following the recent amendment of Act 931, BoG has until September 2019 to implement the deposit protection scheme.

22. **The project comprises four components** (Figure 2): (i) improving financial sector regulatory oversight and market transparency and discipline; (ii) increasing the outreach of RCBs and MFIs and linking VSLAs to formal financial service providers; (iii) bolstering financial capacity and consumer protection; and (iv) enhancing the capacity for financial sector policy implementation and monitoring and supporting project implementation.

Figure 2: Project Overview



Component 1: Improving Financial Sector Regulatory Oversight and Market Transparency and Discipline (US$8 million equivalent)

23. **Component 1 will support BoG and the Ministry of Finance (MoF) to improve the oversight of SDIs and promote market transparency and discipline.** Interventions include the enhancement of the regulatory and supervisory framework for SDIs and credit unions to limit the recurrence of financial distress, while increasing consumers' trust in SDIs and supporting broader financial inclusion. It also supports the establishment of a robust regulatory framework for credit unions to ensure their effective licensing and supervision. Moreover, the component supports the establishment of a domestic CRA to facilitate independent ratings of banks, SDIs, and insurance companies as a way to increase market transparency and discipline and supplement supervisory oversight while contributing to the development of the capital market.

Sub-component 1.1: Enhancing the Regulatory and Supervisory Framework and Capacity for SDIs (US$1.5 million)

24. **Effectively regulated and supervised SDIs are critical for financial stability and financial inclusion in**

Ghana, particularly among the less included segments of the population. Complex and fragmented regulatory framework, coupled with lax licensing practices resulted in large and lightly supervised SDI sector, with various institutions engaged in regulatory arbitrage. In turn, this has contributed to the current distress, which has diverted BoG's valuable resources away from the supervision of healthy institutions. As noted, 272 (or 39 percent) of the 707 total MFIs and RCBs are distressed, putting at risk GH¢740 million in deposits and 705,396 depositors.

25. **The Government – through BoG – has developed a resolution and recovery plan for MFIs and RCBs and is developing a similar plan for S&Ls and FHs.** The MFI and RCB's plan responds to the sector's ongoing liquidity and solvency challenges – which threaten depositors' savings, create potential fiscal costs, and undermine public confidence in the financial sector as well as Government's efforts to promote financial inclusion. The plan envisages two main interventions: (i) the liquidation of insolvent institutions and possible compensation of depositors by the Government; and (ii) the strengthening of the oversight and performance of the sector to limit the likelihood of financial distress in the future. The DPO series might support the implementation of the policy reforms outlined in the plan, complementing the TA under this sub-component.

26. **The recovery and resolution plan envisages the following options to improve the oversight and performance of MFIs and RCBs:** (i) the overhaul of the supervisory framework (e.g., tightening of prudential requirements, review of permissible activities, etc.); (ii) enforcement of prudential standards; (iii) promotion of mergers and acquisitions; (iv) establishment of a specialized unit for recovery and resolution of problem SDIs; among others. These actions will complement ongoing reforms and TA, particularly BoG's recent decision to suspend the licensing of new MFIs; hire additional examiners; introduce (with support from German Development Agency [GIZ]) an Offsite Surveillance Electronic System (OSSES), new business rules, and a new risk-based supervision manual; as well as build staff capacity on the use of computer assisted examination techniques for the assessment of credit and operational risks (with support from Financial Sector Reform and Strengthening Initiative (FIRST) Initiative and the World Bank).

27. **Building on the above reforms, this sub-component will support efforts by BoG's BSD and OFISD to improve the oversight and performance of SDIs, focusing on the overhaul to the regulatory and supervisory framework and capacity.** More specifically, it will finance the following:

(i) Short-term TA for the review and overhaul of the regulatory framework (e.g., development of new directives, manuals, guidelines, etc) for SDIs to promote consolidation and reduce regulatory arbitrage;
(ii) Short-term TA for the review of the institutional architecture for credit union, MFI, and RCBs prudential supervision (e.g., role of BoG and Apex Institutions and resource allocation);
(iii) Study visits by OFISD staff to jurisdictions where MFI regulation and supervision is developed and streamlined;
(iv) Capacity building of BSD and OFISD's bank and SDI resolution staff;
(v) Training of the staff of the recently established Credit Union Unit within OFISD to better monitor CUA-delegated supervisory activities;
(vi) Capacity building (training, exposure visits, stakeholder consultations, etc.) of the Ghana Microfinance Institutions Network (GHAMFIN) and its member associations to ensure their active participation in the review of the SDIs regulatory framework and dissemination of the new framework.

Sub-component 1.2: Building the Capacity of CUA to Supervise Credit Unions (US$3.5 million)

28. **The credit union sector in Ghana has been expanding without effective regulation and supervision**. As of June 2017, the sector comprised 522 institutions affiliated to CUA, with combined GH¢ 866 million in assets, GH¢ 713 million in member savings and shares, and 810,104 members (44 percent women, 49 percent male, and 7 percent groups). These credit unions were managed by a total of 3,101 staff (1,445 female and 1,656 male), including 2,571 in management positions (of which 705 or 27 percent were female managers and 1,886 or 73 percent male). The Credit Union Legislative Instrument (LI 2225) was passed in 2015, giving CUA the powers to supervise credit unions on behalf of BoG. It is important to mention that CUA has powers to supervise all credit unions in Ghana, including those that are not its members. The LI also established the Co-operative Credit Unions Supervisory Agency[11] to oversee CUA and take all relevant decisions, including issuance of policies and guidelines, monitoring of the financial condition of credit unions, etc.

29. **The implementation of the new regulatory framework is underway, but key challenges need to be urgently addressed.** The Supervisory Agency has been established and BoG issued in March 2017 licensing requirements and operating guidelines for credit unions. Ninety (90) credit unions submitted applications for licenses and are being vetted by CUA with support from BOG's Credit Union team. CUA has also established a Supervision Division which will operate outside CUA's main office (albeit inadequately staffed). The Division has four staff reporting to the Chief Executive Officer (CEO) of CUA, but direct reporting to the Supervisory Agency is foreseen in the future. It is imperative to enforce the new licensing requirements and operating guidelines to contribute to the consolidation of the sector and limit the number of credit unions to be brought under the prudential supervision of CUA. Key challenges include limited data submission by credit unions to CUA (only 120 credit unions submit monthly financial reports regularly and around 270 credit unions do not report at all); limited technical capacity (skills, manuals, processes, and procedures) of the Supervision Division; lack of a reliable offsite surveillance application that could allow credit unions to submit prudential returns electronically; outdated shared Management Information Systems (MIS) (CUSoft)[12] which hampers the efficiency of credit unions' operations and the introduction of new services. Currently, 254 credit unions manage their operations manually, making submission of data to CUA difficult and the onsite examinations by CUA lengthy.

30. **This sub-component will build the capacity of CUA's Supervision Division to ensure that it effectively delivers on in its mandate of supervising credit unions, contributing to their soundness.** The sub-component will finance the following:

(i) Long-term TA through provision of a resident advisor for the: (a) development of a supervisory framework, including offsite and onsite supervision methodologies (e.g., risk-based approach), processes and procedures, and manuals; and (b) development of a roadmap/strategic plan for the implementation of the supervisory framework, considering potential changes needed in CUA's Supervision Division's internal structure (e.g. separate licensing and supervision functions);
(ii) Staff capacity building through on-the-job and class-room training;
(iii) Cost of office equipment, basic IT infrastructure, and a vehicle to facilitate onsite monitoring activities;
(iv) Acquisition of a shared core MIS and supervision application;
(v) Cost of dissemination of the regulatory framework and training of credit unions to ensure their compliance with the new regulatory framework;

[11] The Agency comprises an executive chairperson nominated by BoG, two representatives from BoG, and one representative from each of the following institutions: Ministry of Finance, CUA, Department of Co-operatives, and GHAMFIN.
[12] CUSoft is used by 139 credit unions.

(vi) TA for the upgrade of management capacity of credit unions through training/professional development (targeting female managers and credit unions in remote areas) in collaboration with reputable international credit union associations[13].

Sub-component 1.3: Supporting the Establishment of a Domestic CRA and the Design of a Financial Data Center (US$3.0 million)

31. **Credit ratings – which in some countries are mandatory for banks and other financial institutions – could contribute to financial stability by acting as a monitor of transparent and relative risk-ranking and default prospects**. In a country like Ghana, where public disclosure of information is limited, objective and thorough credit rating has the potential to reduce information asymmetry between market participants, including borrowers, lenders, and regulators. Indeed, financial sector regulators look at ratings to supplement their own risk assessments and to regulate various financial aspects – e.g., capital requirements for banks[14], eligible assets for investment by institutional investors and collective investment schemes; etc. Credit rating Agencies (CRAs) can also play a role in the training and capacity building of financial institutions on credit-risk assessments, especially in Ghana where a majority of banks do not have such expertise. Nonetheless, in the absence of high standards of quality and transparency in the rating process –overreliance on ratings (as demonstrated in the years leading up to the global financial crisis) can also make markets less transparent and contribute to financial instability[15].

32. **The establishment of domestic CRA in Ghana, in addition to promoting transparency and market discipline and contributing to financial stability, can have other far-reaching benefits in the longer term.** There has been precedence in Malaysia, Thailand, and India where the establishment of domestic CRAs played a catalytic role in the development of the corporate bond market, which not only acts as a "spare tire" to the financial sector and reduces corporates' over-reliance on the banking sector, but also improves access to long-term funding for both corporations and financial institutions. The recent changes in Ghana's pension funds' investment guidelines, allowing pension funds to invest a maximum of 35 percent of their total assets in rated corporate bonds, increases the value proposition of credit rating in facilitating the channeling of long term savings into long term financing. In fact, a study conducted by the World Bank on the establishment of the CRA in Ghana (Annex 3) concluded that, despite a small corporate debt base in Ghana, there are large and profitable companies that could tap the debt market if conditions are favorable[16]. In addition – with the higher minimum capital requirements set by BoG[17] and the expected introduction of Basel II for banks – banks and SDIs could possibly access this avenue of funding to meet the new requirements.

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[13] This will replicate a successful partnership between CUA and the Canadian Co-Operative Association, which ran for about 17 years and trained more than 30 female managers. All trained managers remain within the credit union network.

[14] The Bank for International Settlement (BIS) report of 2000 lists several countries in which ratings are used as reference to regulate bank activities. For instance, in Argentina all banks and financial institutions must obtain a rating from a recognized agency; in Hong Kong SAR, China, ratings are used to determine what a liquid asset is in the liquidity regime[14]; in New Zealand, all locally registered banks are required to maintain a rating on their senior unsecured loans; and in India, under the Basel II regime, banks are allowed to use external ratings— those provided by approved rating agencies— for the determination of risk weights for their credit exposures.

[15] The current Basel regime and framework and Dodd- Frank Act is removing over-reliance on external credit rating in banks' risk-weights and capital charges.

[16] Favorable conditions include well-functioning government bond market and established yield curve, stable inflation and interest rate environment etc.

[17] BoG raised in September 2017 the minimum capital to operate a universal bank in Ghana from GH₵ 120 million to GH₵ 400 million. Banks have until December 2018 to comply.

33. **The MoF intends to establish a domestic CRA to promote market transparency and discipline.** At initial stage, the MoF, other qualified government entities, and the private sector will establish and promote the CRA[18]. After the CRA is well-established and its sustainability proven, the MoF and the other government entities would be expected to exit and allow the private sector to fully own and operate the CRA. The intention is for the CRA to initially focus its rating on banks and insurance companies, before scaling up to other institutions (including SDIs and small and medium enterprises [SMEs]) and instruments. To ensure the viability of the CRA, the Government intends to issue a policy directive making ratings temporarily compulsory for all banks and insurance companies, as well as for all issuers of bonds in the domestic market. The latter is intended to provide the market with a better understanding of risk and risk-based pricing.

34. **This sub-component will support the establishment and implementation of a domestic CRA in Ghana, focusing on critical interventions identified by the CRA study, particularly the need to build local expertise and market awareness and improve data availability.** Thus, this sub-component will finance the following:

- (i) TA for the establishment of the CRA (detailed assessments, business plans, system requirements, etc.);
- (ii) TA and capacity building for the implementation of the CRA (including development of internal process and manuals, rating methodologies, and staff training) from a reputable and well-functioning regional or global CRA strategic partner;
- (iii) Cost of office equipment and basic IT infrastructure;
- (iv) Industry sensitization – e.g., corporate bond workshop, potentially with regulators from other markets who have CRAs as well as few regional/international rating agencies to garner interest from them as potential shareholders in the domestic CRA, as well as large institutional investors who come from countries who have a significant presence of a domestic CRAs;

35. **To be successful, the CRA will have to conform to international best practice, including on governance and regulatory standards.** To earn market trust and ensure its long-term viability, the CRA should operate in an objective and independent manner, avoiding any perception of conflict of interest. Therefore, the CRA must fulfil the following requirements: (i) be duly licensed by the Securities and Exchange Commission (SEC) as legally required in Ghana[19]; and (ii), if the Government (including Ministries, Departments, and Agencies [MDAs], SOEs, and financial sector regulators) is the majority owner of the CRA, all Government-appointed directors must be independent. These two requirements will apply as disbursement conditions, meaning that they will have to be met before any CRA-related activities (with the exception of activity (i) above included in the PPA) can be financed under the project.

36. **The MoF also plans to establish a financial data center which could further enhance market transparency and improve the functioning of the CRA.** That data center would collect and house financial statements and other information of financial corporates (including banks and SDIs) and non-financial corporates (including SMEs). The rationale for improving the availability and access to financial data in Ghana is evident, given the limited public disclosure of information. The data center would benefit various users, including regulators, financial market operators, market analysts, and the general public. In addition, it could give the CRA access to valuable data for its ratings, particularly if the CRA introduces SME ratings in the future.

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[18] The Ministry of Finance and private and public entities (the shareholders) will establish a company that will apply to the Securities Exchange Commission for a license to operate a credit rating business. The shareholders will have to make capital contributions necessary to meet the minimum capital requirements and sustain the operations of the CRA.

[19] The SEC is developing CRA Guidelines with technical support from the World Bank.

37. **Although there is a broader rationale for the establishment of the data center, there are also key design questions that need to be answered to ensure that it is comprehensive and capable of filling market gaps and responding to the needs of target users**. The overarching objective of establishing such infrastructure should be further articulated, its scope (e.g., type of information to be collected and stored) defined, and a sustainable business model proposed. This requires the identification of entities currently involved in data collection (e.g., Registrar General and regulators), available data, current data gaps, potential users of the data, measures to enforce data reporting and quality of data, among others.

38. **This sub-component will also finance TA for design of a financial data center**, including the definition of its objective and mandate, ownership structure, implementation arrangements, business model and sustainability, IT architecture and functionality.

Component 2: Increasing the Outreach of RCBs and MFIs and Linking VSLAs to the Formal Financial Sector (US$13.0 million equivalent)

39. **The objective of this component is to increase the outreach of RCBs and MFIs and integrate VSLAS into the formal financial sector by:** (i) modernizing the MIS used by RCBs and MFIs to manage their business operations and to report to regulators; (ii) upgrading the e-banking platform of the ARB Apex Bank and developing and rolling out a shared network of bank agents to expand the existing branch network of RCBs; (iii) and building the capacity of select VSLAs in support of their outreach and integration into the broader financial sector. The institutions targeted by this component (particularly RCBs and VSLAs) are among the main providers of financial services to the less included segments of the population and have proved their effectiveness in driving financial inclusion in Ghana.

Sub-component 2.1: Upgrading ARB Apex's Systems and Information and Communication Technology (ICT) Platforms to Support the Introduction of Digital Financial Services and Accommodate Banking Agent Services (US$5.0 million)

40. **The ARB Apex plays a critical role in supporting access to financial services in rural areas of Ghana.** As of May 2018, there were 7.2 million deposit accounts and approximately 430,000 borrowers within the RCB network, making RCBs the main providers of formal financial services in rural areas. RCBs offer saving and credit products, money transfers, payment services, etc. Originally created as an Association of RCBs, the ARB Apex Bank[20] was established in 2001 with support from the World Bank and other development partners. Its core mandate is to improve the delivery of services to RCBs and complement the supervisory role of BoG. The Apex has 11 branches throughout the country. It currently offers multiple services to its members, including the provision of ICT services, cash management, custody of members' primary reserves, domestic and international money transfers, check clearing, and capacity building.

41. **The ARB Apex Bank has been instrumental in improving the performance of the RCB sector, but it faces some challenges, particularly related to technology.** Currently, the ARB Apex Bank uses T24, a core banking system provided by Temenos. Through the use of a 'multi-tenancy' system, the ARB saves costs for the network

[20] While the ARB Apex Bank is a limited liability company owned by RCBs, it has been operating as a development institution promoting access to financial services in rural areas and supporting BoG in the oversight of the RCB sector. It is regulated by the ARB Apex Bank Ltd. Regulations, 2006 (L.I.1825). BoG and the Ministry of Finance are represented in the Board of the ARB Apex Bank.

by housing under one cloud a core banking system for its 141 individual members. Although cost efficient, RCBs are not satisfied with the current system[21] because it limits opportunities for differentiation (e.g., customization of products) and restraints their integration with the growing digital ecosystem being established in Ghana. In 2012, ARB Apex Bank acquired a branchless banking platform (also provided by Temenos), U-Connect, powered by a system called ARC mobile. As with the core banking system, RCBs are less than encouraged by the current version of U-Connect, arguing that it falls well behind market standards for e-banking services, limiting their ability to truly serve customers in a manner that best meets their needs. Specific problem areas include poor user experience and poor security protocols. A number of software companies, local and international, have offered a range of alternative software solutions for ARB Apex Bank's review.

42. **This sub-component will enhance the capacity of RCBs to provide fit for purpose products and services to customers by upgrading their core banking system and e-banking software.** It will finance:

(i) Acquisition of an upgraded version of the T24 core banking system to allow ARB to seamlessly integrate banking agents and other digital channels. The upgrade will also enhance system performance to accommodate an increasing number of accounts and transactions that will come from each RCB with the use of the additional digital channels;
(ii) Acquisition of ICT systems (servers, storage, firewalls, etc.) and functionality (business intelligence applications) to increase ARB Apex Bank's ICT infrastructure capacity and accommodate the needs of its RCBs clientele;
(iii) Acquisition of an upgraded version of ARB Apex Bank's current e-banking platform (including advisory services for the production of requirements and documentation to share with potential solution providers as well as the final selection of a suitable platform) to meet industry and market standards, better serve customer needs, and ensure the necessary interface to digitized payment infrastructure;
(iv) Capacity building of ARB Apex Bank's IT staff and training of RCBs on the requirements and potential of the new systems.

43. **The new ICT systems (servers, storages, firewalls, etc) are expected to be modern and energy-efficient compared to the currently in use at ARB Apex Bank**. Thus, they are expected to generate savings in energy consumption and contribute to ARB Apex Bank's operational efficiency.

Sub-component 2.2. Developing and Rolling Out an Agent Banking Network Managed by the ARB Apex Bank (US$3.0 million)

44. **Financial Inclusion levels in rural areas of Ghana continue to be some of the lowest across the country.** The RCB network has relatively good outreach through its 769 locations; however, there are regions that continue to be underserved by the RCB network, which also have low levels of financial inclusion – Upper West, Northern, Volta, Upper East, and Brong Ahafo. Increasing access points in these regions[22] has the potential to improve consumers' access to formal financial services.

45. **Developing an agent network as an additional service provided by the ARB Apex bank to RCBs will be a cost-effective way of expanding RCB's footprint and reach in rural areas of Ghana.** Indeed, high costs of setting up brick and mortar branches and lower levels of economic activity in some rural areas of Ghana have eroded the business case for improving financial access to communities in these regions. According to ARB Apex Bank, to set

[21] Dissatisfaction with the current service provided by the ARB Apex Bank has contributed to exit of five RCBs from the network.
[22] Indeed, 13.6 percent of the unbanked in Ghana reported lack of physical access as the main supply side barrier (FinScope 2010).

up one branch location can cost between GH¢ 300,000-600,000, with an additional GH¢ 10,000 –30,000 per month in operational costs. On the contrary, the cost of starting an agent outlet is estimated at GH¢ 10,000. In addition, given their physical and cultural proximity to financially underserved communities in rural areas, agents are better suited than traditional bank branches to drive financial inclusion in rural Ghana. A study conducted in Senegal by the World Bank[23], shows that, compared to branches, agent banking lowers transaction costs and encourages individuals to visit the agents often and to save more. However, banking with agents also entails less privacy.

46. **The ARB Apex Bank is well positioned to develop and manage an agent network that can be leveraged by the RCBs to improve access to and usage of their financial services.** Results of the Mapping of MFIs in Ghana completed by the MoF in 2015, show that RCBs have the highest number of outlets in the least financially included regions. Leveraging its members' 769 branches, the ARB Apex Bank will add the provision of agent banking services to its mandate and will create additional 5,000 agents to supplement the existing branch network. The network of agents would be accessible to all RCBs. As a service provider to RCBs, the ARB Apex will act as an agent network manager, facilitating interoperability as well as the expanded reach of the network.

47. **The ARB has already developed a business case for the agent banking project**. As part of its network development strategy, the ARB will initially target large distribution chains across Ghana, including supermarkets and petrol stations. Critical to the establishment of the network will be the identification and development of partnerships with existing mobile money agents who have a good understanding of agent banking. Moreover, the ARB will leverage existing rural banking products, improve liquidity management across the network, and utilize the agent network to support VSLA deposit mobilisation, susu collection, and domestic money transfer services.

48. **The sub-component will support the development and rollout of an agent banking network managed by the ARB Apex Bank.** It will finance the following activities:

(i) Advisory services for the design of an agent banking business model, identification of a suitable back-end ICT system for delivering services via agents, and mapping of potential agent locations throughout the country;
(ii) Acquisition of a back-end ICT system (including software license; hardware, logistics, communications; and POS) and associated TA for implementation and branding;
(iii) TA through an agent banking consultant for the implementation of the agent network and building the capacity of ARB Apex staff on agent network development and management; development of effective internal controls, policies and documentation (including training manuals) for maintaining the agent network;
(iv) Branding, advertisement, sensitization of key stakeholders and RCBs, and education of consumers.

Sub-component 2:3: Upgrading MIS of MFIs (US$1.0 million)

49. **MFIs affiliated with GHAMFIN use a common cloud based micro-banking application.** The application is provided by a local fintech company and supports transactional and back office operations, tracking of field officers, real time monitoring of cash/savings collections, and loan portfolio tracking. In addition, the application has built-in prudential returns, allowing MFIs to download and submit online their returns to BoG. Currently, the application is used by 136 MFCs, 65 MCCs, and 21 Susu Collectors. Data provided by Ghana Association of

[23] Buri, Sinja; Cull, Robert J.; Gine, Xavier; Harten, Sven; Heitmann, Soren. 2018. *Banking with agents: experimental evidence from Senegal (English)*. Policy Research working paper; no. WPS 8417; Impact Evaluation series. Washington, D.C.: World Bank Group. *http://documents.worldbank.org/curated/en/470981524164012687/Banking-with-agents-experimental-evidence-from-Senegal*

Microfinance Companies (GAMC) shows that the application is largely used by smaller institutions (mainly among microfinance companies). Large MFIs prefer to acquire more sophisticated and reliable applications. While the application meets the basic needs of small MFIs and it is relatively affordable, it requires some upgrades to fully automate all management and regulatory reports; improve loan, accounting, and savings modules; and enhance user interface and security. Moreover, in anticipation of the possible broadening of permissible activities for MFIs, additional applications would be needed – switch for Automated Teller Machine (ATM) and mobile money integration, development of mobile apps, and internet banking platforms. The implementation of this sub-component will start after substantial progress has been made in the implementation of Sub-component 1.1.

50. **This sub-component will support GHAMFIN improve the MIS used by MFIs**. It will finance the following interventions:

(i) Upgrade of MFI's shared MIS and development of additional applications to support new services and reporting to BoG;
(ii) Training of MFIs on the switching to and use of the upgraded MIS;
(iii) Outreach initiatives by GHAMFIN to support the implementation of the upgrade MIS.

Sub-component 2.4. Linking VSLAs to Formal Financial Services Providers (US$4.0 million)

51. **According to the Financial Inclusion Insights survey (CGAP 2015), 29 percent of adult Ghanaians used informal financial services and products which are not regulated by the Government.** Village Savings and Loan Associations (VSLAs) are one important type of informal institutions. They are typically groups of around 30 members and often take the form of rotating savings and credit associations, in which members make deposits into a group fund and take turns borrowing funds for investment purposes or household needs. Regular meetings are critical in developing trust among members. The meetings also allow members to hold each other responsible for saving, repaying loans, and keeping the funds safe. The meetings are governed by strict rules. For instance, frequent absence can result in dismissal from the group and not knowing the group savings level can result in a fine. Informal groups play such an important part of individuals' financial lives that many individuals who have access to formal financial services are also members of these informal groups. While VSLAs are present in both urban and rural areas, their role is more important in remote areas which tend to lack access to alternative financial institutions and services.

52. **In Ghana, savings groups (including VSLAs) have a large member base with a substantial amount of savings and outstanding loans.** According to Savings Groups' Information Exchange, there are 10,832 savings groups in Ghana, comprised of 282,001 members (an average of 26 members per group).[24] Of these members, women are the largest participants, comprising 76.4 percent or approximately 214,320 members. These groups have approximately US$13 million in savings and US$8.7 million in outstanding loans. The dropout rate among members is 2.9 percent.

53. **VSLAs face challenges, which if addressed, could increase their contribution to financial inclusion and the empowerment of local communities.** For example, the absence of training on record keeping, financial planning, and internal governance inhibits members' confidence on VSLAs and limit opportunities to establish partnerships with formal financial services providers. Additionally, groups often store their savings in a savings box with three locks. The box is held by a group member and the key by three different key holders. While this

[24] The data captures only 49 projects, mainly facilitated or implemented by CARE, Plan International, and World Vision. Therefore, the actual number and reach of savings groups in Ghana is much higher.

may help keep group funds safe from theft within the group, there is still a risk that the box might be stolen from non-group members. Keeping funds in a box also does not enable members to enjoy the benefits of being a member of a formal financial institution.

54. **Linking VSLAs to formal financial institutions has the potential to increase formal financial inclusion.** As demonstrated through previous initiatives in Ghana (Annex 4), linkages provide VSLAs members with the opportunity to open group and individual accounts, allowing them to safely store their money and generate transaction histories needed to access other types of financial services such as credit. Linkages also give VSLAs members access to e-wallets and the opportunity to transact more conveniently. However, linkages can also expose VSLAs members to abusive and predatory practices by some financial services providers. The envisaged financial education of VSLAs members and sensitization of formal financial services providers will help mitigate the risk of abuse.

55. **This sub-component will promote private sector-led initiatives to link VSLAS to formal financial services providers.** It will support the establishment of a limited number of new VSLAs in the least financially included regions and their linking to the formal financial service providers as well as the linking of existing VSLAs. The overall focus will be on promoting linkages, targeting the least financially included regions of Ghana, women (who form the majority of VSLAs' members), and the poor. The aim is not to transition VSLAs to become formal financial services providers, but to give them the opportunity to interact with the formal financial sector so they can reap the benefits listed above. Targeting will be improved using the results of the geospatial mapping of financial service access points (Component 4) and information about the location and profile of poor individuals receiving social transfers under the World Bank Second Ghana Social Opportunities – Productive Safety Nets Project (P164603)[25]. The linkages initiatives will benefit from the expected expansion of access points due to ARB Apex Bank's agent banking initiative. Qualified services providers – financial institutions, fintech companies, mobile money providers, NGOs, etc. – will be invited to submit individual or joint proposals to link 60,000 VSLA members (approximately 2,000 VSLAs) to formal financial services providers.

56. **Two services providers will be selected to provide the following services:**

(i) Establishment of new VSLAs and identification of existing ones for their incorporation into the linkage initiatives;
(ii) Training of VSLAs on internal governance, recordkeeping, and budgeting; financial education (e.g., on saving and responsible borrowing) as detailed in the Sub-component 3.1; sensitization of formal financial services providers on linkages; among others;
(iii) Development of relationships with formal financial services providers and facilitation of the implementation of linkages (e.g., organizing VSLAs to be signed up for group accounts or mobile wallets, supporting the development/tailoring of financial products, etc);
(iv) Sub-contracting of local service providers and training of trainers to help implement linkage activities;
(v) M&E framework to monitor progress and achievements of the linkage program.

57. **The Financial Sector Division (FSD) and GHAMFIN will lead the implementation of this sub-component, with technical support from a VSLA/linkage consultant.** In addition, a Technical Committee including representatives from the MoF, GHAMFIN, donors, and private sector players with VSLAs experience will be

[25] The Second Ghana Social Opportunities - Productive Safety Nets Project aims to support the Government in consolidating Ghana's safety net system and in increasing access to productive opportunities for extremely poor households, graduating these households from poverty to an estimated 120 districts.

established to advise on the development of the RFPs and selection of the service providers.

Component 3: Bolstering Financial Capability and Consumer Protection (US$3.6 million equivalent)

58. **The objective of this component is to bolster financial capability and consumer protection and contribute to both financial stability and inclusion.** It supports the design of targeted financial education campaigns and the upgrade of regulatory capacity and systems for consumer protection.

Sub-component 3.1. Bolstering Financial Capability through Targeted Financial Education Campaigns (US$1.7 million)

59. **Financial capability[26] has emerged as a priority area for financial inclusion[27], being one of the key pillars of the NFIDS.** Financial capability is also a key driver for responsible financial inclusion[28] because it is fundamental to increasing trust in and use of formal financial services and ensuring that consumers have access to products they understand and they can use responsibly.

60. **There are many formal and informal financial institutions playing a role in financial inclusion in Ghana, and issues arise from the relationship between providers and their consumers, not only related to the usage of financial services, which consumers may not understand, but also to the low level of financial capability in general.** For example, either consumers do not understand how formal financial products and services work and as a result prefer informal credit and savings mechanisms, or, while they use formal services, they do not understand the services' features and associated risks. In Ghana, many consumers have been falling into predatory practices as they seek high investment returns offered by MFIs; others have been using digital credit products without fully understanding their rights and obligations as consumers. Moreover, given this project's push for digitalization (including the digitalization of VSLAs) and expansion of agent network, it is important that consumers understand how digital financial products and agent banking work and the benefits and risks associated with them. Hence, financial education activities are embedded in sub-components 2.2 and 2.4., leveraging the structure of the VSLAs and potentially the ARB Apex Bank and its agent network to educate consumers.

61. **This sub-component will finance the design and implementation of targeted financial education campaigns to complement and support project's interventions as well as address key issues that consumers have been facing in Ghana**. It will enable access and usage, balancing benefits and risks, in a responsible and sustainable way. In line with international good practices and evidence from studies conducted on the impact on financial education campaigns[29], the campaigns will use a variety of traditional and innovative delivery platforms to deliver the messages, such as mass media (including social media), face-to-face, mobile-based platforms,

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[26] Financial Capability is generally defined as the capacity to act in one's best financial interest, given socioeconomic and environmental conditions. It encompasses knowledge (literacy), attitudes, skills and behavior of consumers with respect to managing their resources, understanding, selecting, and using financial services that fit their needs.

[27] See various guidance documents including: Committee on Payments and Market Infrastructures -World Bank (CPMI-WB), *Payments Aspects of Financial Inclusion;* WB, *Good Practices for Financial Consumer Protection 2017 Edition;* G20, *Highly Level Principles for Financial Consumer Protection,* G20, *High Level Principles on Digital Financial Inclusion;* and several publications available at *http://responsiblefinance.worldbank.org/*

[28] See generally: CPMI-WB, *Payments Aspects of Financial Inclusion.*

[29] In Ghana, the monitoring and evaluation research of Microinsurance Awareness Pilot Campaign supported by GIZ suggests that the campaign was successful in increasing insurance awareness and that campaigns ought to have run more consistently and for a longer period of time in order to have a greater impact; in the Philippines, it was found that reminders received by consumers from their banks increased the likelihood of clients reaching a savings goal and increased the total amount saved.

teachable moments, or use of tablet applications, customized to the needs of identified target groups (e.g. rural or urban population, women, youth). In order to support interventions in other components of the project, the campaigns will target VSLA members (including recipients of social transfers under the Productive Safety Nets Project, customers of bank agents, and clients of SDIs.

62. **The design and rollout of each financial education campaigns will be preceded by detailed assessments and pilots.** Each assessment will collect data to inform the identification of target consumers, their needs and levels of literacy, current information gaps, and the most suitable delivery platforms. The assessment may include undertaking focus groups of consumers and collecting lessons learned by other financial education providers. In addition, the assessments will inform the customization of education programs to the needs of certain groups (women, youth, and rural residents), particularly recognizing that their learning preferences may differ from those of the general population. After the completion of the assessment and the design of the content of the campaigns, pilots will be conducted to help refine and finalize the content and ensure that the campaigns are relevant and their objectives can be achieved. Moreover, when feasible, the pilots will test the assessment of impact on consumers.

63. **A monitoring and evaluation (M&E) system will be put in place to monitor the reach and impact of the proposed campaigns and build relevant data infrastructure.** This will include the design and development of an operational toolkit and M&E framework to be used by the dedicated staff within the MoF to collect, standardize, analyze and report information from a range of different financial education programs, to appropriately measure financial literacy progress. A Financial Education Multi-Stakeholder Committee – drawing on the governance structure of the NFIDS – should be established to coordinate and oversee the design and implementation of the proposed financial education campaigns. Additionally, each financial education campaign will include its own M&E system to track progress and evaluate results.

64. **This sub-component will finance the development and delivery of the following financial education campaigns:**

(i) ***Campaigns delivered through traditional platforms:*** These campaigns will aim at raising awareness among consumers and potential consumers about deposit-taking MFIs and agent networks. The campaigns will focus on the benefits and risks related to MFIs and agent networks (sub-components 1.1. and 2.2), with messages related to high interest rates and returns on investments, risks and benefits of using agents, basic financial concepts (e.g. over-indebtedness, budget management, savings), as well as messages raising awareness and knowledge of digital delivery mechanisms (such as ATMs, using e-money, agents, and use of PIN). These activities will use more traditional, but diversified delivery platforms (e.g., national and local/community radios, face-to-face, teachable moments), according to the target population and based on experiences that have proved to be successful in Ghana and in other countries in the region.

(ii) ***Campaigns delivered through innovative platforms:*** These campaigns will deliver similar messages delivered through traditional platforms, but using innovative delivery platforms, and in some cases incorporating behavioral insights. Activities may include: (i) interactive short message service (SMS)/WhatsApp messaging, using machine learning algorithm to target consumers that have recently begun using financial services, and/or consumers that have been keeping their transaction accounts dormant or inactive; (ii) interactive pre-recorded phone line, which consumers can access, acknowledged by interactive SMS (in the format of text and vocal messages), to learn about basic concepts of financial products and services, their rights, and data protection and privacy related issues; and (iii) usage of tablet applications and smart phone platforms to deliver messages on savings, expenses, debt, digital financial services, including testimonial videos.

Sub-component 3.2. Building Regulatory Capacity and Systems for Consumer Protection (US$1.9 million)

65. **Financial consumer protection is fundamental to ensuring responsible and viable financial inclusion.** This is because, while increased access can result in significant economic and societal benefits, it can be harmful if consumers are not able to: (i) exercise their rights; (ii) select the financial products that suit them best; and (iii) be protected from mis-selling, fraud, and other market abuses. In addition, the need for an effective consumer protection framework is urgent given the ongoing innovation in Ghana. In fact, while the rapid innovation (e.g., emergence of new financial service providers such as e-money issuers, new financial products such as mobile insurance, and the use of Big Data analytics) can help fulfill important financial inclusion objectives, it also brings risks to consumers, particularly those with low levels of financial capability.

66. **In 2016, the World Bank conducted a Diagnostic Review of Financial Consumer Protection (2016 World Bank Diagnostic), covering retail credit, deposit, payments, and insurance products and services.** The Diagnostic identified gaps in the financial consumer protection framework, including limited market conduct legal and regulatory requirements, and lack of capacity of financial sector regulators to regulate, supervise, and enforce financial consumer protection matters.

67. **BoG and the National Insurance Commission (NIC) have been working to implement the key recommendations of the 2016 World Bank Diagnostic, but key gaps remain.** For example, regulations have been issued on: (i) disclosure and transparency, as well as internal complaints handling mechanisms for credit providers; and (ii) claim management procedures for insurance providers. Similarly, both BoG and NIC have undertaken measures to reinforce their supervisory capacity, including capacity building for market supervision and designation of dedicated supervisory staff, separate from the complaints handling function. Nevertheless, BoG and NIC still lack resources as well as structured and risk-based supervisory approaches to be able to fulfill their mandates. BoG also lacks systems and proper processes to handle complaints and enhance efficiency. Both BoG and NIC have a unit dedicated to market conduct/financial consumer protection supervision. Moreover, with support of the World Bank, BoG is developing a supervisory strategy/roadmap to improve its market conduct supervision function and put in place a fully-fledged risk-based supervisory approach.

68. **While the securities sector was not covered by the 2016 World Bank Diagnostic, this sector has been growing with more retail investors resorting to investment vehicles (e.g., collective investment schemes).** The SEC has started regulating the conduct of business aspects of its regulated entities, such as grievance mechanism for consumers, and has been receiving and handling complaints from retail investors. The SEC has also started looking at financial consumer protection aspects as part of its supervision, although with limited capacity. It also lacks system and supervisory strategy to prioritize institutions and issues to be supervised based on risk.

69. **Building on the progress above, this sub-component will strengthen BoG, NIC, and SEC's capacity for financial consumer protection, including their regulatory, supervisory, and complaints handling functions.** The sub-component will finance the following activities:

(i) Short-term TA/resident advisor to support BoG implement its market conduct supervisory strategy/roadmap being developed with World Bank support;

(ii) Capacity building of BoG staff through exposure visits and participation in international *fora* (such as International Financial Consumer Protection Network [FinCoNet]) and regional training programs on market conduct supervision;

(iii) Short-term TA/resident advisor and specific training to strengthen NIC's Investigation Unit, focusing on off-site market conduct supervision, data collection, development and implementation of a supervisory strategy/roadmap, and introduction of a fully-fledged market conduct risk-based supervisory approach, and staff capacity building (training, exposure visits, etc);

(iv) Identification of business requirements and technical specifications, as well as development of ToR and RFP for technology applications for BoG, NIC and SEC;

(v) Acquisition/development of a technology application to facilitate NIC's supervision, including monitoring claims management practices (number of claims, delay, etc.) of insurance providers;

(vi) TA for the development of two technology applications (one for SEC and one for BoG) to allow for online submission of complaints by consumers, management of complaints, and interaction between BoG and SEC and providers in the resolution process; and training of BoG and SEC staff on the use of the new application.

Component 4: Enhancing the Capacity for the Implementation and Monitoring of Financial Sector Policies and Supporting Project Implementation (US$3.4 million equivalent)

Sub-component 4.1: Building the Capacity of the MoF's Financial Sector Division (US$1.7 million)

70. **The FSD is mandated to provide policy-based and strategic analysis on Ghana's financial sector and oversee the implementation of strategies to strengthen financial intermediation in Ghana.** Its mission is to formulate, advise, and coordinate the efforts of regulators and other relevant stakeholders towards deepening financial markets, promoting financial inclusion, and enhancing the supervision and regulation of the financial institutions. The FSD led the development of the NFIDS and will act as the NFIDS Secretariat during implementation. In addition, FSD will be the principal implementing agency for this project.

71. **As the Secretariat for the NFIDS implementation, FSD is expected to support the Strategy's implementation and continuously monitor progress towards NFIDS's targets**. Its specific responsibilities include: (i) coordinating activities, collecting and evaluating data on access and usage of financial services; (ii) regularly taking stock of completed and ongoing NFIDS measures in order to monitor and report on the implementation progress; (iii) coordinating knowledge sharing events; (iv) building and maintaining a financial inclusion and development information database; and (v) analyzing and disseminating information, including national financial inclusion and development reports, as directed by the national Financial Sector Steering Committee.

72. **FSD requires capacity building to effectively deliver its mandate, particularly to support the implementation of financial sector policies.** Comprised of five units – Banking and non-Banking, Capital Markets, Development Finance, Financial Market and Innovation, and Insurance and Pensions – the Division has 21 staff (including ten junior staff), five national service persons, and two consultants. The Division would benefit from training on financial development and inclusion issues, including financial regulation, monitoring of market developments, formulation of financial inclusion policies, tracking of financial targets, etc. FSD will develop a detailed training/capacity building plan, ensuring that all training activities are relevant to the Division's mandate and are linked with the objectives of the project. The plan should demonstrate equal opportunities for all staff.

The training should lead to tangible improvements in capacity, for example, the ability of FSD's staff to produce financial inclusion reports and technical briefs.

73. **Financial inclusion surveys and geospatial mappings of access points are important tools for measuring financial inclusion and providing information to public and private stakeholders.** The update of the 2010 FinScope survey and 2015 FII survey will give the authorities up to date and granular data to track overall progress in financial inclusion, including the targets set out in the NFIDS. Given the regional disparities in access to financial services in Ghana, a geospatial mapping of financial access points would provide additional information about the geographical dimensions of access. Such survey can also be overlaid with economic data to help stakeholders understand the challenges, needs, and business opportunities, and therefore inform access point expansion as well as service design and delivery by financial services providers. Moreover, given the heterogeneous nature of access to financial services along the lines of gender and poverty, a geospatial mapping can facilitate targeted solutions to address these inequalities while facilitating the targeting of project interventions (e.g., agent bank network and linkages of VSLAs with formal financial services providers).

74. **This sub-component will finance the following:**

(i) Training and exposure of FSD staff on financial inclusion and development issues;
(ii) TA for the design of a financial inclusion website/database for the dissemination of financial inclusion initiatives and information, tracking of financial inclusion indicators, etc.;
(iii) Cost of the production of financial inclusion publications (e.g., reports and periodic briefs) and organization of events (e.g., annual financial inclusion conference);
(iv) Advisory services for the completion of a financial inclusion survey and a geospatial mapping of access points as well as development of online databases/visual displays.

Sub-component 4.2. Supporting Project Implementation (US$1.7 million)

75. **Project implementation will be mainstreamed into the institutional structure of the MoF; however, the assessment of the MoF's (FSD) implementation capacity concluded that additional capacity is required to ensure successful implementation of the project**. More specifically, the assessment revealed the need to supplement existing capacity through the hiring of a full-time project coordinator and a procurement specialist. This sub-component will finance consultant's salaries and other related expenses, operational costs, TA for the development of a communication strategy and a citizen engagement approach for the project and implementation of a M&E system, etc. The citizen engagement approach will entail the completion of a bi-annual survey of beneficiaries (RCBs, VSLAs, etc) to assess their satisfaction with the services (e.g., upgraded systems, linkages, and financial education).

Unallocated Amount (US$2.0 million)

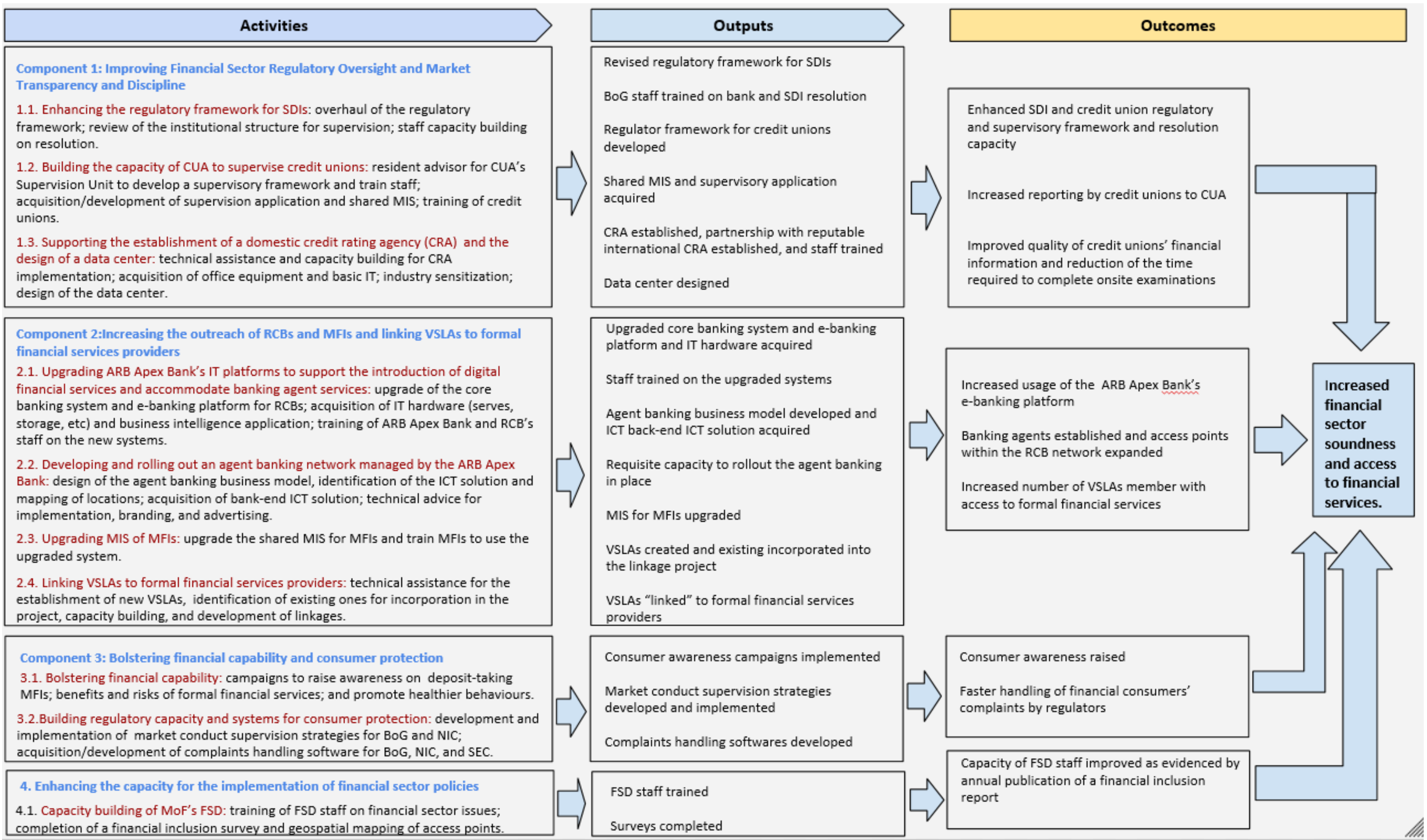
76. **This unallocated amount – equivalent to 6.7 percent of the project amount – will provide flexibility during project implementation.** It will cover any unexpected funding requirements to be agreed between the World Bank and the MoF, in particular possible unfavorable budget variances in the acquisition of IT systems and the possible implementation of the data center (depending on the results of the design financed in Sub-component 1.3).

C. Project Beneficiaries

77. **The primary beneficiaries of the project are individuals residing in Ghana, both current users and non-users of formal financial services.** Through direct support to the MoF's FSD, ARB Apex Bank, BoG, CUA, GHAMFIN, NIC, and SEC, the project will ultimately benefit the following sub-groups:

- users and non-users of formal financial services – particularly women and rural residents – who will have access to formal financial services (including savings, payments, and credit) through bank agents closer to their communities. These users will incur lower transaction cost because of proximity to bank agents;
- savers in SDIs and credit unions will have the opportunity to save in well-regulated and safer institutions, therefore reducing the likelihood of losing their savings;
- households (including VSLAs members) who will benefit from financial literacy and consumer protection programs;
- RCBs, MFIs, and credit unions that will have better MIS to improve their business operations and expand their menu of product and services;
- financial sector regulators benefiting from enhanced regulatory framework and capacity building to better oversee the sector; and
- policymakers benefiting from capacity on policy formulation and implementation, as well as systems and data to monitor progress towards the achievement of their financial inclusion targets.

D. Results Chain



E. Rationale for World Bank Involvement and Role of Partners

78. **There is a strong rationale for World Bank involvement in supporting the Government to realize the expected benefits from this project.** The World Bank will leverage its experience in all areas of reform and capacity building proposed under this project. In fact, this project is a culmination of two years of comprehensive analytical work completed by the Government with World Bank support, including the development of the NFIDS (which was informed by a series of financial sector policy notes completed by the Bank), the development of the recovery and resolution plan for the MFI sector, and study on the CRA. The project design benefited from ongoing World Bank TA on banking and SDI supervision and resolution as well as consumer protection. The design also benefited from lessons learned from the World Bank's past experiences in Ghana (see below).

79. **The scope of the project reflects dialogue and collaboration with development partners.** The development of the NFIDS and subsequent consultation with development partners gave the World Bank team and the MoF the opportunity to map out interventions by key partners and to focus project's activities on areas where additional support is needed. As a result, the project complements GIZ's support to BoG on introduction of OSSES as well as IMF/ African Regional Technical Assistance Center (AFRITAC) support to BoG on banking supervision, including introduction of Basel II. The project also complements efforts by State Secretariat for Economic Affairs (SECO) and GIZ to build the supervisory capacity of the National Pensions Regulatory Authority (NPRA) and NIC, respectively, as well as GIZ support to BoG to develop a complaints data reporting system. Moreover, IFC is supporting BoG strengthen the credit reporting and secured transactions framework and systems, while CGAP is helping the MoF develop a Digital Financial Services Strategy. Close coordination and dialogue with development partners will continue during project implementation.

F. Lessons Learned and Reflected in the Project Design

80. **Comprehensive and well-sequenced analytical work is key in informing the design of lending operations.** The project was informed by World Bank and Government diagnostics, including a series of policy notes on access to finance and consumer protection, the NFIDS developed through a participatory process, recovery and resolution plans for SDI sector, a dedicated credit rating study conducted to inform the design of the credit rating sub-component, and governance reviews of the financial sector regulators. The diagnostics were possible because of Bank's collaboration with development partners, including Department for International Development- UK (DFID), FIRST Initiative, GIZ, and SECO, who provided financial support through Externally Financed Outputs (EFOs) and Trust Funds.

81. **The design of this project incorporated lessons learned from past World Bank interventions in Ghana and elsewhere**. These interventions include: (i) IDA/ International Fund for Agricultural Development (IFAD) Ghana Rural Financial Services Project (**RFSP** [P129937]) (2000- 2006) which, among others, tried to promote linkages between RCBs and informal groups, supported the establishment of the ARB Apex Bank, and provided capacity building of RCBs; (ii) IDA Ghana Economic Management and Capacity Building (**EMCB** [P092986]) (2005-2013), which supported the regulation, supervision, and strengthening of banking and NBFI, capital markets, and insurance and pension sectors; and promoted access to finance; (iii) IFAD's Rural and Agricultural Finance Programme (**RAFiP**) (2010-2016), which provided financial literacy and supported MFI Apex institutions; and (iv) IDA Kenya Financial and Legal Sector Technical Assistance Project (**FLSTAP** [P083250]) (2005-2010) , which supported reforms to improve the soundness of the financial sector and strengthen the legal framework, including support to regulation and supervision of the banking sector, and the establishment of regulatory entities

(including a Savings and Credit Cooperative [SACCOs] regulator).

82. **Selectivity led to focus on SDIs and limited support to some financial sector regulators.** Alternative design considered expanded support to SEC, NIC, and NPRA, focusing on interventions to support demand and supply sides constraints to the development of the capital market. However, such broad scope would have resulted in an overly complex project and its design would not have been informed by deep diagnostics of the insurance, pension, and securities sectors. Instead, the World Bank team and the Government agreed to develop a capital Markets Development Masterplan, which will identify priority interventions in these areas, which can be supported through a parallel project (possibly the Development Finance Project under consideration). The need to ensure selectivity reflects lessons learned from the **EMCB** Project, whose Implementation Completion and Results Report (ICR) noted that the financial sector reform part of the project had many activities implemented by different agencies, leading to more focus on maintaining project traction and less on results. Therefore, the ICR noted that although sector-wide approaches might be theoretically appropriate, the design also need needs to consider implementation practicality and the institutional capacity of the World Bank as well as of the Government and implementing agencies.

83. **The credit unions sub-component reflects lessons from the MFI sector, particularly the importance of building supervisory capacity before embarking on the licensing of financial institutions.** As noted in Part 1 Section B, lax licensing and supervision of MFIs contributed to the current challenges facing these institutions. The project will help CUA and BoG strengthen regulatory standards and supervisory capacity early on to ensure that credit unions are properly vetted and only those that meet the licensing criteria are licensed by BoG. In addition, the proposed support to CUA – training and capacity building (including through the provision a resident advisor) and improvements on IT and MIS – seeks to replicate **FLSTAP'**s success in supporting the establishment of a new regulatory agency in Kenya – the Sacco Societies Regulatory Authority (SASRA) – and building its prudential oversight capacity.

84. **Focus on RCBs (Sub-component 3.1 and 3.2) reflects lessons learned from RAFiP about the potential of these institutions to reach the unbanked in rural areas and in less excluded regions of Ghana.** The project completion report of **RAFiP** shows that the project's failure to work with RCBs through ARB Apex Bank (due to governance challenges facing ARB Apex at the time) limited the project's potential to reach the poor and rural populations, which were RAFIP's target groups. The project completion report also notes that the "combined effect of rural location and poverty weighting demonstrates that the RCBs have by far the greatest potential to deliver benefits to **RAFiP's** target group, with the Credit Unions coming a distant second".

85. **The design of the VSLA sub-component draws on other partners' experiences.** More specifically, interventions by United Nations Capital Development Fund (UNCDF) Microlead Programme as well as CARE, Plan International, and Barclays (Banking on Change) (Annex 4) reveal that financial literacy should be part of the linkage package, given VSLA's limited levels of financial literacy. In addition, they show that the introduction of technology to facilitated linkages should not disrupt the group dynamics so as to safeguard vital social interactions which keep the cohesion of the groups. Thus, support to VSLAs will include face-to-face delivery of financial literacy, leveraging regular groups meetings.

86. **The use of radio and SMS messaging to deliver the financial capacity campaigns (Sub-component 3.1) builds on the results of the Microinsurance Awareness Pilot Campaign (2013-2014) implemented by GIZ, with the goal to test the feasibility and potential effects of a public awareness campaign.** The pilot was conducted in

four districts across four different regions of Ghana. It combined the training of microinsurance advocates to serve as resource persons on insurance education at village level, the production of radio dramas and jingles that were aired in local languages by regional/community radios, and roadshows. The M&E research suggests that the microinsurance awareness campaign was successful in increasing insurance awareness, despite marginal positive changes in both knowledge and attitude indices. Radio dramas and roadshows were found to be more effective than radio jingles in delivering knowledge and creating positive attitude about insurance and insurance companies. Among others, recommendations included the need to focus educations efforts in areas where products are available, using SMS messaging to reinforce key messages.

87. **Finally, projects with multiple implementing agencies require strong coordination arrangements and implementation capacity** (see the implementation arrangements section below). Learning from **RAFIP's** implementation challenges due to lack of dedicated project management team, this project will finance the hiring of a project coordinator and procurement specialist to supplement existing capacity within the MoF. Consistent with the recommendation of the **EMCB**, this project will also ensure that dedicated focal points (including on procurement) are appointed at each implementing agency to ensure coordination and timely implementation of activities.

III. IMPLEMENTATION ARRANGEMENTS

A. Institutional and Implementation Arrangements

88. **Project implementation will be mainstreamed within the institutional structure of the MoF**. Therefore, the MoF, through the FSD, will have the institutional responsibility for coordinating and managing the project, including procurement of consultancies and goods and services, financial management (FM) and reporting, M&E, and providing implementation guidance to all implementing agencies. The Director of the FSD will be the Project Director and will supervise day-to-day project implementation. To supplement the MoF's capacity and ensure successful project implementation, a full time Project Coordinator – under the direct supervision of the Project Director – will be responsible for the daily implementation of the project, supported by a full-time procurement specialist, a FM specialist, two procurement assistants, and M&E specialists. If necessary, additional short-term support and training on procurement and FM or financial sector issues will be provided. Moreover, focal points (including on procurement) will be appointed at each implementing agency to ensure coordination and timely implementation of activities. Finally, specific procedures for the project will be detailed in the Project's Operations Manual.

89. **A Project Steering Committee (PSC) will be established to oversee the overall implementation of the project.** Chaired by the Minister/Deputy Minister of Finance, the Committee will include high level representatives of the seven project implementing agencies – ARB Apex Bank, BoG (BSD and OSFID), CUA, FSD, GHAMFIN, NIC, and SEC – and other relevant stakeholders. The SC will provide strategic guidance on all aspects of project implementation, with the aim to ensure the achievement of project objectives. It will meet every six months or whenever needed.

90. **Although the MoF is ultimately responsible for core project management functions, implementing agencies will be responsible for the implementation of their respective components and sub-components**. With support from the MoF, each implementing agency will be responsible for preparing terms of reference for consultants (including the scope of work, expected deliverables, and required qualifications and experience);

developing technical specifications for procurement of goods; and providing detailed plans for non-procurement activities, including training/capacity building activities. While the majority of implementing agencies have the experience to implement their components, additional TA is built into component/sub-component design, particularly to support technical specifications of IT systems and preparation of inputs for the request for proposals as well as the design of new and technically complex interventions such as the ARB Apex Bank's agent banking.

91. **A Project Technical Committee (PTC) will also be established to facilitate project implementation and coordination.** The PTC will be chaired by the Director of the FSD and will comprise representatives (technical focal points) from the implementing agencies. Such focal points should be empowered to make technical decisions and commitments on behalf of their agencies to ensure that the project continues to advance. The PTC will: (i) discuss the technical and operational activities for the project; (ii) review and discuss quarterly progress reports prepared by the Project Coordinator; and, (iii) proactively address any technical or implementation problems affecting the progress of the project. The PTC will at least meet quarterly to review the progress of the project and agree on next steps, but it may meet as required to deal with technical issues. Prior to the PTC meetings, focal points will prepare quarterly updates of their respective components/sub-components, which will feed into the quarterly project reports. The implementation of certain components and sub-components (e.g., Financial Capability and Consumer Protection) will require the establishment of working groups to ensure close coordination and oversight. The Project Coordinator should have the authority to bring together focal points to discuss pertinent technical issues.

92. **The MoF has requested and received a Project Preparation Advance (PPA) to carry out project preparation activities and ensure timely implementation after effectiveness.** Among other preparatory activities, the PPA will finance the contract of a project coordinator and procurement specialist, both to be hired prior to project effectiveness. The PPA will also finance TA on M&E and finance technical specification of IT systems.

B. Results Monitoring and Evaluation Arrangements

93. **Project M&E will be the responsibility of the MoF, working closely with focal points within each implementing agencies.** The M&E will be carried out using the results framework presented in Section IV, which includes PDO and intermediate indicators. While efforts have been made to set accurate baselines and targets – within six months of project implementation – these indicators will be verified or updated by MoF in collaboration with the implementing agencies. The verification might allow the incorporation of the results of the financial inclusion demand survey as well as lessons to be learned during the design of M&E framework for effective collection and monitoring of project's activities and outcomes. Both the survey and the M&E framework will be financed under the PPA. Some sub-components (e.g., financial literacy and VSLAs) will have built in monitoring evaluations systems which will provide additional and more granular data. Training will be provided to the MoF's M&E specialists and to focal points or other staff within the implementing agencies.

94. **Results indicators will be tracked throughout the project implementation cycle**. Periodic World Bank implementation support missions will review the results framework with the MoF, taking stock of progress and adequacy of the indicators. With input from the implementing agencies, the MoF will prepare quarterly monitoring reports. A Medium-term Review (MTR) will take place approximately 30 months into the project to further assess progress and incorporate lessons learned. An ICR will be carried out upon the completion of the

project.

C. Sustainability

95. **The project enjoys strong ownership because it supports a Government owned financial sector development program as articulated in the NFIDS, Ghana's Coordinated Programme of Economic and Social Development Policies, and the recovery and resolution plan for the SDI sector** (Section C)**.** There is a strong commitment to implement financial sector reforms and take bold decisions, as demonstrated by BoG's closure of two banks in recent months and public statements about the state of the banking sector and the necessary reform to restore financial soundness[30]. The GoG has committed to increasing financial inclusion and enhancing the supervision and regulation of financial institutions. Overall, this commitment to financial stability and inclusion suggests that, once implemented, there is high likelihood that reforms supported by this project will be sustained.

96. **There is also strong rationale for the sustainability of individual interventions after the closing of the project.** For instance, support provided to BoG and CUA is within their statutory mandates and therefore unlikely that the two institutions will not carry on with the reforms and staff capacity building. In addition, the credit rating study suggest that there is demand for ratings in Ghana, given the accumulation of pension assets, new risk-based framework for banks, and need for risk-based pricing. As a result, the CRA is likely to be sustainable, provided that other constraints are addressed (Annex 3). Project's support to the rollout of the ARB Apex bank's agent banking network will be guided by a strong business rationale in order to ensure lasting benefits. Similarly, experiences from other countries[31] show that – with strong business rationale – financial institutions receiving donor support to build linkages with VSLAs do continue expanding their linkages after the end of donor support. However, customer acquisition expectations by financial services providers should be adjusted downward. Finally, the approach used to provide shared MIS infrastructure for MFIs, credit unions, and RCBs is sustainable because, while it subsidizes the upfront licensing costs, it requires beneficiary institutions to fully cover the annual licensing cost. The approach is also consistent with market practices (software as a service method) and minimizes risk of MIS obsolescence.

97. **The Government is taking actions to ensure the sustainability of ARB Apex Bank**. Following the completion of the 2017 review of ARB's Legislative Instrument (LI 1825) – which sought to identify ways to ensure sustainability going forward – BoG has endorsed the implementation of the following measures: (i) reduction of the size of the ARB Apex Bank's board (from current 13 to 7 members) to cut costs and improve governance; (ii) allow other types of shareholders (e.g., development finance institutions) as a way to attract capital and technical support; and (iii) explore mechanisms to reduce technology costs (e.g., through outsourcing)[32]. A five-member committee was established to lead the implementation of these measures, which will require the amendment of the ARB Apex Bank LI. Given the current challenges in the MFI sector, BoG decided not to bring MFIs under the ARB in the short-term. The proposed investment in an agent banking network and the upgrade of the core banking system should increase the volume of services offered by the ARB Apex Bank as well as its revenue, *ceteris paribus*,

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[30] *https://www.bog.gov.gh/privatecontent/Public_Notices/State%20of%20the%20Banking%20System.pdf*

[31] UNCDF, 2018. Linking Informal Savings Groups to a Formal Financial Institution: The Experience of Mwanga Community Bank in Tanzania. (*https://uncdf-cdn.azureedge.net/media-manager/87159?sv=2016-05-31&sr=b&sig=ZzOIUrowAZsUn9matlTQmS0pVo9MuJUKjZA5uXg2Qps%3D&se=2018-06-08T20%3A35%3A32Z&sp=r*)

[32] The ARB Apex Bank has posted annual profit from 2013 to 2017, with exception of 2013 when it posted a significant loss because it had to cover communication costs (bandwidth usage) of distressed RCBs. However, it is worth noting that ARB Apex Bank's investment costs have been subsided by development partners.

contributing to its sustainability in the long-term.

IV. PROJECT APPRAISAL SUMMARY

A. Technical, Economic and Financial Analysis (if applicable)

98. **The technical merits of the project design are sound and in line with international standards**. The project responds to Government priorities and stakeholders needs and it was informed by comprehensive and well-sequenced analytical work, including a series of policy notes on access to finance and consumer protection, the NFIDS developed through a participatory process, a recovery and resolution plan for the SDI sector, a dedicated credit rating study conducted to inform the design of the CRA Sub-component, governance reviews of the financial sector regulators, etc. Moreover, the technical design incorporates lessons learned in Ghana and in other countries.

99. **There is a strong rationale for public sector financing of the proposed project activities:**

- Financial stability – which the project will promote through effective regulation and supervision of the SDI and credit union sectors (Sub-components 1.1 and 1.2), as well as through consumer protection (Sub-component 3.2) – is considered a public good and hence the public sector has a role in ensuring its adequate provision.
- Financial literacy messages provided by private companies are biased towards the promotion of their products and they focus less on the rights of consumers, hence the public provision of financial capability (Sub-component 3.1), particularly targeting the least sophisticated financial consumers (e.g., MFI clients).
- The CRA (Component 1.3) has the potential to reduce information asymmetries and promote transparency, aiding financial stability and capital market development. Government support could crowd in the private sector and regulators to share the risks of establishing and testing the first CRA in Ghana. This is likely to generate knowledge spillovers, leading to the establishment of private CRAs.
- Public funding for the upgrade of RCBs' core banking systems to support the expansion of access points (Sub-component 2.1, 2.2, and 2.3) and the integration of VSLAs into the formal financial services (Sub-component 2.4) is justified, given the expected impact on access to financial services, mainly in rural areas, among women, and the least financially included regions of Ghana. Thus, these interventions contribute to the reduction of inequality in access to financial services. For the first time, some Ghanaians (including the poor) will be able to save, borrow, make payments, or insure themselves against risk. Agent banking also lowers the transaction costs for user of financial services.

100. **By promoting financial sector soundness and access to financial services, the project contributes to economic growth as well as poverty reduction and shared prosperity.** Indeed, according to the World Bank (2008), "empirical evidence suggests that improved access to finance is not only pro-growth but also pro-poor, reducing income inequality and poverty. Hence, financial development that includes small firms and the poor disproportionately benefits those groups."[33] As discussed above, the project has the potential to spread benefits of financial access and reduce inequality. In addition, by increasing the soundness of the financial sector, the project would reduce the likelihood of another distress in the SDI sector, reducing the risk to small savers and the need for fiscal bailouts that divert scarce resources from more productive uses. As noted in Section B, the

[33] World Bank. 2008. *Finance for All? (Policies and Pitfalls in Expanding Access).* World Bank Policy Research Report. Washington, D.C.: World Bank.

estimated cost of restructuring the SDI sector (based on the volume of deposits at risk) is high and exceeds the cost of the current project. Moreover, public sector financing through this project will leverage private financing and maximize development impact. Overall, to the extent that the project results are achieved, the project is cost-effective and justified.

B. Fiduciary

(i) Financial Management

101. **Overall assessment of FSD's FM arrangements as documented in Annex 5 indicates that they satisfy the World Bank's minimum requirements under Investment Project Financing Policy and Directive; FM residual risk is assessed and rated as moderate.** The reasons include, inter alia; that over the past years the MoF through the FSD has been involved in the implementation of IDA funded projects and these have been effectively implemented without any significant internal control lapses of fiduciary weakness.

102. **Based on the risk rating of the project and the current FM arrangements, it is expected that in the first year of project implementation there will be four quarterly onsite visits to ascertain adequacy of systems and supplemented by desk reviews of Interim Financial Reports (IFRs) and audit reports.** The FM supervision mission's objectives will include ensuring that strong FM 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.

(ii) Procurement

103. **The assessment of FSD's procurement capacity concluded that procurement risk is high (Annex 6).** The main risks identified include weak capacity of the FSD staff who will carry out procurement activities as well as the use of the New Procurement Framework (NPF). Prior review thresholds have been set to reflect this rating. In addition, procurement post-reviews and technical audits will be carried out annually by the World Bank Procurement Specialist and Technical Specialist or independent auditors, and based on the findings, the prior review thresholds will be reviewed.

104. **Mitigation measures will be put in place.** These include the provision of a qualified and full-time procurement specialist financed by the project and delivery by the World Bank of training sessions for FSD staff on the NPF and contract management, immediately after effectiveness, with hands-on support to ensure the proper use of the borrower regulations.

105. **A draft Project Procurement Strategy for Development (PPSD) and procurement plan for the first 18 months have been completed and agreed with the Borrower during negotiations.** The PPSD concluded that most of the consultancy assignments will be undertaken by international firms because there is not enough expertise in the national market. There are both foreign and local experienced service providers and suppliers willing to take part in competitive procurement. The supply position of these service providers is for both high and low risk/volume procurement. The Borrower has also approached the market adequately in the past in implementing similar projects and have adequate knowledge of the market place. The procurement plan will be updated in

agreement with the World Bank at least annually or, as required, to reflect the actual project implementation needs and improvement in institutional capacity. 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.

C. Safeguards

(i) Environmental Safeguards

106. **The project supports financial sector regulators, the MoF, and Apexes Institutions strengthen the regulatory framework and systems for financial stability and inclusion.** Therefore, the project activities are of TA in nature and the project does not trigger any safeguards policies. The project is rated as Category C for environmental purposes as no negative environmental impacts are expected.

(ii) Social Safeguards

107. **The project is rated low on social safeguards risks.** It mainly focuses on strengthening the financial systems and capacities of regulators and service providers, for a sound financial sector and promotion of access to formal financial services to the least included regions of Ghana. Physical works are not envisaged under the project, and as such, the risk of resettlement and livelihood displacement is minimal or non-existent. None of the social safeguards policies is triggered. It is however anticipated that the project activities will lead to improved access to and usage of financial service by underserved segments of the population, such as women, rural communities, poor, and farmers.

Gender and social inclusion

108. **Sub-components 1.2. (credit unions) and 2.4 (VSLAS) will directly benefit women.** As show in Annex 2, women lag men in access to financial services, with the percentage of women formally included in 2015 at 57 percent, compared to 62 percent for men. Similarly, women account for only 27 percent of the credit union’s management while men account for the remaining 73 percent. Women however tend to dominate in the informal banking services, making 76 percent or approximately 214,320 of the VSLA membership. The VSLA and other informal financial institutions has been instrumental in offering financial services to the rural, poor and excluded segments of the population of Ghana, yet there remain some challenges including inadequate record keeping, financial planning and internal governance challenges etc.

109. **The project will support women’s inclusion in the financial sector through:** (i) the creation of new VSLAs and strengthening of existing ones and linking all VSLAs with formal financial services providers; (ii) organization of VSLAs to be signed up for group accounts or mobile wallets, and development/tailoring of financial products; and (iii) training of VSLAs on internal governance, recordkeeping, and budgeting; financial education (e.g., on saving and responsible borrowing). Women will also benefit from the proposed training of credit unions’ management, which will build on successful partnership with the Canadian Co-Operative Association.

110. **The results framework will include indicators to capture the project’s contribution in increasing access to financial services among women.** For instance, the PDO indicator on access to finance will be disaggregated by gender and all training and capacity building activities will include both men and women and data will be collected

and monitored throughout the project implementation cycle.

(iii) Grievance Redress Mechanisms

111. **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

112. **The overall risk of the project is substantial.** Macroeconomic risk, sector strategies and policies risk, and fiduciary risk are rated substantial.

113. **Macroeconomic risk is substantial.** Ghana macroeconomic challenges include high fiscal deficit, high risk of debt distress, and high borrowing costs. The health of the financial sector is intertwined with the health of the public sector and macroeconomic performance in general. High fiscal deficits and high interest rates on public debt lead to the crowding out of the private sector and to high market interest rates, reducing available funding to financial intermediaries and consumers targeted by this project. In tandem, high market interest rates increase interest burden on borrowers, therefore reducing their repayment capacity and possibly leading to the rise of NPLs. Lack of fiscal space due to high fiscal deficit could also reduce Government's appetite to support the cleaning up of the microfinance sector which would contribute to its soundness and overall financial stability. The GoG is currently addressing this risk through the implementation of a fiscal consolidation program in the context of an IMF Extended Credit Facility. The World Bank DPO series is expected to support the authorities' efforts to further strengthen the macroeconomic environment. In fact, Government's efforts to improve macroeconomic performance are already yielding positive results (see Section I-A).

114. **Sector strategies and policies risk is substantial.** While the Government has developed a comprehensive NFIDS and a recovery and resolution plan for the SDI sector, its ability to restructure the sector is uncertain given the financial and technical implications of the restructuring. However, the Government has indicated its commitment to the resolution of problem SDIs and strengthening of the regulatory and supervisory framework. In fact, the ongoing rollout of the deposit protection scheme calls for urgent action because, as stipulated in the law, insolvent and undercapitalized SDIs would not be allowed to join the deposit insurance and will have to be resolved by BoG. Policy dialogue on the restructuring is taking place in the context of the IMF program and TA provided by the World Bank. As noted, the new DPO series might support the resolution of the SDIs.

115. **Institutional Capacity for Implementation and Sustainability risk is moderate.** The FSD has implemented projects of this kind in the past, but it is likely to face challenges in in coordinating various autonomous beneficiaries and monitoring multiple activities. As discussed in section III.A, the establishment of a strong governance/coordination framework – including a Steering Committee and Technical Committee bringing together the MoF and all implementing agencies – will contribute to the mitigation of this risk. TA will be provided to remedy any institutional deficiencies, including to design a M&E framework and training of FSD's staff.

116. **Fiduciary risk is substantial.** The project entails the procurement of multiple consultancies and goods, particularly hardware and software. Weak capacity of the FSD staff who will carry out procurement activities as well as the use of the NPF will impose challenges during project implementation. Given that the project includes multiple implementing agencies, there is a risk that the procurement function might act as a bottleneck. The project will put in place mitigation measures, including the provision of a qualified and full-time procurement specialist and training of FSD staff on the NPF and contract management. The training will be extended to procurement focal points within the implementing agencies. Moreover, the PPA will finance TA for the completion of technical specifications of critical hardware and software to be procured under the project. Where possible, procurement activities will be grouped into large procurement packages to reduce transaction costs.

117. **While the overall technical design risk is moderate, there are significant risks associated with possible Government ownership of the CRA.** As noted in Sub-component 1.3, Government ownership of the CRA might create the perception of CRA's lack of independency and objectivity and undermine its long-term viability. This risk will be mitigated by the proposed strong governance arrangements, including the appointment of independent directors if the Government becomes the majority shareholder of the CRA and the licensing of the CRA by the capital market regulator (which requires CRA's compliance with transparency requirements and putting in place mechanisms to avoid conflicts of interest).

VI. RESULTS FRAMEWORK AND MONITORING

Results Framework
COUNTRY: Ghana
Ghana Financial Sector Development Project

Project Development Objectives(s)

The objective of the project is to promote financial sector soundness and access to financial services by individuals.

Project Development Objective Indicators

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
		2019	1	2024
Improved financial sector soundness				
Percentage of reporting SDIs and credit unions in compliance with their respective minimum capital adequacy ratio or gearing ratio (Percentage)		75.00	80.00	85.00
Increased access to financial services				
Number of deposit accounts within the RCB network (Number)		7,200,000.00	7,500,000.00	8,500,000.00
of which women: (Number)		3,000,000.00	3,200,000.00	3,750,000.00
Number of customers enrolled in the ARB's e-banking platform (Number)		5,000.00	100,000.00	250,000.00

Intermediate Results Indicators by Components

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
		2019	1	2024
Improving financial sector regulatory oversight and market transparency and discipline				
New regulatory and supervisory framework for SDIs and credit unions developed and implemented (Text)		Fragmented framework	New framework developed	New framework implemented
Number of credit unions reporting to CUA using the new supervision application (Number)		0.00	100.00	240.00
Average number of days for CUA to complete the onsite examination of a credit union (Number)		10.50		5.00
Credit rating agency (CRA) licensed and operational (Text)		No CRA	CRA licensed	CRA operational
Increasing the outreach of RCBs and MFIs and linking VSLAs to the formal financial sector				
Number of banking agents established (Number)		0.00	1,000.00	5,000.00
Number of ARB Apex Bank IT staff trained on upgraded core banking system (Number)		0.00	15.00	30.00
Number of RCB's IT staff trained by ARB Apex Bank IT staff on upgraded core banking system (Number)		0.00	250.00	500.00
Number of VSLA members linked to formal financial service providers (Number)		0.00	25,000.00	60,000.00
Bolstering financial capability and consumer protection				
Percentage of target population reached by the financial education campaigns (Percentage)		0.00		30.00
Complaints handling technology applications for BoG, NIC, and SEC acquired/developed and operational (Text)		No applications		Applications acquired/developed and operational
Average number of days for BoG to resolve a complaint from universal banks' customers (Number)		10.00	8.00	5.00
Enhancing the capacity for the implementation and monitoring of financial sector policies and suppor				

Indicator Name	DLI	Baseline	Intermediate Targets	End Target
		2019	1	2024
Total number of annual financial inclusion reports produced and published by FSD staff (Number)		0.00	2.00	4.00
Financial inclusion database developed and available online (Text)		No database		Database available online

Monitoring & Evaluation Plan: PDO Indicators					
Indicator Name	Definition/Description	Frequency	Datasource	Methodology for Data Collection	Responsibility for Data Collection
Percentage of reporting SDIs and credit unions in compliance with their respective minimum capital adequacy ratio or gearing ratio	Minimum capital adequacy and gearing ratios as prescribed by BoG. SDIs include MFCs, MCCs, FNGOs, RCBs, S&Ls, and FHs.	Quarterly	BoG and CUA	Prudential returns and onsite examinations.	MoF
Number of deposit accounts within the RCB network	This indicator will monitor all types of deposit accounts (demand, savings, term, etc.) in member RCBs.	Quarterly	ARB Apex Bank	Quarterly returns and MIS	MoF
of which women:	This indicator will monitor all types of deposit accounts (demand, savings, term, etc.) owned by women in member RCBs.	Quarterly	ARB Apex Bank	Quarterly returns and MIS	MoF
Number of customers enrolled in the ARB's e-banking platform	This indicator will monitor the number of customers enrolled in the ARB Apex	Quartely	ARB Apex Bank MIS	ARB Apex Bank MIS	MoF

	Bank's e-banking platform, including cardholders and users of the mobile banking application.				

Monitoring & Evaluation Plan: Intermediate Results Indicators					
Indicator Name	**Definition/Description**	**Frequency**	**Datasource**	**Methodology for Data Collection**	**Responsibility for Data Collection**
New regulatory and supervisory framework for SDIs and credit unions developed and implemented	This indicator will monitor progress on the development and implementation of a new and enhanced regulatory and supervisory framework for SDIs and credit unions.	Quarterly	BoG	Regular reporting	MoF
Number of credit unions reporting to CUA using the new supervision application	This indicator will monitor the number of credit unions reporting prudential and non-prudential information to CUA using the new supervision application to be developed/acquired.	Quarterly	CUA	CUA's MIS	MoF
Average number of days for CUA to complete the onsite examination of a credit union	The indicator will monitor the simple average number of days that CUA staff take to complete the annual audit/onsite examination of a credit union.	Annual	CUA	CUA's MIS	MoF
Credit rating agency (CRA) licensed and operational	Licensed by the SEC and operational (management,	Annual	MoF	Reporting from the CRA	MoF

	staff, and systems in place).				
Number of banking agents established	This indicator will monitor the numbers of agents established (with a signed agreement with ARB Apex Bank).	Quarterly	ARB Apex Bank	ARB Apex Bank's MIS	MoF
Number of ARB Apex Bank IT staff trained on upgraded core banking system	This indicator will monitor the number of all ARB Apex Bank headquarter and regional staff trained as trainers of trainers on the upgraded core banking system.	Semi-annually	ARB Apex Bank	ARB Apex Bank's reporting	MoF
Number of RCB's IT staff trained by ARB Apex Bank IT staff on upgraded core banking system	This indicator will monitor the number of RCB's staff trained by ARB Apex Bank's staff (trainers of trainers) on the upgraded core banking system.	Semi-annually	ARB Apex Bank	ARB Apex Bank reporting	MoF
Number of VSLA members linked to formal financial service providers	This indicator will monitor the total number of members of new VSLAs to be created as well as members of existing VSLAs to be linked to formal financial services providers.	Quarterly	Linkage service providers	Linkage monitoring systems	MoF
Percentage of target population reached by the financial education campaigns	The percentage will be calculated as the total number of financial consumers reached by the various financial education	End of campaign cycle	Campaign implementation firm	Campaign monitoring systems	MoF

	campaigns divided by the total number of the target population of the various campaigns. The size of the target population for each campaign will be determined through a market assessment.				
Complaints handling technology applications for BoG, NIC, and SEC acquired/developed and operational	This indicator will monitor progress on the acquisition/development and operationalization of technology applications to handle complaints from financial consumers. The applications will be considered operational if used by BoG, NIC, and SEC to handle complaints.	Annual	BoG, NIC, and SEC	Reporting by BoG, NIC, and SEC	MoF
Average number of days for BoG to resolve a complaint from universal banks' customers	The indicator will monitor the simple average number of days for BoG to resolve a complaint, counted from the day the complaint is submitted to BoG and captured in the complaints handling technology application until the day the complaint is resolved/closed.	Annual	BoG	BoG complaints handling technology application	MoF
Total number of annual financial inclusion reports produced and published by FSD	This indicator will monitor the cumulative number of	Annual	FSD	FSD reporting/website	MoF

staff	reports produced and published by FSD staff.				
Financial inclusion database developed and available online	Database to include financial inclusion statistics, including indicators for the monitoring of the National Financial Inclusion and Development Strategy, results of the financial inclusion survey and the geospatial mapping of access points, etc.	Annual	FSD	MoF's website	MoF

ANNEX 1: Implementation Arrangements and Support Plan

COUNTRY: Ghana
Ghana Financial Sector Development Project

Strategy and Approach for Implementation Support

118. **Implementation support will aim at ensuring the achievement of project's objectives.** It will focus on the mitigation of technical, institutional, and fiduciary risks identified during project design. The implementation plan is tailored to the needs of the project and identifies resources to be deployed by the World Bank to meet its fiduciary obligation and help the MoF achieve project objectives.

119. **The implementation support team will include a Task Team Leader (TTL) and relevant Specialists.** The TTL and Specialists responsible for each component are based at World Bank Group headquarters and in the Ghana Country Office. The team will undertake regular missions, taking advantage of the presence of some Specialists (particularly on procurement and FM) in the field and TA visits. The team will conduct at least two implementation support missions per year, but mission frequency may be higher during the first year of the project and depending on the needs of the implementing agencies. A field based short-term consultant will supplement headquarters' missions by providing more regular support and follow up. Technology (including video conferences and e-mail) will be used to provide advice and address implementation challenges between missions.

120. **Project implementation missions by the World Bank team will cover the following aspects:**

- **Management of client relationship.** The TTL will coordinate and oversee project implementation support, ensuring regular communication with the MoF, deployment of resources to address project implementation challenges, and monitoring project's progress toward the PDO.

- **Technical.** Focusing on specific project components, technical experts will oversee the implementation of various activities, ensuring that these are aligned with the PDO of the project and agreed annual work plans (AWPs). Where applicable, technical experts will also provide inputs in the development of terms of reference and technical specification for various activities, review outputs, and support the MoF in ensuring that M&E framework continuously meets the needs of the project.

- **Financial management.** Implementation support will be anchored primarily on assisting the client in maintaining an efficient and reliable FM system capable of reporting on the uses of project funds. This objective will be achieved by offering the client and other beneficiary agencies, a series of fiduciary training sessions, periodic onsite visits to sample transactions aimed at ascertaining compliance and review audit reports and, more importantly, following up on audit recommendations to ensure its implementation by Management of the Project.

- **Procurement.** Implementation support will include: (i) the provision of continuous training and organization of Procurement Clinics to support the procurement specialist who will oversee procurement; (ii) organizing and delivering of a training session on the NPF immediately after effectiveness, including hands-on sessions to ensure the proper use of the borrower regulations; (iii) intensifying training in

Contract Management; and (iv) ensuring that negative findings during post-procurement reviews (PPRs) are consolidated and appropriate support provided to ensure quality procurement in general.

Implementation Support Plan and Resource Requirements

121. **The Table below outlines the details of the implementation support, including timeline, focus, skills and resources needed, and the role of the partners.** The costs of the implementation support will be covered through the annual World Bank supervision budget to be managed by the TTL.

Table 1.1. Implementation Support Plan

Time	Focus	Skills Needed	Resource Estimate	Partner Role
0–12 months	• Project effectiveness and implementation start-up • Technical support for the launch of key project activities, design of an M&E framework, and completion of baseline survey s and mappings • Initial support missions conducted • Review of progress made in year 1	See Table 1.2	150,000	Sharing of relevant project information Administrative and logistical support
12–48 months	• Technical Implementation of planned activities/review of AWPs and budgets, • Implementation Support Missions • M&E of ongoing activities • Midterm review conducted in years 2/3	See Table 1.2	150,000	Sharing of relevant project information Administrative and logistical support

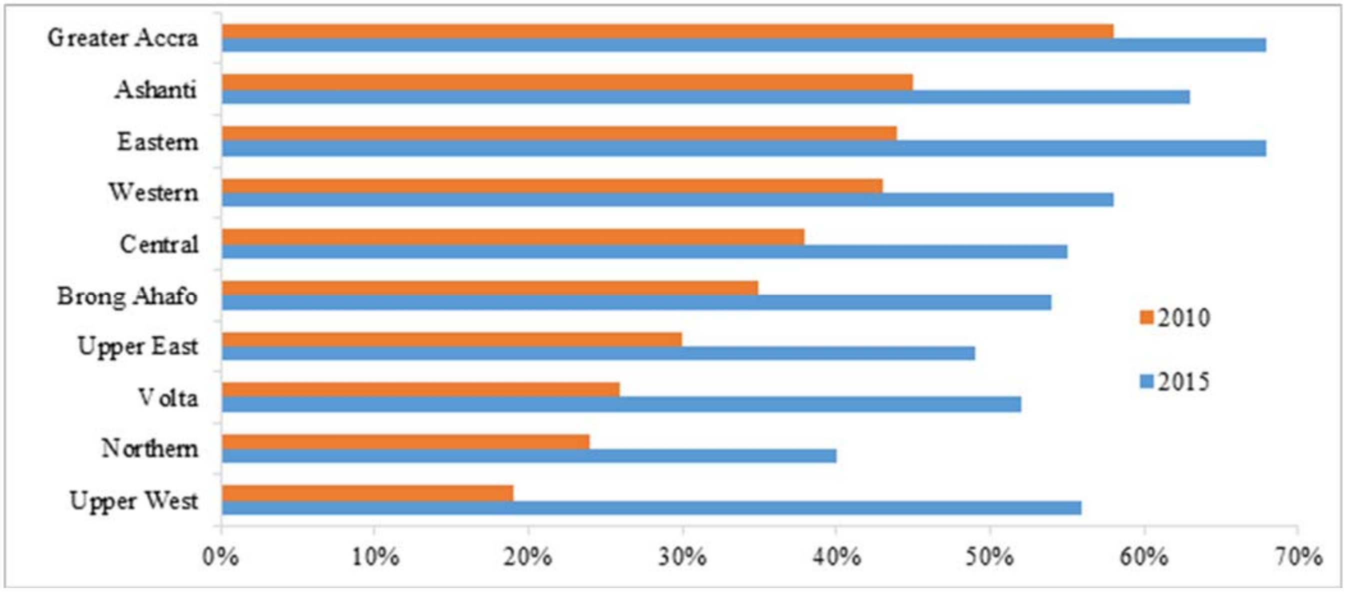
Table 1.2. Resource Requirements

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Senior Financial Economist and TTL	8	Minimum 3 per year	Overall supervision and implementation support
Specialized deposit-taking financial institutions and Credit Union Supervision Specialist	4	Minimum 2 per year	To support implementation of Sub-components 1.1. and 1.2
CRA Specialist	2	Minimum 1 per year	To support implementation of Sub-component 1.3
Access to finance and Agent Banking Specialist	3	Minimum 1 per year	To support implementation of Sub-components 2.1 and 2.2
MIS/Core Banking Systems Specialist	2	Minimum 1 per year	To support implementation of Sub-components 1.2, 2.2, 2.3, and 3.1
VSLAs/Savings Groups Specialist	2	Minimum 1 per year	To support implementation of Sub-component 2.4
Market Conduct Supervision and Financial Literacy Specialist	2	Minimum 1 per year	To support implementation of Sub-components 3.1 and 3.2
Financial Inclusion and Survey Methodology Specialist	2	-	To support implementation of Sub-component 4.1
Fiduciary specialists (FM and procurement)	6	Field based	Will support supervision focusing on FM and procurement aspects

ANNEX 2: Regional and Demographic Disparities in Financial Inclusion in Ghana

122. **Although access to finance has increased across all regions in Ghana, it remains heterogeneous in nature.** At present, the five poorest regions (Upper West, Northern, Volta, Upper East, and Brong Ahafo) are the most financially excluded (Figure 2.1). Similarly, rural residents and women have less access to banks than urban residents and men. Moreover, rural residents, the poor, and women rely more on NBFIs and informal finance than urban residents, the non-poor, and men, respectively. Nonetheless, the largest gains in access took place in the most excluded and poor regions. As a result, Upper West, Volta, and Eastern Ghana have caught up to the Greater Accra region.

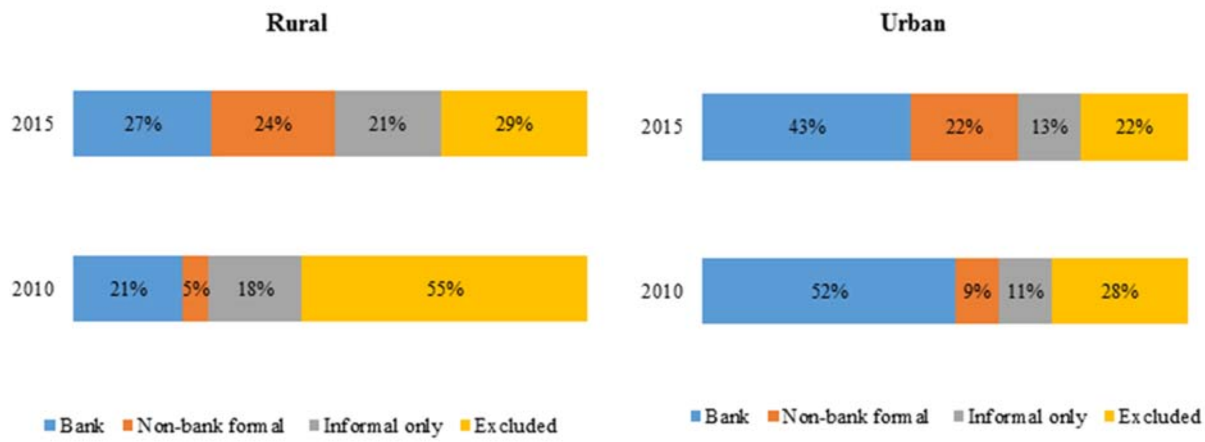
Figure 2.1: Access to Financial Services by Region



Source: CGAP

123. **Rural access to formal financial services almost doubled from 26 to 51 percent between 2010 and 2015, but remains low compared to unban access**. The increase in rural access was primarily driven by NBFIs (including mobile money), which almost quintupled their contribution to financial inclusion from 5 to 24 percent of the rural population between 2010 and 2015 (Figure 2.2). Banks contributed to financial inclusion to a lesser extent, from 21 to 27 percent of the population during this period. Overall, formal financial inclusion in rural areas (51 percent) is lower compared to access in urban areas (65 percent).

Figure 2.2: Rural vs. Urban Access to Finance

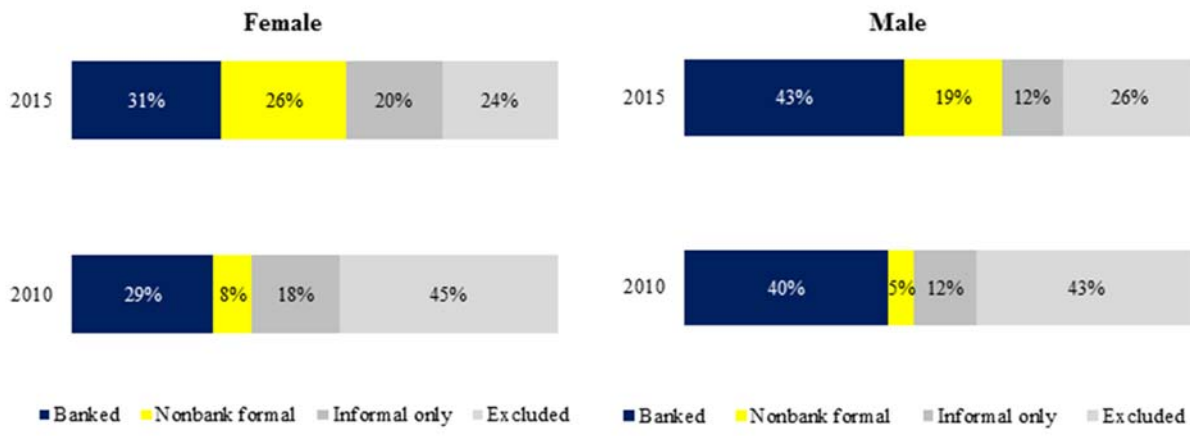


Source: CGAP.

124. **Urban Ghanaians have seen their access to formal and informal finance increase on a marginal basis since 2010 with bank's contribution decreasing**. Between 2010 and 2015, urban access to formal financial services increased from 61 to 65 percent (Figure 2.2). As with other groups and the general population, the increase in formal financial services in urban areas is largely due to non-bank formal access, which increased from 9 to 22 percent of the population; however, there has been a simultaneous decrease in relative access to banks from 52 to 43 percent of the population during this same period. Use of informal financial services in urban areas increased marginally from 11 percent to 13 percent of the population.

125. **While access increased for both men and women, women are less included overall and tend to rely more on non-bank and informal financial services.** The percentage of women and men formally included increased from 37 and 45 percent to 57 and 62 percent, respectively (Figure 2.3). Informal financial inclusion increased marginally for women from 18 to 20 percent and remained constant at 12 percent for men. In 2015, 31 percent of women had bank accounts compared to 43 percent of men. Women rely more heavily on non-bank formal (26 percent) and informal financial services (20 percent), compared to only 19 percent and 12 percent of men, respectively.

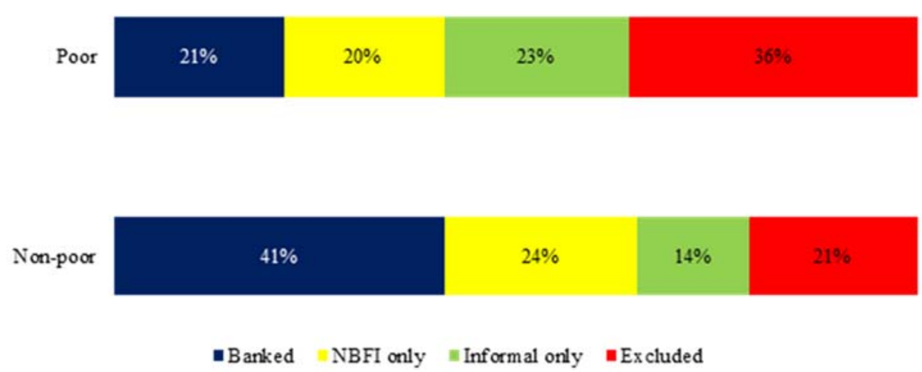
Figure 2.3: Access to Finance by Gender



Source: CGAP

126. **The poor have significantly lower access to formal financial services than the non-poor.** In fact, 59 percent of the poor are financially excluded from formal financial institutions (41 percent are included), while only 35 percent of non-poor are excluded (65 percent are included) (Figure 2.4). Furthermore, approximately twice as many non-poor have access to bank accounts than do the poor. The poor also rely more heavily on informal financial services.

Figure2.4: Poor vs. Non-Poor Access to Finance



Source: CGAP

ANNEX 3: Key Findings of the Credit Rating Agency Study

127. **There is a strong rationale for the establishment of a domestic CRA in Ghana to help promote market transparency and catalyze the corporate bond market**. A domestic CRA can broaden the Ghanaian corporate bond market by: (i) bringing to the market new untapped investor groups, including institutional investors which may require a credit rating as a pre-condition for purchasing a certain bond; (ii) providing a platform for risk based pricing which would help improve financing conditions for borrowers and more accurately identify and provide a risk-ranking for lenders; and (iii) facilitating access to long-term funding. Current borrowing sources have been largely centered on short-term bank loans, but institutional investors' willingness to invest longer term creates a natural captive market for corporates and banks seeking long-term funding. Moreover, most of the market participants met during the study are enthusiastic about the prospects of a domestic CRA which could help address market constraints such as the lack of internal capacity to assess credit risk (demand side) and proper risk-based pricing to encourage more cost-effective cost of borrowing (supply side).

128. **The enabling environment is conducive to the establishment of a CRA in Ghana**:

- First, macro-economic fundamentals have improved**.** Inflation declined to 11.8 percent in 2017 from 15.4 percent in 2016; T-bill rates have also declined from 16.4 percent in December 2016 to 13.4 percent in 2017; and, for the fifth consecutive quarter, the economy expanded by 9.3 in September 2017 compared to just 4.3 percent in September 2016[34]. Sustained macroeconomic stability is critical for the development of the capital market.

- Second, there is a benchmark yield curve, although with room for improvement to enable price discovery. The GoG has issued debt securities with varying maturities of between 1 and 15 years (although only one 15-year bond was issued in 2017). In addition, the recent improvement in price of government debt makes corporate bond issuance more conducive: The rates for 1- and 5-year government bonds have reduced from 23.5 percent to 15 percent, and 24.75 percent to 18.75 percent, respectively.

- Third, despite a small corporate debt base, there are large and profitable companies and banks that could tap the debt market if conditions are favorable.

- The regulatory framework is supportive and there is reasonable market infrastructure.

129. **However, the CRA will have to overcome some challenges.**

- It may lack sufficient instruments to rate at initial stage, which would negatively impact its short-term business viability.
- The CRA may also not receive reliable and timely information. This would undermine investor confidence in the CRA and could cause irreversible damage to its reputation of which the CRAs long-term business viability is built on.
- The success of the CRA is also highly dependent on the availability of experienced and high caliber pool of credit analysts. The CRA will have to compete for talent with banks and other established institutions. As a result, talent acquisition costs could be prohibitively high, underscoring the need for methodical training of rating analysts and the allocation of sufficient resources to build this expertise.

[34] World Bank "*3RD GHANA ECONOMIC UPDATE*", February 2018.

- The concept of understanding ratings and relative risk-ranking will be new to the domestic market. Extensive market awareness and education campaigns will be necessary for all market stakeholders (investors, issuers, regulators, etc.).

130. **Critical measures and foundations to support a successful establishment and operation of the CRA include:**

- Mandatory ratings. To ensure business viability in the short-term, while promoting transparency in the financial sector, the Government intends to work with regulators to introduce mandatory ratings for banks, insurance companies, and to any bond issuers in the domestic market. The opinions of a credible CRA can be very useful at early stages of the capital market development – where investors who do not have their own internal resources can rely on independent and experienced analysts. Over time when the market becomes more mature, investors are expected to build their own technical expertise, and ratings become merely complementary. Therefore, the intention should be to move from mandatory rating to a completely market driven model in the medium-term.

- Adherence to principles of independence, integrity and credibility, enshrined in the IOSCO Code of Conduct. These principles include: (i) separation of shareholders and directors from rating-decision makers; (ii) members of the Rating Committee should have high ethical standards, good reputation and be technically capable and vetted by the regulator; (iii) the structure of ownership of the CRA should ensure no party with potential vested interest should have significant influence over the rating process and decisions. This can be addressed in different ways – maximum thresholds, type of shareholders, credible technical partners with experience of running a CRA (e.g., the international "big three").

- The principles of independence, integrity, and credibility should be adopted in the CRA's bylaws, consistent with the regulatory framework being developed by the SEC. In addition, the IOSCO Code of Conduct should be adopted and variations, if any, should be publicly disclosed.

- Partnerships with reputable technical partner /potential shareholder. To borrow credibility and access top knowledge, the CRA should competitively select a reputable international or regional CRA to be a technical partner and/or shareholder. The technical partner would help build CRA's human capital though methodical training of the rating analysts. Other strategic institutions (e.g., multilateral institutions) as shareholders may also give more credibility on the governance structure and standards of the CRA.

- The SEC must be equipped to oversee the CRA and recognize any "red flags" that may arise during ratings. In Ghana's fledgling bond market, the SEC plays a critical oversight role to ensure that the CRA is conducting itself with independence, integrity, and objectivity. International experience has shown that even the most credible and reputed CRAs need strong oversight

131. **Overall, a CRA can be established to promote market transparency and play a vital role in Ghana's capital market. However, the GoG needs to also implement the following complementary reforms in parallel (the following is not an exhaustive list):**

- Further improvements of the Government debt management and issuance strategies are critical for a vibrant bond market. Pricing and the availability of tenor for non-government issuers are dependent on a well-functioning and efficient government bond market vis-à-vis a reliable long-term benchmark yield curve.

- Devise and implement an active program to develop Ghana’s capital market, including actions to expand the institutional investor base (demand side). Thus, the authorities should continue pension reforms, including the informal sector pension coverage reforms, to be able to leverage further the long-term funding capacity of the capital market.
- Improve access to reliable data and information, including by imposing and enforcing higher standards on the preparation, validation, and disclosure of information. As an example, a strict enforcement by the accounting (or regulatory) bodies is required to ensure that the information submitted is consistent, of good quality, and timely.

ANNEX 4: VSLAs Linkage Programs

132. **There are already a number of notable and successful initiatives which create and build the capacity (including financial capacity) of VSLAs and also promote linkages between VSLAs and the formal financial services providers.** This include the Plan International, CARE, and Barclays "Banking on Change" initiative; and the Care, Fidelity Bank, and MTN, as well as the CARE and GN Bank initiatives supported by UNCDF's Microlead Program.

133. **Early attempts to link informal financial institutions to formal financial institutions faced some challenges from which various lessons can be learned.** From 2001 to 2007, the World Bank and IFAD implemented the Rural Financial Service Project, which aimed to link MFIs to informal financial institutions (i.e., community based organizations, self-help groups, Susu collectors, and credit unions) by developing and testing products and instruments to facilitate this relationship. The project ultimately faced implementation challenges as some of these "informal" institutions that the project attempted to link with MFIs were in fact competitors of the MFIs. This project also trained rural MFIs and community based-organizations. In the end, due to the exhaustion of training funds, only 10,687 end-users in the informal financial sector were trained, including 465 MFIs who benefitted from the training.

134. **From 2009 to 2015, CARE, Plan, and Barclays implemented Banking on Change, which provided financial literacy training for Youth Savings Groups (YSGs) around the world, including various African countries and Ghana.** The goal of Banking on change was to prepare YSGs to join the formal financial sector. The Project also created groups savings accounts at Barclays with minimal fees**.** The project established 11,725 YSGs with over 245,000 members of whom two-thirds are women. The project developed various linkage tools, including a linkage readiness assessment tool, a due diligence questionnaire, a template Memorandum of Understanding (MoU) and guidelines for groups to engage with formal financial institutions, training materials for bank staff on savings groups, and a product comparison tool. In particular, the project noted that the World Bank literacy training had a positive impact in preparing youths to ask questions at banks to inform their decisions and also helped women to engage banks. The project also noted that when groups want to develop linkages with formal financial institutions, it should be done responsibly and be in the best interest of group members. Another aspect from Banking on Change is that it emphasized that linkages should begin with savings and not credit, despite the demand for the latter.

135. **In Ghana, Banking on Change was implemented in two phases.** The first phase (2009-2012), helped to create YSGs, build their operational capacity, conducted financial education, and established group accounts with RCBs and Barclays. The second phased (2013-2015) focused on financial education, training to help people secure employment, and establish group accounts at Barclays and other financial institutions. The project itself targeted both southern and Northern Ghana, the latter of which is one of the least financially included areas.

136. **The UNCDF's Microlead has also been at the forefront of linking informal financial groups to the formal sector.** Microlead worked with Fidelity Bank, GN Bank, and Sinapi Savings and Loans to help link informal savings groups to formal financial institutions, ultimately reaching 60,000 beneficiaries.

137. **Of particular note, the Microlead project supported a partnership among CARE, Fidelity Bank and its agent, and MTN.** In 2014-2017, CARE, partnered with Fidelity Bank Ghana and MTN to enable VSLAs to open group-based "Smart Accounts" with low Know Your Customer (KYC) requirements (basic transaction account)

linked to mobile money accounts. Under this program, VSLAs would open Smart Accounts at Fidelity Agents (which had a wider geographical dispersion than their banks) by bringing just their ID, having the agent take a picture and send it over MTN network for processing and opening of the account. When the account was opened, the group received a SMS message notification. This gave VSLAs access to formal financial services, including a group debit card with a triple personal identification number (PIN) to replicate the three locks usually required to open a group lockbox.[35] Through training of trainers, CARE established and equipped the groups and individuals with the skills they needed to manage the core affairs of the groups, including building trust and ensuring information sharing among members, while also sensitizing them on how to use the mobile phones to transact, as well as providing them with general financial literacy training. Local NGOs and services providers also participated in this initiative and gained knowledge on how to build the capacity of VSLAs. Ultimately, this resulted in 3,100 Fidelity VSLA accounts being opened.

138. **Also under Microlead, Care and GN bank partnered to facilitate linkages between savings groups and the bank**. This was done through the establishment of group savings accounts and individual accounts for individuals in the groups, which can be accessed using a mobile platform. This program also utilized mobile bankers, or GN staff acting as agents, and mobile vans to help create the link between VSLAs and the GN bank.

Lessons Learned

139. **Based on a review of the aforementioned VSLA projects and engagement with the various stakeholders, some key lessons can be extracted and serve to inform the design and implementation of the VSLA sub-component:**

- **First, when conducting training for VSLA groups, it should focus not only on how groups operate, but also on financial literacy.** Financial capacity building efforts need to focus on basic financial concepts and products, but also around sensitizing groups to linkages in formal financial institutions or services so that VSLA members are in a better position to make informed decisions on whether or not to link their group to a formal financial service. That said, linkages program should provide links to formal financial services and not seek to transition customers to using only formal financial services. Moreover, the linkage should provide the stepping stone for VSLA individuals to organically transition to using only formal financial services. This is in recognition that not all individuals will be able to transition at the same time (or at all), and hence VSLAs may likely still play a role in the financial lives of those who transition.

- **Second, while technology is important to creating linkages between VSLAs and providers of formal financial services, it should not disrupt the core dynamics of VSLA groups**. VSLAs rely heavily on the trust and other social dynamics that come with frequent group meetings. Thus, interventions to link these groups to formal financial services providers should complement their activities and *modus operandi* and not seek to replace them. In addition, mobile wallets and mobile linkages to financial institutions, does not mean VSLA members should no longer meet to deposit, count, and share funds in front of one another; instead, mobile channels should seek to increase the security of group funds by providing a safe place for groups to store their money and make it easier to transact.

[35] The four-digit PIN was split in two digits each and given two members of the VSLA and the debited card was kept by a third member.

- **Third, linkages programs have highlighted the need for formal financial institutions to have products and services that are catered to the needs of VSLAs, such as group accounts and lower KYC requirements**. At the same time, new products take time to develop and they should be an extension of an institutions regular products and outlets to allow VSLAs and their members to access services at all of the institution's access points.

- **Fourth, linkages programs play a key role in exposing and sensitizing banks and other formal financial services providers to the needs and benefits of working with VSLAs**. While many formal financial institutions have historically not catered to the needs of these groups and their members, increasingly formal financial institutions are gaining experience working with VSLAs and tailoring products to this clientele.

- **Fifth, formal financial services providers must lead linkages programs.** To facilitate successful implementation and ensure the sustainability of the model, formal financial services providers should be drivers of the efforts to link with VSLAs, so as to ensure it is part of their business growth plans or corporate social responsibility. At the same time, there is a public role to be played by Government and development partners in helping financial services providers work in areas and groups that they historically have not worked with as well as in helping them cover some of the initial costs.

ANNEX 5: Financial Management Assessment

Introduction and Summary

140. 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 FM assessment –was conducted at the Finance and Account Unit of the FSD of the MoF (MoF/FSDMoF) on the proposed FM arrangements to be used in the implementation of the Financial Sector Development Project.

141. The objective of the assessment is to determine: (a) *whether the lead agency (MoF/FSD) has adequate FM 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.*

142. In line with the World Bank's default of using those aspects of the County System which are reliable, the project's FM systems are expected to be fully mainstreamed as part of the existing GoG fiduciary arrangements. Overall, the initial assessed FM risk of the Finance and Accounting unit of MoF/FSD concludes that the FM risk rating is assessed as being **moderate.** The reasons include inter alia; *that over the past years the MoF through the FSD has been involved in implementing a number of IDA funded project and these have been effectively implemented without any significant internal control lapses of fiduciary weakness.*

143. **The key FM arrangements are as follows**: The Director of Accounts of the MoF will have overall fiduciary responsibility for all FM aspects of the project, nevertheless the routine daily transactional processing and reporting will be assigned to a fully dedicated Project Accountant in the capacity of a Senior Accountant Officer (SAO) of the Ministry. Our assessment indicates that the Project Accountant has the requisite technical skills and competence capable of managing the project funds. The responsibility of the SAO is to ensure that throughout implementation there are adequate FM 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.

144. 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 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 (DA) and support the processing of payments to contractors and service providers for all contracts and activities under this project.

145. On signing of the Financing Agreement, and as part of strengthening the technical capacity of the accounts and fiduciary staff, the World Bank FM specialist will conduct a series of training on IDA FM and disbursement guidelines for the accounts and other project staff.

Project Financial Management

Under the technical oversight of the Director of Accounts, the overall FM responsibility will be handled by a dedicated Project Accountant assigned by the Director of Accounts and *imbedded* as part of the FSD. The responsibility of the Project Accountant is to ensure that throughout implementation there are adequate FM systems in place which can report adequately on the use of project funds. In addition, and with 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 preparing Withdrawal Application, submitting IFRs, maintaining internal controls over project expenditure and engaging external auditors. The Project Accountant will also be responsible for maintaining and operating the project's DA and support the processing of payments to contractors and service providers, including ensuring that all payments comply with the established internal control guidelines as per GoG PFM Act and in line with the World Bank guidelines.

Strengths and weaknesses of the Financial Management System

146. The MoF/FSD Accounts department being part of a MoF'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. The Project Accountant and Assistant have been involved in implementing IDA funded projects and presently is responsible for the ongoing Ghana Economic Management Strengthening Technical Assistance (GEMS TA[P152171]) Project.

Summary Financial Management Assessment

147. A summary of the key finding of the FM arrangements as assessed at the MoF/FSD is presented as follows:

Budgeting Arrangements

148. The MoF/FSD 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 MoF. Specifically, for this project, the budget will be derived from the IDA allocations which will serve as the basis for preparing the AWPs and Procurement Plans.

149. The Director of FSD is responsible for initiating the budgeting process for the Project and obtains inputs (*activities, schedules, timelines, cost*) from the beneficiary agencies. Once the budgets are completed it will be approved Chief Director for onward submission to the World Bank for review and clearance. 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

150. Under the oversight and supervision of the Director of Accounts of the MoF/FSD, 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 number of staff with various levels of skills and competences. Specifically, for this project, the daily transactional issues will be the responsibility of the 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 FM system (Government Integrated Financial Management Information 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 the GIFMIS system to account and record on the use of donor funds.

Internal Control and Internal Auditing

151. 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 as documented in the Public Financial Management Act (921) 2016 and any subsequent regulations or amendments including aspects *(not yet repealed*) of the Financial Administration Act (2003) and the Financial Administration Regulation (2004), and informed by the Internal Audit Agency Act (2003). In addition, the expenditure initiation and related controls will follow the authorization and approval processes as pertains within the MoF and complimented by additional guidelines as per World Bank FM & Disbursement policy. The Ministry has a functioning internal audit unit headed by the Head - Internal Auditor who is adequately qualified and experienced to helps to ensure a sound control environment throughout implementation.

152. Our assessment indicated that the internal audit and control environment is adequate for project implementation; the role of the internal audit will be regularly assessed during supervision 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

153. This operation is an IDA credit of **US$30.0** million of which US$2.0 million in the form of a PPA has already been made available to the Borrower. Proceeds of the finance will be used by the MoF and other beneficiary agencies for payment for eligible expenditures as defined in the Financing Agreement and further detailed in the respective AWPs and Budgets and Procurement Plans. The proposed arrangement is to use a single DA (denominated in US dollars) and specifically opened at BoG, under the direct responsibility of the Chief Director but managed and operated by Director of Accounts in collaboration with the Project Coordinator.

154. Disbursement arrangements have been designed in consultation with the MoF/FSD after considering the assessments of the Implementing Agency's FM capacities and anticipated cash flow needs of the operation. 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 Financing Agreement.

155. Based on the assessment of FM systems, the proceeds for IDA Credit will be disbursed using report based disbursement procedures through submission of IFRs. The IFRs (including the procurements subject to prior reviews and DA reconciliation statement) will also serve as the basis for withdrawals from the World Bank. The initial disbursement will be based on the consolidated expenditure forecast for six months, subject to the World Bank's approval of the estimates. Subsequent replenishments of the DA would be done quarterly based on the forecast of the net expenditures for the subsequent half-year period.

Disbursement Categories

Category	Amount of the Financing Allocated (expressed in (SDR))	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) (1) Goods, works, non-consulting services, consulting services and Training (except Part 1(c)) for the Project	17,950,000	100%
(2) (2) Goods, consulting services, Training and Operating Costs under Part 1(c) of the Project	2,000,000	100%
(3) Refund of Preparation Advance	1,450,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions

Additional and final instructions for disbursements will be provided in a disbursement letter to be issued for this project.

Financial Reporting Arrangements

156. 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 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 to the project management, transfers to beneficiaries' agencies, and various stakeholders monitoring the project's performance. The formats, content and frequency of reporting were agreed during project appraisal and confirmed during negotiations. These reports should show clearly at a minimum the following details:

i. A statement of sources and uses of funds showing the use of funds by components as per the project appraisal document (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 DA reconciliation statement.
v. A list of payments (made in that quarter) made against contract 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 for additional funding).
vii. Any other report that shall be required to provide further and better particulars on project expenditure.

Auditing

157. 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

158. A description of the project's FM arrangements as documented in the preceding paragraphs indicates that they satisfy the World Bank's minimum requirements under OP/BP10.00. Overall the FM residual risk is initially assessed and rated as **moderate.**

Supervision Plan

159. 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 and supplemented by desk reviews of IFR and audit reports. The FM supervision mission's objectives will include ensuring that strong FM 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.

ANNEX 6: Procurement Assessment and Procurement Plan

Procurement implementation arrangement and capacity assessment.

160. **New Procurement Framework.** The PCN dates after July 1, 2016. Therefore, in line with the World Bank Policy, procurement will be carried out, per the NPF, in accordance with the (a) WORLD BANK Procurement Regulations for IPF – Borrower's PROCUREMENT IN INVESTMENT PROJECT FINANCING Goods, Works, Non-Consulting and Consulting Services, dated July 2016; (b) the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, revised in January 2011; and (c) the provisions stipulated in the Legal Agreement. The bid documents will be based on the Standard Procurement Document recently enhanced with the Environment, Social Health and Safety Guidelines.

161. The Implementation body is the MoF through the FSD.

162. **The procurement capacity assessment:** This has been carried out and the rating is HIGH. This will be finalized in the operations portal in the Procurement Risk Assessment Management System (P-RAMS). Procurement post-reviews and technical audits will be carried out annually by the World 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 is the use of the NPF and the low procurement capacity of the existing procurement staff. The proposed mitigation will include: (i) World Bank to organize and deliver training session on the NPF prior to effectiveness, with hands-on support to the implementing agencies to ensure the proper use of the borrower regulations (ii) intensify training in Procurement and Contract Management by the World Bank.

163. The table below depicts the Thresholds and Procurement Methods to be used under the Project, given the HIFG risk rating.

Thresholds Effective 1 January 2017													
	Prior Review Threshold in (US$ '000)					Procurement Method s Thresholds (in US$'000)							
RISK RATING			Consultants		Single Source & Direct Contract	Works			Goods, IT and non-consulting services			Shortlist of National Consultants	
	Works	Goods, IT Systems+ Non Con. Serv	Firms	Individuals		Open Internationa l or ICB	Open National or NCB	Request for Quotation/ National Shopping	Open Internationa l or ICB	Open National or NCB	Request for Quotation/ National Shopping	Consulting services	Engineering & constructio n supervision
HIGH	≥$5,000	≥$1,500	≥$500	≥$200	≥$100	≥15000	<15000	≤200	≥3000	<3000	≤100	<300	≤500

164. **<u>Additional Notes:</u>**

- Operating expenditures are neither subject to the Procurement Framework nor prior or post reviews 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:

165. The Borrower prepared and the World Bank agreed with the Procurement Plan for the first 18 months. The Procurement Plan is available in the project's database, and a summary of it will be disclosed on the World Bank's external website once the project is approved by the Board of Executive Directors. The Procurement Plan will be updated in agreement with the World Bank at least annually or, as required, to reflect the actual project implementation needs and improvement in institutional capacity.

166. STEP will be the primary software or platform to be used to submit, review, and clear all Procurement Plans and prior review procurements. For each contract to be financed by the project, the different procurement methods, or consultant selection methods, the need for prequalification, estimated costs, prior review and methods requirements, and time frame will be agreed between the Government and the World Bank in the Procurement Plan.

167. **Below is the table showing the major procurement activities, the cost estimates, World Bank's oversight and the selection methods that will be used to prepare the procurement plan.**

Contract Title, Description and Category	Estimated Cost US$ ('000) and Risk Rating	World 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 Proposal Submission Date
TA for the review and overhaul of the regulatory framework and review of the institutional architecture for credit union, MFI, and RCBs prudential supervision -***Consultancy***	650	Prior	Open, International	Lowest Evaluated	27/02/19
Design of technical	100	Post	Open, National	Lowest	28/03/2019

specifications and development of ToR and RFP for the acquisition of credit union/CUA's core MIS and associated IT infrastructure and supervisory application-***Consultancy***				Evaluated	
Resident advisor for CUA (2 years) -***Consultancy***	300	Prior	Open, International	Lowest Evaluated	31/03/19
Procurement of office equipment and basic IT infrastructure-***Goods***	150	Post	Open. National	Lowest Evaluated	31/03/19
Pick-up vehicle for CUA to facilitate onsite monitoring of credit unions-***Goods***	50	Post	Limited	Lowest Evaluated	30/06/20
Acquisition of a shared core MIS for credit unions-***Goods***	1,600	Prior	Open, International	Lowest Evaluated	31/03/19
Acquisition/development of supervisory application-***Non-Consulting Service***	500	Prior	Open, International	Lowest Evaluated	30/09/19
TA for the upgrade of management capacity of credit unions through training/professional development - ***Consultancy***	200	Post	Open, International	Lowest Evaluated	30/06/19
Carrying out preparatory activities for the establishment of a domestic CRA, including the development of a detailed business plan, and preparing specification for applicable IT systems - ***Consultancy***	200	Prior	Open, International	Lowest Evaluated	27/04/19
TA and capacity building for the implementation of the CRA from regional or global CRA strategic partner (3 years)-	1,800	Prior	Open, International	Lowest Evaluated	30/09/19

Consultancy					
Design of a financial data center, including definition of its objective and mandate, ownership structure, mapping of existing collection efforts and systems, implementation arrangements, business model and sustainability, IT architecture and functionality	100	Post	Open National	Lowest Evaluated	27/04/19
Procurement of office equipment and basic IT - ***Goods***	400	Post	Open, National	Lowest Evaluated	30/06/19
Designing technical specifications and developing ToRs and an RFP for upgrading of the ARB Apex Bank's core banking system, e-banking platform, and associated IT infrastructure - ***Consultancy***	75	Post	Open, National	Lowest Evaluated	28/03/19
Procurement of an upgraded version of Temenos24 (T24) core banking systems-***Goods***	750	Prior	Direct	-	30/04/19
Procurement of IT hardware (IPS, routers, switches, firewalls, and servers) ***-Goods***	2,550	Prior	Open, International	Lowest Evaluated	30/04/19
Procurement of a business intelligence application - ***Goods***	500	Prior	Open, International	Lowest Evaluated	30/11/19
Procurement of e-banking platform-***Non-Consulting Service***	700	Prior	Open, International	Lowest Evaluated	31/03/19
Designing banking business model including identification and specification of a suitable back-end ICT system for	150	Prior	Open, National	Lowest Evaluated	27/03/19

delivering services via agents, and mapping of potential agent locations throughout the country-***Consulting Service***					
Procurement of an agent banking software and implementation support-***Goods***	800	Prior	Limited	Lowest Evaluated	31/03/19
Acquisition of hardware, communication systems, and 5,000 point of sale (PoS) devices -***Goods***	1,500	Prior	Open, International	Lowest Evaluated	30/06/19
TA for branding and advertising and industry sensitization on agent banking -***Non-Consulting Service***	300	Post	Open, National	Lowest Evaluated	30/06/19
Agent Banking Consultant for 2 years -***Consultancy***	200	Post	Open, International	Lowest Evaluated	27/03/19
Upgrade of MFI's shared MIS and development of additional application to support new services and raining of MFIs on the use of the upgraded system-***Non-Consulting service***	800	Prior	Open, National	Lowest Evaluated	30/06/19
Procurement of two firms/consortium of firms (service providers) to design and implement VSLA linkage programs in the most excluded regions of Ghana-***Consultancy***	3,800	Prior	Open, International	Lowest Evaluated	30/06/19
Short-term VSLA linkage consultant -***Consultancy***	100	Post	Open, National	Lowest Evaluated	31/03/19
Two Pick-up vehicles for GHAMFIN to support/monitor the implementation of the linkage program-***Goods***	100	Post	Limited	Lowest Evaluated	30/06/19
Firm to design and	600	Prior	Open, National	Lowest	31/05/19

implement awareness financial education campaigns using traditional delivery platforms – **Non-Consulting Service**				Evaluated	
Firm to design and implement an awareness and financial education campaigns using innovative delivery platforms -***Non-Consulting Service Non-Consulting Service***	700	Prior	Open, National	Lowest Evaluated	30/09/18
Design and develop a M&E framework to appropriately measure financial literacy progress -***Non-Consulting Service***	200	Post	Open, National	Lowest Evaluated	30/06/19
International consultant to support in the Market Conduct Unit (MCU) within BoG build its supervisory capacity - ***Consultancy***	150	Post	Open, National	Lowest Evaluated	31/03/19
Identification of business requirements and technical specifications, as well as development of ToR and RFP for technology applications for BoG, NIC and SEC.	100	Post	Open, National	Lowest Evaluated	31/05/19
Firm to design, develop, and implement a technology application to allow BoG to receive and manage complaints. ***Non-Consulting Service***.	400	Prior	Open, International	Lowest Evaluated	31/05/19
TA/resident advisor to support the NIC's Investigation Unit develop and implement a market conduct supervisory	200	Post	Open, National	Lowest Evaluated	31/03/19

strategy/roadmap and build staff capacity ***Consultancy***					
Firm to design, develop, and implement a technology application to allow NIC monitor the implementation of the "claims management regulation-***Non-Consulting Service***	500	Prior	Open, International	Lowest Evaluated	30/09/19
Firm to design, develop, and implement a technology application to allow SEC to receive and manage complaints. The firm will also train SEC staff on the use of the application-***Non-Consulting service***	300	Prior	Open, International	Lowest Evaluated	31/03/19
TA for the design of a financial inclusion website/database -***Non-Consulting Service***	150	Post	Limited	Lowest Evaluated	30/06/19
Carrying out a financial inclusion demand side survey -***Non-Consulting Service***	500	Prior	Open, International	Lowest Evaluated	17/12/18
Carrying out a geospatial mapping of access points, to inform the identification of prospective agents -***Non-Consulting Services***	500	Prior	Open, International	Lowest Evaluated	31/03/19
Recruitment of a Project Coordinator - ***Consultancy***	400	Prior	Open, National	Lowest Evaluated	17/12/18
Recruitment of a Procurement Specialist 2 years-***Consultancy***	300	Prior	Open, National	Lowest Evaluated	17/12/18