

STATEMENT OF WORK

The offeror shall propose an integrated program design of activities and interventions that address the Problem Statement and contribute to achievement of the results pertaining to IR 6.1, the Enabling Environment and IR 6.2, Export Business Development.

I. The Enabling Environment – IR 6.1

The purpose of the IR 6.1 is to improve the policy, regulatory and institutional enabling environment for the private sector through participatory policy dialogue among representatives of the public and private sectors and civil society; that is, to improve the policies, regulations and institutional structures so that the private sector can compete and flourish in world markets. It is critical to ensure that an improved policy and regulatory enabling environment is sustainable and to ensure greater participation in the reform process by the private sector and civil society, as well as by government. Such participation is expected to lead to a wider consensus on the need for reform, give appropriate direction for reform efforts, and increase the likelihood that policy reform successes will be sustained over the longer term.

Under IR 6.1 the offeror will provide technical assistance and training in three inter-related areas:

- Economic analysis, advice and facilitation in support of targeted policy reforms;
- Highly selective public sector capacity building aimed at improving policy formulation, economic regulation, tax collection and responsive economic management services that the private sector requires of government in order to flourish; and
- A well-informed, participatory process of economic policy dialogue, one that complements the strengthening of government institutions in (2) above by strengthening the capacity of economic policy research and advocacy institutions through direct sub-contracting and through coordination with multi-donor grant programs being developed for these institutions.

1. Economic Policies (Selected Macro, Trade and Sector Policies) Improved

Private sector businesses must be able to source inputs, especially imported inputs, at lower cost in terms of money and hassle time; contract for labor in a flexible way; obtain access to land on a more secure basis, with simplified procedures; access financial resources more easily and at lower cost (rates of interest); pay taxes that are predictable and that involve fewer requests for “side payments”; and in general, operate in a stable macroeconomic environment. These were the principal policy areas of concern to TIRP during the period 1998-2004.

Top priority policy areas, to be included in the initial TIPCE policy agenda:

- financial sector policies and instruments, with an emphasis on capital markets;
- policies and regulations affecting labor markets;
- monetary/exchange rate policies;
- fiscal policies (primarily revenue with work on government debt in conjunction with U.S. Treasury Advisor);
- trade policy, trade facilitation and trade data collection and analysis;
- agricultural policies affecting agri-business, NTAEs, agro-processing, cocoa marketing; and
- regulatory framework for energy (especially gas).

Second priority policy areas, to be considered for inclusion in the TIPCE policy agenda:

- information and communications technology (ICT) regulatory framework;
- administrative barriers to business entry/growth/exit;
- policies affecting land markets;
- policies affecting tourism and eco-tourism; and
- forestry and other environmental policies.

The offeror shall propose an approach to be used in working with the SO 6 Team to prioritize the scope and timing of all work to be undertaken to improve the enabling environment for private sector competitiveness. This will require a preliminary assessment by the offeror of what has already been accomplished under TIRP, what TIRP activities need to be

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continued, for how long, what other donors are doing, where the most important needs are, and where the best prospects are for success. During the life of the contract the offeror shall bring to an orderly close USAID support for reform in some of these TIRP policy areas.

The offeror shall propose approaches to accomplish the following:

- Describe an approach to achieve consensus or “buy-in” on the part of the public and private sectors on the reform agenda during the start-up phase of the program. The description should identify key partners, public and private, who will participate in this process.
- Describe how studies, analyses and other information will be used to contribute to an intensive dialogue with government, Parliament and private sector groups affected by the proposed reforms. Assess the priority of each recommended reform, the feasibility of adopting the reforms, and the willingness of the stakeholders to press forward with the reform effort.
- Describe how the offeror will coordinate with the Democracy and Governance (D/G) Team’s efforts to strengthen Parliament’s capacity to participate in meaningful policy dialogue and reform. Describe follow-on steps to achieve consensus, and to implement the outcome of the dialogue. This will require coordination with the USAID/Ghana D/G implementing partners in their parliamentary strengthening activities.
- Explore policy and regulatory reforms at the central government level that would expand the scope for local governments to generate their own revenue. Describe how the offeror would coordinate with the D/G team’s work with local governments in this regard.
- Building on the work of TIRP and other donor trade and investment initiatives, develop an agenda with the GoG for facilitating an improved regulatory framework and legal environment that promotes and facilitates private sector competitiveness. Coordination with other donor initiatives will be essential in order to avoid duplication of effort.
- Demonstrate how policy analysis capacity will be used to incorporate USAID policy concerns into the policy agendas of the Multi-Donor Budget Support (MDBS) group and the World Bank’s Poverty Reduction Support Credit (PRSC). USAID’s objective is to focus greater MDBS attention on policies that promote private sector competitiveness. Offerors must offer an approach for coordinating their own policy analysis so as to complement the analytical work conducted by the GoG and individual donors. The offeror will assist the TAPS office in monitoring GoG progress in meeting the policy benchmarks for Tranche IV of USAID’s Non Project Assistance program (USAID’s form of budget support) initiated under the expiring USAID/Ghana country strategy. These benchmarks will be taken from the MDBS/PRSC policy matrix.
- Describe a process for periodical analysis and dialogue to reconfirm and update the core set of policy and regulatory reforms – the TIPCE-EE core policy agenda – where policy analysis, advice and reform facilitation will be focused in later years of the contract.

Achieving “buy-in” on the part of the public and private sectors is critical for the success and sustainability of all policy reform efforts. The offeror shall discuss how it will carry out each of the following coordination activities.

- Coordinate with other donors providing significant assistance on trade, financial sector, agriculture, energy, the private sector in general, and other components of the proposed policy agenda.
- Coordinate enabling environment reform efforts with the D/G program providing support to the Parliamentary Information Resource Center and key parliamentary committees to channel sound economic policy analysis to and facilitate policy dialogue by the main economic policy-related committees of Parliament.

2. Selected Public Sector Institutions Responsible for Economic Management and Service Provision Strengthened

In addition to economic analysis and policy facilitation, the offeror shall propose direct assistance for capacity building of selected public sector entities responsible for formulating, developing and implementing the policy and regulatory reforms contained in the offeror’s core policy agenda identified in the sub-component above. The March 2003 evaluation of USAID’s Trade and Investment Reform Program (TIRP) concluded that successful sub-activities were the ones with

sustained follow-up.¹ Under IR 6.1.2, the offeror shall demonstrate how appropriate, sustained follow-up will be integrated into the program. As the contractor's policy reform efforts under IR 6.1.1 and the complementary institution-building efforts under IR 6.1.2 succeed in some areas, the offeror will identify new areas for policy reform and capacity building.

Specifically, the offeror shall propose a method to carry out the following forms of capacity building for selected public sector institutions responsible for formulating and implementing policies in the areas addressed in your proposal. Implementation of these capacity building activities will require GoG concurrence.

- Provide long-term advisors to one or more of the MDAs most critical to the success of policy reforms the offeror identifies as key to increasing private sector competitiveness. The most likely target ministries for long-term advisors include the Bank of Ghana (BoG), the Ministry of Finance and Economic Planning (MoFEP), Ministry of Trade, Industry and President's Special Initiatives (MoTI&PSI), Ministry of Manpower Development and Employment (MoMDE), and Ministry of Food and Agriculture (MoFA). Any long term advisors proposed should use the current advisor to the Bank of Ghana as the model, where that model expresses a preference for Ghanaian nationals with appropriate credentials to fill these long-term advisor positions.
- Provide short-term technical assistance and training to strengthen public sector capacity in the key MDAs responsible for formulating and/or implementing policy and regulatory reforms that form part of the TIPCE policy agenda. The assistance will require training and technical advisory services provided on a sustained basis.
- Provide focused technical assistance and training, in coordination with other donors, to expand the capacity and willingness of commercial banks to reach more small- and medium-size borrowers, for example by tapping Development Credit Authority guarantees.

3. Public-Private Dialogue on Policy and Regulatory Reform Strengthened

A cornerstone of USAID's approach to policy reform in Ghana is to promote a wide ranging and well-informed participatory economic policy dialogue among the public sector, the private sector and civil society. To this end, since 2000, USAID has facilitated the National Economic Dialogue (NED) – an annual meeting of 500-800 participants at which policy constraints to private sector growth are identified, alternative reform approaches assessed, priorities agreed upon, and progress is assessed in implementing the priority reforms identified the previous year. The extent to which the GoG and the private sector continue to see the benefit of this annual conference and quarterly follow-up meetings, and willingly commit resources to the process, are key factors in determining whether support will continue to NED.

Beyond the NED, policy dialogue among public, private and civil society organizations should permeate all important activities of the Enabling Environment. Formal and informal workshops on selected topics become venues for policy dialogue, as do meetings in connection with reforms such as labor legislation (the Tripartite Committee including business, labor and government), customs clearance (business and government) and securities markets (private pension, insurance and securities firms and their respective public regulatory bodies). Workshops become opportunities for stakeholders to become better informed, to explore their respective interests, and to search for ways to improve on the status quo for their mutual benefit. The expectation is that in the implementation of IR 6.1.3, policy dialogue among key stakeholders will continue to be an integral feature of the program. Private sector and civil society partners, especially business associations and policy research institutes, should be key resources in providing the occasion, venue and appropriate audience for such stakeholder workshops and negotiation sessions. Private sector participants are likely to take part in policy and regulatory debates if they feel that their views are taken seriously, and that their concerns are addressed practically.

In addition to the above, the offeror shall propose approaches to expand the scope and improve the quality of participatory policy dialogue in the following ways:

- Strengthen participatory policy dialogue among the public and private sectors and civil society by capacity building of local policy research institutes and business associations to better analyze and advocate for policy

¹ See Dirck Stryker et. al., "Ghana Trade and Investment Reform Program: Project Final Evaluation," Management Systems International, March 2003.

reforms that benefit the Ghanaian private sector. This will require close coordination with two multi-donor grant funds designed to provide core funding for these organizations: the Ghana Research and Advocacy Program, or G-RAP, is targeted at strengthening the research capacity of policy research institutes, while another such fund will be targeted at business associations to strengthen their policy advocacy capacities. The main role of the contractor will be to “sub-contract” policy analysis and advocacy tasks to these organizations, given the multi-donor grant funds designed to provide core funding to them. The contractor will be responsible for maintaining quality control of all such sub-contracts. In addition to producing sound analysis or advocacy, these sub-contracts should be viewed as a means for strengthening the ability of policy research and advocacy organizations to organize debates among concerned actors and to communicate and disseminate their research findings.

- Provide technical assistance and support to the Economic Planning Unit of MoFEP, the business community and civil society organizations in the preparations, implementation and follow-up of the annual National Economic Dialogue (NED). Use research from a variety of sources, including the major Ghanaian policy research institutes, research carried out under the centrally-funded Strategies and Analyses for Growth and Access (SAGA) project, and other sources of policy research. Note: SAGA is a cooperative agreement between Cornell University and Ghana’s Institute for Statistical, Social and Economic Research.
- Facilitate (in conjunction with local policy research institutes and business associations) meetings, seminars, workshops and conferences with GoG officials, businesspersons, staff of business associations, trade union officials, economic research and advocacy institutions, donors, and other stakeholders as vehicles to move forward the policy reform agenda to improve Ghana’s competitiveness in world markets. Meetings with other donors should also be used to ensure that the contractor’s agenda does not work at cross purposes or duplicate other donor programs.
- Assess the feasibility and usefulness of providing long-term advisors to selected business associations and labor organizations committed to strengthening private sector competitiveness in world markets, and consider proposing the placement of one or more such advisors if and where appropriate. On the labor side, the Tri-Partite Committee that brings labor, employers and government together in dialogue is a prime candidate, as are export oriented business associations such as the Federation of Associations of Ghana Exporters (FAGE), and trade associations such as the Ghana Agricultural Product Traders Organization (GAPTO).

II. Export Business Development – IR 6.2

The general purpose of IR 6.2 – the Export Business Development component of TIPCE – is to strengthen the capacity of the Ghanaian private sector to compete more effectively in world markets. More specifically, the purpose is to increase the capacity of selected non-traditional export (NTE) industries/sectors, and enterprises within those industries, to become more competitive in world markets – whether those markets are to be found in developed countries overseas, across its borders in countries of the ECOWAS region, or modern domestic markets within Ghana. TIPCE will build on the efforts made under the private enterprise development component of TIRP.

The offeror should assess critically the export product focus under TIRP on agriculture (horticulture² and wood products), textiles, garments and handicrafts; offer alternatives for whatever product/industry focus is proposed. While the CSP suggests the possibility of adding ICT service exports to the mix, it will be the offeror’s responsibility to assess the costs and benefits of doing so and recommend whether or not to include ICT service exports in the product focus. The offeror shall propose a “portfolio” of non-traditional export (NTE) products on which it intends to focus, bearing in mind that most (but not necessarily all) must be non-traditional agricultural export (NTAE) products, because agriculture money is the primary funding source for TIPCE. NTEs are defined to exclude cocoa, gold and timber (and possibly electricity). In proposing its “NTE product portfolio” the offeror should focus on high-growth-potential NTE industries and enterprises, with an emphasis on non-traditional agricultural exports (NTAEs). The gender composition of employment and managerial talent is also an important factor for the offeror to consider when proposing its portfolio of NTE product categories. Women are a relatively untapped resource by the formal private sector, both as workers and managers, and

² In the context of TIPCE-EBD, horticulture is defined as “the cultivation of flowers, fruits, vegetables and ornamental plants” – the dictionary definition – to which TIPCE adds herbs, spices and medicinal plants.

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better use of their skills could benefit private sector growth. In sum, the proposal shall define an approach or model focusing on one, two, or more NTE industries/sectors, a model that is achievable and measurable in a meaningful manner, in the Ghanaian context.

TIPCE will maintain a strong focus on overseas markets. However; the USAID/Ghana IEHA Action Plan adds to that a secondary focus on regional export markets, while supermarkets and tourism facilities will likely constitute a growing modern domestic market for TIPCE to address. Some NTE industries/sectors in the proposed “NTE product portfolio” may be more relevant to overseas markets while others may be more relevant to regional markets. The indicator for whether these non-traditional export industries and enterprises are becoming more competitive is a significant increase in their exports over the life of the strategy (FY 2004-2010). The key concept here is global competitiveness, which can be achieved only through increases in total factor productivity, and where that process is guided by market prices.

In order to increase the capacity of selected NTE industries to compete in world markets, IR 6.2 posits three subcomponents, corresponding to the three sub-intermediate results (sub-IRs) under IR 6.2.

IR 6.2.1 will look to all three “export” markets, but will place greatest attention on overseas and modern domestic markets. It will also focus on larger commercial firms, with an emphasis on facilitating the creation of strategic partnerships with developed country buyer-seller and joint venture partnerships. And it will work to transfer modern production, environmental management, marketing, processing, quality control and financial technologies to the enterprises in the selected industries. The Results Framework suggests as indicators the number of strategic partnerships established, the number of enterprises rapidly expanding their exports, the number of enterprises, farms and final adopting productivity-enhancing technologies. We concede that there could be others.

IR 6.2.2 is focused on integrating smallholder farmers into the supply (value) chain for exported and processed products. Improving the efficiency of supply chains for selected non-traditional agricultural and other exports and devising and implementing ways to enable those supply chains to reach down to commercially oriented smallholders, and indeed down to market oriented small enterprises in whichever export industries the offeror proposes to include in its “NTE product portfolio”. Work outside the selected sectors will be investigative in nature, and will consume only a minor part of the budget. The key concept is integration of large numbers of smallholders, as well as small-to-medium size enterprises, into the supply chain for exports. This will include an intensification of the linkages created under TIRP to link commercial farms to outgrowers, and linking larger enterprises in other industries to micro and small-scale firms. Indicators of whether or not the contractor is succeeding in market integration will measure the number and/or value added of smallholder farmers, or other small-to-medium size enterprises, participating in the supply chain for exports in the selected industries, although other good indicators also may exist.

IR 6.2.3 relates to the important role providers of business development services (BDS) need to play if increased competitiveness of the target non-traditional exporters is to be sustainable. The BDS sector may include business association’s as well individual BDS enterprises. The Results Framework presented to this RFQ contains some potentially good ideas about how to measure progress, but the offeror is invited to suggest changes to IR- and sub-IR-level indicators.

Technological modernization is the third key objective of the Export Business Development component of TIPCE, the others being competitiveness and market integration. Overseas markets in developed economies, and the foreign direct investment (FDI) that might emanate from those developed economies, is the predominant technological modernizing force on the Ghanaian economy – more so than FDI emanating from regional markets. But smallholders and other small enterprises usually find it easier to access regional markets, given their generally lower quality standards. Supplying regional markets can even serve as a steppingstone to accessing overseas markets. The offeror shall assess the growth potential of overseas and regional markets, propose approaches to engage in each, justify their conclusions, and allocate TIPCE resources to accessing those two markets accordingly. The offeror shall propose a selection of one or more indicators for measuring the degree to which the modernization of selected export industries is taking place.

In addition, activities proposed by the offeror under IR 6.2 must address environmental sustainability issues in a manner consistent with the findings of the analytical work performed during the development of the Country Strategic Plan and the Initial Environmental Examination of the Economic Growth Strategic Objective. Proposals will need to reflect cognizance of Ghana’s key environmental development challenges: land degradation linked to inappropriate farming

practices, where regenerative agriculture and other soil-enhancing technologies may play a positive role, and deforestation linked to unsustainable approaches to the use of forest resources. Inappropriate use of fertilizer and agro-chemicals and poor pest management also can have significant adverse effects on the environment and exports.

Recognizing the existence of many programs supported by other development partners designed to strengthen the capacity of private sector exporters to access and supply export markets, the offeror will need to effectively coordinate with these programs, complementing them with targeted technical assistance when appropriate, and in general exploiting synergies in its proposed program with the programs of these other development partners. USAID/Ghana's Title II and Food for Progress cooperating sponsors are an example, but many other opportunities exist.

Therefore, the challenge is to devise a program for Export Business Development under TIPCE that ensures the execution of all specified activities, either directly (with the judicious use of cross-cutting integrative programs) or by providing complementary assistance to other development partners' programs, in order to make those programs better at achieving IR 6.2 objectives. The SO 6 Team will play a key guidance role, as donor lead of the GoG/donor working group for private sector development, and a major player in the GoG/donor working group for agriculture, there with an emphasis on agri-business and agricultural exports.

1. Capacity of Ghanaian Enterprises to Access and Supply Foreign Markets Improved

The objective of IR 6.2.1 is to expand the capacity of Ghanaian processors, marketers and producers in selected NTE industries to access export markets and supply products that meet the quality standards of those markets. Market development will be the key aspect of this sub-IR, and will require a concerted and sustained effort on the part of the contractor to persuade foreign companies of the benefits of linking to Ghana as a source for potential business partners. The CSP identifies strategic partnerships as a potentially powerful tool to facilitate investment by overseas enterprises in Ghana as well as buyer-seller, joint venture and mentoring relationships between local Ghanaian producers and processors of NTEs and overseas companies.

The offeror shall propose a program that will result in the accomplishment of all the activities listed below, both directly and through coordination with other development partners' programs attempting to strengthen the capacity of private sector enterprises to access and supply export markets.

- Assist Ghanaian firms seeking access to overseas markets by establishing a program that will locate overseas partners for interested Ghanaian firms.
- Identify potential overseas buyers and investors prepared to explore business opportunities in Ghana. Identify potential Ghanaian firms for a match as suppliers or joint venture partners and facilitate initial meetings. Provide for initial screening on both sides and arrange for initial meetings. Assist in ensuring the long-term sustainability of these relationships.
- One key approach should be to focus on developing market-driven strategic partnerships between multi-national companies and Ghanaian exporters. These strategic partnerships can take the form of buy-seller, joint venture, or other such relationships.
- Coordinate the efforts with other USAID-funded implementing partners (which will likely include cooperative agreements with universities, research institutes and private sector entities working to expand access to ICT-based information systems and services, all of which are administered by the EGAT Bureau or by WARP) to improve access to market information for exporting enterprises, especially agricultural exporters, and to disseminate agricultural research findings among research institutes within the West Africa sub-region.
- The objective of the agricultural market information system is to expand markets for Ghanaian enterprises currently exporting to overseas and regional markets and identify markets for those wishing to export. With regard to cross-border agricultural trade, this task should be linked to the regional agricultural marketing information system being funded by USAID's West Africa Regional Program (WARP).
- The objective of the research dissemination system is to link Ghanaian agricultural researchers – CSIRs, university research institutes and private sector actors interested in applying research results – to other research institutes located elsewhere in the sub-region and in the rest of the world.

- Ensure that production-to-market strategies (supply or value chains) are established for the commodities or product groups within the TIPCE's manageable interest. Determine the kinds of interventions needed and how they may or may not differ in relation to productivity potential, competitiveness, and the potential to exploit overseas, regional and modern domestic markets. Determine what new markets are available or can be developed, for Ghanaian products under global marketing mechanisms such as the Africa Growth and Opportunities Act (AGOA) and the EU's "All But Arms" initiative.
- With specific regard to agriculture, assess mechanisms for farmers to enhance supply response and directly increase market access. Assess how the various production and commodity systems would be linked to specific identifiable markets overseas, within the region, and in the modern domestic sector.
- Develop and implement a private sector-led research plan for one or more of the key NTAEs in TIPCE's "export product portfolio". Research could initially focus on one export product (e.g. pineapple³) and move to others over the life of the contract. The challenge is that Ghanaian exporters must compete in overseas markets with highly sophisticated enterprises from other countries, some backed by well-developed research.
- Modernize processing, marketing and production technologies of Ghanaian exporters to reduce costs, strengthen quality control, expand volumes produced, and improve timely delivery of products destined for export to overseas markets.
- In particular, assist Ghanaian exporters of targeted agricultural products to meet increasingly stringent EUREP-GAP standards for entry into the EU market, U.S. sanitary/phyto-sanitary (SPS) standards for entry into North American markets, and the often even more stringent standards for entry into Japanese markets. Other standards regulatory regimes besides EUREP-GAP and SPS should also be investigated for their applicability to the Ghanaian context, whether for agricultural or non-agricultural enterprises. These include ISO 9000 standards and a number of others.
- Analyze and develop an approach for improving quality and implementing corresponding standards for key commodity systems. Such a system should be linked to the potential for improving the price to the producers as an incentive for improved quality. Quality assurance, certification of products, and sanitary standards will be important for competing effectively in external markets. Coordination with public and private bureau of standards and other institutions that have regulatory mandates will be required. The approach will require special attention for instilling greater responsibility and incentives within the private sector to self-regulate.
- In conjunction with the above activity, develop certification programs for products, standards and quality control procedures and labeling requirements for products destined for local, regional or global markets.
- Coordinate the partnership with Royal Ahold and others working with private sector firms and business associations to promote the export of fruits, vegetables, spices/herbs and medicinal plants. This partnership is expected to include technical assistance on Grades and Standards provided to the Ghana Standards Board and

³ Exports of fresh pineapple are estimated to be approaching 50,000 metric tons, worth about \$15 million, yet this is only 8-9% market share. In the last decade Costa Rica has doubled its market share from 20% to over 40%. Given Ghana's climate and shipping times there is no geographical reason why Ghana, in the next decade, should not capture a large market share worth around \$40 million. For this to happen Ghana must improve its cold chain and market service but also ensure it grows the variety demanded by the market.

The introduction of sweet, golden colored varieties of pineapple by Costa Rica and others has enabled them to capture a large share of the EU market. West Africa's variety, the Smooth Cayenne, is unable to compete. Market feedback to exporters and the Seafreight Pineapple Exporters of Ghana (SPEG) – which is confirmed by Ahold – is that the variety for future success in the fresh pineapple market has to be one of the golden sweet varieties, such as "MD2".

To meet this challenge, players in the industry in Ghana are sourcing planting material of the MD2. It will take until 2006/07 before MD2 makes up the majority of Ghana's exports. But, Del Monte has recently announced they will be launching a newly patented variety called "Honey Gold" which will come to market in 2006. The claims for the Honey Gold are that it is superior to MD2. Both varieties have the attractive golden color, but Honey Gold is not so super sweet (may appeal to health conscious consumers) and has a longer shelf life (a major benefit for supermarkets). Based on this observation, Ghana seems to be investing in outdated technology – just as Ghana gears up to supply MD2, the market share of MD2 falls and is replaced by Del Monte's own Honey Gold.

At present Ghana is addressing the symptom of the problem; the underlying cause is that Ghana does not have its own variety that can compete with newer varieties on the export market. Given that Ghana's largest non-traditional horticultural export is under threat, there is an urgent need to support research to create a competitive West African pineapple. Targeted research by universities and CSIR to improve current varieties and develop new ones that satisfy market needs will have a big payoff. If Ghana fails to supply competitive varieties, it is expected the market share will fall to under 5% -- worth only about \$5 million. With a competitive variety Ghana's market share would increase and eventually generate exports worth around \$40 million with a market share of about 25%.

MoFA as well as to the private sector, either by one of the TIPCE consortium members or through a sub-contact with another qualified organization.⁴ The key point here is that contractor efforts to strengthen the capacity of these public sector entities to formulate and enforce government Grades and Standards for agricultural imports and exports must be driven by what private sector exporters need to enable them to compete more effectively in world markets.

- Implement a strategy that enhances access to finance for producers, producer organizations, processors and marketing firms. The strategy should describe an approach for how farm and other enterprises of different sizes – i.e. micro, small and medium scale enterprises (MSMEs) – can increase their access to finance. Commercial bank finance, microfinance, leasing, inventory credit, forward contracts and other sound financial practices will be considered. (Note, however, that the contractor will NOT be expected to provide credit directly, only to devise ways to utilize/leverage existing credit and venture capital facilities.)
 - Assist enterprises in improving their management practices and developing business plans for submission to banks and other financial institutions to access credit and strengthen their financial attractiveness for joint ventures, buyer-seller partnerships, and other business relationships.
 - Coordinate with the Development Credit Authority (DCA) program, mentioned under Administrative Program Elements, and any other government or donor programs that provide credit or venture capital.
- Implement an approach for expanding private sector input supply systems that meet producer demand for appropriate fertilizer, improved seed, pest management technologies, agro-processing technology, and information systems. Examine the scope for private sector extension that directly links local and foreign firms to technology applications.
- Partner with local training institutes that provide classroom work with private businesses that provide on-the-job training to increase managerial and skills capacity.
- Coordinate with the Ghana Investment Promotion Center (GIPC) and the Ghana Export Promotion Council (GEPC) in areas of mutual interest, keeping in mind that TIPCE is a private sector focused program.

2. Integration of Smallholder Agriculture into Supply Chain for Agro-processing and Exports

The objective of IR 6.2.2 is to include a focus on smallholder farmers of the Initiative to End Hunger in Africa (IEHA). IEHA resources will be used to support the integration of smallholder farm families into the supply chain of agro-processing and export marketing through a variety of mechanisms. It should be noted, however, that TIPCE interventions under IR 6.2.2 will not attend to the needs of subsistence farmers, a job that will be left to other donors. Instead, TIPCE will target those smallholder farmers that already have begun to integrate into commercial marketing chains. It is important for the offeror to strengthen the role of women as owners of small/medium size enterprises, as smallholder farmers, and as productive workers in processing and marketing activities. For instance, it is estimated that 60% of Ghanaian farmers are women. The challenge is to find those commercially oriented women farmers and include them in our target groups. Furthermore, credible research has shown that women spend their income on their children and household needs, with positive long-term developmental impacts.

The contractor also will be expected to reinforce the efforts of food aid cooperating sponsors, other interested NGOs, and donor organizations using its own resources, but over time these development partners will be expected to cost-share with the contractor. A critical aspect of activities under IR 6.2.2 is that they are similar in kind to the ones highlighted under IR 6.2.1, the difference being that there the focus is on lining large and medium-size agricultural enterprises to foreign buyers and joint venture partners in overseas markets whereas the IR 6.2.2 focus is on linking smallholders to modern supply chains for agro-processing and exporting using traders, trader organizations, large commercial farms and BDS providers.

The offeror shall propose an approach that draws elements of its design for IR 6.2.2-type activities from the IEHA Action Plan structured to benefit smallholders, as listed below.

⁴ Under TIRP, MSU/PFID has provided Grades and Standards technical assistance and training to the private sector through the GDA partnership with Royal Ahold and other USAID grantees, and its initial grant award included a component to provide such TA and training to public institutions as well. However, the public sector component of the Grades and Standards work was later assigned to USDA/CCARD, and funds were reallocated from the MSU/PFID cooperative agreement to the PASA with USDA.

- Assess constraints to smallholder production and marketing of export crops on behalf of enterprises that seek smallholder suppliers, and assist enterprises, smallholders and farmer-based organizations to address these constraints.
- Strengthen linkages between smallholder producer groups and Ghanaian agricultural exporters, agro-processors, agricultural input suppliers to expand markets for smallholder producers.
 - Intensify the use of outgrower and other schemes that link smallholder farmers to larger commercial exporting firms.
 - Provide technical assistance and training to producer groups, cooperatives and other appropriate entities in modern agricultural practices, in collaboration with food aid cooperating sponsors and other donors.
 - Work directly with Title II and Food for Progress cooperating sponsors as well as other interested NGOs and donor organizations to channel technical assistance to their clients to improve the quality and timely delivery of their products to agro-processors, export marketing enterprises and modern domestic markets.
- Examine, identify and strengthen rural to urban/export market linkages (e.g. in secondary towns and trading centers) that may provide enhanced efficiencies for smallholder farmers to access regional and modern domestic (i.e. supermarkets and tourist facilities) markets for agricultural produce and value-added products.
 - Improve agricultural market information for smallholders by ensuring they gain access to the rural agricultural marketing information system to be strengthened (see the discussion under the previous EBD subcomponent above) and linked to the regional system being strengthened with WARP funding. These will be ICT-based systems including FM radio transmissions, mobile telephony and internet access.
 - Work with the Ghana Agricultural Product Traders Organization (GAPTO) and other such trader organizations to improve marketing linkages and access to market information.
 - Improve smallholder access to modern inputs, storage, marketing, processing, and production technologies (the latter through technical assistance to Title II and Food for Progress cooperating sponsors).
 - Examine infrastructural improvements that may provide enhanced efficiencies for small-holder farmers to access internal and regional markets for agricultural produce and value-added products – e.g., cold storage facilities – that the contractor shall be in a position to facilitate, but not fund.
- Assist smallholders in obtaining access to credit by building on existing successful initiatives. . A non-exhaustive list of examples include arrangements whereby:
 - input traders obtain credit, enabling them to advance credit to smallholders for the purchase of inputs;
 - product traders obtain credit, enabling them to use “forward contracting mechanisms” that allow smallholders to receive a higher price than the one prevailing at harvest time, where the smallholder has the responsibility of storing the output until prices have risen; and
 - warehouse receipts are accepted as collateral for providing credit to smallholders.

Consideration should be given to bringing commercial banks, Rural Banks and microfinance institutions (and possibly others) into the equation as the initial source of credit to input traders, product traders, those possessing warehouse receipts, or other potential players. [Note: the contractor is NOT expected to provide credit directly to smallholders, nor any other enterprises for that matter; rather, the contractor will focus on developing and implementing innovative credit schemes while leveraging funds from other sources.]
- Utilize partnerships and activities listed in 6.2.1 above on behalf of smallholders, as appropriate.

3. Business Development/Support Entities Provide Effective Services to Members

The objective of IR 6.2.3 is to create a sustainable domestic supply of business development services (BDS), serving businesses all along the export supply chain. The three sources of supply that will be targets for assistance here include: the BDS industry and associations of BDS providers, export-oriented business associations, and farmer-based organizations and groups. Businesswomen are a potentially powerful tool for increasing productivity. Associations of businesswomen should be included in the offeror’s “portfolio” of business and trade associations that merit strengthening through sub-contracts with such associations (grants will be available to associations of businesswomen directly from

USAID or other sources). Over the life of the strategy, USAID wishes to encourage a phase-down of direct contractor staff involvement in the provision of BDS, while increasing the contractor's focus on supporting commercial providers of BDS, input suppliers, agro-processors and other private entities as BDS providers. Business associations may also have a role as BDS providers. Although business associations may not be too effective in providing BDS to individual members on a fee basis, they may have a role in providing "public goods"-type BDS that must be provided to all fee-paying members on a non-excludable basis.

The offeror shall propose approaches to strengthen the domestic provision of BDS to all sizes of targeted producing, marketing, and processing enterprises in the supply chain for exports. The offeror shall:

- Recommend mechanisms to strengthen the capacity of the domestic BDS industry to better serve targeted Ghanaian export-oriented firms.
- In this regard, the contractor will be expected to make increasing use of the domestic BDS industry when providing technical assistance and training to the export-oriented firms it supports, over the life of the contract. This will be accomplished through "sub-contracting" with local BDS providers, in one form or another. By the end of the contract, over half of the contractor's clients should be using the domestic BDS industry.
- The contractor will be expected to develop a cost sharing system with its export-oriented clients, for BDS provided by the domestic BDS industry. One option is a voucher system. The offeror is invited to investigate African experiences with such BDS voucher systems, assess their effectiveness, and compare them to the effectiveness of other systems designed to accomplish cost sharing. Then they should recommend one or more approach and justify the recommendation. Over the five-year life of the contract the contractor's share of BDS costs should decline and be less than 50% by the end of the contract.
- Recommend support mechanisms to strengthen the capacity of targeted apex business associations and product-specific associations to provide demand-driven BDS to their members on a sustainable basis, especially those services that individual BDS businesses are not likely to provide because of their "public goods" nature.
- Recommend support mechanisms for private sector entities that support Ghanaian agriculture – the BDS industry, business associations, input and product traders and others.
- Assess which services are most needed and which institutions providing those services can be strengthened and are likely to be on their way to sustainability by the end of the program.
- Set priorities, given limited resources, and establish the criteria to be applied in determining (i) which services to provide and (ii) which key institutions to support.
- In the case of trader associations, GAIDA is the one for input dealers and GAPTO is the one for product traders. GAPTO, consisting of some 10,000 (mainly small businesses) members, many of whom are truckers, may be a good target for efforts to control the spread of HIV/AIDS.

III. Partial Responsibilities for IR 6.3 and IR 6.4 Activities

The offeror shall identify opportunities to factor the results achieved under IR 6.1 and IR 6.2 into relevant activities of other donor and GoG entities, by participating in meetings and coordinating technical positions and inputs as appropriate, and tracking activities.

The contractor will provide information to WARP on Ghana's policy and regulatory reform efforts as potential models for use in ECOWAS policy fora, participate in regional meetings, assist in coordinating technical positions and inputs and track activities, as well as monitor and report on results under IR 6.4 in the SO 6 Results Framework. The main policy and regulatory areas of interest to USAID/Ghana in the WARP portfolio include regional trade policy, the expansion of cross border trade, market development, marketing information systems, and harmonization of trade-related policies and regulations.

The offeror will also propose a plan regarding the main infrastructure issues that the MDBS/PRSC process should address, with respect to IR 6.3, as well as a similar plan regarding the regional integration and harmonization issues that

WARP should address, with respect to IR 6.4. This could be especially relevant to a future MCA program. The contractor will be responsible for monitoring all IR 6.3 and IR 6.4 indicators, and reporting on them annually in November.

IV. Initiative to End Hunger in Africa to Improve the Enabling Environment

The IEHA Action Plan sets forth the activities that SO 6 plans to carry out with IEHA funding under IR 6.1, to address the policy and regulatory issues that constrain the rural producer. The objective is to address constraints to increased production and linkages to marketing systems, so that the rural smallholder producers can be integrated into the supply chain for exports, agro-processing and competitive import substitution markets. The IEHA components under IR 6.1 expand the policy and regulatory agenda to include five additional activities. The program seeks to give voice to the smallholder producers to express their needs and concerns with respect to policy and regulatory constraints that they face, and to enable them to benefit from expanded export markets and agro-processing. The policy areas are described further in the IEHA Action Plan. Each of these policy areas reinforces the Mission's overall strategy of export-led, market driven, private sector growth with particular impact on rural business and income for smallholder producers. These policy areas and the constraints they address have been included in the Statement of Work for the EE component and in the Problem Statement, respectively. The need for coordination on the part of the contractor is outlined in the paragraphs on Technical Working Relationships on page 16 above. A version of the IEHA Action Plan (minus budget and procurement information) is posted on the USAID/Ghana website.

The IEHA Action Plan also sets forth the activities that SO 6 plans to carry out with IEHA funding under IR 6.2, to address the marketing, technological and financing constraints faced by the rural producer through the provision of technical assistance and training (but not direct provision of financing). The objective is to address constraints to input supply, rural services and especially linkages to marketing systems, so that the rural smallholder producers can be integrated into the supply chain for exports, agro-processing and modern domestic retail markets (supermarkets and tourism facilities). The IEHA components under IR 6.2 contemplate: (i) reinforcing Title II and Food for Progress cooperating sponsor activities working with smallholders to modernize their techniques and improve their competitiveness; (ii) strengthening the private sector's capacity to provide services to smallholders and to marketers and processors of smallholder production; (iii) apply modern organic production and small-scale irrigation techniques to benefit smallholders; and (iv) strengthen the agricultural marketing information system in Ghana, linking it to the regional system being developed with WARP funding. The program seeks to enable smallholder producers to benefit from expanded export markets and agro-processing. The proposed on-the-ground programs are described further in the IEHA Action Plan. Each of these programs are intended to reinforce the Mission's overall strategy of export-led, market driven, private sector growth with particular impact on rural business and income for smallholder producers. These program areas have been included in the Statement of Work for TIPCE and in the Problem Statement.

The IEHA Action Plan also includes activities in biotechnology, including the preparation of an inventory of biotechnology products applicable in Ghana, and field-testing of selected products. The successful offeror will not be responsible for the implementation of these activities, which are being carried out in coordination with existing cooperative agreements managed by the Economic Growth, Agriculture and Trade (EGAT) Bureau in Washington. However, the contractor will be expected to participate in appropriate meetings, to assist in applying the results of the biotechnology inventory and field-testing, and to work with client agri-business firms, Title II/Food for Progress programs, or other smallholder programs in the application of biotechnology, as appropriate. This will not occur until the latter stage of the contract.