



REPUBLIC OF GHANA

FREQUENTLY ASKED QUESTIONS (FAQS)

MICRO SMALL AND MEDIUM ENTERPRISES PROJECT

BUSINESS DEVELOPMENT SERVICES SCHEME

Q. What is the MSME Project?

A The Micro, Small and Medium Enterprises (MSME) Project is a Government of Ghana initiative to provide essential financing and technical support to enhance MSME development in Ghana.

The Project which is financed by the World Bank Group (IDA and IFC) and the Government of Ghana, is expected to trigger shared growth and lower poverty levels by increasing the competitiveness and employment levels of MSMEs in Ghanaian economy.

Q Does the Project cover all the Regions in Ghana?

A Yes. The Project will operate throughout the country.

Q What is the BDS Fund?

A The Business Development Services (BDS) Fund will provide matching performance grants to BDS Providers serving the MSME sector, rather than offering direct support to the MSMEs.

The matching grants will be provided to Participating Banks and other eligible banks to assist them in developing and expanding efficient lending to MSMEs.

Furthermore, the BDS Matching Grants will be provided to:-

- i. Eligible MSMEs including:-
 - a) Clients of banks to improve the capacity to present credible loan application packages; and
 - b) To make productive use of loans and improve their ability to service debts.
- ii. Eligible business development service providers, including training providers to implement a range of services to support SME borrowing capabilities and post-borrowing performance.
- iii. The BDS Fund will again assist eligible financial institutions and intermediaries to develop and make available additional financial instruments to MSMEs.

Q Who is the BDS Fund Manager?

A The operation of the BDS Fund will be outsourced to a private consulting firm or a team of private consultants to serve as the BDS Fund Manger.

The Fund Manager will manage the performance grant programme available under the Access to Finance and the Access to Markets, Trade Facilitation, and Entrepreneurship Development components.

The BDS Fund Manger's primary responsibility is processing applications through the different BDS Fund windows and disbursing grants.

The Fund Manager will assess all grant applications, approve those within his threshold limits, and make recommendations to the Project Coordination Unit (PCU) for proposals above those limits.

Q Who or What is a BDS Provider?

A Suppliers of technical and/or professional services, that is, providers of business support and advisory services to businesses.

Typically, BDS Providers would include business training organizations, management consultants, business support organizations, etc.

Q What is the Objective and Rationale of the BDS Fund?

A The objective of the Business Development Services (BDS) Fund is to boost MSME performance and employment levels by expanding the capacity of BDS Providers in terms of their quality, outreach, cost-effectiveness, impact and sustainability.

The MSME sector has to overcome a number of market failures that have the effect of diminishing supply responses from intermediaries. This results in lower levels of investment, productivity and employment than would otherwise be possible. The MSME Project aims to correct these market failures through the provision of time-board and transparent, performance-based grants.

Q What is the BDS Fund Targeted At?

A The Fund is targeted at suppliers of technical and/or professional services (that is, BDS Providers) to the MSME sector.

Business entities with specific, quantified plans to enter identified niches within the MSME sector in the country will also be eligible to apply for grant support from the Fund.

Q What is the Minimum and Maximum Grant per Applicant?

A There is no minimum amount. The maximum cumulative value of a grant that can be approved for any one client of the programme is US\$200,000 and US\$500,000, for MSMEs and Banks respectively. A total of US\$7.2 million is currently allocated to the BDS Fund by IDA.

Q Is my Organization eligible to Apply?

A Any privately-owned-profit-making enterprises and non-profit organisations with a commercial orientation that operate, or intend to operate in the country are eligible to benefit from the BDS Fund. Both locally-owned and foreign-owned enterprises are

equally eligible. Business and industry associations, consultancy organizations and training institutes are also eligible.

Q What are some of the ineligible firms and organizations?

A The following classes of firms, organizations and individuals shall not be eligible to receive grants from the BDS Fund:-

- i. Any firm associated with the firm holding the contract to manage the BDS Fund.
- ii. Any firm or individual employed in or contracted to contribute to the preparation or appraisal of the MSME Project.
- iii. State-owned organizations or other entities in which the government or its agencies have effective management control, by means of being the largest shareholder or by means of having a board majority.
- iv. Firms engaging in any practices that do not conform to Ghanaian Laws shall not be eligible, unless the activity proposed for assistance shall promote such conformity.

Q What are some of the Ineligible Categories and Activities not covered by the BDS Fund?

A Among the list of the ineligible categories and activities not covered by the BDS Fund are the following:-

- i. Recurrent Expenses, for example, Office cleaning; Premises Security services; Building Maintenance; Transportation services for goods and staff; Book-Keeping services; Accounts, etc. secretarial services, temporary man-power services.

- ii. Maintenance costs, for example, Plant and equipment up-keep.
- iii. The use of “one-off” support and normal business costs. For example Legal services; debt collection services; architectural services; office and factory building services; printing, design and origination costs for regular on-going business requirements, media costs.
- iv. Capital expenditure, for example, Purchase of vehicles, equipment, land and or the construction of buildings; holding stocks in terms of working capital.
- v. Working capital, for example, all operating expenses and overdrafts.

Q What therefore Constitutes Eligible Categories and activities under the BDS Fund?

A The allowable categories and eligible activities under the BDS Fund are as follows:-

- i. Company expansion planning, for example, strategic and marketing plans; workshops and seminars and procurement supply techniques.
- ii. Management, for example, Institution of quality management systems; marketing management systems; management information systems (MIS).
- iii. Market research, for example, Export market investigations; domestic market investigations; product development and testing of product concepts.
- iv. Advertising and promotion in domestic and export markets, for example, brand promotion; design origination; art work; photography; translation.
- v. Joint venture searches/seeking investment, for example, investor or equity research.
- vi. Establishment of distribution in export and domestic markets, for example, research to identify market representation.
- vii. Consumer market testing and launch on domestic and export markets, for example, identification and testing product concepts; survey of competing products; purchase of samples for evaluation; sampling and demonstration.

- viii. Packaging and presentation materials for domestic and export markets, for example, market research and testing; prototype design.
- ix. Loan facilitation, for example, business and strategic plans; accounting and bookkeeping for loan facilitation.
- x. Development of training modules/innovative curriculum, for example, demand surveys; design and development of content.
- xi. Provision of training by training providers, for example, conducting training for SMEs.
- xii. Alignment with the objectives and philosophy of the Fund.

Q What are the stages and procedures in applying for the BDS Fund?

A In order to apply for funding to the BDS Fund, eligible entities should be registered with the BDS Fund and should submit a complete Grant Application Form and a detailed Business Plan.

Grant Applications will be accepted from training institutions, business membership, organizations, consultants, NGOs and private Ghanaian and foreign-owned firms, duly registered with the BDS Fund.

Grant Applications will be evaluated on the basis of the following criteria:-

- i. Absorptive capacity (financial, managerial, operationally-human and systems resources, application of best practice methodology) for additional operations and programming initiatives.
- ii. Capacity to deliver good quality financial statements and audited accounts.
- iii. Demonstrated commitment by the entity's willing to contribute their own resources to the development of the programme;
- iv. Significant and growing ratio of fee revenues to operating costs;

- v. Alignment with the objectives and philosophy of the Fund.

The Business Plan should include:-

- i. Approach according to best practices.
- ii. A detailed market analysis in the relevant area.
- iii. Project description, including project additionality and replicability, timing and duration of the project.
- iv. A list of minimum performance targets.
- v. A detailed budget. Applicants should provide a minimum cost sharing of 50%.
- vi. Project should be no longer than three years.

Applicants will have to comply with performance reporting requirements, in addition to other financial reporting provisions.

To apply, a completed Grant Application Form and a detailed business plan should be sent to:-

The Coordinator
MSME Project Secretariat
P. O. BOX M47
Ministries, Accra
Tel: 021-686554
E-mail: pcu@msmemoti.org
<http://www.msmemoti.org>

(Grant Application Form can be received from our web site or from the office of the Coordinator.)