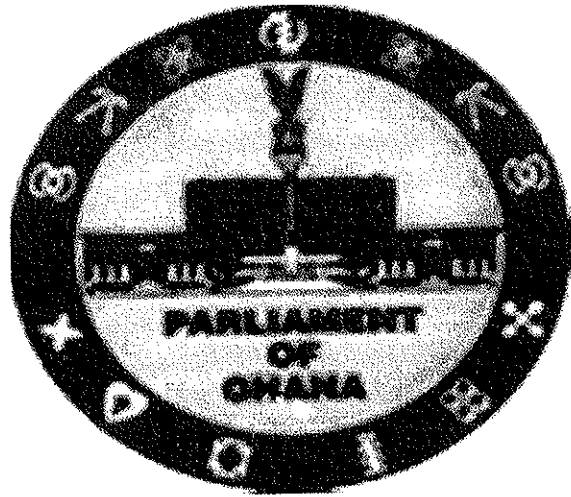


IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA



**REPORT**  
*OF THE*

**FINANCE COMMITTEE**

*ON THE*

AMENDED FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF  
THE REPUBLIC OF GHANA AND THE INTERNATIONAL FUND FOR  
AGRICULTURAL DEVELOPMENT (IFAD) FOR AN AMOUNT OF FORTY  
MILLION UNITED STATES DOLLARS (US\$40,000,000.00) TO FINANCE  
THE RURAL ENTERPRISE PROGRAMME (REP)

AND

THE REQUEST FOR WAIVER OF IMPORT DUTIES, IMPORT VAT,  
IMPORT NHIL, ECOWAS LEVY, SPECIAL IMPORT LEVY AND OTHER  
APPROVED IMPOSTS AMOUNTING TO THE GHANA CEDI EQUIVALENT  
OF FIVE MILLION, TWO HUNDRED AND NINETY-ONE THOUSAND,  
THREE HUNDRED AND FIFTY-SIX UNITED STATES DOLLARS  
(US\$5,291,356.00) ON GOODS AND SERVICES AND EQUIPMENT IN  
RESPECT OF THE RURAL ENTERPRISE PROGRAMME (REP)

JULY 2018

PARLIAMENT OF GHANA LIBRARY



## 1.0 INTRODUCTION

The

- i. **Amended Financing Agreement** between the **Government of the Republic of Ghana** and the **International Fund for Agricultural Development (IFAD)** for an amount of *Forty Million United States Dollars (US\$40,000,000.00)* to finance the **Rural Enterprise Programme (REP)**; AND
- ii. **Request for waiver of Import Duties, Import VAT, Import NHIL, ECOWAS Levy, Special Import Levy and other approved imposts** amounting to the Ghana Cedi equivalent of *Five Million, Two Hundred and Ninety-One Thousand, Three Hundred and Fifty-Six United States Dollars (US\$5,291,356.00)* on goods and services and equipment in respect of the **Rural Enterprise Programme (REP)**

were presented to the House on Tuesday 17<sup>th</sup> July, 2018 by the Honourable Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance.

Pursuant to article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement and the Request were *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the **Agreement and the Request** with the Deputy Minister for Trade and Industry, Hon. Carlos Ahenkorah, a Deputy Minister for Finance, Hon. Kwaku Kwarteng as well as officials from the Ministries of Finance and Trade and Industry and the Ghana Revenue Authority (GRA). The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the Deputy Minister for Trade and Industry, the Deputy Minister for Finance and the officials for attending upon the Committee.

## **2.0 REFERENCES**

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)

## **3.0 BACKGROUND**

The Rural Enterprise Programme (REP) is part of the Government of Ghana's efforts to reduce poverty, particularly improving living conditions in rural areas. Phase one of the Rural Enterprise Project was implemented from 1995 to 2002 in 13 districts in the Ashanti and Brong Ahafo Regions. The second phase (2003 to 2012) was implemented in Sixty-Six (66) Districts nationwide.

The Rural Enterprise Programme I & II have since 1995, contributed to the successful implementation of national blueprints such as the Ghana Poverty Reduction Strategy (GPRS) II which placed emphasis on bridging the skills gaps in the operations of Micro and Small Enterprises (MSEs) and improvement in the transfer of technologies to such enterprises.

The Rural Enterprise Project increased Micro and Small Enterprises (MSE's) contribution to local economic growth, reduction in social inequalities and generation of revenue for District Assemblies (DAs).

The Government of Ghana hence agreed with the International Fund for Agricultural Development (IFAD) and Africa Development Bank (AfDB) to expand the scope of the

project into a nationwide **Programme** and also to extend the implementation time frame from the year 2012 to the year 2020.

The original Concessional Loan of SDR19.7 million (equivalent to US\$31.5 million) from IFAD for the Programme was approved by the IFAD Executive Board in September 2011 (EB 2011/103/R.16) for an eight-year duration and entered into force on 12<sup>th</sup> January 2012.

Government, however, considers it prudent to request for an extension of the Programme timeline to 2022 taking cognizance of the depth of its industrial transformational agenda. In view of this, the Ministry of Trade and Industry through the Ministry of Finance submitted a request for additional financing of US\$40 million to IFAD in 2017 to finance the consolidation and scaling up of successful programme activities to meet the requirements of the industrial transformation agenda, particularly with regards to Micro and Small Enterprises in the rural areas. .

### **3.1 PROGRAMME OBJECTIVE**

The objective of the Programme is to increase the number of rural Micro and Small Enterprises (MSEs) that generate profit, growth and employment opportunities. The scope is to upscale and mainstream a District-Based MSEs support system nationwide within a private sector oriented institutional system.

The goal of the programme is to improve livelihood and income of rural poor Micro and Small Enterprises/Entrepreneurs.

### **4.0 TERMS AND CONDITIONS OF THE LOAN**

Terms of the amended Agreement are as follows:

<b>Additional Loan Amount</b>	-	<b>SDR28,350,000 (Equiv. to US\$40m)</b>
<b>Interest Rate</b>	-	<b>Nil</b>

Service Charge	-	0.75% P.A
Moratorium	-	10 years
Repayment Period	-	30 years
Grant Element	-	57.8%

## **5.0 PROGRAMME COMPONENTS AND DESCRIPTION**

The Rural Enterprise Programme has the following components:

*Component 1. Business Development Services.* Through this component, the programme shall upgrade the technical and entrepreneurial skills of MSEs by providing access to Business Development Services (BDS). The Business Advisory Centers (BACs), which function under the District Assemblies (DAs), act as facilitators for the BDS.

The programme has set up One Hundred and Sixty-One (161) BACs in collaboration with the National Board for Small-Scale Industries (NBSSI) and the DAs. With the additional financing, the REP will transform existing Thirty (30) BACs into Business Resource Centers (BRCs) and establish an improved DBS delivery model. The remaining BACs will be upgraded.

Under this component, the Programme shall continue to finance equipment, materials, vehicles and office refurbishment. The BRCs and upgraded BACs will be supported and given incentives to generate internal resources to meet part of their operational cost. In addition, the programme will seek to strengthen the capacity of rural youth and help them develop bankable proposals. Using the standard process adopted under REP, support will be in the form of management training, provision of counseling and business advisory services, mentoring, coaching and support to establish group and corporate enterprises appealing to the youth. MSEs will then be linked to well-established commercial buyers under a value chain arrangement.

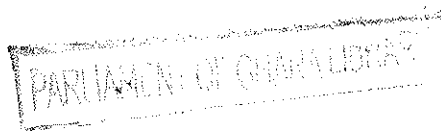
*Component 2. Technology Promotion and Dissemination.* Under this component, the Programme shall upgrade the level of technology of the rural MSE sector through technical skills training and technology dissemination. For this purpose, the Rural Technology Facilities (RTFs) will be the main providers of training and counseling services. In order to provide nationwide coverage, the programme shall establish around thirty (30) additional RTFs under partnership arrangement with DAs and GRATIS Foundation.

Through this component, the programme shall finance small infrastructure, equipment and initially a share of the recurrent cost of the RTFs. In addition to the creation and support of RTFs, this component shall also:

- (a) expand the outreach of the skills training through partnerships with local institutions such as the Integrated Community Centers for Employable Skills, the Vocational Training Institutes and District-Based Technical Institutes.
- (b) provide basic tools and equipment as start-up kits for graduates of apprenticeship programmes who undergo additional training, and have opened a bank account and also obtained a place of business; and
- (c) test and adjust prototype equipment and enterprise layout, focusing on key bottlenecks in targeted value chains.

*Component 3: Enabling MSE Development.* This includes activities towards enhancing access to rural finance, building the institution capacity of MSEs and Institutional reforms.

*Component 4* is on Programme Coordination, Monitoring and Evaluation. The Programme will be implemented using the existing REP Programme Coordination and Management Unit (PCMU).



## 6.0 OBSERVATIONS

### 6.1 GoG Contribution

Government of Ghana (GoG) is required to bear the cost of any taxes or duties that may be applicable to the Programme. Government will also finance part of the recurrent costs, salaries and allowances of the Business Advisory Center (BAC) staff, through District Assemblies (DAs) and National Board for Small Scale Industries (NBSSI) under the Ministry of Trade and Industry.

### 6.2 Allocation of Loan Proceeds

As to how the Loan proceeds would be disbursed, the Committee was informed that the categories of eligible expenditure to be financed by the loan and the allocation of the amount of the loan to each category of expenditure to be financed are clearly determined in accordance with the Agreement.

Unless otherwise agreed with IFAD, the eligible expenditures under the IFAD Financing are to be first claimed against the relevant category under the IFAD loan until this category is 100% withdrawn. Once a category has been fully drawn down under the IFAD Loan, all further expenditure belonging to this category is to be claimed against the IFAD Additional Loan.

Category	IFAD Loan amount (expressed in SDR)	IFAD additional loan amount (expressed in SDR)	Percentage of financing net of taxes, client, government, DA and PFI contribution under terms described below
i. Civil works	260 000	8 570 000	100%
ii. Equipment and materials (including vehicles)	1 690 000	2 770 000	100%
	1 110 000	5 100 000	100%



iii.	consultancy (including technical assistance and studies)	8 020 000	5 050 000	100%
		3 320 000	3 820 000	100%
iv.	Training and Workshop			
v.	Credit and Matching Grants (including Youth Business Investment Fund)	2 630 000	1 620 000	100%
vi	Salaries and Allowances including operation cost	1 720 000		100%
vii	BAC/RTF Operating Cost Fund	950 000	1 420 000	100%
viii	Unallocated			
Total		19 700 000	28 350 000	

### 6.3 Government's Industrial Transformation Agenda

The Committee was informed that the REP has been identified as a vehicle that will significantly contribute to the execution of the Government's industrial transformation agenda which amongst other things is aimed at increasing income and improving livelihood of the citizen, particularly the rural poor. The strategic objective of the REP is therefore to increase the number of MSEs that generate profit, growth and employment opportunities.

### 6.4 Target Population

The programme is geared towards benefiting the rural entrepreneurial poor, who are mostly members of poor rural families that are able to convert the capacity-building support from the Programme into productive assets without or with barest additional investment support. The programme shall be implemented in all rural districts nationwide. Overall, the programme will upgrade the entrepreneurial skills of target beneficiaries and provide access to BDSs through District-level Business Resource Centers (BRCs) and Business Advisory Centers (BACs).

## **6.5 Job Creation**

Officials from the Rural Enterprise Programme informed the Committee that the Additional Financing is expected to create Fifty Thousand (50,000) new jobs and Thirty-Six Thousand (36,000) entrepreneurs are envisaged to have access to MSE BDSs provided by Business Resource Centers (BRC) and upgraded BACs. Some Twenty Thousand (20,000) enterprises are also expected to upgrade from survival to normal and rapid-growth businesses. Overall, the programme seeks to ensure that Forty-Five Thousand (45,000) enterprises are in operation after three (3) years.

## **6.6 Credit Assistance to Clients**

The Participating Financial Institutions (PFIs) will extend additional credit to REP clients and will contribute to the cost of training their staff. Beneficiaries will provide in-kind or cash contribution towards the programme. Clients are also expected to contribute to their own business investments.

The Committee expressed concern about the phenomenon whereby concessional loan facilities like the present one are on-lent to poor rural folks by Participating Financial Institutions (PFIs) at exorbitant interest rates, thereby causing many to default in repayment.

The Committee hence advised the Ministry of Trade and Industry and the Ministry of Finance to ensure that credit facilities granted to rural entrepreneurs under the Programme are given on soft terms so as to aid the profitability of their businesses and their ability to repay the facilities.

## **6.7 Financing Plan**

As to whether the IFAD Facility would cover the entire cost of the Programme, officials of the Ministry of Trade and Industry answered in the negative and explained to the Committee that the IFAD Concessional Loan constitutes only sixty-two percent (62%) of

the required additional funding. The Additional Financing requirement of the Programme will be contributed by financiers and stakeholders as shown in the breakdown below:

NO.	COMPONENT	AMOUNT(USD' million)	Percentage Contribution
1	IFAD Concessional Loan	40.00	62.0%
2	Participating Financial Institution	4.9	7.6%
3	Programme Clients	1.7	2.6%
4	Participating District Assemblies	6.6	10.2%
5	NBSSI	3.9	6.1%
6	GRATIS	1.3	2.0%
7	GoG Budget Contribution	0.8	1.3%
8	GoG Tax Exemption/Waiver	5.3	8.2%
	<b>TOTAL (USD' million)</b>	<b>64.5</b>	<b>100%</b>

## 7.0 TAX WAIVER

As part of the modalities for the implementation of the Programme, the Government of Ghana is expected to contribute by covering the duties and import taxes resulting from the importation and use of materials and equipment under the additional financing.

In accordance with article XI section 11.01 of General Condition governing IFAD Loans, the Loan proceeds shall be exempt from all taxes. Thus the loan proceeds cannot be used to pay local taxes, VAT and Custom Duties on importation, procurement/supply of goods, civil works or services financed by the loan. The quantum of tax exemption is already captured as part of Government's contribution to the programme.

The Ghana Revenue Authority (GRA) has assessed the total amount of duties and taxes on all related goods and equipment to be financed from the IFAD additional financing as

totaling *Five Million, Two Hundred and Ninety-One Thousand, Three Hundred and Fifty-Six United States Dollars* (\$5,291,356.00).

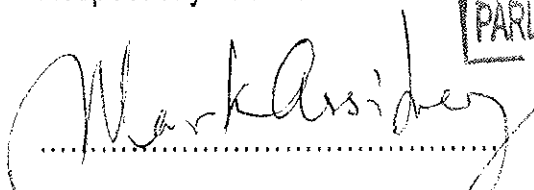
Please find attached as **APPENDIX**, details of the taxes and duties to be waived as assessed by the Ghana Revenue Authority.

## 8.0 CONCLUSION


The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and approve by Resolution, the **Amended Financing Agreement** between the **Government of the Republic of Ghana** and the **International Fund for Agricultural Development (IFAD)** for an amount of *Forty Million United States Dollars (US\$40,000,000.00)* to finance the **Rural Enterprise Programme (REP)** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

The Committee further recommends to the House to approve by Resolution, the **Request for waiver of Import Duties, Import VAT, Import NHIL, ECOWAS Levy, Special Import Levy and other approved imposts** amounting to the Ghana Cedi equivalent of *Five Million, Two Hundred and Ninety-One Thousand, Three Hundred and Fifty-Six United States Dollars (US\$5,291,356.00)* on goods and services and equipment in respect of the **Rural Enterprise Programme (REP)** in accordance with article 174(2) of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.

  
HON. DR. MARK ASSIBEY-YEBOAH  
(CHAIRMAN, FINANCE COMMITTEE)



  
MS. EVELYN BREFO-BOATENG  
(CLERK, FINANCE COMMITTEE)

23<sup>RD</sup> JULY, 2018

APPENDIX

TAX ASSESSMENT

MINISTRY OF TRADE & INDUSTRY/RURAL ENTERPRISES PROGRAMME

Description of Items	Qty	unit	CIF (USD)	I/D Rate	Imp. Duty	Imp. VAT	Imp. NHIL	Eco. Levy	EXIM	Insp Fee	WTax	SIL	TOTAL (USD)
Prefabricated Panels	31	pcs	12,400,000	5%	620000	1953000	325500	62000	93000	124000	124000	0	3,301,500
4x4 Cross Country Veh.	3	units	210,000	20%	42000	37800	6300	1050	1575	2100	2100	4200	97,125
4x4 DC Pick Up	13	units	390,000	5%	19500	61425	10238	1950	2925	3900	3900	7800	111,638
Motorcycle & Helmet	20	units	50,000	20%	10000	9000	1500	250	375	500	500	1000	23,125
Computer & accessories	214	sets	428,000	5%	21400	67410	11235	2140	3210	4280	4280	0	113,955
Printers	85	pcs	68,000	20%	13600	12240	2040	340	510	680	680	0	30,090
Air conditioner	134	pcs	107,200	20%	21440	19296	3216	536	804	1072	1072	0	47,436
Photocopier / Scanners	149	pcs	233,930	20%	46786	42107	7018	1170	1754	2339	2339	0	103,514
Projectors	148	pcs	296,000	20%	59200	53280	8880	1480	2220	2960	2960	0	130,980
LCD Television and accessories	134	pcs	187,600	20%	37520	33768	5628	938	1407	1876	1876	0	83,013
Generators	30	pcs	750,000	5%	37500	118125	19687.5	3750	5625	7500	7500	0	199,688
Agro Processing Equipment	1,280	pcs	3,200,000	5%	160000	0	0	16000	24000	32000	32000	0	264,000
Trade and Marketing Equipment	1	pcs	100,000	20%	20000	18000	3000	500	750	1000	1000	2000	46,250
Set of Office Furniture	150	sets	210,000	20%	42000	37800	6300	1050	1575	2100	2100	4200	97,125
Laptops and Tablets	78	pcs	132,600	5%	6630	20885	3481	663	994.5	1326	1326	0	35,305
Cash Safes	30	pcs	15,000	20%	3000	2700	450	75	112.5	150	150	0	6,638
Cameras / Phones	154	pcs	101,640	20%	20328	18295	3049	508.2	762.3	1016.4	1016.4	0	44,976
Green House Farming Infrastructure	100	units	1,200,000	20%	240000	216000	36000	6000	9000	12000	12000	24000	555,000
<b>TOTAL</b>			<b>20,079,970</b>		<b>1420904</b>	<b>2721131</b>	<b>453522</b>	<b>100400</b>	<b>150600</b>	<b>200800</b>	<b>200800</b>	<b>43200</b>	<b>5,291,356</b>

Signature: 

TOTAL TAX LIABILITY=5,291,356 U. S. DOLLARS

This is to certify that the assessment given is true and correct.

Importer/Agent's Name & Designation: .....

Signature:  COMMISSIONER  
REVENUE AUTHORITY  
OFFICER'S NAME & RANK:- GIDEON GLENN  
CUSTOMS DIVISION  
(REV. OFFICER) O. BOY 8, ACCRA

For Official Use

Assessment rechecked and found correct and complete.

.....04-07-2018.....  
Date

CERTIFICATE

