

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

REPORT OF THE FINANCE COMMITTEE

ON THE

FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF GHANA AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION (IDA) OF THE WORLD BANK
GROUP FOR AN AMOUNT OF FORTY-THREE MILLION, ONE
HUNDRED THOUSAND SPECIAL DRAWING RIGHTS
(SDR43,100,000) [EQUIVALENT TO US\$60.00 MILLION]

TO FINANCE THE PROPOSED

GHANA PRODUCTION SAFETY NET PROJECT

DECEMBER 2018



1.0 INTRODUCTION

The **Financing Agreement** between the **Government of the Republic of Ghana** and the **International Development Association (IDA) of the World Bank Group** for an amount of **Forty-Three Million, One Hundred Thousand Special Drawing Rights (SDR43,100,000) [equivalent to US\$60.00 Million]** to finance the proposed **Ghana Production Safety Net Project** was *presented* to the House on 13th December 2018 by the Deputy Minister for Finance, Hon. Kwarteng on behalf of the Minister for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171(1) of the Standing Orders of the House, the Agreement was *referred* the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with the Minister for Local Government and Rural Development, Hon. Hajia Alima Mahama, Minister for Gender, Children and Social Protection, Hon. Cynthia Morrison, Deputy Ministers for Local Government and Rural Development, Hon. Osei Bonsu Amoah and Hon. Collins Ntim, Deputy Minister for Finance, Hon. Abena Osei-Asare and a team of officials from the Ministries of Finance, Local Government and Rural Development, and Gender, Children and Social Protection and hereby submits this report to the House.

The Committee is grateful to the Hon. Ministers, the Hon. Deputy Ministers and the officials from the three Ministries 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

Ghana has enjoyed a period of sustained economic growth with significant reductions in poverty. In 2012, the first Millennium Development goal target of reducing the poverty rate by half was achieved.

Over time, economic growth has had a declining impact on poverty reduction. That notwithstanding, the issue of income inequality and the disparity in poverty levels within and across Regions persist. These Regional inequalities are reflected in poorer road networks, limited access to markets and services, lower school enrolment rates and worse health outcomes. There are also marked inequalities in access to basic services across Regions and income groups. This has led to an increase in the number of vulnerable and excluded individuals.

The slowing rates of poverty reduction can be attributed to the structural changes the economy has faced over time. There has been a shift in the major sectors of the economy with agriculture being replaced by services and to a lesser extent, industry. From 1991 to 1998, agriculture accounted for 42.6% of GDP, falling to 21.9% in 2012-2016. Meanwhile, services which accounted for 32.4% of GDP (1991-1998) increased to 49.8% of GDP in 2012-2016.

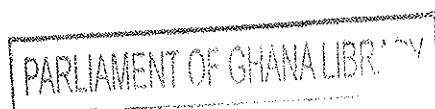
The shift from agriculture to services has however not led to higher earnings as most of these services have relatively low productivity. In rural areas where agricultural activities dominate, there is often low productivity and low yields due to unfavourable climatic conditions and unsustainable agricultural practices.

The persistent inequalities in incomes and access to public services suggest that focused efforts through social protection are required to facilitate the productive inclusion of the poor in the economy.

The National Social Protection Policy (NSPP, 2015) was developed based on the 2007 National Social Protection Strategy and the findings from the Rationalisation Study carried out under the predecessor Ghana Social Opportunities Project (GSOP). The NSPP has the overall vision of “an all-inclusive and socially empowered society through the provision of sustainable mechanisms for the social protection of persons living in situations of extreme poverty and related vulnerability an exclusion”.

The NSPP defines a basket of five (5) flagship social protection interventions:

- Livelihood Empowerment Against Poverty (LEAP) Cash Transfer Programme
- Labour-Intensive Public Works (LIPW) Programme
- Ghana School Feeding (GSF) Programme
- National Health Insurance Scheme (NHIS); and
- Education Capitation Grant.



4.0 PURPOSE OF THE FACILITY

The purpose of the Agreement is to obtain funds to support Government to strengthen safety net systems that improve the productivity of the poor.

5.0 PROJECT SCOPE

The project is divided into the following five (5) components:

Component 1: Productive Inclusion (US\$4 Million): The Objective of this component is to support productive inclusion activities for extremely poor households in targeted communities. The implementation of this component will be facilitated by the Rural Coordinating Unit (RCU) of the Ministry of Local Government and Rural Development with technical support through relevant state actors such as the National Board for Small Scale Industries at the District level. Qualified service providers (private sector, CSO or NGO) or a consortium of entities, which will be competitively selected will be engaged as needed. This component will be divided into two sub-components; *Complementary Livelihood and Asset Support Scheme (CLASS)* subcomponent (US\$2.00 Million) and the *Linkages to Agricultural Support subcomponent (US\$2.00 Million)*.

Component 2: Labour Intensive Public Works (LIPW) (US\$28.00 Million): This component is to extend income-earning opportunities to poor households. The LIPW will maintain or rehabilitate assets that improve the productivity of communities and respond to the anticipated effects of climate change. This component will therefore finance payments to beneficiaries in exchange for their work in rehabilitating or maintaining productive community or public assets such as dams/dugouts, feeder roads, climate change mitigation interventions, etc, payment for materials and equipment for the works, supervision of works, and capacity building for contractors, District Assemblies and other actors in the delivery of the LIPW.

At least, 60% of the funds under this component will be paid directly to the beneficiaries in exchange for their work, whilst the remaining amount is spent on the materials and equipment required for the works as well as the other aspects of the component.

Component 3: Livelihood Empowerment Against Poverty (LEAP) Cash Grants (US\$17.00 Million): Under this component, regular periodic LEAP Grants will be provided to approximately 350,000 extremely poor households to help these households meet their basic needs. Securing the basic consumption of these households will enable them engage in economic activities and invest in the human capital of their children thus breaking the intergenerational cycle of poverty.

Component 4: Social Protection Systems Strengthening (US\$7 Million): This component seeks to strengthen Social Protection delivery systems to improve efficiency, effectiveness and transparency of safety net interventions in Ghana. This component will finance the Ghana National Household Registry (GNHR) and Management Information Systems; a Single Window Citizen Engagement Service (SWCES); and a Monitoring and Evaluation framework and system, including an Impact Evaluation for the Project. This component will further finance the extension and integration of these core operational systems at the District and community levels.

Component 5: Project Management, Coordination and Capacity Building (US\$4 Million): This component is to support project management, coordination and capacity building under the Project for the two implementing Ministries: *Ministry of Gender, Children and Social Protection (MGCSP)* (US\$2.00 Million) and *Ministry of Local Government and Rural Development (MLGRD)* (US\$2.00 Million).

This support will include the procurement of service providers to implement the operational aspects of the Ghana National Household Registry (GNHR) and LEAP for MGCSP and for the implementation of the Complementary Livelihood and Asset Support Scheme (CLASS) and Labour Intensive Public Works (LIPW) for MLGRD.

6.0 TERMS OF THE FACILITY

The terms of the On-Lending Facility are as follows:

- Loan amount - SDR43,100,000 [Equivalent to US\$60.00 Million]
- Max. Commitment Charge - 0.5% p.a. [This is waived for FY 2018]
- Interest Rate - 1.25% p.a.
- Service Charge - 0.75% p.a.
- Grace Period - 5 years
- Repayment Period - 25 years
- Tenor - 30 years
- Grant Element - 33.23%

7.0 OBSERVATIONS

7.1 Exchange Rate Risk

The Committee was informed that the loan facility covers the full cost of the proposed Project. However, the Government of Ghana will bear the exchange rate risk.

Given that the facility is being contracted in Special Drawing Rights (SDRs), there may be changes in the SDR/Dollar rate in the course of the project which may present gains or losses to the Government of Ghana.

7.2 Inclusive Economic Growth

The Committee was informed that Government is committed to promoting inclusive economic growth that reduces poverty and creates job opportunities for all Ghanaians. To this end, Government has made important advances in consolidating its Social Protection Sector by putting in place policies and strategies that rationalise programmes and prioritise investments.

7.3 Sustained Engagement in the Social Protection Sector

The Committee observed that the Government in partnership with the World Bank has sustained engagement in the Social Protection Sector through the IDA-financed Ghana Social Opportunities Project (GSOP). The IDA support has been coordinated with other Development Partners.

Government has proposed the present **Ghana Production Safety Net Project** to continue this partnership and to build on the successes so far achieved in the Social Protection Sector.

7.4 Benefits of the Project

The Committee further observed that the proposed project will contribute towards Government's aim of improving the livelihoods of the extreme poor and poor households by harnessing investments in the Social Protection Sector to support these poor individuals and households to better access services that promote their productivity and improve their access to jobs and basic necessities of life.

It is anticipated that the project will have a positive social impact at the household and community levels through increase in household incomes for the direct beneficiaries and the provision of community infrastructure under the Labour Intensive Public Works aspect.

7.5 Project Beneficiaries

The Committee noted that the project will directly benefit the poorest households in eighty (80) selected Districts across all the administrative Regions of Ghana over a four (4) year period as follows:

- i. 25,000 individuals through a productive inclusion program
- ii. 350,000 households through a cash transfer programme

Beneficiary Districts will be selected using the most updated Ghana Living Standards Survey (GLSS) data available from the Ghana Statistical Service.

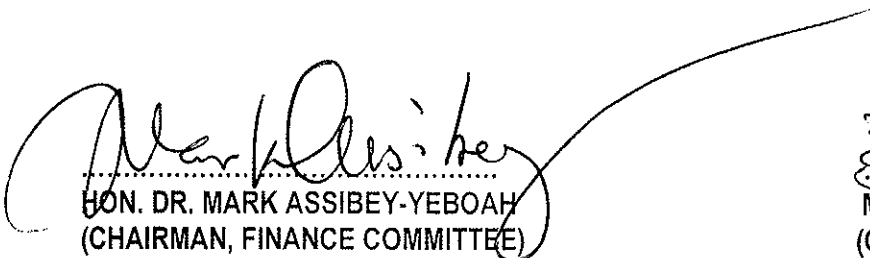
7.6 DFID Grant

The Committee was informed that at the Project Appraisal stage, the Department for International Development (DFID) of the United Kingdom indicated its willingness to support the Project with a Grant amount of about US\$23 million subject to approval by the DFID Board.

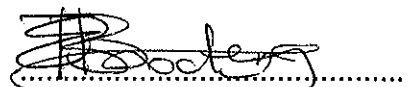
Should the approval of the Board of DFID be obtained, the grant amount would be employed to support and deepen the project.

8.0 CONCLUSION

The Committee, having carefully scrutinised the Agreement, respectfully recommends to the House to adopt this report and approve by resolution, the **Financing Agreement** between the **Government of the Republic of Ghana** and the **International Development Association (IDA) of the World Bank Group** for an amount of **Forty-Three Million, One Hundred Thousand Special Drawing Rights (SDR43,100,000) [equivalent to US\$60.00 Million]** to finance the proposed **Ghana Production Safety Net Project** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana and the Public Financial Management Act, 2016 (Act 921).



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



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

18TH DECEMBER, 2018