

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

**REPORT OF THE**

**FINANCE COMMITTEE**

**ON THE**

**TERMS OF A MEDIUM-TERM RECEIVABLES-BACKED TRADE  
FINANCE FACILITY BETWEEN GHANA COCOA BOARD (AS  
BORROWER) AND A CONSORTIUM OF BANKS AND FINANCIAL  
INSTITUTIONS (LENDERS), WITH THE GOVERNMENT OF THE  
REPUBLIC OF GHANA (AS GUARANTOR), FOR AN AMOUNT OF  
THREE HUNDRED MILLION UNITED STATES DOLLARS  
(US\$300,000,000) TO REFINANCE COCOA BILLS FOR THE  
2018/2019 CROP SEASON**

**AND**

**REQUEST FOR WAIVER OF STAMP DUTY AMOUNTING TO UP TO  
THE GHANA CEDI EQUIVALENT OF ONE MILLION, FIVE  
HUNDRED THOUSAND UNITED STATES DOLLARS  
(UD\$1,500,000) ON THE MEDIUM-TERM RECEIVABLES-  
BACKED TRADE FINANCE FACILITY BETWEEN GHANA  
COCOA BOARD (AS BORROWER) AND A CONSORTIUM OF  
BANKS AND FINANCIAL INSTITUTIONS (LENDERS), WITH THE  
GOVERNMENT OF THE REPUBLIC OF GHANA (AS  
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MILLION UNITED STATES DOLLARS (US\$300,000,000) TO  
REFINANCE COCOA BILLS FOR THE 2018/2019 CROP  
SEASON**

22<sup>TH</sup> DECEMBER, 2018

## **1.0 INTRODUCTION**

The request for approval of the Terms of a Medium-term Receivables-Backed Trade Finance Facility Between the Ghana Cocoa Board (as Borrower) and a Consortium of Banks and Financial Institutions (Lenders), with Government of the Republic of Ghana (as Guarantor), for an amount of Three Hundred Million United States Dollars (US\$300,000,000) to refinance Cocoa Bills for the 2018/2019 Crop Season was presented to the House on Friday, 21<sup>st</sup> December, 2018 in accordance with Article 181 of the 1992 Constitution.

Further, a request for the waiver of Stamp Duty amounting up to the Ghana Cedi equivalent of One Million, Five Hundred Thousand United States Dollars (US\$ 1,500,000) on the Medium-term Receivables-Backed Trade Finance Facility Between the Ghana Cocoa Board (as Borrower) and a Consortium of Banks and Financial Institutions (Lenders), with Government of the Republic of Ghana (as Guarantor), for an amount of Three Hundred Million United States Dollars (US\$300,000,000) to refinance Cocoa Bills for the 2018/2019 Crop Season.

Mr. Speaker referred the two requests to the Finance Committee for consideration and report in accordance with Articles 174 and 181 of the 1992 Constitution and the Standing Orders of the House.

The Committee met with a Deputy Finance Minister, Hon. Charles Adu Boahene, the Chief Executive Officer of Ghana Cocoa Board, Mr. Joseph Boahen Aidoo and officials from the Ministry of Finance and Ghana Cocoa Board to consider the referrals.

## **2.0 DOCUMENTS REFERRED TO**

The Committee referred to the following documents:

1. The 1992 Constitution of Ghana
2. The Ghana Cocoa Board Act, 1984 (PNDCL 81)
3. The Public Financial Management Act, 2016 (Act 921)
4. The Standing Orders of the Parliament of Ghana

## **3.0 BACKGROUND**

The cocoa industry has contributed significantly to the economic development of Ghana over the years. Cocoa contributes about a quarter of Ghana's Gross Domestic Product (GDP). The industry has over the years created employment for millions of Ghanaians and serves as a major source of foreign exchange for the country.

One of the main functions of Ghana Cocoa Board (Cocobod) is to purchase, market and export cocoa and cocoa products produced in Ghana. In recent years, prices of cocoa on the international market has been oscillating. The average fob price of cocoa recorded in the 2017/18 season was US\$2,080, a drastic fall from US\$2,950 per tonne in the previous year. This decline in prices coincided with a significant rise in cocoa production by over 120,000 tonnes above the projected 850,000 tonnes for 2016/17 season and remained above 900,000 tonnes for the subsequent 2017/18 season. Thus the financial requirement for cocoa purchases and other operations of Cocobod was adversely impacted, thereby requiring more funding than budgeted for. Notwithstanding the fall in prices, Government maintained its commitment to paying farmers remunerative prices. In addition, fertilizer and chemicals stock requirements which were needed to maintain production levels, had to be borne by Cocobod.

The above conditions resulted in the raising of cocoa bills to support cocoa purchases and other operations as well as the subsequent roll over of the bills. The continued decline of cocoa prices on the world market and sustained expenditure requirements by Cocobod coupled with sustained increase in cocoa prices affected the ability of Cocobod to finance the cocoa bills.

It is to address the shortfall that the Ghana Cocoa Board is borrowing an amount of Three Hundred Million United States Dollars (US\$300 million) Medium-term facility from a syndicate of banks to refinance the cocoa bills of about GH¢1.424 billion with the Bank of Ghana running from the 2017/18 financial year to date. This is currently before Parliament for approval in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

#### **4.0 RATIONALE OF THE REQUEST**

The Trade facility is to enable Cocobod raise adequate funds to refinance cocoa bills from the 2018/2019 cocoa season to date.

##### **4.1 Rationale for the Waiver of Stamp Duty**

Section 32 (6) of the Stamp Duty Act, 2005 (Act 689) makes it imperative to stamp a loan document at 0.5% of the facility. In order to ensure that the full value of the loan is used for the refinancing of the running cocoa bills, there is the need to waive the Stamp duty on the loan facility. The amount to be waived has been assessed as US\$1,500,000.

## 5.0 TERMS OF THE FACILITY

The terms of the facility are as follows:

<b>ITEM</b>	
Syndicated Banks	- Rabobank, Credit Agricole, MUFG Bank, Societe General
Interest Margin	- LIBOR + 295BPS
Commitment Fees	- NIL
Flat Fees (Participation and Arrangement)	- 195BPS
Legal Cost & Other Expenses	- US\$60,000
Agency Fees	- NIL
Security Margin	- Assignment of Cocoa Contracts for 110% of Facility Amount
Interest on Cash Collateral Deposit	- To be market-related LIBID
Underwriting Level	- Fully underwritten
<b>Estimated Total Cost (Excluding legal Fees)</b>	- <b>US\$45,636,562.50</b>
Moratorium	- One year

## **6.0 OBSERVATIONS**

### **6.1 Ability to Repay the Loan**

The Committee was informed that the loan will be repaid over a three-year period with one year moratorium. As with the annual cocoa syndication, the payment of this medium term loan shall be receivables-backed, with cocoa contracts equivalent to 150,000 metric tonnes of cocoa at projected price of US\$2,200 for the three years. This will be equivalent to about 50,000 metric tonnes of cocoa per annum.

In a response to whether Cocobod would get the required 50,000 metric tonnes of cocoa per annum to service the loan, the CEO informed the Committee that average annual cocoa production is 900,000 metric tonnes. Cocobod will service its syndicated loan for this crop year with about 600,000 metric tonnes. The Committee was therefore assured that 50,000 metric tonnes would be made available annually to service the loan as required.

### **6.2 Efforts by Cocobod to Reduce Loses**

The Committee was informed that the decline in prices impacted negatively on the finances of Cocobod. In 2017/2018 crop season, Cocobod recorded a financing gap of GH¢2 billion.

In order to address the financing gap, Cocobod has put in place a number of mitigating measures including cutting down its operational costs. As a result of these measures, the financing gap expected for the 2018/2019 crop season is GH¢1.05 billion. It is also expected that in coming years, rising cocoa prices coupled with the measures taken would further improve the financial position of Cocobod.

He assured the Committee that Cocobod would continue to take pragmatic steps to address the deficit.

### **6.3 Waiver of Stamp Duty**

The Committee inquired of the Board why they should be exempted from the payment of Stamp Duty.

The CEO explained that currently COCOBOD is distressed financially due to declining world market prices. Therefore, paying the Stamp Duty would add further financial challenges to the Board. This can adversely impact on the purpose for sourcing the facility. In order to ensure that the object for the Trade Finance facility is realized, there is the need to exempt the facility from the payment of Stamp Duty.

## **7.0 CONCLUSION**

Considering the significant contribution of the Cocoa Industry to the economic development of Ghana, the Committee recommends to the House to adopt its report and approve by Resolution, the

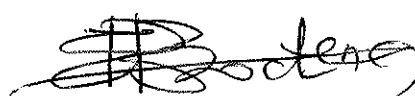
- Terms of a Medium-term Receivables-Backed Trade Finance Facility Between the Ghana Cocoa Board (as Borrower) and a Consortium of Banks and Financial Institutions (Lenders), with Government of the Republic of Ghana (as Guarantor), for an amount of Three Hundred Million United States Dollars (US\$300,000,000) to refinance Cocoa Bills for the 2018/2019 Crop Season in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 171 of the Standing Orders of Parliament, and

- request for the waiver of Stamp Duty amounting to up to the Ghana Cedi equivalent of One Million, Five Hundred Thousand United States Dollars (US\$ 1,500,000) on the Medium-term Receivables-Backed Trade Finance Facility Between the Ghana Cocoa Board (as Borrower) and a Consortium of Banks and Financial Institutions (Lenders), with Government of the Republic of Ghana (as Guarantor), for an amount of Three Hundred Million United States Dollars (US\$300,000,000) to refinance Cocoa Bills for the 2018/2019 Crop Season in accordance with Article 174 of the 1992 Constitution and Section 36 of the Stamp Duty Act, 2005 (Act 689 ) and Order 169 of the Standing Orders of the House.

Respectfully submitted.



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



**EVELYN BREFO-BOATENG (MS)**  
**CLERK TO THE COMMITTEE**





