

IN THE THIRD SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

**REPORT OF THE FINANCE COMMITTEE**

**ON THE**

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**LOAN AGREEMENT BETWEEN THE GOVERNMENT OF  
THE REPUBLIC OF GHANA AND KREDITANSTALT FUR  
WIEDEWAUFBAU (KFW), FRANKFURT AM MAIN FOR AN  
AMOUNT OF SEVEN MILLION, THREE HUNDRED AND  
TEN THOUSAND EUROS (€17,310,000 MILLION) TO CO-  
FINANCE THE MULTI-DONOR BUDGET SUPPORT (MDBS)  
PROGRAMME**

*JULY 2015*



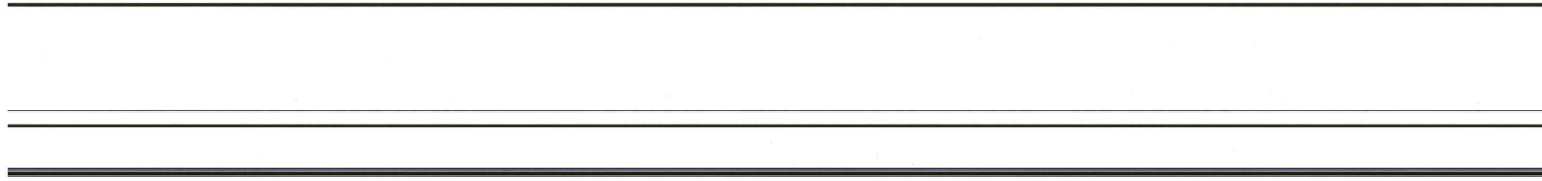
**REPORT OF THE FINANCE COMMITTEE ON THE LOAN AGREEMENT  
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND  
KREDITANSTALT FUR WIEDERAUFBAU (KfW), FRANKFURT AM MAIN FOR AN  
AMOUNT OF SEVENTEEN MILLION, THREE HUNDRED AND TEN THOUSAND  
EUROS (OF €17,310,000 MILLION) TO CO-FINANCE THE MULTI-DONOR BUDGET  
SUPPORT (MDBS) PROGRAMME**

**1.0 INTRODUCTION**

The request for approval of the Loan Agreement between the Government of the Republic of Ghana and Kreditanstalt Fur Wiederaufbau (KfW), Frankfurt Am Main for an amount of Seventeen Million, Three Hundred and Ten Thousand Euros (Of €17,310,000 Million) to Co-Finance The Multi-Donor Budget Support (MDBS) Programme was presented to the House by the Minister for Finance, Mr. Seth Emmanuel Terkper on Thursday, 9<sup>th</sup> July 2015 in accordance with Article 181 of the 1992 Constitution. The Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

Further to the referral, the Committee met and was assisted in its deliberations by the Hon. Deputy Minister of Finance Mr. Cassiel Ato Baah Forson and officials from the Ministry of Finance.

The Committee is grateful to the Hon. Deputy Minister and officials for their assistance.





## **2.0 REFERENCE**

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of the Republic of Ghana;
- The Standing Orders of the Parliament of Ghana; and
- The Loans Act 1970 ( Act 335)

## **3.0 BACKGROUND**

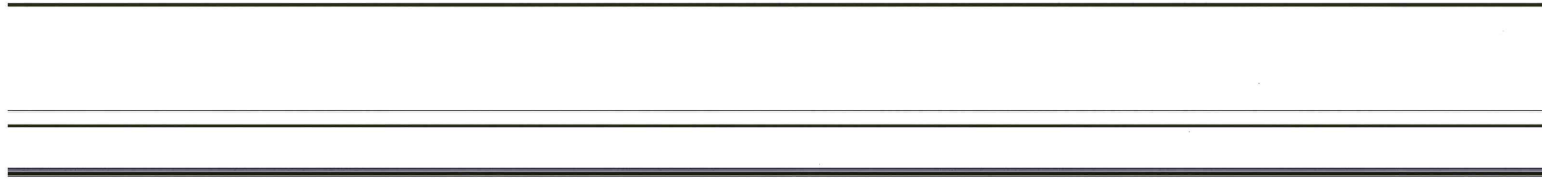
The Multi-Donor Budget Support (MDBS) Programme is a joint support mechanism of ten (10) Development Partners (DPs) and the Government of Ghana. It is based on the contributions of financial resources by DPs directly to the Government's treasury to complement Ghana's domestically generated revenues. The contributions of MDBS facilitate the implementation of Ghana's development and poverty reduction policies captured in the Medium Term Development Policy (MTDP).

In Financial Year 2012, MDBS provided close to US\$363.3 million of general budget support. Under the MDBS programme, all decisions concerning the allocation and utilization of funds are in line with Government's own medium term perspective plan of the Ghana Shared Growth and Development Agenda (GSGDA) or Medium Term Development Policy (MTDP) thereafter.

General Budget Support involves the transfer of financial aid from DPs directly to the partner country's national budget and in this case, Ghana. The aim is to enable government allocate these resources according to its own growth and poverty reduction priorities, using its own financial management and accountability systems.

KfW estimates to disburse a total of €17.31 million of which €9.589 million represents commitment for 2013 Financial Year and the remaining €7.727 million is for 2014 Financial Year which are both outstanding.

As at end Financial Year 2012, the Federal Republic of Germany had disbursed a total of €80.0 million to the MDBS programme since joining in 2003.



#### 4.0 **PROJECT DESCRIPTION**

The programme concerns the continuation of co-financing the MDBS in Financial Year 2013 (MDBS X) and Financial Year 2014 (MDBS XI). The implementation of the programme will be in line with the Framework Memorandum (FM) on the MDBS dated May 19, 2008 or any succeeding document.

In the FM, MDBS partners have agreed on Underlying Principles (UP) as basis for the MDBS programme as a whole. The specific objectives, targets and triggers of the MDBS programme related to a specific year's disbursements are defined in the related Progress Assessment Framework (PAF).

#### 5.0 **TERMS AND CONDITIONS OF CREDIT FACILITY**

The facility has the following financing terms:

Loan amount	:	€ 17.31 million
Interest	:	0.75% per annum
Repayment period	:	30 years
Grace period	:	10 years
Tenor	:	40 years
Maximum Commitment	:	0.25 % p.a. on unwithdrawn balance

#### 6.0 **PROJECT OBJECTIVE**

Specifically, the programme is to support the implementation of the national development strategy (Ghana Shared Growth and Development Agenda I and its successor plan) and necessary reforms to contribute to the reduction of poverty and achieving the Millennium Development Goals (MDGs). It focuses policy dialogue among others on public financial

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management, decentralization, public sector reforms, good governance and MDG-related areas like health, education, water and sanitation.

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## **OBSERVATIONS**

### ***Terms and Conditions of the Facility***

The Committee observed that the financing of the € 17.31 million is being provide on standard Kreditansalt fur Wiederaufbau (KfW) concessional terms with an interest rate of 0.75% p.a. and a maximum commitment charge on the unwithdrawn balance. It has a grace period of ten years and a Tenor of forty years.

### ***Expected outcomes***

The Committee was informed that the project is to provide GoG with adequate resources not tied to any project to support government to achieve its core growth and poverty reduction objectives set out in the medium term plan. Government's development objectives and priorities are laid out in its medium term development plan of Ghana Shared Growth and Development Agenda (GSGDA). It was further indicated that the provision of budget support through the MDBS mechanism is to increase predictability of donor support to government, help improve public financial management system and facilitate policy dialogue between government and DPs. This support also contributes to donor harmonization which helps to reduce transaction cost associated with the management of development aid to government. Finally, this support is intended to allow government to determine the allocation of these resources in order to own the processes of change.

### ***Implementation arrangements/plan***

The Committee observed that the Ministry of Finance will have full responsibility for the implementation of the MDBS programme and coordinate all related activities of participating sector Ministries.

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### *Disbursement of Funds*

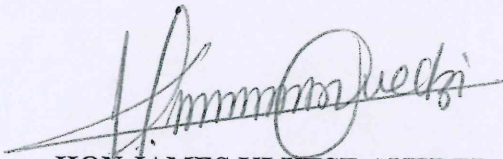
The Committee noted that because these amounts are outstanding for the 2013 and 2014 Financial Years, the loan would be fully disbursed upon the fulfillment of all conditions precedent to the disbursement of funds as stipulated in Article 6.1, 6.2 and 6.3 of the Agreement.

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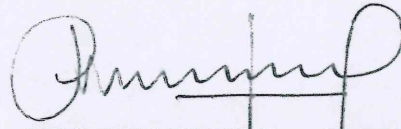
### **CONCLUSION AND RECOMMENDATION**

The Committee having carefully examined the referral, recommends to the House to adopt its report and approve the Loan agreement between the Government of the Republic of Ghana and Kreditanstalt Fur Wiederaufbau (KfW), Frankfurt Am Main for an amount of Seventeen Million, Three Hundred and Ten Thousand Euros (€17,310,000 Million) to Co-Finance The Multi-Donor Budget Support (MDBS) Programme in accordance with Article 181 of the 1992 Constitution, Section 7 of the Loans Act, 1970 (Act 335) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully submitted.



**HON JAMES KLUTSE AVEDZI**  
**CHAIRMAN, FINANCE COMMITTEE**



**MRS. ROSEMARY A. SARKODIE**  
**CLERK, FINANCE COMMITTEE**

*July, 2015*

100

