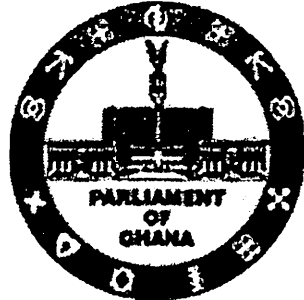


IN THE THIRD SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH REPUBLIC
OF GHANA



REPORT OF THE FINANCE COMMITTEE ON:

- 1. THE TERMS OF A RECEIVABLES-BACKED TRADE FINANCE FACILITY BETWEEN GHANA COCOA BOARD (COCOBOD) AND A CONSORTIUM OF BANKS AND FINANCIAL INSTITUTIONS, WITH THE GOVERNMENT OF THE REPUBLIC OF GHANA AS GUARANTOR, FOR AN AMOUNT OF ONE BILLION AND FIVE HUNDRED MILLION UNITED STATES DOLLARS (US\$1,500,000,000.00) FOR THE PURCHASE OF COCOA IN GHANA FOR THE 2019/2020 CROP SEASON; AND**

- 2. THE REQUEST FOR WAIVER OF STAMP DUTY AMOUNTING TO THE GHANA CEDI EQUIVALENT OF US\$7,500,000.00 ON RECEIVABLES-BACKED TRADE FINANCE FACILITY BETWEEN GHANA COCOA BOARD (COCOBOD) AND A CONSORTIUM OF BANKS AND FINANCIAL INSTITUTIONS, WITH THE GOVERNMENT OF THE REPUBLIC OF GHANA AS GUARANTOR, FOR AN AMOUNT OF ONE BILLION AND FIVE HUNDRED MILLION UNITED STATES DOLLARS (US\$1,500,000,000.00) FOR THE PURCHASE OF COCOA IN GHANA FOR THE 2019/2020 CROP SEASON**

1.0 INTRODUCTION

The

- i. Terms of a Receivables-Backed Trade Finance Facility between Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic of Ghana as Guarantor, for an amount of One Billion and Five Hundred Million United States Dollars (Us\$1,500,000,000.00) for the purchase of Cocoa in Ghana for the 2019/2020 Crop Season; AND
- ii. Request for waiver of Stamp Duty amounting to the Ghana Cedi Equivalent Of US\$7,500,000.00 On Receivables-Backed Trade Finance Facility between Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic Of Ghana as Guarantor, for an amount Of One Billion and Five Hundred Million United States Dollars (Us\$1,500,000,000.00) for the purchase of Cocoa in Ghana for the 2019/2020 Crop Season

were presented to the House on Thursday 1st August, 2019 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance in accordance with Article 181 of the 1992 Constitution. The Agreement and the Stamp Duty waiver request were subsequently referred to the Finance Committee for consideration and report in accordance with Orders 169 and 171 of the Standing Orders of the Parliament of Ghana.

The Committee met and considered the referral with the Hon. Deputy Minister of Finance, Mr. Charles Adu Boahen and a team of officials from the Ghana Cocoa Board (COCOBOD) and the Ministry of Finance. The Committee is grateful to the Hon. Deputy Minister and team of officials for attending upon and assisting in the Committee in its deliberations.

2.0 REFERENCE

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

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana;
- The Public Financial Management Act, 2016 (Act 921)
- The Ghana Cocoa Board Act, 1984 (PNDCL 81), and
- The Stamp Duty Act, 2005 (Act 689);

3.0 BACKGROUND

The cocoa industry has been the backbone of Ghana's economic development over the years. The industry has over the years created employment for millions of Ghanaians and serves as a major source of foreign exchange earner for the country. Cocoa production in Ghana has also increased significantly since the 1999/2000 crop season reaching an all-time high of over a one million metric tonnes in the

2010/2011 crop season. The increase in the levels of production requires substantial financial resources to enable the Ghana Cocoa Board (COCOBOD) to finance the purchase of cocoa beans. To this end, the offshore syndicated Trade Finance arrangement was put in place in 1993 to enable the Ghana Cocoa Board secure a loan facility to finance cocoa purchases and for other payments each year.

To enable the COCOBOD purchase cocoa for the 2019/2020 crop season, the Board of Directors of the Ghana Cocoa Board and Cabinet have given approval for the COCOBOD to borrow an amount of **One Billion and Five Hundred Million United States Dollars (US\$1,500,000,000.00)** to finance cocoa purchases in the 2019/2020 cocoa season.

The arrangement involves a Consortium of several international banks and financial institutions in arranging a credit facility to purchase an estimated 950,000 metric tonnes of cocoa beans in the 2019/2020 crop season.

COCOBOD is however required by the Stamp Duty Act, 2005 (Act 689) to pay a zero-point-five percent (0.5%) of the Facility Amount as Stamp Duty and it is in this regard that Parliamentary approval is also being sought for the waiver of the payment of the Stamp Duty which amounts to the Ghana Cedi Equivalent of *Seven Million, Five Hundred Thousand United States Dollars (US\$7.5 Million)*.

4.0 PURPOSE OF THE FACILITY

The Trade Finance Facility is to enable COCOBOD to raise funds to purchase cocoa beans from farmers through Licensed Buying Companies for the 2019/2020 cocoa season. The sourcing of the facility also provides the nation with the opportunity to demonstrate its good track record on borrowing from the international financial market.

5.0 TERMS OF THE FACILITY

The indicative terms of the facility are as follows:

Lenders	:	Cooperative Rabobank U.A., Ghana International Bank PLC, MUFG Bank Limited, NATIXIS, Nedbank and Societe Generale (as Lenders and Co-ordinating Initial Mandated Lead Arrangers and Bookrunners), Ghana International Bank (as Initial Mandated Lead Arranger and Collection Agent), and MUFG Bank Limited (Facility Agent)
Interest Margin	:	LIBOR + 0.55% p.a.
Commitment Fees	:	35% on interest margin
Flat Fees (Participation and Arrangement):	:	0.61 % flat
Legal Cost and Other Expenses	:	To be negotiated and capped
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
Estimated Total Cost without LIBOR (Excluding legal fees) : US\$13,112,047.62		

6.0 OBSERVATIONS

6.1 Required Waiver

The Committee noted that the waiver amount of US\$7,500,000.00 is in line with provisions of the Stamp Duty Act, 2005 (Act 689) which requires that a Stamp Duty of 0.5% on the loan facility be paid as stamp duty.

The Committee further noted that the Customs Division of the Ghana Revenue Authority has upon the request of COCOBOD assessed the stamp duty on the Syndicated Amount of US\$1,500,000,000.00 pending Parliamentary approval.

Proposed Production for 2019/2020 Crop Season

The Committee noted that for the 2019/2020 crop year, cocoa production has been forecasted to be 950,000 metric tonnes. It was explained that the projected figure was based on the trend of cocoa production over the past years and good agronomic practices being adopted by COCOBOD.

The Committee however cautioned COCOBOD in its projections particularly because of the scourge of the Cocoa Swollen Shoot Disease

which has affected mostly the Western and the Western North Regions of the country.

6.2 Utilization of 2018/2019 Loan Facility

The Committee was informed that during the **2018/2019** crop season, COCOBOD raised as approved by Parliament a total amount of **US\$1.3 Billion** for cocoa purchases and payment of other liabilities. Summary of the utilization of the amount is shown below:

ITEM	(US\$)	(US\$)
Loan Proceeds		1,300,000,000.00
Participation Fees (0.625% of loan amount)	8,125,000.33	
Commitment Fee (35% of margin of 0.600%)	285,541.66	
Legal Fees	67,570.97	
Bank Charges	580.04	
Interest Paid (October 2018 to Jan 2019)*	10,247,802.65	
Payment for industry inputs	29,996,599.50	
Drawdown to Bank of Ghana for Cocoa Operations		<u>1,250,000,000.00</u>
Total Drawings		<u>1,298,723,094.82</u>
Balance – placed short term – GHIB		<u>1,276,905.18</u>

The principal repayment of US\$185.71 million per month from February 2019 and interest* were paid from the Trustee Collections Account held with the Facility Agent (Standard Chartered Bank Pls., UK) at the instruction of Cocoa Marketing Company (CMC) Ghana Limited.

6.3 2019/2020 Loan Facility Disbursement

The following were given as the operational areas for the disbursement of the **2019/2020** loan facility:

A. Farmers' Services cost

1. Cocoa diseases and pests control
2. Fertilizer distribution and application
3. Farmers' wards scholarship
4. Cocoa roads
5. Industry inputs (Jute sacks, twine etc)
6. Rehabilitation/replanting
7. Child education support

B. Share of Net FOB

1. Payment to farmers
2. Buyers' margin
3. Hauliers' margin
4. Internal marketing operations (storage and shipping operations)
5. Disinfestation/Grading and sealing cost
6. Finance cost
7. COCOBOD and Divisions cost
8. Other costs/scale inspection and phytosanitary inspections
9. Rehabilitation/replanting of coffee

Please find attached as APPENDIX the proposed budget for the utilization of the proceeds.

6.4 Importance of the cocoa Industry

The Committee noted that the cocoa industry plays a crucial role in the economic development of the country. The industry contributes significantly to the Gross Domestic Product (GDP), employs an estimated two million people along the supply chain and remains a major source of Ghana's foreign exchange earnings. The cocoa sector also supports infrastructural development in education, road and highways among others. Importantly also, most of the foreign exchange earnings from cocoa are retained in the country thereby boosting foreign exchange reserves in the country in support of the local currency.

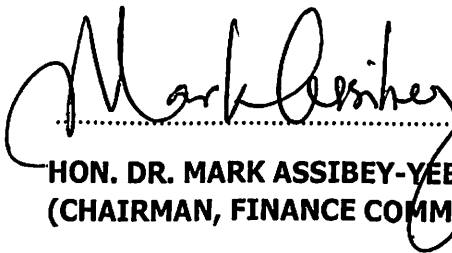
7.0 CONCLUSIONS

In view of the foregoing and taking into consideration the importance the Cocoa Sector to the economy of Ghana, the Committee respectfully recommends to the House to adopt this report and

- i. approve the Terms of a Receivables-Backed Trade Finance Facility between Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic of Ghana as Guarantor, for an amount of ***One Billion and Five Hundred Million United States Dollars (US\$1,500,000,000.00)*** for the purchase of Cocoa in Ghana for the 2019/2020 Crop Season in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana; AND

- ii. approve the request for waiver of **Stamp Duty** amounting to the Ghana Cedi Equivalent Of ***Seven Million, Five Hundred Thousand United States Dollars (US\$7,500,000.00)*** on Receivables-Backed Trade Finance Facility between Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic Of Ghana as Guarantor, for an amount Of One Billion and Five Hundred Million United States Dollars (Us\$1,500,000,000.00) for the purchase of Cocoa in Ghana for the 2019/2020 Crop Season in accordance with Articles 174(2) of the 1992 Constitution, Section 36 of the Stamp Duty Act, 2005 (Act 689) and the Standing Orders of the House.

Respectfully Submitted.


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


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

PARLIAMENT OF GHANA LIBRARY

2ND AUGUST, 2019.

APPENDIX

GHANA COCOA BOARD				
PROPOSED BUDGET FOR THE UTILISATION OF THE PROCEEDS				
Description	Proposed for 2019/2020		Budget 2018/2019 (GHS)	
Tonnage		950,000.00		900,000.00
FOB Per Tonne (US\$) (Budget/purchased)		2,250.00		2,200.00
Total FOB (US\$) (Budget/actual)		2,137,500,000.00		1,980,000,000.00
Less: Cocoa Delivery Committed (US\$)		(15,000,000.00)		(15,000,000.00)
Net Revenue (US\$)		2,122,500,000.00		1,965,000,000.00
Exchange Rate: US\$1/GH¢		5.20		4.90
Total FOB Amount (GH¢)		11,037,000,000.00		9,628,500,000.00
REVENUE: A		11,037,000,000.00		9,628,500,000.00
Less Farmers' Services Provision:		Proposed for 2019/2020 (GHS)		Budget 2018/2019 (GHS)
Cocoa Disease & Pest Control Programme		420,809,500.00		420,809,500.00
Fertilizer Budget (Hi-tech)		587,260,499.98		204,760,499.98
Farmers' Wards' Scholarship		-		2,735,464.49
Cocoa Roads		395,000,000.00		400,000,000.00
Industry costs & inputs (Sacks, Twine, Ink & Passbook)		130,957,694.21		130,957,694.21
Rehabilitation/Replanting		56,630,574.00		56,630,574.00
Child Education Support		6,382,750.48		3,647,285.99
Sub-total: B		1,597,041,018.67		1,219,541,018.68
Cost description	Proposed cost/tonne	Proposed for 2019/2020 (GHS)	Budgeted cost/tonne	Budget 2018/2019 (GHS)
Farmers' Cost	7,600.00	7,220,000,000.00	7,600.00	6,840,000,000.00
Buyers Margin	702.21	667,099,500.00	702.21	631,989,000.00
CMC Internal Marketing Operations (CMC)	121.77	115,681,500.00	121.77	109,593,000.00
Finance Cost	919.41	873,442,115.66	1,036.53	932,872,500.00
Evacuation Cost	236.74	224,903,000.00	236.74	213,066,000.00
Disinfestation/Grading & Sealing (QCC)	182.45	173,327,500.00	182.45	164,205,000.00
COCOBOD & Divisions	598.65	568,719,000.00	631.91	568,719,000.00
Other Costs (Scale Insp./Phytosanitary)	3.78	3,591,000.00	3.78	3,402,000.00
Replanting/Rehabilitation-Coffee	2.27	2,156,500.00	2.27	2,043,000.00
Total Net FOB Shared--- D	10,367.28	9,848,920,115.66	10,517.66	9,465,889,500.00
Total cost -----E = B + D		11,445,961,134.33		10,685,430,518.68
Surplus/(Deficit)----- F = A - E		(408,961,134.33)		(1,056,930,518.68)