

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

**REPORT OF THE FINANCE COMMITTEE ON THE CONCESSIONARY
LOAN AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF
FINANCE [GHANA COCOA BOARD(COCOBOD)]) AND THE AFRICAN
DEVELOPMENT BANK FOR AN AMOUNT OF UP TO FIVE MILLION
UNITS OF ACCOUNTS (UA5,000,000) [EQUIVALENT TO
US\$7,000,000] FOR COCOA SECTOR INSTITUTIONAL SUPPORT
PROJECT (COSISP)**

1.0 INTRODUCTION

The Concessionary Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance [Ghana Cocoa Board(COCOBOD)]) and the African Development Bank for an amount of up to Five Million Units of Accounts (UA5,000,000) [equivalent to US\$7,000,000] for Cocoa Sector Institutional Support Project (COSISP) was laid in the House on Thursday, 1st August, 2019 by Hon. Abena Osei Asare. and referred to the Finance Committee for consideration and report in accordance with Article 181 of the Constitution and the Standing Orders of the House.

The Committee met with a Deputy Minister for Finance, Hon. Charles Adu Boahene and officials from the Ministry of Finance and Ghana COCOBOD.

2.0 REFERENCE DOCUMENTS

The Committee referred to the following documents in the consideration of the Bill:

1. The 1992 Constitution,

2. The Public Financial Management Act, 2016 (Act 921) and
3. The Standing Orders of Parliament.

3.0 BACKGROUND

On June 2017, Ghana Cocoa Board and Le Consiel du Café-CaCao of Cote d'Ivoire agreed on a strategic framework for mitigating the harsh effects of declining international prices, building resilient and robust Cocoa Sectors capable of rendering appreciable and sustainable benefits to farmers and the economies of Ghana and Cote D'Ivoire. The adopted strategies required immediate investment in five critical areas of the Cocoa Sector, which will be necessary for the attainment of a sustainable cocoa economy.

The identified areas of investment included:

- a. Farm productivity enhancement and control of Cocoa Swollen Shoot Virus Disease (CSSVD)
- b. Increased Storage and Warehousing capacities as part of export control measures
- c. Promotion of Processing and Consumption to Increase demand thereby positively affecting prices
- d. Establishment of African Cocoa Exchange to trade of cocoa, given that 60% of the annual global output is produced by Ghana and Cote d'Ivoire
- e. Establishment of a Stabilisation Fund to cushion the industry against unexpected declines in world prices.

Consequently, a joint request for US\$1.2 billion assistance was submitted to the African Development Bank through the Ministries of Agriculture and Finance of Ghana and Cote d'Ivoire. An Appraisal of Ghana's component revealed that capacity building was required in some departments of COCOBOD as well as specific Sector reforms in order to facilitate the attainment of an overall objective of the sustainable cocoa economy.

It is in response to this need that the Cocoa Sector Institutional Support Project was conceived. The African Development Bank has agreed to support the project and it is this agreement that is currently before the House for approval.

4.0 OBJECTIVES

The Object of the loan is to support the Cocoa Sector Institutional Support Project which is aimed at improving the performance of the Cocoa Sector in order to increase cocoa farmers' revenues and reduce poverty.

4.1 Project Components and Description

The objectives of the project are expected to be achieved through the implementation of the three complementary components. Details of the activities under each component and sub-component of the project are captured in Table 1 below:

Table 1: Project Components and Sub-components

	Component	Cost in UA (000)	Component Description
I.	Component I	3,000	Support to Institutional Reform
I.1	Support to the Joint Cocoa Commission		Support to development of texts formalizing the establishment of the Joint Cocoa Commission; preparation of a strategy, action plan and operating manual for the Commission; equipment for the secretariat. The areas of support are: (i) Production and Research: scientific research in cloning; joint actions to address the CSSVD virus; (ii) Economics and marketing: value-chain analysis; establishment of market research back-ups to trading rooms; (iii) Institutional Framework: elaboration of operating manual; support the validation and ratification of the Charter and related rules and regulations; procurement of equipment.
I.2	Reform of the COCOBOD law		Update the 1984 Law establishing COCOBOD and prepare necessary legislative instruments, especially regarding the aim to formalize and improve the small scale processing and artisanal chocolate sectors and provisions related to sanctions on

			<p>smuggling; support to the approval process. The supported activities include: (i) review of the text of Law and Legislative Instrument; (ii) support enacting /ratification; (iii) publication/ dissemination</p> <p>Conduct a study on how to ensure successful private sector input provision, drawing on experience in other countries; develop a strategy for Ghana cocoa; develop regulations and procedures, including for standards and quality control. The specific activities include: (i) review of previous input policies in the Cocoa Sector of Ghana. Other Sectors and counties to take stock of lessons learnt; (ii) proposals for new input policy informed on sound technical analysis; (iii) stakeholder engagement and consultation; and (iv) publication and dissemination of policy document</p> <p>Undertake analytical work to assess COCOBOD effectiveness in specific areas (e.g. productivity enhancing projects, farmers access to inputs, production and distribution of seedlings, effectiveness of Licensed Buying Companies)</p>
1.3	Promotion of private sector delivery of inputs		
1.4	Assessment of COCOBOD programmes		
II	Component II	1,800	Support to Capacity - Building
II.1	Training		Develop capacity-building strategy based on recent staff rationalization study and design and implement necessary training, including project management and M&E for CHED and SPD staff; warehouse management.

II.2	In-house research and M&E capacity		Build capacity of Research, M&E Department to collect data, conduct M&E, understand and monitor global cocoa market.
II.3	Information systems		Develop an Information Master Plan and procure computers and internet access for CHED and SPD units; purchase software
II.4	Social and Environmental management		Develop a social and environmental management strategy of COCOBOD
III.	Component III	700	Project management
	Project management		Identify COCOBOD staff responsible for project coordination and implementation; develop operating manual and reporting requirements; finance staff and equipment.
	Total	5,500	

5.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions for the loan are as follows:

Loan Amount	- UA5.0m
Interest rate	- 1.0% per annum
Service Charge	- 0.75% per annum
Commitment Charge	- 0.5% per annum
Grace Period	- 5 years
Re-payment Period	- 25 years (exclusive of grace period)

6.0 OBSERVATIONS

6.1 Benefits of the project

The Committee was informed that when completed, the project is expected to improve the effectiveness of COCOBOD, enable higher and less volatile farm gate prices, and promote collaboration with Cote d'Ivoire. It is also expected that at the end of the project,

- the level of smuggling would reduce to 25,000 tonnes per year
- Area using fertilizer will increase from 59% to 65%
- Industry costs will reduce to 10% of gross f.o.b.

The Committee was also informed that the project will build the capacity of COCOBOD to help improve cost effectiveness of the cocoa sector and strengthen private sector participation in input supply, which will reduce the industry costs, leaving a larger net f.o.b price for sharing to stakeholders. Thus the price paid to farmers will increase as a result. New investments in IT solutions will also help to reduce or eliminate leakages so that subsidies granted would reach the farmers timely and efficiently.

6.2 Overall Project Cost

The Committee was informed that the total cost of the project is UA5.5 million (approximately US\$7.7m), of which UA 5 million (equivalent to US\$7,000,000.00) is contributed by the Bank using the resources of the African Development Fund, and UA 0.5 million represents the counterpart contribution (in-kind) of the Government of Ghana.

6.3 Project Duration

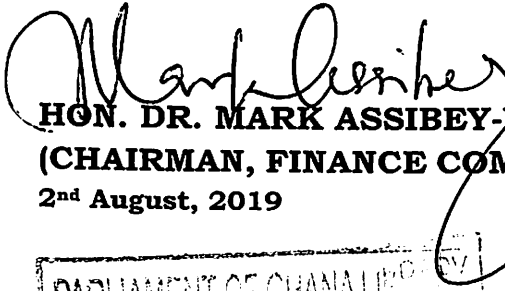
The Committee was informed that the Project will be implemented over a period of Twenty-four months commencing 2019 to 2021.

6.0 CONCLUSION

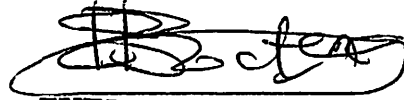
In view of the immense benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of the Concessionary Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance [Ghana Cocoa Board(COCOBOD)]) and the African Development Bank for an amount of up to Five Million Units of Accounts (UA5,000,000) [equivalent to US\$7,000,000] for

Cocoa Sector Institutional Support Project (COSISP) in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Orders 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)
2nd August, 2019



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

