

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

## REPORT OF THE FINANCE COMMITTEE

ON THE

LOAN AGREEMENT BETWEEN THE GOVERNMENT OF THE  
REPUBLIC OF GHANA AND THE INTERNATIONAL  
DEVELOPMENT ASSOCIATION (IDA) OF THE WORLD BANK  
GROUP (ACTING AS IMPLEMENTING ENTITY OF THE FOREST  
INVESTMENT PROGRAMME UNDER THE STRATEGIC  
CLIMATE FUND) FOR AN AMOUNT OF SEVEN MILLION  
UNITED STATES DOLLARS (US\$7,000,000.00)

BEING ADDITIONAL FINANCING FOR

ENHANCING NATURAL FOREST AND AGROFOREST  
LANDSCAPE PROJECT (FIP-ENFAL)

OCTOBER 2019

## **1.0 INTRODUCTION**

The **Loan Agreement** between the **Government of the Republic of Ghana** and the **International Development Association (IDA) of the World Bank Group** (acting as implementing entity of the Forest Investment Programme under the Strategic Climate Fund) for an amount of **Seven Million United States Dollars (US\$7,000,000.00)** being additional financing for **Enhancing Natural Forest and Agroforest Landscape Project (FIP-ENFAL)** was *presented* to the House on Thursday 24<sup>th</sup> October, 2019 by the Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu 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* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with the Deputy Minister for Finance, Hon. Abena Osei-Asare, Deputy Minister for Lands and Natural Resources, Hon. Benito Owusu-Bio and a team of officials from the Ministries of Finance and Lands and Natural Resources and hereby submits this report to the House.

The Committee is grateful to the above mentioned Hon. Deputy Ministers and the officials from the two 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's cocoa forest landscapes has one of the highest deforestation rates in Africa at 3.2% per annum. Forest degradation and deforestation across this agro-forest region, which covers about 5.9 Million hectares of Ghana's High Forest Zones (HFZa), is further accelerated by the recent upsurge in illegal mining and logging as well as continued cocoa expansion and other types of agriculture. These drivers of deforestation have continually degraded Ghana's rural landscape.

In the past decades, conversion of forest reserves to mining sites and cocoa farms was not viewed as a problem until the mid-nineties when it became clear that Ghana's forest reserves were severely damaged. It also then realised that biodiversity in the landscapes had declined rapidly, and low-to-no shade cocoa was expanding at the expense of forests and trees.

To help address the above mentioned drivers of deforestation, the Ministry of Lands and natural Resources (MLNR) has been implementing the Ghana Forest Investment Programme (FIP) since May 2015. Ghana is one of the eight (8) pilot countries implementing the FIP under the Strategic Climate Funds (SCF). The Programme which is based on Ghana's Investment Plan, was approved by the FIP Sub-Committee in November 2012 with a total financing of US\$55 Million to fund three interrelated projects aimed at reducing deforestation and forest degradation in the country. These three interrelated projects are as shown in the table below:

Project Title	Administering MDB	Amt (US\$m)	Remarks
Enhancing Natural Forests and Agroforestry	World Bank	30	100% Grant

Landscapes Project (ENFAL)			
Engaging Local Communities in REDD+ and Enhancing Carbon Stocks Project	African Development Bank	15	100% Grant (original grant of US\$10 Million and additional grant of US\$5 Million)
Engaging Private Sector in REDD+	International Finance Corporation	10	US\$7 Million as concessional loan and US\$3 Million as grant for Technical Assistance.

#### **4.0 PURPOSE OF THE FACILITY**

The purpose of the Agreement is to obtain funds to support Government's efforts to improve forest and tree management practices by cocoa farmers, CREMA communities and forest reserve managers to reduce forest loss and degradation in selected landscapes; and to demonstrate rehabilitation of mined-out sites in selected landscapes in Ghana's High Forest Zone (HFZ).

#### **5.0 PROJECT SCOPE**

The project under the Additional Financing (AF) follows the structure of the Original Financing and is divided into the following four (4) components:

**Component 1: Policy Reforms and Institutional Strengthening (US\$2.00 Million):** The Additional Financing (AF) under this component will expand support for strengthening institutional coordination and capacity building across a wider array of central, regional and

local government agencies. This will specifically look at policy issues in institutional capacities to effectively manage the forest resource of the country. These relevant institutions will be engaged to develop and disseminate guidance notes to sustainably regulate and manage Artisanal Small-Scale Gold Mining (ASGM) and protect rehabilitated sites. The AF will further support dialogue platforms to ensure widespread understanding and uptake of these technical learnings and analytical results to address the environmental footprint of ASGM. This will help to improve information exchange and coordination across institutional mandates and further contribute to more transparent and collaborative licensing process.

**Component 2 : Pilot Investments for Improved Forest and Landscape Management with Communities (US\$15.39 Million) :** This component consists of 3 sub components, all of which aim at managing degradation in forest reserves caused by illegal small scale mining, reclaiming and rehabilitating mined-out areas, providing financial and technical assistance to support tree planting by SMPEs/private plantation developers, as well as financing technical assistance and follow ups to ensure that investments, Financial Management (FM), and plantation maintenance remain on track throughout the project cycle.

- **Sub-Component 2a: Pilot demonstration of clean up and reclamation practices with alternative livelihood support after forest and land degradation and loss due to ASGM (US\$5.5 Million):** This is a pilot activity aimed at reclaiming and rehabilitating mined out areas in a small number of selected sites. These selected sites will undergo detailed sampling and testing for contaminant presence in order to clean up before designing interventions for each site and finally restore vegetation to reclaimed sites.
- **Sub-component 2b: Pilot for incentivizing investment and local level job creation in timber plantations (US\$7.0 Million):** The US\$7.0 Million loan will provide financing incentives and technical assistance to SMPEs to support tree planting, with focus on trees in high demand for specific markets. In this regard, the loan will be on-

lent to viable SMPEs to establish plantation to increase the country's forest cover while creating jobs. *The on-lending will be carried out in accordance with section 67 of the Public Financial Management Act, 2016 (Act 921), and Article 181(2) of the 1992 constitution.* Support will include: provision of low-cost tree seedlings of economic species, transport and delivery of seedlings, business and marketing skills development, training, tools and equipment for site preparation; planting and caring for seedlings.

- **Sub-component 2c: Field Activity and Technical assistance (US\$2.89 Million):** Activities in this sub-component will support technical assistance, with focus on tree planting advice and nurturing techniques, business planning and financial management and reporting, species selection, mapping and land titling services. Training and assistance of SMPEs will draw on established and certification standards and systems that are operating and accepted in Ghana's timber markets.

**Component 3: Innovation, Capacity Building, and Communications (US\$1.00 Million):**

The AF will expand support for the Implementing Agencies to improve communication, outreach and regular reporting on trends and results (of activities undertaken) to the higher authorities coordination bodies such as the Ministry of Lands and Resources (MLNR), Ministry of Environment, Science, Technology and Innovation (MESTI), Environmental Protection Agency (EPA) and Minerals Commission (MC). Communication and Outreach activities will also engage communities and miners (both legal and illegal) through awareness campaigns about good environmental practices in artisanal gold mining, use of established and legal small-scale mining operations as learning sites and mentors, and mine site rehabilitation at additional sites across Ghana. Training programs will be conducted for the local and traditional authorities and stakeholders to introduce improved practices, raise awareness of health impacts as well as environmental degradation costs and impacts.

#### **Component 4: Project Management, Monitoring and Coordination (US\$1.00 Million):**

The AF will provide additional support for management, monitoring and coordination of the project. Project Management and reporting functions will be expanded under this component to ensure regular reporting on, and integration of the FIP ENFAL and AF-funded activities with larger scale Government programmes to address and control the negative effects of illegal Artisanal Small-Scale Mining (ASM).

### **6.0 TERMS OF THE FACILITY**

The terms of the Facility are as follows:

- |                        |   |                  |
|------------------------|---|------------------|
| ▪ Loan amount          | - | US\$7.00 Million |
| ▪ Service Charge       | - | 0.25% p.a.       |
| ▪ Grace Period         | - | 10 years         |
| ▪ Repayment Period     | - | 30 years         |
| ▪ Tenor                | - | 40 years         |
| ▪ Concessionality Rate | - | 64.28%           |

### **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 Additional Financing**

The Additional Financing of US\$19.385 Million consists of the instant US\$7.0 Million loan and a grant amount of US\$12.385 Million. This Additional Financing will be administered by the World Bank and would finance costs associated with consolidating the gains of the Forest Investment Programme and help manage the menace of degradation through mining caused in the forest reserves. The Facility will further support policy and legislation review under the Forest Investment Programme and help manage degradation caused by illegal artisanal small-scale gold mining in forest reserves.

## **7.3 Private Investment in Forestry**

The Committee was informed that the facility would support the enhancement of private investment in forest plantation development, with community job creation in forest and cocoa landscapes in Ghana's High Forest Zones (HFZs) which include some areas in the Brong, Ahafo, Western, Western North, Ashanti and Eastern Regions of the country.

## **7.4 On-Lending of the Facility**

The Committee noted the intention of the Ministry of Lands and Natural Resources to on-lend the facility to SMPEs through financial institution(s) to be selected through a competitive process.

The Committee however advised the Ministry to consider direct on-lending arrangement with the beneficiary SMPEs so as to remove the potential profit-motive intermediation of a financial institution. In the alternative, the Committee advised that the Forest Plantation Development Board (FPDB) should be given equal opportunity to bid to administer the funds.

## **7.5 Benefits of the Project**

The Committee observed that the implementation of the project is expected to improve the livelihoods in the beneficiary communities through engagement in economic activities such



as landscape restoration and tree planting, provide employment opportunities to about 2,000 beneficiaries (up to 50% of them being women), increase the forest cover of the country by the addition of about 3,000 hectares of restored land to ensure emission reductions and reduction in pressure on high biodiversity areas in Ghana's High Forest Zones.

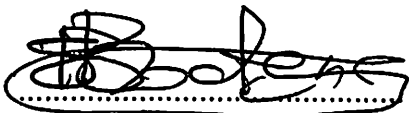
## 8.0 CONCLUSION

The Committee, having carefully scrutinised the Agreement, respectfully recommends to the House to adopt this report and approve by resolution, the **Loan Agreement** between the **Government of the Republic of Ghana** and the **International Development Association (IDA) of the World Bank Group** (acting as implementing entity of the Forest Investment Programme under the Strategic Climate Fund) for an amount of **Seven Million United States Dollars (US\$7,000,000.00)** being additional financing for **Enhancing Natural Forest and Agroforest Landscape Project (FIP-ENFAL)** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana and the Public Financial Management Act, 2016 (Act 921).

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



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

29<sup>TH</sup> OCTOBER, 2019