

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

REPORT OF THE FINANCE COMMITTEE ON THE  
CONCESSIONAL FINANCING AGREEMENT BETWEEN THE  
GOVERNMENT OF THE REPUBLIC OF GHANA AND THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) FOR AN  
AMOUNT OF ONE HUNDRED AND FORTY-FOUR MILLION, FOUR  
HUNDRED THOUSAND SPECIAL DRAWING RIGHTS  
(SDR144,400)[US\$200MILLION EQUIVALENT] TO FINANCE THE  
GHANA ECONOMIC TRANSFORMATION PROJECT (GETP)

**1.0 INTRODUCTION**

The Concessional Financing Agreement between the Government of the Republic of Ghana and the International Development Association (IDA) for an amount of One Hundred and Forty-Four Million, Four Hundred Thousand Special Drawing Rights (SDR144,400,000) [US\$200Million equivalent] to finance the Ghana Economic Transformation Project (GETP) was presented to the House on 2<sup>nd</sup> December, 2019 by the Hon. Deputy Minister for Finance, Mr. Kwaku Agyeman Kwarteng on behalf of the Minister for Finance.

Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report.

The Committee met with a Deputy Minister for Finance, Hon. Charles Adu Boahen and officials from the Ministry of Finance and the Ministry of Trade and Industry and considered the request.

The Committee is grateful to the Hon. Deputy Minister and the team of officials for attending upon the Committee.

## **2.0 DOCUMENTS REFERRED TO**

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Public Financial Management Act, 2016 (Act 921); and
- The Standing Orders of the Parliament of Ghana;

## **3.0 BACKGROUND**

Ghana attained middle income status in November, 2010 having performed well in the last two decades. Between 2005 and 2012, the economy grew at an impressive 7.7 percent per year on average, with an annual job creation rate of 4.0 percent, meaning that every One percent increase in economic growth was associated with about 0.5 percent increase in job growth. Economic growth over the period was largely driven by commodity exports (cocoa and gold, which prices more than tripled between 2000 and 2010) and the start of commercial oil production in 2011. GDP growth rates, however, slowed between 2012 and 2016, averaging 5.6 percent (with a low of 1.6 percent in 2015), while picking-up again to 8.5 percent in 2017.

The reliance on commodity driven growth increased economic instability with cyclic volatility costing Ghana about 0.3 percent of growth per year during 2000-2015, and as much as 0.7 percent per year in the early 2010s. The declined growth mirrored a slowdown in poverty reduction and rising unemployment.

A recent World Bank System Country Diagnostic observed that, Ghana's largest fall in poverty, Two percent a year, was experienced during 1991-1998. As growth

accelerated, however, the annual reduction in poverty rate fell to 1.4 percent in 1998-2005 and 1.1 percent in 2005-2012. Between 2012 and 2016, the poverty rate declined by only 0.2 percent per year, and stood at 23.4 percent in 2016. Similarly unemployment rates have also been rising over the decades with a rate of 4.6% in 2007, increasing to 5.77% in 2016 and currently estimated at 6.7% in 2018. These trends may reflect the declining contribution of agriculture among others, in which the majority of poor households are engaged, the limited job opportunities for higher productivity in the services sector, and a largely capital-intensive industrial development in commodity focused sector

The current growth trends suggest that, achieving a higher, inclusive and sustained growth require accelerated economic transformation through more private sector investment in manufacturing, ICT, and agro-processing, etc. In recognition of these, Government, with job creation at the center of its development policy, is embarking on an economic transformation agenda to diversify the economy to better shock-proof against volatility in primary commodity prices, spur a transition to a more sustainable economic structure that generate higher growth and better respond to the imperative of creating more and better jobs.

Government also recognizes the private sector as the engine of growth and job creation and is, therefore committed to creating an enabling environment for private sector development. This is necessary given the fact that the regulatory environment for doing business in Ghana has become cumbersome over the years, thus requiring reforms. It is worth mentioning that the Ease of Doing Business Index ranks Ghana 114 among 190 economies in 2018. This was an improvement from 120 in 2017. Within two decades the ranking however, fluctuated, from in 90.55 in 2008 to 120 in 2017 with a record low of 60 in 2010. The low rankings point to a relatively uncondusive regulatory regime for doing business in Ghana over the years, thus constricting production, thereby thinning out employment opportunities and reducing, the prospects to GDP growth. The Ghana Economic Transformation Project (GETP) has therefore been

designed to address the above challenges and to promote entrepreneurship thereby add value to Ghana's primary products.

In order to ensure a successful implementation of the project, the Government of Ghana has agreed for the International Development Association (IDA) of the World Bank Group to provide an amount of One Hundred and Forty-Four Million, Four Hundred Thousand Special Drawing Rights (SDR144,400)[US\$200Million equivalent] to finance the Ghana Economic Transformation Project (GETP). It is this agreement that is before the House for approval.

#### **4.0 OBJECT OF THE PROJECT**

The objective of the project is to promote private investments and firm growth in non-resource based sectors.

#### **5.0 PROJECT DESCRIPTION**

The Project is structured around four (4) components as described below:

**5.1 Component 1: Enabling investments (USD 35 million)** - This component aims to improve the enabling business environment, investment promotion capacity and provide quality infrastructure support system, for companies to invest and grow their businesses in Ghana. The beneficiary institutions are the Registrar General's Department (RGD), Ghana Investment Promotion Centre (GIPC) and the Ghana Standards Authority (GSA).

**5.2 Components 2: Crowding-in Investments: Promoting spatial and industrial planning and development (\$79 million)** - The activities under this component will assist GoG to put in place a sound framework and processes for spatial planning and development for Special Economic Zones that will lead to increased investments and maximize their economic rate of return in terms of jobs, incomes and productivity growth. This is in line with Government's strategic anchor initiatives to develop large scale strategic anchor industries to serve as growth poles for the economy. The main institutions that will benefit

from this component are the Ministry of Trade and Industry (MoTI), Ghana Free Zones Authority (GFZA), and GIPC.

**5.3 Component 3: Accelerating Entrepreneurship and MSME growth (\$80 million):** - The objective of this component is to enhance the entry and expansion of enterprises with high-growth potential that can contribute to economic dynamism and job creation. This will be achieved through strengthening and rationalizing government's main entrepreneurship and enterprise support programmes. The component will support the delivery of financial and non-financial support to MSMEs, and the strengthening of entrepreneurship hubs and other organizations in the entrepreneurship ecosystem. The National Board for Small Scale Industries (NBSSI), National Entrepreneurship and Innovation Plan (NEIP) and the Venture Capital Trust Fund (VCTF) will be the implementing agencies for this component.

**5.4 Component 4: Project Management (US\$6 million)** – This component will finance the administrative cost of implementating the project, including setting up of project coordination unit, monitoring and evaluation and the day to day operations cost of implementing the project.

## **65.0 TERMS AND CONDITIONS OF THE LOAN**

The Terms and Conditions of the Loan are as follows:

Total Credit	-	US\$200.0 million
Maturity (including Grace Period)	-	30 years
Maximum Commitment Charge (this is waived for FY19)	-	0.5% p.a.
Service Charge	-	0.75% p.a
Interest Charge	-	1.25% p.a
Grant Element	-	33.23%

## **7.0 OBSERVATIONS**

### **7.1 Rationale for the Project**

The Committee was informed that Government has recognized the private sector as the engine of economic growth. To realize this agenda, strong reforms and investments are required to support diversification and sustainable development especially in value added manufacturing and agribusiness sectors. The Ghana Economic Transformation Project (GETP) has therefore been designed to stimulate a culture of entrepreneurship among Ghanaian and promote value addition to leverage Ghana's primary products and move away from the export of raw materials.

The project also seeks to address challenges in the business environment, transform the largely primary resource based economy into an industrialized one that will create employment opportunities as well as diversify export commodities of Ghana and position it as a major regional economic powerhouse. The project is designed around three (3) namely enabling business environment, crowding in investment, and accelerated growth in entrepreneurship and Micro, Small and Medium Enterprises (MSMEs).

### **7.2 Institutional and Implementation Arrangements**

The Committee was informed that in order to successfully implement the project, a Project Oversight Committee, comprising representatives of all relevant Ministries and Agencies as well as the private sector will be established to provide overall policy guidance. The Committee will be co-chaired by Minister for Finance and the Minister for Trade and Industry or their representatives.

There would also be a Project Coordinating Unit (PCU) established within the Ministry of Finance (MOF) to coordinate and supervise the implementation of the project. The PCU will consist of a Project Coordinator, fiduciary specialists (FM and Procurement). The Technical specialists will work directly with the Technical Implementation Agencies (TIAs) to ensure that each TIA is provided with the

technical, financial, procurement, and political support required to achieve desired outcomes for the project.

Technical Implementation Agencies (TIAs) under the project are made up of the Ghana Investment Promotion Council, Registrar-General's Department, Ghana Free Zones Authority, Ghana Standards Authority, Venture Capital Trust Fund, Ministry of Trade and Industry, Ministry of Business Development, National Board for Small Scale Industries and National Entrepreneurship and Innovation Programme will be responsible for the day-to-day implementation of their respective components/sub-components.

### **7.3 Expected Outcomes**

The Committee observed that when implemented, the expected outcomes from the project include:

- **Improved business regulatory environment** to provide the enabling environment to empower the MSMEs to thrive in the domestic market and expand into regional and global markets by focusing on non-resource based sectors. It would help eliminate key investment climate constraints that impact all businesses including supporting Free Zones enclaves and industrial parks will improve the investment climate thereby increasing private sector investments, both foreign and local.
- **Sustained growth and diversified economy** which will diversify the economy from dependence on natural resources and commodities to include non-resources through value addition. It is expected that at the end of the project period. The country would have established a more diversified and sustainable economic growth path.
- **Increased employment opportunities** by strengthening the entrepreneurship ecosystem combined with stronger entrepreneurship programme and better coordination among the programmes, project interventions such as the MSME Market Connect Programme and Matching Grant support to 400 SMEs custom-tailored delivery

mechanism with managerial capabilities and productivity enhancing improvements will lead to firm growth- higher firm performance, increase sales and incomes and job creation. The NBSSI has estimated about 14,000 direct jobs to be created and about 28,000 indirect jobs to be created over the project period and beyond. The integrated Agriculture Fund is expected to create over 10,000 jobs due to anticipated backward integration of investing in farmers to produce the raw material for processing. At the end of the project period, it is expected that more and better employment opportunities would be created.

#### **7.4 Duration of the Project**

The Committee learnt that the project will be implemented over a five (5) year period and is expected to come to an end on November 30, 2025.

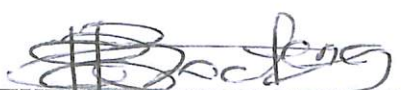
#### **8.0 CONCLUSION**

Considering the benefits to be derived from the project, the Committee is of the view that the request is in the right direction.

The Committee therefore recommends to the House to adopt its report and to approve the Concessional Financing Agreement between the Government of the Republic of Ghana and the International Development Association (IDA) for an amount of One Hundred and Forty-Four Million, Four Hundred Thousand Special Drawing Rights (SDR144,400,000) [US\$200Million equivalent] to finance the Ghana Economic Transformation Project (GETP) in accordance with Article 181 of the Constitution, the Public Financial Management Act, 2016 (Act 921) and the Standing Orders of Parliament.

Respectfully submitted.

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

  
**EVELYN BREFO-BOATENG**  
**CLERK TO THE COMMITTEE**

**PARLIAMENT OF GHANA LIBRARY**