

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 AFRICAN DEVELOPMENT FUND (ADF) FOR AN
AMOUNT OF TWENTY MILLION UNITS OF ACCOUNT (UA20,000,000.00)
[EQUIVALENT TO US\$27.55 MILLION] TO FINANCE THE SAVANNAH
INVESTMENT PROGRAMME (SIP);

AND

A REQUEST FOR THE WAIVER OF IMPORT DUTIES, GETFUND LEVY, NHIL
LEVY, IMPORT VAT, EXIM LEVY, SPECIAL IMPORT LEVY AND OTHER
DOMESTIC TAXES INCLUDING VAT AMOUNTING TO THE GHANA CEDI
EQUIVALENT OF NINE HUNDRED AND SEVENTY THOUSAND, FOUR
HUNDRED AND TWENTY-TWO UNITED STATES DOLLARS (US\$970,422.00)
ON MATERIALS, EQUIPMENT AND SERVICES TO BE PROCURED IN
RESPECT OF THE SAVANNAH INVESTMENT PROGRAMME (SIP)

1.0 INTRODUCTION

The

- i. Loan Agreement between the Government of the Republic of Ghana and the African Development Fund (ADF) for an amount of Twenty Million Units of Account (UA20,000,000.00) [equivalent to US\$27.55 Million] to finance the Savannah Investment Programme (SIP); and

- ii. A request for the waiver of Import Duties, GETFund Levy, NHIL Levy, Import VAT, EXIM Levy, Special Import Levy and other domestic taxes including VAT amounting to the Ghana Cedi equivalent of Nine Hundred and Seventy Thousand, Four Hundred and Twenty-two United States Dollars (US\$970,422.00) on materials, equipment and services to be procured in respect of the Savannah Investment Programme (SIP)

were presented to the House on Thursday, 19th December, 2019 by the Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng on behalf of the Minister for Finance.

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

The Committee met with a Deputy Minister for Finance, Hon. Kwaku Kwarteng, a Deputy Minister for Food and Agriculture, Hon. Dr Sagre Bambangi and officials from the Ministry of Finance, the Ministry of Food and Agriculture and the Ghana Revenue Authority to consider the requests.

The Committee is grateful to the Hon. Deputy Ministers 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

The African Development Bank (AfDB) launched the Feed Africa Strategy that takes a commodity value chain and Agro-Ecological Zones (AEZ) approach with emphasis on commodities that possess comparative advantages and potential for import substitution, future demand and poverty alleviation. The Bank's new approach to transforming the African Agriculture designates increased productivity as number one enabler for transformation.

Available studies show that Ghana has annual meat production deficit which amounts to 273,000 tons with a foreign expenditure of around US\$385 Million a year. The studies further show that meat production deficit would increase by 222,500 tons. As a result, the study recommended that Ghana adopts competitive production system to cultivate 573,000 tons of soyabean and 245,800 tons of maize in order to produce the 360,700 tons of chicken and meat to replace current import levels.

To address the deficit in meat production in the Savanna Zone, Government requested funding from the African Development Fund (ADF). The ADF has approved a loan facility of an amount of Twenty Million Units of Account (UA20 Million), net of taxes (equivalent to US\$27.55 Million) on 1st October, 2019 to finance the implementation of the Savanna Investment Programme (SIP).

The proposed programme is anchored on Government's Agriculture Flagship Programme 'Planting for Food and Jobs' (PFJ), Rearing for Food and Jobs (RFJ) as well as One District One Factory (1D1F) initiative. The support is to allow commercial farmers expand their areas under cultivation for soyabean and maize which feeds into the livestock value chain under RFJ. This integrated approach supports elements of growing at large scale and provision of market outlets for small holder farmers, especially women and youth.

The programme will consolidate gains made through the Bank's on-going Savannah Zone Agriculture Productivity Improvement project (SAPIP) and other previous investments such as the Northern Rural Growth Programme (NRGP) and the Ffulso-Sawla and Techiman-Kintampo Roads Project. The programme would also optimize the use of infrastructure that were constructed in these interventions and leverage on private sector investment to establish large commercial farming for export. The programme will further leverage on the complementary innovative agricultural risk financing mechanisms (the Ghana Incentive Based Risk Sharing for Agricultural Lending (GIRSAL) that is being currently implemented by Bank of Ghana for Agriculture Risk Investment.

Under Article 57 of the Agreement establishing the African Development Bank (AfDB), goods, works, services and other items imported for the use of the project is to be exempt from the payment of all local taxes, VAT and custom duties.

In accordance with Article 174 (2) of the 1992 Constitution and to ensure the smooth implementation of the project, the request for the waiver of tax and duty liabilities in respect of the equipment and materials to be imported has been presented to the House for approval.

4.0 OBJECT OF THE PROJECT

The overall objective of the project is to reduce importation of animal protein, enhance competitiveness of the poultry industry, improve small ruminants' breeds and contribute to improved food and nutrition security.

The specific objectives are to:

- i. Increase agricultural productivity and diversity
- ii. Enhance creation and strengthening of agribusinesses; and
- iii. Increase incomes of actors along selected value chains on a sustainable basis.

5.0 PROJECT COMPONENTS

The Project is divided into four (4) components

- **Component 1: Access Agriculture Finance (UA 3.6 Million).** This component seeks to establish “missing middle finance vehicle” with Risk Sharing Facility (GIRSAL) to advance term loans to value chain actors including commercial farmers, feed processors and broiler processors. It is also to establish commercial Poultry Revolving Fund to finance inputs to small to medium scale poultry farmers. It would also support Co-Financing Opportunities with Ghana Exim Bank, Venture Capital Fund and Commercial banks.
- **Component 2 is on Production Development (UA10.7 Million).** The Component covers the:
 - i. Production and promotion of certified hybrid maize and improved soyabean seed in collaboration with seed companies;
 - ii. Promotion of climate smart agriculture, environmental conservation best practices, including use of tree crops such as shea, dawadawa, mango, cashew, etc as alleys;

- iii. Input support to small and medium scale commercial poultry farmers (housing, poultry house, day old chicks, feed stock, vaccines, veterinary drugs, etc)
 - iv. Support to Hatchery expansion, including parent stock for broilers, Guinea fowls and local chicken; and
 - v. Rehabilitation of animal housing at the breeding stations,
- **Component 3 is on Agri-Business and value chain Development (UA7.2 Million).** This component is on the:
 - i. Promotion of quality standards for maize and soybean production, storage and processing;
 - ii. Promotion of the development of allied services (packaging, new distribution networks for poultry products, transport services, new agro-input delivery systems, etc);
 - iii. Support to feed millers to improve feed stock and expand processing capacity
 - iv. Promotion of other income generating activities for women and youth, including production and processing of shea, dawadawa, mango, cashew
 - v. Support to women and youth on marketing and supply of poultry products to key institutions and programs including the school feeding program;
 - vi. Promotion of the consumption of local poultry and eggs to improve household nutrition and in particular maternal and child nutrition to prevent stunting.
 - **Component 4 is on Project Management and Institutional Support (UA3.6 Million).** This component will be used to:
 - i. Develop annual work plan and budget;
 - ii. Establish results-based monitoring and evaluation system;
 - iii. Conduct beneficiary Impact Assessment;
 - iv. Conduct Project Mid-term Review;
 - v. Conduct Project Completion/Technical Review (PCR);
 - vi. Document success stories in Video and picture formats;
 - vii. Develop and implement Environmental and Social Management Plan (ESMP);

- viii. Upgrade the project coordination unit with additional staff;
- ix. Facilitate production of annual financial audits; and
- x. Facilitate Project Steering Committee (PSC) meetings.

6.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the loan are as follows:

Loan Amount	-	UA20 Million
Interest Rate	-	1% 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)

7.0 Request for Tax Waiver

The request is for the waiver of Import Duties, GETFund Levy, NHIL Levy, Import VAT, EXIM Levy, Special Import Levy and other domestic taxes including VAT amounting to the Ghana Cedi equivalent of Nine Hundred and Seventy Thousand, Four Hundred and Twenty-Two United States Dollars (US\$970,422.00) on materials, equipment and services to be procured under the Programme.

7.1 Assessment of Duties, Taxes and Levies

A breakdown of the tax assessment undertaken by the Ghana Revenue Authority (GRA) is provided in Table 1 below:

Table 1: Breakdown of Tax Assessment by GRA

	Item	Amount (US\$)
1	IMPORT DUTY	528,100.00
2	IMPORT VAT	220,257.00
3	NHIL /GETFUND LEVY	83,908.00
4	EXIM LEVY	79,598.00
5	SIL	58560.00
	TOTAL	970,422.00

Attached as an APPENDIX is the details of the tax assessment.

8.0 OBSERVATIONS

8.1 Rationale for the Programme

The Committee was informed that the Ghanaian economy is based largely on agriculture which accounts for 21.2 percent of the Gross Domestic Product (GDP) and that the Livestock sector contributed 14.0% to agricultural GDP in 2017. According to the Ministry of Food and Agriculture, the agricultural sector in Ghana is constrained by a variety of challenges and gaps leading to a decline in the sector's contribution to GDP from 21.1 percent in 2017 to 19.7 percent 2018. The slow growth rate of the livestock sub-sector is mainly attributable to a number of factors including inadequate supply of inputs such as breeding stock, feed, medication, appropriate animal husbandry practices, access to credit, low technology dissemination and adoption. With respect to broiler production, high cost of feed, especially maize and soyabean that accounts for at least 60% of production cost makes local production uncompetitive. These challenges have continued to constrain sustainable agricultural development in the country resulting in general low productivity of the livestock sector.

The Committee learnt that the project is designed to support government's efforts by addressing the challenges, thereby reducing importation of animal protein, enhancing competitiveness of the poultry industry and improving food security in the country. When completed, the project would further help enhance agribusiness and increase incomes on sustainable basis.

8.2 Benefits of the Project

The Committee observed that when completed, the project will:

- i. Create 40,000 jobs;
- ii. Increase Average net income of participating value chain actors by at least 30%;
- iii. Increase productivity of maize from 2.5mt/ha to 5.5mt/ha, soya from 0.8mt to 2.5mt/ha;
- iv. Reduce Poultry imports by about 30%;

- v. Place 20,000 hectares of new fields of commercial maize and soyabean production under conservation agriculture;
- vi. Supply 150,000 birds for breed improvement;
- vii. Produce at least 25 million broilers per annum;
- viii. Supply 100,000 guinea fowl keats to the youth and women; and
- ix. Supply 13,000 small ruminants (goats and sheep) as part of breed improvement to improve household nutrition.

The Committee observed that the Programme is to overcome the food and nutritional deficits situation and reduce drastically the importation of basic livestock commodities where Ghana has both competitive and comparative advantage to produce, as well as create more jobs within the agriculture and related sectors.

8.3 Project Beneficiaries

The Committee observed that the project will directly benefit about 100,000 farmers involved in small to medium scale commercial production of broiler and 500,000 indirect farmers who are involved in the production of maize and soyabean commercial farmers, feed processors, broiler/ guinea fowl processors and poultry marketing agents.

The Committee was informed that under the project 13,000 sheep and goats would be procured and distributed to breeding stations and 275 outbreeders. About 100,000 guinea fowl keats and 150,000 cockerels would be distributed to small holder farmers.

8.4 Project Financing

The Committee was informed that the total cost of the project is estimated at **UA25.0 Million (equivalent to US\$34.44 Million)**. AfDB's contribution is UA20.0 Million (representing 80%). Government of Ghana is expected to contribute an amount of UA3.39 Million (representing 13.6%) and beneficiary contribution of UA1.60 Million (representing 6.4%).

The Committee learnt that Government's contribution to the project is specified to be in-kind and it includes seconded staff, office space, tax exemption and logistics support. Beneficiary contribution is in the area of land preparation and input subsidy.

8.5 Programme Duration

The Committee observed that the programme is to be completed in five (5) years commencing January, 2020 and ending on December, 2025.

8.6 Banning the Importation of Poultry Products

The Committee inquired whether it would not be more effective if there is a sunset date for the importation of poultry products in order to maximize the benefits from the programme.

It was explained that currently local poultry farmers do not have enough processing capacity to meet local demand. There is the need to build the capacity of the local farmers to the appropriate level before increasing tariffs on imports.

The Committee was assured that after the programme, the Ministry of Food and Agriculture would undertake an evaluation to ensure that there is local capacity to meet local demand. If this is confirmed, Government would then take the necessary steps to restrict imports.

8.7 Tax Waiver

The Committee observed that the articles establishing the African Development Bank (AfDB) provide that goods, works, services and other items imported for the use of a project is to be exempted from the payment of taxes, VAT and custom duties.

In order to ensure that the programme is successfully implemented, the Committee has accordingly considered the request and the assessment undertaken by the Ghana Revenue Authority (GRA).

The Committee is of the view that the items to be exempted from the payment of taxes, VAT and custom duties are being imported for use in the programme.

9.0 CONCLUSION

The Committee has considered the requests and is of the view that the Savanna Investment Programme (SIP) would go a long way to reduce importation of animal protein and help improve local animal production and household nutrition.


The Committee therefore recommends to the House to adopt its report and to approve:

- i. The Loan Agreement between the Government of the Republic of Ghana and the African Development Fund (ADF) for an amount of Twenty Million Units of Account (UA20,000,000.00) [equivalent to US\$27.55 Million] to finance the Savannah Investment Programme (SIP); and
- ii. The request for the waiver of Import Duties, GETFund Levy, NHIL Levy, Import VAT, EXIM Levy, Special Import Levy and other domestic taxes including VAT amounting to the Ghana Cedi equivalent of Nine Hundred and Seventy Thousand, Four Hundred and Twenty-two United States Dollars (US\$970,422.00) on materials, equipment and services to be procured in respect of the Savannah Investment Programme (SIP)

in accordance with Articles 174(2) and 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 (MS)
CLERK TO THE COMMITTEE

20th December, 2019

TAX ASSESSMENT
MINISTRY OF TRADE & INDUSTRY/1D1F/SIP

Description of Goods	Qty	unit	CIF (USD)	I/D Rate	Imp. Duty	Nhil/Gfund 5%	Imp. VAT 12.5%	EXIM Levy 0.75%	SIL 0%/2 %	TOTAL (USD)
Vehicles and Motorcycles										
• Station Wagon	4	units	320,000	20%	64000	19200	50400	2400	6400	142,400
• 4 WD double cabin pick-ups	10	units	300,000	5%	15000	15750	41344	2250	6000	80,344
• Motorbikes	10	units	30,000	20%	6000	1800	4725	225	600	13,350
Office Equipment & furniture										
• Desk Computers & Accessories	5	sets	5,000	5%	250	263	689	38	0	1,239
• Laptop computers	10	pes	20,000	5%	1000	1050	2756	150	0	4,956
• Photocopies	2	pes	10,000	20%	2000	600	1575	75	0	4,250
• Scanner	3	pes	6,000	5%	300	315	827	45	0	1,487
• Laser printer	5	pes	10,000	20%	2000	600	1575	75	0	4,250
• Color Printer	3	pes	9,000	20%	1800	540	1418	68	0	3,825
• Furniture	4	pes	12,000	20%	2400	720	1890	90	240	5,340
Diagnostic kits & reagents										
	Various	pes	318,000	0%	0	15900	41738	2385	0	60,023
Equipment										
• Soil testing equipment	Various	pes	123,000	5%	6150	0	0	923	0	7,073
• GIS equipment	Various	pes	144,000	10%	14400	7920	20790	1080	0	44,190
• Laboratory Equipment	Various	pes	516,000	5%	25800	0	0	3870	10320	39,990
Equipment for Mechanization										
• 4WD Agric Tractor Heads	35	units	1,400,000	0%	0	0	0	10500	28000	38,500
• Combine Harvesters	15	units	1,500,000	5%	75000	0	0	11250	0	86,250
• Laser Levellers	20	units	200,000	5%	10000	0	0	1500	0	11,500
• Mouldboard ploughs	20	units	120,000	5%	6000	0	0	900	0	6,900
• Disc Plough	20	units	120,000	5%	6000	0	0	900	0	6,900
• Rotovators (rotary tillers)	20	units	100,000	5%	5000	0	0	750	0	5,750
• 5 mt Tipping trailer	35	units	350,000	10%	35000	19250	50531	2625	7000	114,406
• No-til Planters	50	units	1,500,000	5%	75000	0	0	11250	0	86,250
• Boom Sprayers	60	units	900,000	5%	45000	0	0	6750	0	51,750
• Fertilizer Spreaders	50	units	600,000	5%	30000	0	0	4500	0	34,500

• Bull Dozers	5	units	1,000,000	5%	50000	0	0	7500	0	57,500
• Backhoe	5	units	250,000	5%	12500	0	0	1875	0	14,375
• Motor Grader	5	units	250,000	5%	12500	0	0	1875	0	14,375
• Skid Shredder with Mulcher	5	units	300,000	5%	15000	0	0	2250	0	17,250
• Low Bed Loader Haulage truck	2	units	200,000	5%	10000	0	0	1500	0	11,500
TOTAL			10,613,000		528100	83908	220257	79598	58560	970,422

CERTIFICATE

TOTAL TAX LIABILITY=970,422US DOLLARS

This is to certify that the assessment given is true and correct.

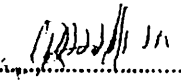
Signature:.....

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Importer/Agent's Name & Designation:.....

For Official Use

Assessment rechecked and found correct and complete.

Signature: 

.....25-11-2019.....

Officer's Name & Rank:- **GIDEON GLEY**
(SNR REV. OFFICER)

Date