

REPORT OF THE FINANCE COMMITTEE ON LOAN AGREEMENT BETWEEN THE REPUBLIC OF GHANA AND INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD) FOR AN AMOUNT OF FIFTEEN MILLION (15,000,000) UNITED STATES DOLLARS TO SUPPORT THE IMPLEMENTATION OF THE AFFORDABLE AGRICULTURAL FINANCING FOR RESILIENT RURAL DEVELOPMENT PROJECT (AAFORD)

1.0 INTRODUCTION

The Loan Agreement between the Republic of Ghana and International Fund for Agricultural Development (IFAD) for an amount of Fifteen Million United States Dollars (15,000,000) to support the implementation of the Affordable Agricultural Financing for Resilient Rural Development Project (AAFORD) was laid in Parliament on 5th November, 2020 by the Hon. Deputy Minister of Finance, Mrs. Abena Osei Asare on behalf of the Minister responsible for Finance.

The Loan Agreement was subsequently referred to the Committee on Finance for consideration and report pursuant to Orders 169 and 171 (1) of the Standing Orders of the House.

2.0 DELIBERATIONS

The Committee met on 6th November, 2020 and considered the Loan Agreement. In attendance at the meeting were the Hon. Deputy Minister for Finance, Mr. Kwaku Kwarteng and other technical and schedule Officers from the Ministry of Finance and Ministry of Food and Agriculture.

The Committee is grateful to the Hon. Deputy Minister and other Officials from the two Ministries for attending upon the Committee to provide clarifications on the terms and conditions of the Loan Agreement.

3.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of Parliament;
- iii. Public Financial Management Act, 2016 (Act 921).

4.0 BACKGROUND

Agriculture is considered as the engine of Ghana's economic transformation agenda. As a result, key policy interventions such as Planting for Food and Jobs, increase supply of Extension services, warehousing receipt schemes and the commodity exchange

platform are being vigorously pursued to address the challenges and modernize the sector for structural transformation to take off.

Access to finance, has been identified as one of the key challenges to realizing the full objective of the agricultural modernization agenda in the country. For instance, it is estimated that only 37% of farmers have access to agriculture credit; in spite of the increasing number of financial institutions in the country. In 2019, loans and advances granted to finance these agriculture projects constituted only 5%.

This makes it imperative to look for an alternative and more catalytic interventions to address the challenges of inadequate agricultural credit for smooth take off of Ghana's economic development.

5.0 PURPOSE OF THE LOAN

The purpose of the loan is to support the implementation of the Affordable Agricultural Financing for Resilient Rural Development Project (AAFORD) which aims at increasing productivity, income and resilient of smallholder farmers as well as vulnerable women and youth.

6.0 TERMS AND CONDITIONS OF THE LOAN

The summary of the terms and conditions of the Loan Agreement are as follows:

Total Loan Amount	US\$15 million
Loan component	US\$ 7.7 million
Grant component	US\$3.5 million
Blend component	US\$3.8 million
Service Charge	
Loan component	1.54%
Grant component	-
Blend component	1.54%
Grace Period	
Loan component	10 years
Blend component	5 years
Re-payment	
Loan component	40 years
Grant component	25 years
Concessionality	54.19%

7.0 OBSERVATION

7.1 Benefit of the Project

The Committee noted that successful implementation of the project is expected to benefit about 75,000 households who are mostly smallholder farmers, youth and women. The project would ultimately contribute significantly to the Government efforts at building food security and resilience through access to affordable finance in support of better marketing linkages, sustainable and

climate changed-adapted agriculture intensification, skills and enterprise development in agricultural value chains, support for inclusive engagement, and increased capacity of women and youth to enhancing households resilience in food.

Specific performance targets of the project includes 5% reduction in the number of rural households living below the poverty line; 60% of the target population reporting increase income; 30% reduction in under-five child malnutrition in the project communities; and creation of at least 1,500 full time youth jobs through expanded agricultural production, off-takers and value chain enterprise.

7.2 Timely Disbursement of the Loans

The Committee expressed concern about instances where agricultural loans are disbursed at off-farming seasons, amidst the fact that, agriculture in Ghana is still predominantly rain-fed, making it difficult for the farmers to apply the loan for its intended purposes. The Officials of the Ministry of Food and Agriculture however assured the Committee that the necessary disbursement arrangements would be initiated as soon as the loan is approved by the House to ensure that farmers have access to the loan before the major raining season begins in next year.

7.3 Loan Interest Offered to the Farmers

The Committee was informed that as part of measures to decrease the default and increase the loan recovery rate of the loan, the total loan amount would be lodged at the Bank of Ghana and later disburse through financial institutions located at the beneficiary communities for on-lending to the farmers. The concern of the

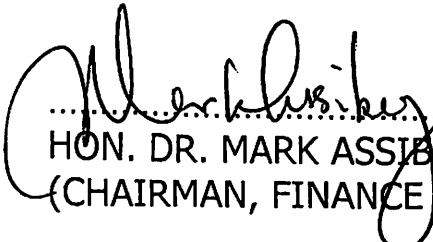
Committee was that in most cases, high interest rates are placed on such concessionary facilities by the community banks thereby defeating the objective of the project. The Ministry of Food and agriculture indicated that it will meet with all stakeholders after the approval of the loan by the House to determine appropriate interest rate for the farmers.

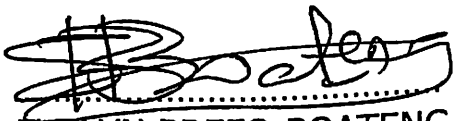
8.0 CONCLUSION AND RECOMMENDATION

The Committee has thoroughly examined the terms and conditions of the loan and is of the view that the project offers immense benefits especially to women and youth who are mostly the vulnerable group in deprived areas.

The Committee accordingly recommends to the House to adopt its report and approve by resolution the Loan Agreement between the Republic of Ghana and International Fund for Agricultural Development (IFAD) for an amount of Fifteen Million United States Dollars (15,000,000) to support the implementation of the Affordable Agricultural Financing for Resilient Rural Development Project (AAFORD) in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.


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


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EVELYN BREFO-BOATENG
(CLERK TO THE COMMITTEE)