

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

**REPORT OF THE FINANCE COMMITTEE ON THE FINANCING
AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC
OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE)
AND THE INTERNATIONAL FUND FOR AGRICULTURAL
DEVELOPMENT (IFAD) FOR AN AMOUNT OF TWENTY MILLION
UNITED STATES DOLLARS (US\$20,000,000.00) TO FINANCE THE
IMPLEMENTATION OF THE EMERGENCY SUPPORT TO RURAL
LIVELIHOODS AND FOOD SYSTEMS EXPOSED TO COVID-19
(ESRF)**

1.0 INTRODUCTION

The **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Fund for Agricultural Development (IFAD)** for an amount of *Twenty Million United States Dollars (US\$20,000,000.00)* to finance the implementation of the **Emergency Support to Rural Livelihoods and Food Systems Exposed to COVID-19 (ESRF)** was presented to the House on Thursday 8th October, 2020 by the Honourable Minister responsible for Monitoring and Evaluation, Dr. Anthony Akoto Osei on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 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 a Deputy Minister for Food and Agriculture, Hon. Dr. Sagre Bambangi, a Deputy Minister for Finance, Hon. Mrs. Abena Osei-Asare as well as officials from the Ministries of Finance and Food and Agriculture. The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the above-mentioned Deputy Ministers and the officials 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

Agriculture remains a major driving force of Government's economic transformation agenda. In pursuance of modernizing agriculture, Government has introduced its flagship programme, the Planting for Food and Jobs (PFJ) campaign and other sector interventions in the last three years. The interventions among others aim at improving extension services, expanding storage facilities and the promotion of marketing of food commodities through the National Buffer Stock Company Limited and the Ghana Commodity Exchange.

The outbreak of the COVID-19 pandemic and its ravaging effect on global economies including Ghana, has adversely impacted agriculture, particularly food security. Ghana has the highest number of COVID-19 cases in West Africa with 43,094 cases recorded as at August 19, 2020. Thirteen (13) out of the sixteen (16) regions in the country have so far

recorded cases of the COVID-19 infections. The response of Government has been to stem the spread of the disease through the introduction of several measures including a partial lock-down and restrictions in the movement of goods and people. These restrictions compounded fear and uncertainty among a large section of the population resulting in a slowdown of economic activity. On account of this, government scaled down its projected GDP growth rate for 2020. The IMF in its most recent projection estimate a GDP growth rate of 1.5 percent for the year 2020. This will result in a decline in per-capita income with the attendant increase in poverty.

To mitigate the impact of COVID 19 and avert the possibility of a food security crisis, there is the need to strengthen Ghana's food systems and ensure a more inclusive, resilient and productive rural economy.

Consequently, Government is seeking to access emergency funding support from IFAD to finance the implementation of the Emergency Support to Rural Livelihoods and Food Systems Exposed to COVID-19 (ESRF). The goal of the Project is to contribute to protecting the livelihoods, incomes, and resilience of target groups from the impact of the COVID-19 pandemic, and the effect of climate change. Its overall development objective is to mitigate the threat to production, food security and market access.

3.1 PROGRAMME OBJECTIVE

The goal of the Project is to contribute to protecting the livelihoods, incomes, and resilience of target groups from the impact of the COVID-19 pandemic and from climate change. Its overall development objective is to mitigate the threats to production, food security and market access posed by the COVID-19 pandemic and climate change.

4.0 TERMS AND CONDITIONS OF THE LOAN

Terms of the Agreement are as follows:

Total Loan Amount - US\$20 Million

o/w Loan **US\$10 Million**

o/w Blend **US\$10 Million**

Interest Rate

Loan: **0%**

Blend: **1.3%**

Service Charge

Loan: **1.31%**

Blend: **1.33%**

Moratorium

Loan: **10 years**

Blend: **5 years**

Repayment Period

Loan: **40 years**

Blend: **20 years**

Grant Element

Loan: **50.24%**

Blend: **24.14%**

Weighted Grant Element **37.19%**

5.0 PROGRAMME COMPONENTS AND DESCRIPTION

The components of the project are as summarized below:

Component 1: Protect Against Hunger and Build Resilient Livelihoods (US\$17,636,000).

Sub-Component 1.1: Secured Access to Agricultural Inputs and Food Supply (US\$13,690,000): This will provide 37,250 beneficiaries with timely access to inputs (seeds, fertilizers, etc) to increase production; support 5,000 vulnerable beneficiaries with direct cash transfer and food rations to overcome hunger and prevent nutritional gaps; carry out market surveillance to ensure the smooth supply of food items at a fair price; strengthen ICT driven extension service activities to overcome the challenges to conventional extension activities caused by the COVID-19 related restrictions; and contribute to preventing the spread of COVID-19 through awareness messages and supply of protective equipment.

Sub-Component 1.2: Income Generation Activities and Diversification of Food and Nutrition Supply (US\$3,945,000): This sub-component will support income generation activities and increase the income and diversity of the sources of food and nutrition for target households. Financial support will be provided for the poultry and small ruminants value chain under the rearing for foods and jobs module of the Government's PFJ Programme. Additionally, about 1,750 women and youth will be supported with training, capacity building and small equipment (e.g. dryer, canner, blender) for food processing, conservation and preservation-based income-generating activities.

Component 2: Safeguard Rural Marketing Linkages and Food Security (US\$1,679,000)

Sub-Component 2.1 Support to Output Marketing Linkages (US\$1,543,000): This will provide stimulus to the agribusinesses (buyers) to develop marketing linkages with 25,000 smallholders, ensuring that these smallholders have secured income and cash availability after harvest/production.

Sub-Component 2.2 Support to Digital Marketing Platforms (US\$136,000): This will develop the FBOs capacity on digital marketing, strengthen their marketing self-reliance and diversify their output markets. Where relevant, there will be coordination with the World Food Programme (WFP) for developing FBOs capacity for using and benefiting from digital marketing initiatives. The Project Coordination Unit (PCU) will partner with existing digital marketing platforms such as AgroCenta, AgroTrade, TradeGhana, Farmmart to support farmers' capacity building and integration in these existing marketing platforms.

Component 3: Project Management, Monitoring and Evaluation (US\$685,000): This will be undertaken through the PCU and the ZCUs.

6.0 OBSERVATIONS

6.1 Economic Impact of COVID-19

The Committee noted that the outbreak of the COVID-19 pandemic and its ravaging effect on global economies including Ghana has adversely impacted agriculture and particularly food security. So far, Ghana has the highest number of COVID-19 cases in Western Africa with 43,094 cases recorded as at August 19, 2020. Thirteen out of the 16 regions in the country have so far recorded cases of the disease.

The response by Government to stem the effect of the disease culminated in the introduction of several measures including a partial lock down and restrictions in the movement of goods and people. These restrictions compounded fear and uncertainty amongst a large section of the population resulting in a slowdown of economic activities.

Based on this the Government projected real GDP growth rate for 2020 of 6.8 percent was scaled down to 0.9 percent. The most recent IMF estimate however projects Ghana's GDP growth to hover around 1.5 percent for the year 2020. This will result in a decline in per capita income and an increase in poverty, if interventions are not put in place.

6.2 Strategic Fit of the Project

The Project is designed to align within the context of Ghana Medium-Term Development Policy Framework (2018-2021) which is also guided by the Investment for Food and Jobs (IFJ) of Ministry of Food and Agriculture (MoFA) and the Coordinated Program of Economic and Social Development Policies (2017-2024). Together, these policy framework documents seek to transform Ghana's economy and society including, among others, the building or strengthening of the essential elements of good governance and promoting light manufacturing that builds upon Ghana's comparative strength in natural resource endowment and the large pool of skilled and semi-skilled labour force.

6.3 COVID-19 and Food Security

The Committee observed that the COVID-19 crisis emerged when the planting season began in Ghana. The pandemic has heightened the risk of low crop production as well as the threat of food insecurity amongst poor households and vulnerable groups. The dangers to crop production have emerged at a time when there is a need to maintain the domestic production of some essential commodities (eg. maize, rice, soybean, poultry) to prevent shortfalls in their availability and price escalation caused by a disruption in production.

A shortfall in the production of these essential food commodities can lead to food insecurity in the country, and also pose threats to businesses of various value chain actors.

Again, the pandemic has also impacted the flow of remittances to rural areas, reducing the capacity of rural dwellers to meet their basic needs of food and nutrition. Food insecurity and nutrition deficiency can increase the vulnerability of target households, including People Living with Disability (PWD), to COVID-19 infections.

6.4 Project Implementation, Monitoring and Evaluation

The ESRF will be implemented through the two-level organizational structure, which is currently in place for managing GASIP; namely, the Project Coordination Unit (PCU) located in Accra and the three Zonal Coordination Units (ZCUs) located in the Northern belt (Tamale), Middle belt (Kumasi) and Southern belt (Dodowa).

The ERSF will use the Annual Work Plan and Budget (AWPB) as the primary tool for measuring performance. ESRF progress and performance will be measured against AWPB targets and periodic assessments conducted on effects and impact on beneficiaries.

The overall monitoring and evaluation of the project falls under MOFA. The PCU will monitor and evaluate the impact of the project including performance as well as environmental and social compliance and compile the project's quarterly and annual reports for dissemination to the IFAD, MOFA, other line ministries, and partners.

6.5 Total Programme Financing

The Committee was informed that the total cost of the ESRF Project is estimated at US\$41.50 Million. This is expected to be financed through the present IFAD Loan of US\$20.00 Million and estimated co-financing sources from the Government of Ghana's financing of the taxes and duties amounting to US\$5.30 Million, as well as expected cash contribution of about US\$11.20 Million (or 27 percent of total costs) from beneficiaries towards the acquisition of subsidised agricultural inputs.

Other sources of funding from participating Development Partners include World Food Programme (WFP) - US\$2.00 Million; the Food and Agriculture Organisation (FAO) - US\$0.4 Million; and the Government of Canada (GoC) - US\$2.6 Million.

The Committee was further informed that these Development Partners will implement their activities parallel to ESRF, targeting the same geographical areas and benefitting the ESRF target group.

6.6 Direct Cash Transfers

The Committee observed that as part of the Project, there will be direct cash transfers to 5,000 vulnerable households. As to how much each beneficiary would receive under the cash transfer scheme, the Committee was informed that each beneficiary is expected to receive the Ghana Cedi equivalent of One Hundred United States Dollars (US\$100.00).

The Committee was further informed that the identification and selection of the beneficiaries would be done in collaboration with other relevant state institutions including the Ministry of Gender, Children and Social Protection and that priority will be given to vulnerable Persons with Disability (PWDs).

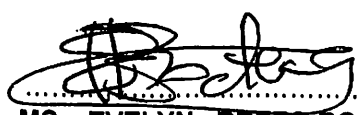
7.0 CONCLUSION

The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and approve by Resolution, the **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Fund for Agricultural Development (IFAD)** for an amount of *Twenty Million United States Dollars (US\$20,000,000.00)* to finance the implementation of the **Emergency Support to Rural Livelihoods and Food Systems Exposed to COVID-19 (ESRF)** 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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MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

14TH OCTOBER, 2020