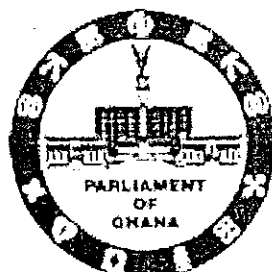


IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA



REPORT OF THE FINANCE COMMITTEE ON THE ON-LENDING AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY
THE MINISTRY OF FINANCE) AND THE AGRICULTURAL DEVELOPMENT BANK
(ADB) FOR AN AMOUNT OF SEVEN MILLION UNITED STATES DOLLARS
(US\$7,000,000.00) FOR THE IMPLEMENTATION OF THE GHANA FOREST
INVESTMENT PROGRAMME UNDER THE LOAN AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION 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

1.0. INTRODUCTION

The request for approval of the On-Lending Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the Agricultural Development Bank (ADB) for an amount of Seven Million United States Dollars (US\$7,000,000.00) for the Implementation of the Ghana Forest Investment Programme under the Loan Agreement

between the Government of the Republic of Ghana and the International Development Association 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 was presented to the House by the Hon. Majority Leader and Minister for Parliamentary Affairs Mr. Osei Kyei-Mensah-Bonsu on Wednesday 30th November, 2022 in accordance with Article 181 of the 1992 Constitution.

The request was referred to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament.

The Committee was assisted in its deliberations by the Hon. Deputy Ministers of Finance, Mrs. Abena Osei Asare and Dr. John Kumah and Officials from the Ministry of Finance and considered the referral.

The Committee is grateful to the Hon. the Deputy Ministers and Officials for the assistance.

2.0. REFERENCE

The Committee referred to the following documents at its deliberations:

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

3.0. BACKGROUND

The Government of Ghana in an effort to slow the rate of deforestation and restore Ghana's forest landscape implemented a number of interventions aimed at restoring Ghana's forest landscape. The interventions were funded from dedicated national re-forestation programmes Fund from the national budget and support from development partners. The support from development partners was directed to finance, the Natural Resources and Environmental Governance (NEG) Programme; and the Reduced Emissions from Deforestation and Forest Degradation (REDD+) Programme.

To sustain the forest restoration efforts, the Ghana Forest Investment Programme (GFIP) has been operationalised. The GFIP programme, with a US\$29.5 million grant from the Climate Investment Fund (CIF), has positively impacted Government's effort to promote resilient and sustainable development of the natural environment.

Following the successes of the GFIP, an additional US\$7.0 million credit facility has been extended to Ghana by the International Development Association of the World Bank to bring additional impetus to the ongoing efforts under the original GFIP. The additional funding will also be directed at piloting the viability of contracting commercial loans for plantation development. In pursuit of an efficient utilisation of this Additional Financing, the Government intends to On-lend the facility to the Agricultural Development Bank for further lending to project beneficiaries.

4.0. TERMS AND CONDITIONS OF CREDIT FACILITY

The Loan Agreement between the Government of Ghana and the World Bank is provided as a credit on IDA standard terms as follows:

Loan Amount	:	US\$7,000,000.00
Grace Period (Moratorium)	:	10 years

Repayment Period : 30 years
 Service Charge : 0.25% per annum

The facility is expected to be on-lent to ADB on the terms and conditions set forth in the On-lending Agreement as follows:

Facility amount : US\$7.0million
 Tenure : 40years
 Grace Period : 10 years
 Repayment Period : 30years (Repayment starts in year 10)
 Interest rate : Monetary Policy Rate minus one percent (MPR-1%), plus a service charge of four percent (4%) to ADB and FC (i.e. ADB - 3% and FC - 1%). *Interest payment starts in Year 11.*

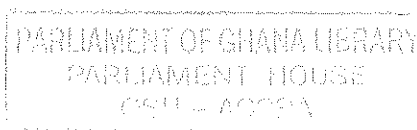
ADB would lend the facility to the SMPEs at an interest rate of MPR-1%, plus a service charge of 4% to ADB and FC (i.e. ADB-3% and FC-1%) per annum with a tenure of 40 years. Repayment by the SMPEs will commence after the 10th year due to the long gestation period of plantation development but beneficiaries have the option to begin payment prior to the grace period of 10 years. In line with the on-lending Agreement, the default risk will be borne by ADB. The interest on the principal shall be disbursed as follows:

Beneficiary	Share of interest
Government of Ghana	(MPR-1%);
Agricultural Development Bank	3%
Forestry Commission of Ghana	1%

5.0. JUSTIFICATION FOR GOVERNMENT ACTION

The project is consistent with Government's commitment to address the underlying factors of deforestation through investment in plantation farming. To this end the Government intends, the Ministry of Lands and Natural Resources applied to the Strategic Climate Funds (SCF) of the Climate Investment Fund (CIF) to pilot the Ghana Forest Investment Programme (GFIP). The GFIP is a conglomerate of ongoing interventions aimed at reducing deforestation and increasing the forest cover. The project aims at adopting transformative approaches to increase forest cover in High Forest and Transitional zones of the country through the provision of financing for plantation farmers. The project will help the country meet its commitments to reduce greenhouse emissions, reduce forest degradation, reduce poverty, create employment and conserve biodiversity.

6.0. OBSERVATION



6.1 Importance of the Project

The Committee noted that the project seeks to improve forest and tree management practices by cocoa farmers, communities, and forest reserve managers to reduce forest loss and degradation in the High Forest Zone and parts of the Transitional Zone while rehabilitating degraded mined-out sites in forest reserves. The implementation of the project will serve as a pilot loan scheme to SMPEs who scarcely request loans from commercial banks for such ventures due to the high interest rates and the long gestation periods of tree plants. It is expected that the successful implementation of this project will provide a model that will demonstrate the viability of commercial banks advancing credit facilities to plantation developers/tree growers, thereby creating the platform for private sector financing of plantation developments.

In addition to addressing the menace of environmental degradation the project will also provide sustainable jobs especially in the rural areas and contribute to

improving livelihoods of communities in the project's targeted areas. Activities under the loan scheme will include sustainable supplies of legal timber, direct and indirect economic activities such as tree nurseries establishment, field labour in tree planting and wood processing.

6.2. Lending Rate

The Committee noted that as part of the implementation plan for the program, the Ministry of Finance has engaged ADB as the participating Financial Institution through which the Funds would be disbursed. The Funds would be on-lend to ADB which would be responsible for the disbursement and assume all the default risk for disbursement and would lend the facility to the SMPEs at an interest rate of MPR-1%, plus a service charge of 4% per annum with a tenure of 40 years. The Service charge of 4% will be disbursed between ADB and Forestry Commission (i.e. ADB-3% and FC-1%). Repayment by the SMPEs will commence after the 10th year due to the long gestation period of plantation development but beneficiaries have the option to begin payment prior to the grace period of 10 years.

The Committee however opined that the proposed interest rate of MPR-1 for which the funds would be given to the beneficiaries could serve as a disincentive for people to come for the facility. The high interest rate could also deprive small businesses the opportunity to access the facility. The Committee urges the Ministry of Finance and the Forestry Commission to consider revising the end user interest rate downwards to make the facility affordable to plantation owners.

7.0. CONCLUSION

The Committee having carefully examined the referral recommends to the House to adopt its report and approve by resolution The request for approval of the On-Lending Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the Agricultural Development Bank (ADB) for an amount of Seven Million United States Dollars (US\$7,000,000.00) for

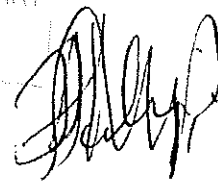
the Implementation of the Ghana Forest Investment Programme under the Loan Agreement between the Government of the Republic of Ghana and the International Development Association of the World Bank Group (acting as implementing entity of the Forest Investment Programme under the Strategic Climate Fund) for an amount of Seven Million United States Dollars (US\$7,000,000.00) being additional financing in accordance with in accordance with Article 181 of the Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana

Respectfully Submitted.



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HON. KWAKU AGYEMAN KWARTENG
CHAIRMAN, FINANCE COMMITTEE

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
ACCRA



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MRS. JOANA A. S. ADJEI
CLERK TO THE COMMITTEE

14th December 2022