

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

**REPORT OF THE FINANCE COMMITTEE ON THE LOAN
AGREEMENT BETWEEN THE REPUBLIC OF GHANA AND THE
OPEC FUND FOR INTERNATIONAL DEVELOPMENT FOR AN
AMOUNT OF US\$7.0 MILLION TO SUPPORT THE SECOND
GHANA POVERTY REDUCTION PROJECT/SOCIAL INVESTMENT
FUND (GPRP/SIF)**

1.0 INTRODUCTION

The above loan agreement was laid in the House on Friday, 18th June 2004 in accordance with Article 181 of the Constitution, and referred to the Finance Committee for consideration and report pursuant to Article 171(1) of the Standing Orders.

The Committee met with Dr. A. Akoto Osei, Deputy Minister for Finance and Economic Planning, and technical teams from the Ministry of Finance & Economic Planning and Social Investment Fund (SIF) and reports as follows:

2.0 BACKGROUND

The Ghana Poverty Reduction Project/Social Investment Fund (SIF) was set up in 1998 through the concerted effort of the Government of Ghana, African Development Fund, and the UNDP to significantly reduce poverty in the targeted areas by providing the poor, access to financial services and the strengthening of capacity of the delivering agencies.

The first phase of the project was financed by the Government of Ghana (GOG), African Development Fund (ADF) and the UNDP at the cost of **UA13.56 million**. Government of Ghana provided **UA1.36 million** constituting 10 percent, ADF provided **UA11.0 million** constituting 82 percent and **UNDP with UA1.29 million** amounting to 8 percent. The loan was approved in 1997 but became effective in 1999 due to start up delays owing to the conditions that had to be fulfilled before obtaining loan effectiveness.

In June 2002, the OPEC Fund granted a loan amount of US\$2.3 million to support the project. This brought the total project cost to UA13.56 million and US\$2.3 million.

2.1 OBJECTIVE OF THE PROJECT

The objectives of the project is to consolidate the gains already made under the first Ghana Poverty Reduction project and seek to reduce poverty further through enhanced community participation and the development of appropriate strategies.

The project will significantly reduce poverty in the targeted areas by pursuing three specific objectives, which are:

- To strengthen Community-Based Organizations (CBOs), Indigenous Micro-Finance Institutions (MFIs) and Local Government structures in the implementation and management of sustainable poverty initiatives;
- To facilitate access of the poor to basic economic and social infrastructure and services through investment to improve their availability and operations;
- To enhance the accessibility of the poor to financial services by increasing the availability of micro-finance and the capacity of the poor in the management of small credit.

3.0 TERMS AND CONDITIONS

Loan Amount	-	US\$7.0 million
Loan Period	-	20 years
Repayment Period	-	15 years
Grace Period	-	5 years
Interest Rate	-	1%
Service Charge	-	1%

4.0 OBSERVATIONS

The Committee observed that the project is for rural and urban poverty reduction in Ghana and it will facilitate access by the poor to basic economic and social infrastructure and also enhance access by the poor to financial services, through the provision of resources to Micro-Finance Institutions (MFIs).

The Committee further observed that the project will strengthen Community-Based Organizations (CBOs), indigenous Micro-Finance Institutions and Local Government administrations.

The Committee noted that considerable benefit would be generated by the estimated 200 social Services Sub-Projects. It was also noted that twenty-five thousand (25,000) households (100 persons) would benefit directly from these sub-projects. In addition, 10,000 micro-credit loans would be made available to income generating activities to be proposed and implemented by the target beneficiaries.

The Committee was further informed that the project will provide direct Health access through the Community-Based Health System to 60 rural communities.

It will also improve the educational needs, the income levels, and livelihood as well as the empowerment development of the people in the selected communities.

The Deputy Minister of Finance & Economic Planning, Dr. A. Akoto Osei informed the Committee that in anticipation of Parliament approving the loan, an amount of **¢10 Billion** has been provided to serve as counterpart funding to this project.

Hon. Members recommended that in future project funding negotiations, substantial amounts of the funding should be allocated to the core projects which directly benefit the target communities by reducing to the barest minimum the allocations to project management units, involving project planning evaluation and monitoring.

On the achievements of the first phase of the project the Committee observed as follows:

Since January 2002 Social Investment Fund (SIF) has expanded its coverage from 6 districts to 45 districts in all the ten regions of Ghana and eventually to 80 districts in January 2003.

To date 849 sub-projects have been approved for target communities at a total cost of ₵110 billion (approximately \$13.8 million). The projects are in areas ranging from:

- **Education** - Classroom blocks, teachers' accommodation, libraries and teaching aids;
 - **Water** - Boreholes;
 - **Health/Environment** - Rural clinic building and facilities, staff quarters, nutrition centres, drains construction;
 - **Agriculture & Micro-enterprise** - Irrigation project, Provision of ploughing equipment, provision of seedlings and operational capital, processing of agro-processing equipment;
 - **Skill development** - Sponsoring of youth to acquire skills and livelihood sources, enhancing capacity of productive groups to reduce drudgery; and
 - **Roads - Maintenance of farm- to-market roads.**
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- The demand driven nature and the speed of the response has led to many of the projects being completed within six months of inception. This is because the project relied on the communal commitment of the target groups and the rapid disbursement.
 - The capacity of all the participating District Assemblies (DAs) has progressively been built in the Management of Poverty Initiatives. This is going to be supported with the provision of facilities for the capturing, processing and storage of poverty data. This is to create a long-term strategic support for the initiated process and particularly for the Social Investment Fund (SIF) sub-projects.

5.0 CONCLUSION

The Committee noted that the terms of the facility are beneficial and therefore recommends to the House the adoption of its report and approve by Resolution the OPEC Fund for International Development for an amount of **US\$7.0 million** to support the **Second Ghana Poverty**

Reduction Project/Social Investment Fund (GPRP/SIF) in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.


HON. E.A. AGTEPONG
CHAIRMAN


ALHAJI IBRAHIM GOMBILLA
CLERK

24TH JUNE 2004