

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

**REPORT OF THE FINANCE COMMITTEE ON A
CONCESSIONAL LOAN AGREEMENT OF
EURO 5,945,511.67(EQUIVALENT US\$5.9
MILLION) FROM AGENCE FRANCAISE DE
DEVELOPPMENT (AFD) FOR IMPLEMENTATION
OF THE RUBBER OUTGROWERS PLANTATION
PROJECT PHASE II (ROPP II)**

1.0 INTRODUCTION

The above-mentioned Agreement was laid in the House on Friday, 23rd June 2000 in accordance with article 181 of the Constitution and referred to the Finance Committee pursuant to Order 171(1) of the Standing Orders for consideration and report.

The Committee met with the Deputy Minister of Food and Agriculture, Hon. Johnson Asiedu Nketia and his technical staff to consider the Agreement and reports as follows:

2.0 BACKGROUND INFORMATION

As part of Government's effort to quicken the pace of agricultural growth and diversification in the country, a sustainable rubber production in the Western Region under the Rubber Outgrowers Plantation Project, Phase I was initiated in 1992-1999 with a grant of approximately US\$2 million. Under the project, a target of 1,200 hectares of rubber plantation was achieved and benefited 400 farm families. The considerable success chalked by the project necessitated the Ministry of Food and Agriculture to request the support of "Agence Francaise de Developpment" to finance the implementation of Phase II of the project which will develop additional two thousand eight hundred (2,800) hectares of rubber over a five-year period to benefit additional five hundred (500) farm families.

3.0 OBJECTIVES OF THE PROJECT

The objectives of the project are to:

- (a) increase the profitability of rubber plantations through the use of improved technology;
- (b) create more jobs to enhance the living standards of the farmers in the beneficiary districts;

- (c) enhance the organisational ability of Rubber Outgrowers and Agents Association (CROAA) through training to enable the Association play active role in the operations of the sector;
- (d) equip Outgrowers with technical know-how on the field;
- (e) make credit accessible to Outgrowers.

4.0 COMPONENTS OF THE PROJECT

The project has two major components. These are:

- (a) Operating and Investment
- (b) Agricultural Credit

(A) Operating and Investment Component

This component, which will account for about 56% of the loan consists of two sub-components:

(i) Provision of Technical and Logistical Assistance.

This sub-component aims at providing technical assistance to the outgrowers in all key stages of plantation as well as the purchase and supply of inputs under the management of the Rubber Outgrowers Unit of the Ghana Rubber Estate Ltd. (GREL).

(ii) **Support Actions**

The above sub-component will among other things:

- (a) provide a research programme that will be undertaken by "Centre de-Co-operation Internationale en Recherche Agronomique pour le Development (CIRAD) in conjunction with personnel from National Agricultural Research Programme. The research will be in the areas of planting techniques, fertilisation, disease control, intercropping, tapping and rubber processing over a five-year period;
- (c) enhance the internal organisational capabilities of the Rubber Outgrowers and Agents Association (ROAA) to equip its members with skills in the areas of book-keeping and banking. An NGO specialised in this area will be entrusted with the responsibility of managing this aspect of the sub-component;
- (d) undertake the rehabilitation of 40km of service roads.

(B) **Agricultural Credit**

This component will involve the channelling of credit through the Agricultural Development Bank (ADB) to farmers to finance the cost of land title, agricultural inputs, labour and the participation in the financing of the management and extension services during the first five years of the project.

5.0 PROJECT MANAGEMENT AND IMPLEMENTATION

In view of its technical competence, GREL would be responsible for the day-to-day management and co-ordination of the project. This will be done through the establishment of a Rubber Outgrower Unit whose responsibility would be to give technical guidance to outgrowers and also to ensure the supply of inputs.

6.0 PURPOSE OF THE CREDIT

The purpose of the credit is to finance the implementation of the Rubber Outgrowers Plantation Project - Phase II as described in the preceding sections.

7.0 TERMS AND CONDITIONS OF THE CREDIT FACILITY

Credit Amount	-	Euro 5,945,511.67 (Equivalent US\$5.9 million)
Interest Rate	-	3% per annum
Grace Period	-	8 years
Repayment	-	14 years
Commitment Fee	-	Nil
Management Fee	-	Nil

8.0 Financing Plan

The financing plan of the project is as follows:

Source of Fund	Euro (Million)	% of Total
Agence Francaise de Developement	6.094	80.7
Government of Ghana	0.057	0.8
Outgrowers Contribution	1.099	14.5
GREL's Contribution	0.303	4.0
Total	7.553	100

9.0 OBSERVATIONS

The Committee observes as follows:

(i) On-Lent Agreement

The Committee was informed that the Agricultural Credit component of the loan will be on-lent to the Agricultural Development Bank (ADB) for onward disbursement to the Outgrowers at an interest rate of 4% above the Bank of Ghana refinancing rate with ADB of 20% per annum. Should the Bank of Ghana refinancing rate fall below 20%, ADB will accordingly revise downwards its refinancing rate to the benefit of the beneficiary farmers.

(ii) **Beneficiary Districts**

The Committee took note of the fact that six districts in the Western Region have been selected to participate in the project. The districts are Jomoro, Nzema East, Ahanta West, Mpoho Wassa East, Wassa West and Wassa Amenfi. The districts were selected on the basis of the following:

- (a) proximity to the industrial plantation of GREL which has a processing facility;
- (b) favourable climate and soil conditions;
- (c) large size of the population;
- (c) high incidence of poverty; and
- (d) consolidation of the successes chalked under phase I of the project.

(iii) **Hectarage of Rubber under the Project**

The Committee was informed that the project is to develop about 2,800 hectares of rubber outgrowers plantations for about 500 farm families. This is in addition to the 1,200 hectares achieved under phase I (ie. 400

farm families) brings the total hectarage to 4,000 for 900 farm families.

The Committee was further informed that there was a credit balance of Euro 148,000 on phase I which will be added to the current credit to bring the total to Euro 6.094 million.

(iv) **Benefits of the Projects**

The Committee noted that the following benefits will accrue on the project:

- (a) Hitherto, the staff of the Ministry of Food and Agriculture has had little experience in rubber production. This would therefore be a good opportunity to expose relevant officers to the technical skill and expertise necessary to promote and enhance the industry in the country.
- (b) It would also lead to the development of infrastructure (e.g. road) and improvement in the living standards of the rural folk of the area. In the long run this sort of development should discourage the rural urban drift.

(c) Since the rubber trees would be developed in degraded forests, it would contribute to afforestation. It would also encourage Ghana's basket of goods when it comes to non-traditional exports.

(v) **Cabinet Observation**

The Committee noted that in response to a concern raised by Cabinet at its meeting held on 9th March, 2000, the Ministry of Food and Agriculture has reviewed downwards the Technical Assistance and Transport component of the project by Euro 228,500 and Euro 60,970 respectively. This will allow additional planting of 300 hectares of rubber to benefit 50 farm families.

(vi) **Tax Element**

According to article 5 of the Credit Facility Agreement, the fund shall be exclusively allocated to finance expenditure other than taxes, duties and levies of any kind relating to the project. Therefore all expenditures arising out of the project shall be payable free of existing or future

withholding of tax or any other taxes or duties levied by the Government of Ghana. The Committee observed that the project being an agricultural one should have benefited from duty and tax exemptions, by statute. But, some of the equipment have multiple uses and so the Ministry has to seek the necessary exemptions from Parliament. The Minister of Food and Agriculture informed the Committee that the total amount of duties and taxes in respect of equipment and materials is US\$336,277.21 (details attached in Appendix A). The Ministry therefore requests a waiver of the above taxes and duties in accordance with article 174(2) of the Constitution.

10.0 RECOMMENDATION

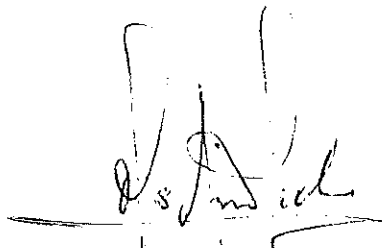
In view of the aforementioned, the Committee recommends that the House approves by Resolution:

- (a) The Concessional Loan Agreement of **Euro 5,945,511.67 (equivalent US\$ 5.9 million)** from **Agence Francaise De Developpment (AFD)** for the implementation of

Phase II of the Rubber Outgrowers Plantation Project in accordance with article 181 of the Constitution and section 7 of the Loans Act, 1970 Act 335.

- (b) Tax and duty exemptions in the sum of **US\$336,277.21** in accordance with article 174(2) of the Constitution.

Respectfully submitted.



**HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN**



**CEPHAS AMEVOR
CLERK**

12TH JULY, 2000

APPENDIX A

GREL RUBBER OUTGROWER PLANTATION PROJECT - PHASE II:

TAXABLE ITEMS TO BE PROCURED (US \$)

APPENDIX 1

DESCRIPTION	QTY	UNIT COST	TOTAL	TAXES & DUTIES	VAT	TOTAL TAXES & DUTIES
STATION WAGON (4WD)	1	47,000.00	47,000.00	9,400.00	5,875.00	
PICK-UP D/C (4WD)	12	26,000.00	312,000.00	Free	39,000.00	
PICK-UP D/C (2 WD)	2	22,000.00	44,000.00	Free	6,778.75	
PICK-UP S/C (2WD)	2	18,000.00	36,000.00	Free	4,500.00	
MOTOR CYCLE	17	3,190.00	54,230.00	Free	6,778.75	
TRUCK (8 TONS)	1	62,500.00	62,500.00	Free	7,812.50	
AGRICULTURE TRACTOR (85 HP)	1	24,709.00	24,709.00	Free	3,088.63	
AGRICULTURE TRAILER	1	10,174.30	10,174.30	Free	1,271.79	
AGRICULTURE WATER TANK	1	535.16	535.16*	Free	66.90	
GENERATOR (60KVA) - basic with canopy	1	15,988.37	15,988.37	3,197.70	1,987.42	
IDENTIFICATION PLATES	500 SETS	7.70	3,851.74	770.35	481.47	
COMPUTER & SOFTWARE	17 SETS	8,648.24	147,020.08	14,702.20	18,377.51	
RADIO VHF - PORTABLE	10 SETS	72.50	725.00	72.5	90.69	
RADIO VHF - BASE - INSTALLATION	10 SETS	279.75	2,797.50	559.50	349.69	
NURSERY IRRIGATION SET (pumps, pipes, sprinklers)	2 SETS	98,432.00	196,884.00*	19,688.40	24,610.50	
TRAINING EQUIPMENT						
PROJECTOR & SCREEN	1 SET	866.96	866.98*	86.70	108.37	
TELEVISION (SANYO)	1	300.00	300.00	30.00	37.50	
VIDEO (PANASONIC)	1	250.00	250.00	25.00	31.25	
TOPOGRAPHY SET	1 SET	866.96	866.96*	86.70	108.37	
COMPASS	7	174.82	1,223.74*	122.37	152.97	
CLISIMETER	6	174.82	1,048.82*	104.88	131.10	
PHOTOCOPIER CANNON NP 6317	2	1,694.67	3,389.33	338.93	432.66	
AIR CONDITION 2.5hp (window)	6	285.42	1,712.51	342.50	214.06	
INPUTS						
FERTILIZER NPK 15-15-15	17110 kgs	10.17	173,974.55	Free	21,746.82	
ATEMIS (25 kg bag)	50 BAGS	2.33	116.28	Free	14.54	
REPLACEMENT BAGS (poly bags)	266560	0.03	7,845.85	784.59	935.73	

APPENDIX 1 continued

DESCRIPTION	QTY	UNIT COST	TOTAL	TAXES & DUTIES	VAT	TOTAL TAXES & DUTIES
TAPPING INPUTS						
LATEX CUPS (1200 CC)	1500000	0.11	165,000.00	16,500.00	20,625.00	
SPOUTS	1600000	0.10	160,000.00	16,000.00	20,000.00	
SPRING WIRE - 1.3 MM (kg)	50000 kgs	1.16	57,776.16	5,777.62	7,222.02	
HANGER - 2.7 MM (kg)	14285 kgs	1.00	14,285.00	1,428.50	1,785.02	
TAPPING KNIVES	4000	5.26	21,040.00	Free	2,630.00	
NURSERY						
DITHANE M45 (kgs)	15000 kgs	5.89	88,301.09	Free	404.43	
BUDDING KNIVES	200	16.18	3,235.47	323.54	2,500.00	
BUDDING TAPES (kgs)	10000 kgs	2.00	20,000.00	2,000.00	65,204.72	
TOTAL			1,679,628.38	125,896.05	210,381.16	336,277.21

ITEMS MARKED IN ASTERISKS (*) ESTIMATED.