

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

**REPORT OF THE FINANCE COMMITTEE ON THE
FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF GHANA AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION
(IDA) OF THE WORLD BANK GROUP FOR AN
AMOUNT OF SDR16.5 MILLION (US\$25.0 MILLION
EQUIVALENT) BUDGETARY SUPPORT FOR THE
IMPLEMENTATION OF THE FOOD AND
AGRICULTURE SECTOR DEVELOPMENT POLICY II
(FASDEPII)**

1.0 INTRODUCTION

The Credit Financing Agreement between the Government of Ghana and the International Development Association (IDA) of the World Bank Group for an amount of *sixteen million, five hundred thousand Special Drawing Rights [SDR16.5 million]* (US\$25.0 million equivalent) budgetary support for the implementation of the Food and Agriculture Sector Development Policy II (FASDEP II) was laid in the House on Monday 26th July, 2010 in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order no. 171(1) of the Standing Orders of the House, the Agreement was referred to the Finance Committee for consideration and report.

The Committee accordingly met and considered the Agreement with the Deputy Minister of Food and Agriculture, Hon. Yaw Effah-Baafi, Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, and officials from the Ministries of Finance and Economic Planning and Food and Agriculture and hereby presents this report.

2.0 BACKGROUND

The Ministry of Food and Agriculture initiated a policy programme by the World Bank christened Food & Agriculture Sector Development Policy (FASDEP) that seeks to address the major constraints facing agricultural sector. The crux of the programme includes:

- i. Promotion of selected products through improved access to markets
- ii. Development of and improved access to technology of sustainable natural resource management
- iii. Improved access to agricultural financial services
- iv. Improved rural infrastructure
- v. Enhanced human resource and institutional capacity.

3.0 PURPOSE OF THE LOAN

The purpose of the loan is to support FASDEP in order to increase contribution of agriculture to growth and poverty reduction while improving the management of soil and water resources and also to provide focused attention to accelerated growth in agriculture to meet GPRS II goals through pro-poor growth in agriculture.

4.0 PROGRAMME KEY POLICY AREAS

The key policy areas to be supported under the programme are:

- i. Implementation of the Sector policy and completion of supporting policies or policy action and
- ii. Improved planning and fiscal management, in line with the sector.

5.0 TERMS AND CONDITIONS OF THE CREDIT

The Credit is concessionary with the following standard IDA terms:

Credit Amount	:	SDR16.5 million [equivalent US\$25.00 million]
Grace Period	:	10 years
Repayment Period	:	25 years
Maturity Period	:	35 years
Service Charge	:	0.75 p.a. on withdrawn credit amount
Commitment Fee	:	0.5% p.a. on unwithdrawn balance

6.0 JUSTIFICATION

Low yield of staple crops continue to be an area of concern because of its impact on poverty and in meeting domestic demand. Besides an increase in yield of cassava, yields of the other main crops have remained stagnant over the last 5 years. Yet, broad based crop production contributes 20.3 percent to agricultural GDP growth, ahead of forestry and cocoa, and therefore plays a very important role in increasing agricultural GDP.

In the past, technology delivery has been hampered and the opportunities to fully exploit them were marginal. Farmers are being equipped to utilise these technologies to enhance productivity.

Adoption is low because of disconnects between research and extension systems, and in the access to critical complementary inputs. In some instances farmers lack the incentives to make productive investments. A more diverse system of delivery, using public-private partnerships, needs to be developed, which can cater for the more complex needs of the entire commodity chain needed for successful development of high value crops and livestock products.

Irrigation and improved water resource management will also be an important factor in meeting growth targets and addressing rainfall variability in marginal areas. The Agricultural Services Sub-sector Investment Project (ASSIP), together with GOG and other donors supported the increase of irrigated agricultural production through the rehabilitation of nine (9) irrigation schemes, covering 1,864 hectares of rice (70%) and vegetables (30%). However, improving the management of these schemes, increasing water user fees for maintenance, addressing electricity tariffs are needed to sustain and take full advantage of these investments.

Development of small scale irrigation in the country will depend on the implementation of a sound irrigation policy that addresses the business environment issues, and devolves more responsibility to water users associations in the selection of required irrigation equipment, routine maintenance and rehabilitation/renewal of irrigation infrastructures and

equipments. The enactment of the irrigation policy is therefore critical and attention needs to be paid to the sustainability of these schemes and future developments.

7.0 OBSERVATIONS

The Committee observed that the Programme is a single tranche budgetary support credit to Government on standard IDA terms and the second and last disbursement of the programme for the implementation of second phase of FASDEP (about US\$25 million equivalent).

The Committee noted that the Credit is in the Joint Assistance Strategy and Country Assistance Strategy for Ghana and constitutes an integral part of the World Bank's strategy to support the implementation of Ghana's Growth and Poverty Reduction Strategy (GPRS II) and FASDEP.

The GPRS II emphasizes the importance of the transformation of agricultural and rural livelihoods to achieving poverty reduction.

The Committee also observed that government Fertilizer Program is intended to ensure that prices are affordable to the small-scale farmers and also adopts a market sales policy that ensures that each type of fertilizer is sold at a price that cuts across the whole country. **(The subsidy payable on each bag of fertilizer is attached).**

The Committee was informed that in the year 2009, an amount of GH¢34.417 million was spent by the Government on the Fertilizer Subsidy Program covering 72,795 metric tons of fertilizers. The target

population of the 2009 fertilizer program were small-scale farmers in food crop farming. For the 2010 farming season, government is providing a subsidy of 100,000 metric tons at an estimated cost of about GH¢32.00 million. The subsidy to be paid by Government is at an average rate of GH¢16.00 per bag of 50kg compared to GH¢26.00 per bag paid during the 2009 farming season. The World Bank is supporting the Government's policy with an amount of US\$25 million.

The selling prices of various types of fertilizers required by MOFA, handling and recommended prices throughout the country is in a table and **attached as APPENDIX 1**. In addition, transportation and handling charges will be paid at GH¢5/bag of 50kgs to enable all types of fertilizers to be sold at same prices across the country.

8.0 CONCLUSION

Considering the benefits to be derived from the facility, the Committee recommends to the House to adopt this report and approve by Resolution, the **Credit Financing Agreement** between the **Government of Ghana** and the **International Development Association (IDA)** of the World Bank Group for an amount of **sixteen million, five hundred thousand Special Drawing Rights (SDR16.5million) [equivalent US\$25.0 million]** *budgetary support* for the implementation of the *Food and Agriculture Sector Development Policy II (FASDEPII)* in accordance with article 181 of the Constitution,

Sections 3 and 7 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.

A handwritten signature in black ink, appearing to read 'James Klutse Avedzi', written over a horizontal line.

**HON. JAMES KLUTSE AVEDZI
CHAIRMAN**

A handwritten signature in black ink, appearing to read 'Peace A. Fiawoyife', written in a stylized, cursive manner.

**PEACE A. FIAWOYIFE (MS.)
CLERK**

2ND AUGUST, 2010

"APPENDIX I"

Subsidy Payable on a bag of (50kg) of Fertilizer

Fertilizer Type	Clearing Charges	Transport Loading	Incidentals	Total
Compound Fertilizer	6.5	5.00	5.5	17.00
Urea	6.5	5.00	3.5	15.00
SOA	6.5	5.0	4.5	16.00

By paying for transport and handling charges, fertilizers should be sold to farmers at the following prices:

Fertilizer Type	Sales Price
Compound Fertilizer	27
Urea	25
SOA	18