

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

**REPORT OF THE FINANCE COMMITTEE ON THE MIXED
CREDIT FACILITY FOR THE FINANCING AGREEMENTS
BETWEEN THE REPUBLIC OF GHANA AND THE
BADEA/OFID FOR THE INTEGRATED RURAL
DEVELOPMENT PROJECT (IRDP)**

1.0 INTRODUCTION

The Mixed Credit Agreement of Nineteen Million and One Hundred Thousand United Dollars (US\$19.1M) comprising of Financing Agreements between the Government of Ghana on one hand and the Arab Bank for Economic Development in Africa (BADEA) for an amount of US\$8.6 million and OPEC Fund for International Development (OFID) for an amount of US\$10.5million on the other hand for financing of the Integrated Rural Development Project (IRDP), was laid in the House on Monday, 22nd October, 2012 and referred to the Finance Committee for consideration and report.

The Committee met and considered the Agreement with the Hon. Minister for Finance and Economic Planning, Dr. Kwabena Duffuor, the Hon. Minister for Local Government & Rural Development, Mr. Samuel Ofose Ampofo and officials from MOFEP & MLGRD and hereby presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

Although Ghana has been enjoying continued economic growth for the past 6 years, poverty among farmers is still high. There is therefore the need to initiate relevant interventions to address the situation. As part of Government of Ghana efforts to improve agriculture productivity under the Ghana Shared Growth and Development Agenda (GSGDA), 2010-2013, Government is executing the Integrated Rural Development Project.

The preparation of this proposal is informed by the focus of the 2012 budget statement of Ghana under the theme "Infrastructural Development for Accelerated Growth and Job Creation, the Millennium Development Goals (MDGs) 1 (Eradicate extreme Poverty and Hunger), the Food and Agriculture Sector Development Policy (FASDEP II), the Ghana Shared Growth and Development Agenda (GSGSDA), 2010-2013 and the experience of Social Investment Fund over the years in the implementation of the OPEC Fund for International Development (OFID) Poverty Reduction Project II (Loan 975P) and the Urban Poverty Reduction Project.

3.0 PROJECT OBJECTIVES

The project seeks to achieve three objectives:

Increase the output of small-scale food producers to:

- i. Provide input credit, technology and access to social services;
- ii. Provide farmers access to reliable and ready market for their produce;

- iii. Strengthen institutional capacities

4.0 PURPOSE OF THE LOAN

The purpose of the credit facility is to obtain funds to finance the Integrated Rural Development Project (IRDP).

5.0 TERMS OF THE FACILITY

The terms and conditions under the mixed credit facility are as follows:

BADEA

Loan Amount	-	US\$8.60million
Interest Rate	-	1%
Grace Period	-	10years
Repayment	-	20years (exclusive of Grace period)

OFID

Loan Amount	-	US\$10.50million
Interest Rate	-	1.5%
Service Charge	-	1%
Grace Period	-	5years
Maturity	-	20years (inclusive of Grace Period)

6.0 OBSERVATIONS

6.1 The Committee observed that as part of the goals, the project is to promote integrated rural development by increasing house

incomes through enhanced farming, marketing and distribution chain.

6.2 The Committee noted that the two financing agreements between the Government of Ghana on one hand and the BADEA for an amount of US\$8.6 million and OPEC Fund for International Development (OFID) for an amount of US\$10.5million on the other hand has two different terms all together. The two satisfies Government's concessionality of 35% with overall weighted grant element – 39.9%.

6.3 The Committee further noted that the Project will benefit twenty (20) Districts with agricultural development potentials. These districts have been selected from the ten (10) regions of Ghana for initial intervention. The districts are: Ga East in the Greater Accra Region; Mfantseman and Upper Denkyira West in Central Region; Fanteakwa and Upper Manya Krobo in the Eastern Region; Nzema East and Wasa Amenfi in Western Region; Asunafo North, Sene, Nkoranza North in the Brong-Ahafo Region; Afigya Kwabre, Ahafo Ano South in the Ashanti Region; Bunkpurugu Yunyoo and Nanumba South in the Northern Region; Ho and Nkwanta North in the Volta Region; Taalensi Nabdam and Kassena Nankana West in the Upper East Region; Sissala East and Wa West in the Upper West Region.

6.4 The Committee was informed of the scope of work and the breakdown of Project Cost in United States Dollars (US\$000) as follows:

No	Category/Component	Cost	BY/D/BA	CF/D	CoG	Beneficiary
1.a	Basic infrastructure	12,702.8	4,130	5,640	2,132.8	800
1.b	Furniture	510	510	-	-	-
2	Sensitization & Outreach	347.2	-	-	347.2	-
3	Micro Credit	3,120	3,120	-	-	-
4	Training and Technical Support	630	-	630	-	-
5.a	Management and Coordination	3,070	-	3,070	-	-
5.b	Auditing / Account	50	50	-	-	-
	Basic Cost	20,430	7,810	9,340	2,480	800
	Contingency	1,950	790	1,160	-	-
	Grand Total	22,380	8,600	10,500	2,480	800

6.5 The Committee was further informed that the Project will be implemented under five (5) Components namely;

- i. Basic Infrastructure
- ii. Sensitization and Outreach
- iii. Micro Credit
- iv. Training and Technical Support

v. Management and Co-ordination

6.6.1 **Component I: Provision of Basic Social Infrastructure**

This component aims at integrating the achievements of components two and the third component of the project in a manner to ensure the effective utilization of their outcomes. It proposes to finance the provision and improvement of basic social infrastructure.

The component will provide to her complimentary facilities for the Social Infrastructure project in the form of school furniture and library books, beds and furniture for maternity homes and clinics.

6.6.2 **Component II: Sensitization And Outreach, Monitoring And Evaluation**

This component seeks to sensitize target farmers groups and communities about the objectives of the project to further sustain their interest for successful project implementation. The specific sub-components are

- Sensitization Programme
- Community/Farmer Group Selection
- Monitoring and Evaluation (M&E) of project input, output, outcome and impact.

6.4.3 **Component III: Provision of Micro-Credit**

This component includes supporting income generating activities through a revolving credit program and capacity building for Micro-Finance Institution (MFIs). An amount of US\$3.12 million will be

made available to the micro-credit program. The use of funds will be supervised by SIF and managed by the ARB Apex Bank.

6.4.3 **Component IV: Training and Technical Support**
Sub-Component I: Institutional Capacity Building

The relevant staff of the decentralized departments of the District Assemblies will be trained to fully participate in planning, resource allocation and monitoring and evaluation of sustainable local economic development centered on improving the livelihoods of farmers. The selected Micro financial Institutions will also be trained to enhance their performance.

6.4.4 **Component V: Management and Co-Ordination**

The Decentralization Secretariat of the Ministry of Local Government and Rural Development through the Social Investment Fund Management Unit will be the main unit to execute the project, giving the reputation of the Social Investment Fund Management Unit in implementing two poverty reduction projects in Ghana funded by the OPEC Fund for International Development.

It will be entrusted with the function of Project Implementing Unit to have overall responsibility for managing and coordinating all activities and provide leadership to support project implementation.

Social Investment Fund Management Unit will operate with a core team of six technical staff based in Accra namely; Project Manager (SIF Executive Director), Capacity Building Expert, Micro and Small Loans Expert, Procurement Expert, monitoring and Evaluation Expert Administrative Officer and Project Accountant.

The Project Implementation Unit will be supported by the Accounting Officers, Information Technology Manager, and other supporting staff. To reach out to the beneficiaries, the Project Implementation Unit will work through the four Social Investment Fund Zonal Offices located in Central, Ashanti, Upper West and Eastern Regions of Ghana, to provide technical backstopping to the beneficiary districts.

The Committee noted that Management Costs, over the four year period will cover all the staff assigned to the project among the following range of activities:

- Procurement of essential project equipment – computers, photocopiers etc.
- The establishment of a Management Information System (MIS) for projects planning and monitoring and the monitoring and evaluation of the impact of the project activities on beneficiaries.
- Procurements of 5 No. Vehicles for the Project Implementation Unit to embark on Monitoring, 20No. Motor-bikes for the participating Metropolitan, Municipal and District Assemblies (MMDAs)
- Operating costs for logistical support and staff salaries sufficient to support the operations of the Project implementation Unit including, insurance, utility cost, office supplies, repair and maintenance services, fuel, & Lubricants,

local travel allowances, and honoraria to Project Board Members.

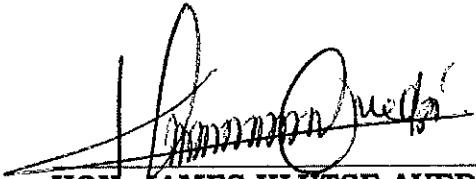
- Operating cost for zonal office, Metropolitan, Municipal and District Assemblies and project communities activities.
- Implementation of recommendations of project monitoring and mission visits
- Facilitate the Auditing of Project Account.

7.0 CONCLUSION AND RECOMMENDATION

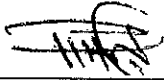
The Committee carefully considered the Agreement and satisfied itself that the terms meet the Government of Ghana's requirement for concessionary borrowing. The Project was also found to be critical and there is therefore the need to initiate relevant interventions to address high poverty among farmers.

The Committee therefore respectfully recommends to the House to adopt this report and approve by resolution, the Mixed Credit Agreement between the Republic of Ghana and the Arab Bank for Economic Development in Africa (BADEA) and OPEC Fund for International Development (OFID) for an amount of **Nineteen Million and One Hundred Thousand United Dollars (US\$19.100,000.00)** for financing of the Integrated Rural Development Project (IRDP) in accordance with Article 181 of the 1992 Constitution and Sections 3 and 7 of the Loans Act, 1970 (Act 335).

Respectfully submitted



**HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE**



**PEACE A. FIAWOYIFE (MS)
CLERK, FINANCE COMMITTEE**

31st October, 2012