

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

**REPORT OF THE FINANCE COMMITTEE
ON A LOAN AGREEMENT OF US\$11.5 MILLION BETWEEN
THE GOVERNMENT OF GHANA AND THE INTERNATIONAL
FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)
FOR THE SECOND PHASE OF THE UPPER EAST LAND
CONSERVATION AND SMALL HOLDER REHABILITATION
PROJECT (LACOSREP II)**

1.0 INTRODUCTION

The above Loan Agreement was laid in the House on 9th November, 1999 in accordance with Article 181 of the Constitution and referred to the Finance Committee for consideration and report pursuant to Standing Order 171 (1).

The Committee met with the Deputy Minister of Food and Agriculture and Cocoa Affairs Hon. Asiedu Nketia and reports as follows:

2.0 BACKGROUND INFORMATION

The Upper East Region is the most economically deprived region in the country due to severe environmental degradation, high stocking rates of livestock and high population growth rate and population density of 120 persons / km (second only to Greater Accra Region) culminating in severe pressure on the land.

To address the economic decline and improve the standard of living of people in the region, the PNDC Government in 1989 signed a seven year US\$15.04 Million Loan Agreement with IFAD for a project - land conservation and small - holder Rehabilitation Project (LACOSREP) - to increase agricultural production, check the environmental degradation, alleviate rural poverty and thereby minimize migration of the youth southward in search of non-existing

3.0 PURPOSE OF THE LOAN

The aim of the loan for the second phase of the Upper East land conservation and small-holder rehabilitation project (ii) is to consolidate the gains of LACOSREP (I) by further developing the potential of irrigated agriculture in the rehabilitating or constructing new dams or wells and support income generating activities as well as improve rural infrastructure.

4.0 TERMS AND CONDITIONS OF LOAN

The terms and conditions of the loan are as follows:

Amount	-	US\$11.5 Million
Repayment	-	SDR 138,334 per instalment Payable on each 15 th March and 15 th September commencing on 15 th September, 2009 and ending 15 th September, 2035 and one (1) final instalment of SDR138,294 payable on 15 th March 2039.
Service Charge	-	0.75% per annum on the principal amount of the loan outstanding from time to time payable semi-annually on each 15 th March and 15 th September in US dollars.
Duration	-	Fifty-nine (59) equal semi-annual instalments commencing 15 th September 2009 and ending 15 th September 2938.

5.0 OBSERVATIONS

• LACOSREP

Implementation of Phase I

The Committee noted that the implementation of the project was to start in June 1991 however actual implementation started in May 1992 and formally ended in December, 1997.

The component of LACOSREP Phase I were:

• Agricultural Development

To increase the production of crops, livestock and fisheries.

• Water Resources Development

The project involved dam rehabilitation, formation of Water User Association, acquisition and transfer of ownership of dams to water users.

• Environmental Protection

• Rural Credit

6.0 EFFECTS / IMPACT OF LACOSREP I

The Committee noted at the end of LACOSREP I, IFAD fielded an Interim Evaluation Mission which concluded that the project was implemented satisfactorily within the stipulated period, project design and household beneficiaries were positively affected. Again most physical targets of the project activities were achieved and donor funds

were disbursed to the tune of 98%. Examples of specific areas of achievement are as indicated below:

(a) **Crop Yields (Groundnuts)**

The Committee was informed that with the implementation of the project, groundnut yields increased from pre-project yield of three (3) bags per acre to between five (5) and six (6) bags per acre post project.

(b) **Livestock (Development)**

The project initiative resulted in the average birth weights of 1.8 kg of cross-bred sheep offspring as against 0.8 kg. of local offspring. The cross-bred sheep also weighed 23% higher than the local breeds, 12 months after birth.

(c) **Rehabilitation of Dams**

By far the most remarkable achievement of LACOSREP I, the Committee noted was the rehabilitation of existing dams.

In dry region like Upper East, provision of water for irrigation, livestock watering and fisheries development offered the best opportunity to increase household food security employment and household income.

Under LACOSREP I, forty-four (44) dams dugouts were rehabilitated. This is indicated as follows:

DAMS AND DUG OUTS REHABILITATED AND IRRIGABLE LAND PUT TO USE

DISTRICT	NO. OF		ARE (HA.) CULTIVATED / NO. OF FARMERS BEFORE REHAB.		AREA (HA.) AVAILABLE / NO. OF FARMERS AFTER REHAB.	
	Dams	Dugouts	Area	Farmers	Area	Farmers
Bawku East	12	0	102.2	2054	200.8	4104
Bawku West	8	0	27.7	331	75.6	277
Bolgatanga	5	1	26.5	149	38.35	474
Bongo	5	3	13.0	440	45.15	1455
Kassena-Nankana	5	0	17.0	100	36.5	1384
Builsa	5	0	12.0	177	52.6	633
	40	4	199.0	3251	449.0	8329

The rehabilitation of these dams / dugouts has provided employment for a total of 8,329 farm families. However these constituted only 20% of dams / dugouts that needed rehabilitation.

The Committee further noted that statistics taken at the project's dam sites indicated that more land had been made available for cropping by farmers each year after the rehabilitation. The number of gardeners also increased after rehabilitation. Although the dam reservoirs did not always fill up (due to poor rainfall), production of vegetables was consistently higher than what obtained before rehabilitation.

In the 1996 / 97 season, for example, data taken and analysed from 17 dam sites showed an increase in cultivated land of about 50% , an increase in the number of gardeners by about 75% and an increase in the tonnage of vegetable grown by nearly 100%.

Under the Environmental Protection component, seedlings were raised and planted in the dam catchment areas of rehabilitated dams. Contour bunds were constructed and farmers trained to ridge and plant in the areas in-between the bunds for their farming activities in an effort to check erosion. In an attempt at re-afforestation seedlings were distributed to farmers to plant round their homesteads. During the Project 455 hectares of the catchment areas of 35 dams were bunded and 150,763 seedlings planted in the catchment areas.

(d) **Rural Credit**

With respect to Rural Credit, the Committee was informed of an increase in institutional savings from a pre-project level of zero, to about ₦17,000.00 per head in 1997. About 96% of Income Generating Activity respondents also indicated that they found the loans given to them profitable.

Field surveys also showed that female participation in household decision-making improved from an average baseline (1991) figure of 26.6% to 31.5% in 1996. Ownership of household items such as radios, television sets, beds and mattresses also increased from base level of 36.2% , 1.9%, 47.9% and 45.4% to 62.9%, 9.1%, 69.7% and 65.5% respectively in 1996. Similarly, ownership of animal-drawn carts, ploughs and bicycles also increased from baseline (1991) levels of 4.2%, 28.9% and 45.5% to 15%, 33.7% and 56.2% respectively over the same period. The average adoption rate of various improved technologies pushed to farmers improved from a pre-project level of 13.1% to 39.8% among project beneficiaries.

7.0 JUSTIFICATION FOR LACOSREP II

The Committee was further informed that although LACOSREP I was successful in achieving its main objectives, there is the need for further interventions in the Upper East Region to consolidate the gains and maximise its impact. The Interim Evaluation Mission noted the following:

Water Resources Development

- That the contribution of the water resources development component to rural household food security, increased employment opportunities and improved household income significantly this need to be expanded to cover other needy areas to enable them serve the intended purpose. For instance, the 44 dams / dugouts rehabilitated represented only 20% of the 220 dams / dugouts that need rehabilitation. The Water Users Association (WUAs) would therefore require further training to manage the dams in a sustainable manner and increase agricultural production.

Agricultural Development

- That a number of project supported activities in the field of Research-Extension-Farmer Linkage Committees and community-Based Livestock service have good replicability potential for expansion and should be pursued in a second intervention.

Rural Credit and Poverty Alleviation

- That the project improved women's access to credit for income generating activities, which are mainly food processed items and marketing. The Interim Evaluation Mission's assessment was that good performing groups were able to generate net profit. It also noted

that credit groups were only moderately introduced to formal credit and this establishes the need for further assistance.

Agricultural Marketing

- That there is considerable concern raised on the issue of agricultural marketing in view of the increase in agricultural production resulting from project intervention in irrigated agriculture in Upper East in particular and nation-wide in general. LACOSREP II would therefore address marketing problems through studies and support to private entrepreneurship in this area.

Environmental Protection

- The Committee noted that LACOSREP I limited its activity by design to the protection of the catchment areas of dams to reduce siltation. As soil erosion is widespread, there is the urgent need to intervene in erosion control, soil and water conservation and afforestation of uplands to reverse the increasing degradation of the environment. In effect, the rationale for another intervention in the region is presented as:
 - (a) Satisfying the large existing demand for dam rehabilitation by poor rural communities

- (b) Ascertaining sustainability of Water Users Associations essential for continuity of food security benefits of the dams
- (c) Consolidating the improved agricultural technologies being promoted to increase rain-fed agricultural production leading to household food security and poverty alleviation
- (d) Building on the existing credit experience to establish effective sustainable mechanisms for rural financial intermediation
- (e) Restoring a degraded environment through soil and water conservation and afforestation programmes.

8.0 GOVERNMENT OF GHANA AND OTHER CONTRIBUTION

The contribution of Government of Ghana and others to the LACOSREP II is as follows:

Government of Ghana	-	US\$1.1 Million
Beneficiary contribution	-	US\$0.834 Million
NGOs	-	US\$0.347 Million

The contribution of Beneficiary Committees and NGOs come in the form of labour, capacity building and group production.

9.0 CONCLUSION AND RECOMMENDATION

The Committee noted that the project is not only desirable but in consonance with efforts by Government to address rural development and poverty alleviation. Besides the terms and conditions of the loan are very favourable.

The Committee therefore recommends to the House the approval of the loan agreement of **US\$11.5 Million** between the Government of Ghana and the International Fund for Agricultural Development (IFAD) for the second phase of the Upper East Land Conservation and Small-holder Rehabilitation Project (LACOSREP II) in accordance with Article 181 of the Constitution and Section 7 of the Loan Act, 1970 (Act 335).

Respectfully submitted.

A handwritten signature in black ink, appearing to read 'S.G. Obimpeh', written over a horizontal line.

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

A handwritten signature in black ink, appearing to read 'Asante Amoako-Atta', written over a horizontal line.

**ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE**

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23 NOVEMBER, 1999