

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

REPORT OF THE FINANCE COMMITTEE

ON

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

THE REQUEST FOR WAIVER OF TAXES, CUSTOM DUTIES, VALUE ADDED TAX, NATIONAL HEALTH INSURANCE LEVY, DESTINATION INSPECTION FEES, EDAIF, ECOWAS LEVY AMOUNTING TO (GH¢4,709,061.00) ON GOODS AND EQUIPMENT REQUIRED FOR THE IMPLEMENTATION OF THE PROTOCOL AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE AFRICAN DEVELOPMENT FUND ON THE ENGAGING LOCAL COMMUNITIES IN REDUCED DEFORESTATION AND FOREST DEGRADATION (REDD+)/ ENHANCEMENT OF CARBON STOCKS PROJECT.

REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR WAIVER OF TAXES, CUSTOMS DUTIES, VALUE ADDED TAX, NATIONAL HEALTH INSURANCE LEVY, DESTINATION INSPECTION FEES, EXPORT DEVELOPMENT AND AGRICULTURE INVESTMENT FUND (EDAIF) AND ECOWAS LEVY, AMOUNTING TO GH¢4,709,061.00 ON GOODS AND EQUIPMENT REQUIRED FOR THE IMPLEMENTATION OF PROTOCOL OF AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE AFRICAN DEVELOPMENT FUND ON THE ENGAGING LOCAL COMMUNITIES IN REDUCED DEFORESTATION AND FOREST DEGRADATION (REDD+)/ENHANCEMENT OF CARBON STOCK PROJECT)

1.0 INTRODUCTION

The Request for waiver of taxes, Customs Duties, Value Added Tax, National Health Insurance Levy, Destination Inspection Fees, Export Development and Agriculture Investment Fund (EDAIF) and ECOWAS Levy, amounting to GH¢4,709,061.00 on goods and equipment required for the implementation of the Protocol of Agreement between the Government of the Republic of Ghana and the African Development Fund on Engaging Local Communities in Reduced Deforestation and Forest Degradation (REDD+)/Enhancement of Carbon Stock Project) was presented to Parliament on behalf of the Hon. Minister for Finance by the Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson on Tuesday, 12th May, 2015. The Rt. Hon Speaker referred the request to the Finance Committee for consideration and report in accordance with Article 174(2) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted by the Hon. Deputy Ministers of Finance and Lands, Forestry and Natural Resources, Mrs. Mona K. Quartey, Mr. Cassiel Ato Baah Forson and Ms. Barbara Serwaa Asamoah, officials from both Ministries and Ghana Revenue

Authority (GRA) during its deliberations. The Committee is grateful to the Hon. Deputy Ministers and the officials for their assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana; and
- Protocol of Agreement Between the Government Of The Republic of Ghana And the African Development Fund on the Engaging Local Communities in Reduced Deforestation and Forest Degradation (Redd+)/Enhancement of Carbon Stock Project)

3.0 BACKGROUND

Ghana joined the international REDD+ (Reduction in Emissions from Deforestation and Forest Degradation and enhancement of forest carbon stocks) readiness process through the Forest Carbon Partnership Facility (FCPF) and in 2010 received approval of its Readiness Preparation Proposal (R-PP), which presented its roadmap for the necessary preparation of the country to participate in REDD+. The same year, the country was selected as one of the pilot countries for the Forest Investment Programme (FIP). The FIP aims at piloting and providing upfront investments for the pilot countries to test and initiate the REDD+ activities. In 2012, its investments for the plan for the Forest Investment Programme were endorsed by the FIP sub-committee with USD 50 million being approved for the programme to be implemented. The aim of the Forest Investment Programme (FIP) for Ghana is to address the underlying drivers of deforestation and catalyze transformational change by providing upfront investment to support the implementation of the REDD+ strategy, and generate information and experience for policy and regulatory changes, with the ultimate aim of reducing the emissions of

Greenhouse Gases (GHG) within the LULUCF (Land Use, Land-use Change and Forestry) sector in Ghana.

4.0 PROJECT OBJECTIVES

The Engaging Local Communities in REDD+ (ELCIR+) project is part of the Forest Investment Programme, from the Strategic Climate Fund, which supports developing country efforts to reduce deforestation; and forest degradation; and promotes sustainable forest management that leads to emissions reductions and enhancement of forest carbon stocks (REDD+).

The objective of the project is to “contribute to increased carbon stocks and poverty reductions in the off reserves areas of the High Forest Zones by engaging communities in land management approaches that generate direct financial and environmental benefits”. The project which is expected to be implemented over 5 years would support (i) Community restoration of degraded forests and agricultural landscapes (ii) Promotion of Climate Smart and Environmentally Responsible Cocoa and Agroforestry systems, (iii) Community alternative livelihoods and capacity building.

5.0 OBLIGATION OF THE GOVERNMENT OF GHANA

Article VI of the General Conditions Applicable to Protocols of Agreements for Grants of the African Development Fund (to which Ghana is a Member), prohibits the use of Grants from the Fund to pay taxes. Section 6.01 (a) of Article VI state that “the protocol of Agreement and any other Agreement to which these General Conditions apply , shall be free from any taxes levied by, or in the territory of, the Recipient or in connection with the execution, delivery or registration thereof”. Ghana being a Member of the Fund is therefore, under obligation, to provide the needed tax exemptions as a condition necessary to benefit from the Grant of the Fund.

6.0 **REQUIRED WAIVER**

To ensure that the full amount of the facility is used on the project and in compliance with Article VI of the General Conditions Applicable to Protocols of Agreements for Grants of the African Development Fund, the Ministry of Finance is seeking for tax exemption amounting to GH¢4,709,061.00 on the Facility.

7.0 **OBSERVATION**

Required Waiver

The Committee noted that the Ghana Revenue Authority has assessed the tax liability on the project and granted an interim waiver of Four Million, Seven Hundred and nine Thousand and Sixty-one Ghana Cedis (GH¢4,709,061.00) on goods and equipment required for the implementation of the project pending Parliamentary approval. The determination of the values, the Committee was informed was based on the FOB values of the goods and equipment presented by the implementing Ministry

The Committee recommends to the Ministry of Finance to ensure that the final waiver would be reassessed and verified by the Destination Inspection Companies (DICs) upon arrival of the items in the country since values for assessments are normally based on the invoices submitted by suppliers. Further, the Monitoring Unit of the Tax Policy Unit should conduct an audit of the items that would be imported or purchased locally to ensure that there is value for money and the items for which the exemption is being given are not diverted.

Project beneficiaries

The Committee was informed that the project will be piloted at the Western and Brong-Ahfo regions. The project's direct beneficiaries are estimated to be Twelve Thousand (12,000) people, half of them would at least be women. It was further indicated that the project is also expected to indirectly benefit One Hundred and Seventy-Five Thousand (175,000) people (5% of the two region's population). Regarding the package to the beneficiaries, the Committee was informed that direct beneficiaries will be supported

with capacity building, inputs such as seeds, equipment, and financial incentives through benefit-sharing agreements, to develop forestry, agroforestry and alternate livelihoods activities.

Selection Criteria

The Committee was informed that the selection of the target districts was based on the degree of depletion of the forest cover other factors such as co-benefits (e.g. biodiversity conservation and employment generation) potential; interest in FIP activities and existing supporting institutions.

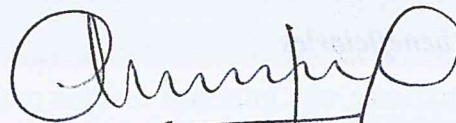
7.0 CONCLUSIONS

The Committee having carefully examined the referral recommends to the House to adopt its report and approve by Resolution, the Request for waiver of taxes, Customs Duties, Value Added Tax, National Health Insurance Levy, Destination Inspection Fees, Export Development and Agriculture Investment Fund (EDAIF) and ECOWAS Levy, amounting to GHC4,709,061.00 on goods and equipment required for the implementation of Protocol of Agreement between the Government of the Republic of Ghana and the African Development Fund on the Engaging Local Communities in Reduced Deforestation and Forest Degradation (REDD+)/Enhancement of Carbon Stock Project) in accordance with Article 174(2) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament.

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

May, 2015

