

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

REPORT OF THE COMMITTEE ON FINANCE

ON THE

**REQUEST FOR APPROVAL OF MIXED CREDIT FACILITY
AGREEMENTS BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND THE AFRICAN
DEVELOPMENT BANK (AFDB) GROUP FOR AN AMOUNT
OF UA49.69 MILLION (EQUIVALENT TO US\$76.52
MILLION) (MADE UP OF A LOAN AMOUNT OF UA 26.69
MILLION (EQUIVALENT TO US\$41.10) AND A GRANT
AMOUNT OF UA23.00 MILLION (EQUIVALENT US\$35.42
MILLION) TO FINANCE THE RURAL ENTERPRISES
PROGRAMME III (REP III)**

17th September, 2013

ACC NO: 3327

CLASS NO: CR/GOG & AFDB/13

PARLIAMENT OF GHANA LIBRARY

**REPORT OF THE FINANCE COMMITTEE ON THE MIXED CREDIT
FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND THE AFRICAN DEVELOPMENT BANK
(AFDB) FOR AN AMOUNT OF UA49.69 MILLION (EQUIVALENT T
US\$76.52 MILLION) [MADE UP OF A LOAN AMOUNT OF UA26.69
MILLION (EQUIVALENT TO US\$ 41.10 MILLION) AND A GRANT
AMOUNT OF UA23.00 MILLION (EQUIVALENT TO US\$35.42
MILLION) TO FINANCE THE RURAL ENTERPRISES PROGRAMME III
(REP III)**

1.0 INTRODUCTION

The Mixed Credit Facility Agreement between the Government of the Republic of Ghana and the African Development Bank (AfDB) for an amount of UA49.69 million (equivalent to US\$76.52 million) [made up of a loan amount of UA26.69 million (equivalent to US\$ 41.10 million) and a grant amount of UA23.00 million (equivalent to US\$35.42 million) to finance the Rural Enterprises Programme III (REP III) was presented to the House by the Hon. Minister of Finance Mr. Seth E. Terkper on Monday, 16th September, 2013 in accordance with Article 181 of the 1992 Constitution.

The Rt. Hon Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the Hon. Minister of Finance, Mr. Seth E. Terkper, The Hon Deputy Minister of Trade and Industry, Mr. Nii Lamptey Vandapuye, Officials from the Ministry of Finance and the Ministry of Trade and Industry. The Committee is grateful to the Hon. Minister, Deputy Minister and Officials from the Ministry of Finance and Trade for the 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
- Loans Act, 1970, Act 335

3.0 BACKGROUND

The Rural Enterprises Project (REP) has been and continues to be part of Ghana Governments effort to reduce poverty and improve living conditions in rural areas. Phase one of the project was implemented between 1995 and 2002 in 13 districts in the Ashanti and Brong Ahafo Regions. The second phase which was implemented between 2003 and 2012 covered 66 districts nationwide. The Rural Enterprises I and II have since 1995 contributed to the successful implementation

of national strategies for Micro and Small Enterprises (MSE) promotion, as laid out in the Ghana Poverty Reduction Strategy II (GPRS II), Ghana Shared Growth Development Agenda (GSGDA) and Private Sector Development Strategy Paper.

The Programme has therefore become an effective model which needs to be up-scaled to help promote rural enterprise activities within all districts. The government therefore intends to implement REP III to help improve livelihoods of rural poor, promote micro and small scale enterprises and increase the income of rural SMEs for profit, growth and employment creation.

4.0 JUSTIFICATION OF THE REQUEST

Following the successes achieved under REP I and II, the government intends to upscale the programme and mainstream a district-based model for MSE support system nationwide within the public and private sector. The model which has been piloted since 1995 will upgrade the technical and entrepreneurial skills of rural MSEs by providing access to Business Development Services. The credit facility will be used to upscale the BAC programme nationwide, strengthen the existing 66 BACs and establish new ones in the remaining rural districts across the country. The programme when completed is expected to build the capacity of women and youth for sustainable businesses that will lead to growth in income, employment generation and improvement in the overall welfare of the beneficiaries.

5.0 TERMS AND CONDITIONS OF THE FACILITY

The terms of the facility are as follows:

Loan Amount	:	UA 26.69 million (US\$41.10 million)
Grant Amount	:	UA 23.0 million (US\$35.42 million)
Grace Period	:	10 year
Repayment period	:	40 years
Maturity period	:	50 years
Service Charge	:	0.75% per annum
Commitment Charge	:	0.5% per annum
Grant Element	:	80.81%

6.0 **OBSERVATION**

Importance of the Facility

The Minister informed the Committee that REP III is aimed at consolidating the achievements made under REP I and II and to extend the programme to other rural districts across the country. The programme he said forms part of the wider national development plan under the GSGDA. The programme when implemented has the potential of improving livelihood and reducing poverty in rural communities. He said REP I and II has contributed significantly to the achievement of the Millennium Development Goals (MDGS).

Programme components

The Committee was informed that Programme, which will be implemented under four main components, will among others upgrade three agri-business learning centers in Ministry of Food and Agriculture Farm Institutes and one animal transaction center to provide training, counseling and support to rural youth. The programme will strengthen the existing 66 Business Advisory Centres (BACs) and establish new BACs in the remaining rural districts.

Further, Under the Development of Agriculture Commodity Processing Infrastructure component, REP will upgrade the level of technology of the rural SME sector through the acquisition and development of agro-processing equipment and technology dissemination. REP in partnership with other stakeholders, will establish 30 new RTFs to help in; i) skills, safety and hygiene training for master craftsmen and apprentices, ii) production of farm equipment iii) promotion of prototype of machine equipment for agro-businesses iv) construction of new and locally adopted machines and v) the provision of agro-processing start-ups.

The Committee also learnt that the Programme will help create an enabling business environment for rural businesses by allowing them access to Rural Finance and Institutional Capacity Building and Policy Dialogue. According to the experts, the programme will provide assistance to graduate apprentices to acquire additional equipment and technology.

The Committee was informed that through the Institutional capacity and policy dialogue component of the programme, REP will strengthen and promote MSE in all districts and support the Regional Coordinating Councils to establish and

strengthen Regional Committees on Micro and Small Scale Enterprises. Existing Project Coordinating Units (PCMUs) under REP II will be strengthened as part of Programme Condition and Management to efficiently implement REP III.

Consideration for Urban Poor

The Committee noted with great concern the exclusion of urban poor from the programme. The Committee is of the view that the urban poor must be given the opportunity to benefit from the programme. The Committee was informed that the Ministry is in discussion with the NBSSI to include the urban poor in the skills development programme. The Minister however, indicated that it will not be possible to have offices located at these urban areas since that will be a violation of the terms of the programme.

7.0 CONCLUSION

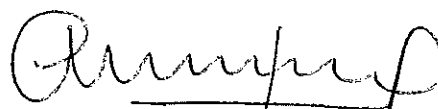
The Committee having carefully examined the request is of the view that the credit facility will help attain the overall national objective of promoting rural businesses and reducing rural poverty. The Committee therefore respectfully recommends to the House to adopt its report and approve the Mixed Credit Facility Agreement between the Government of the Republic of Ghana and the African Development Bank (AfDB) for an amount of **UA49.69 million (equivalent to US\$76.52 million)** [made up of a loan amount of **UA26.69 million (equivalent to US\$ 41.10 million)** and a grant amount of **UA23.00 million (equivalent to US\$35.42 million)** to finance the Rural Enterprises Programme III (REP III) in accordance with Article 181 of

the 1992 Constitution, Section 7 of the Loans Act, 1970, Act 335 and Order 171 of the Standing Orders of the House.

Respectfully Submitted.

A handwritten signature in black ink, appearing to read 'James Klutse Avedzi', written in a cursive style with a long horizontal stroke at the end.

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

A handwritten signature in black ink, appearing to read 'Rosemary Arthur Sarkodie', written in a cursive style with a long horizontal stroke at the end.

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