

**IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE**

**FINANCE COMMITTEE**

**ON**

**THE TERMS OF A RECEIVABLES-BACKED TRADE FINANCE FACILITY  
BETWEEN GHANA COCOA BOARD (COCOBOD) AND A SYNDICATE  
OF BANKS AND FINANCIAL INSTITUTIONS FOR AN AMOUNT OF UP  
TO ONE BILLION, THREE HUNDRED MILLION UNITED STATES DOLLARS  
(US\$1,300,000,000.00) FOR THE PURCHASE OF COCOA FOR THE  
2017/2018 CROP SEASON**

**AND**

**A REQUEST FOR THE WAIVER OF STAMP DUTY AMOUNTING TO SIX  
MILLION, FIVE HUNDRED THOUSAND UNITED STATES DOLLARS  
(US\$6,500,000.00) ON THE RECEIVABLES-BACKED TRADE FINANCE  
FACILITY BETWEEN THE GHANA COCOA BOARD (COCOBOD) AND  
A SYNDICATE OF BANKS AND FINANCIAL INSTITUTIONS FOR AN  
AMOUNT OF UP TO ONE BILLION, THREE HUNDRED MILLION UNITED  
STATES DOLLARS (US\$1,300,000,000.00) FOR THE PURCHASE OF  
COCOA FOR THE 2017/2018 CROP SEASON**

*2<sup>ND</sup> AUGUST, 2017*



## **1.0 INTRODUCTION**

The terms of a Receivables-backed Trade Finance Facility between the Ghana Cocoa Board (COCOBOD) and a Syndicate of Banks and Financial Institutions for an amount of up to One Billion, Three Hundred Million United States Dollars (US\$1,300,000,000) for the purchase of cocoa for the 2017/ 2018 crop season was laid in the House on Tuesday, 1<sup>st</sup> August, 2017 and referred to the Finance Committee for consideration and report.

A request for the waiver of Stamp Duty amounting to Six Million, Five Hundred Thousand United States Dollars (US\$6,500,000.00) on the Receivables-backed trade Finance Facility between the Ghana Cocoa Board and a Syndicate of Banks and Financial Institutions for an amount of up to One Billion, Three Hundred Million United States Dollars (US\$1,300,000,000) for the purchase of cocoa for the 2017/ 2018 crop season was also laid in the House on Tuesday, 1<sup>st</sup> August, 2017 and referred to the Finance Committee for consideration and report.

The Committee met with a Deputy Minister for Finance, Hon. Kwaku Kwarteng and his technical team from the Ministry of Finance and officials from COCOBOD to consider the Report.

## **2.0 DOCUMENTS REFERRED TO**

The Committee referred to the following documents

1. 1992 Constitution
2. Public Financial Management Act, 2016 (Act 921)
3. Stamp Duty Act, 2005 (Act 689)
4. Standing Orders of Parliament

## **3.0 BACKGROUND**

Over the years, the cocoa industry has played a crucial role in the economic development of the country by contributing significantly to the Gross Domestic Product (GDP), employment generation, and being a major source of Ghana's foreign exchange earnings. The cocoa sector also contributes to government revenue in the form of export duty, and supports infrastructural development, among others.

Cocoa production has been increasing since 1999/2000 crop year. Production in 1999/2000 was 436,682. By 2005, total production of 740,458 metric tonnes for the crop season was recorded. Cumulative cocoa beans purchases by the Ghana Cocoa Board in the 2015/2016 season reached 778,043 tonnes, representing an

increase of around 38,000 tonnes over the previous season's production of 740,254 metric tonnes. For the 2016/2017 crop year, production has reached 932,000 metric tonnes.

One of the objects of COCOBOD is to purchase, market and export cocoa and cocoa products produced in the country. As a result of expected increases in the production of cocoa, there is the need to adequately resource COCOBOD to enable it finance the purchase of the cocoa beans.

To this end, the offshore syndicated Trade Finance Facility was put in place in 1994 to enable COCOBOD secure loans to finance the purchase of cocoa beans and for other payments each year.

This US\$1.3 billion trade finance facility is to assist COCOBOD raise funds to purchase cocoa beans from farmers through the licensed buying companies for the 2017/2018 cocoa season. The facility amount of US\$1,300,000,000 is being provided by a syndicate of Banks with Natixis, Standard Bank of South Africa Ltd., Credit Agricole Corporate and Investment Bank, Sumitomo Mitsui Banking Corporation (SMBC) and Ghana International Bank as the Initial Mandated Lead Arranger (IMLAs).

Section 32 (6) of the Stamp Duty Act, 2005 (Act 689) requires loan documents to be stamped at 0.5% of the loan amount. In order to ensure that the trade finance facility is used solely for the purchase of cocoa beans and related expenses, the facility is to be exempted from the payment of Stamp Duty Act 2005 (Act 689) amounting to US\$6,500,000.

In line with the 1992 Constitution and Public Financial Management Act (Act 921), both the trade finance facility and the request for Stamp Duty waiver has been submitted to Parliament for approval.

#### **4.0 OBJECT OF THE FACILITY**

The object of the facility is to raise adequate funds to enable COCOBOD to purchase cocoa beans from farmers through licensed buying companies for the 2017/2018 cocoa season and other related operations.

#### **5.0 TERMS OF THE LOAN**

The terms and conditions of the loan are as follows:

Facility Amount	-	US\$1,300,000,000
Interest Rate	-	One Month Libor + a margin of 0.65%p.a.
Commitment fee	-	0.2275% p.a

Upfront fees	-	0.70% flat
Security Margin	-	Assignment of Cocoa Contracts for 110% of the facility amount

### **5.1 REQUEST FOR WAIVER OF STAMP DUTY**

Under the terms of the Agreement, the facility is to be waived of the payment of Stamp Duty. The total amount of tax waiver required is 0.5% of the facility amounting to Six Million, Five Hundred Thousand United States Dollars (US\$6,500,000).

### **6.0 OBSERVATIONS**

#### **6.1 Utilization of Syndicated Loan**

The Chief Executive informed the Committee that the funds would be used for the payment for produce from farmers, Buyers margins, internal marketing operations, farmers services, among others. He said it was envisaged that US\$1.300 Billion with expected equivalent of GH¢5,850 Million would be required to finance the purchase of cocoa for the 2017/2018 crop year. The projected cocoa purchases for 2017/2018 is 850,000 metric tonnes. If approval is given, the first expected drawdown would be in October, 2017 with the expected amount of US\$700 million (GH¢3,150 million).

#### **6.2 Payment of Stamp Duty**

The Committee inquired of the Board why they should be exempted from the payment of Stamp Duty.

They explained that currently COCOBOD is distressed financially due to payments of outstanding contracts and services. Further, COCOBOD is also servicing the payment of some facilities including the payment of Bui Dam loan. Therefore, paying the Stamp Duty would add further financial challenges to the Board. This can adversely impact on the purpose for sourcing the facility. In order to ensure that the object for the Trade Finance facility is realized, there is the need to exempt the facility from the payment of Stamp Duty.

The Deputy Minister for Finance, Hon. Kwaku Kwarteng agreed with the Committee that going forward, COCOBOD should pay Stamp Duty. He, however, informed the Committee that COCOBOD is reviewing its operations and addressing issues of inefficiencies. For this facility, there would be the need to grant them the Stamp Duty exemption.

### **6.3 Number of Banks providing the Syndicated Loan**

The Committee observed that under the Agreement, a number of banks which have formed a syndicate would provide the loan facility.

The technical team indicated that a total of forty banks out of sixty-six invited are helping to finance the syndicated loan.

### **6.4 Measures to meet the production target**

The technical team informed the Committee that for the 2017/2018 crop year, COCOBOD is targeting a production of 850,000 metric tonnes. As a result, a number of measures have been put in place to assist it achieve the target.

One of the major interventions is artificial pollination by using the hand. The Board had observed that natural pollination was not very effective and therefore COCOBOD has rolled out the hand induced pollination to augment pollination of the cocoa trees. To do this, 10,000 personnel have been recruited to assist in the exercise. By November, additional 20,000 personnel will be engaged to assist train farmers. It is expected that the pollination programme would assist in increasing production significantly.

### **6.5 Rehabilitation of existing Storage facilities**

The technical team indicated that maintenance of storage facilities across the country is done regularly and as at date, all the warehouses are in very good condition. The team assured the committee that the storage warehouses are in good state for storage.

### **6.6 Supply of CODAPEC And Hi-Tech/Fertilizers to Farmers**

The Committee inquired whether COCOBOD was subsidizing fertilizers to the farmers. The technical team responded in the affirmative and stated that Government subsidizes the cost and evacuation of granular fertilizers up to 53.42% of its cost whilst on foliar fertilizer, the subsidy amounts to 81.03%. Currently Granular fertilizer sells at GH¢80 whilst foliar fertilizer sells at GH¢20.

Further, the committed Hi-tech expenditure of GH¢391,990,250.00 is made up of granular and foliar fertilizer inputs. Deliveries of Hi-tech fertilizers are underway and evacuation is currently being done to the Districts.

The technical team stated that CODAPEC expenditure is made up of operational teams spraying expenses and inputs (insecticide & fungicide) purchases. For 2016/ 2017 crop season an amount of GH¢311,509,912.50 was allocated. Deliveries on CODAPEC inputs have begun.

### **6.7 Army Worms infestation of cocoa farms**

The technical team informed the Committee that all the cocoa farms that were infected by the army worms have been sprayed. The Board is not aware of any case of army worm affecting a cocoa farm. All the farms are healthy. They also informed the Committee that the Board has a Cocoa Health and Extension Division that is updating management on the state of cocoa farms at regular intervals.

The technical team agreed to the suggestion that it should be more vigilant and improve upon its surveillance given the presence of army worms in Ghana.

### **6.8 Payments into the Stabilization Fund**

In response to how much has been paid into the stabilization Fund of the Board, the technical team responded that three payments have been made since November 2016. A total amount of GH¢85.89 million was paid in November, 2016 in respect of the 2015/2016 crop season from the 2016/2017 US\$ 1.8 billion trade finance facility. The second payment amounting to GH¢93.5 million was made in February, 2017 from cocoa proceeds and additional GH¢10 million paid in July, 2017. So the total amount of money in the stabilization fund is GH¢310 million.

### **6.9 Reduction in the total loan amount**

The Committee observed that the trade finance loan for the 2017/2018 crop year is US\$1.3 billion. This amount is lower than the loan amount of US\$1.8 billion that was sourced the previous crop year despite the increase in crop production.

The Chief Executive Officer for COCOBOD explained that the main reason for the reduction is that world market prices have dropped from an average of US\$3,000 to US\$2,000 this year. There is therefore the need to go for a smaller amount to guarantee repayment.

### **6.10 Cocoa Roads**

The Committee also inquired whether allocation has been made for cocoa roads. The Committee was informed that no allocation has been made in the facility for cocoa roads.

The Chief Executive, Hon. Joseph Boahen Aidoo stated that the Board however has received a number of certificates for works on a number of cocoa roads. The Board has set up a committee to audit the contracts and claims after which payments would be affected.

He informed the committee that for the past three years, an amount of US\$150 million was allocated yearly totaling US\$450 million from the syndicated loans to

cocoa roads. He said that despite the approval, it was observed that contracts awarded exceeded the budgeted amount. For the three years 2014 to 2016, the total budgeted amount was GH¢ 1,642,500,000 but actual value of contracts awarded for the period amounted to GH¢5,161,631,496.41. Details of the breakdown is shown in table 1 below:

Table 1 Position of cocoa Roads

<b>Position of Cocoa Roads Projects</b>			
<b>ITEM</b>	<b>APPROVED BUDGETARY ALLOCATION GH¢</b>	<b>TOTAL VALUE OF CONTRACTS AWARDED GH¢</b>	<b>EXCESS COMMITMENTS GH¢</b>
2014/15	480,000,000.00	996,660,745.23	(516,660,745.23)
2015/16	570,000,000.00	3,003,396,388.91	(2,433,396,388.91)
2016/17	592,500,000.00	1,161,574,362.27	(569,074,362.27)
<b>Total</b>	<b>1,642,500,000.00</b>	<b>5,161,631,496.41</b>	<b>(3,519,131,496.41)</b>

The Chief Executive made the Committee aware that about two hundred and thirty (230) road contracts had been awarded as at the time he took over. Some of the contracts have issues of documentation and pricing. As a result, a committee was set up to review the contracts to ensure that there was value for money. So far, an amount of GH¢1,811,800,207.93 has been paid leaving an outstanding commitment of GH¢3,349,831,288.48. The breakdown is shown in table 2 below:

Table 2 Outstanding Commitments on Cocoa Roads Contracts

<b>ITEM</b>	<b>TOTAL VALUE OF CONTRACTS AWARDED GH¢</b>	<b>TOTAL VALUE OF WORK CERTIFIED &amp; PAID GH¢</b>	<b>OUTSTANDING COMMITMENTS GH¢</b>
2014/15	996,660,745.23	77,933,813.29	918,726,931.94
2015/16	3,003,396,388.91	1,016,139,358.23	1,987,257,030.68
2016/17	1,161,574,362.27	717,727,036.41	443,847,325.86
<b>Total</b>	<b>5,161,631,496.41</b>	<b>1,811,800,207.93</b>	<b>3,349,831,288.48</b>

He assured the Committee that even though allocation has not yet been made in terms of the current facility, as and when the contracts are certified and funds are available, the contracts would be paid from cocoa proceeds.

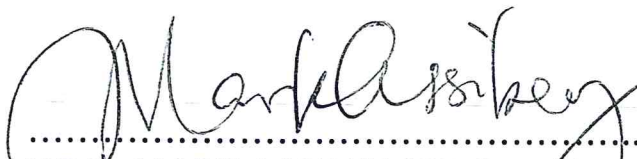


## 7.0 RECOMMENDATION AND CONCLUSION

Having carefully examined the referral, the Committee recommends to the House to adopt its Report and approve by Resolution the

- Terms of a Receivables-backed trade Finance Facility between the Ghana Cocoa Board and a Syndicate of Banks and Financial Institutions, for an amount of up to One Billion, Three Hundred Million United States Dollars (US\$1,300,000,000) for the purchase of cocoa for the 2017/ 2018 crop season in accordance with Article 181 of the 1992 Constitution and Section 56 of the Public Financial Management Act, 2016 (Act 921) and 171 of the Standing Orders of Parliament, and
- Request for the waiver of Stamp Duty amounting to Six Million, Five Hundred Thousand United States Dollars (US\$6,500,000.00) on the Receivables-backed trade Finance Facility between the Ghana Cocoa Board and a Syndicate of Banks and Financial Institutions, for an amount of up to One Billion, Three Hundred Million United States Dollars (US\$1,300,000,000) for the purchase of cocoa for the 2017/ 2018 crop season in accordance with Article 174 of the 1992 Constitution and Section 36 of the Stamp Duty Act, 2005 (Act 689 ) and Order 169 of the Standing Orders of the House.

Respectfully submitted.

  
.....  
**HON. MARK ASSIBEY-YEBOAH (DR)**  
**(CHAIRMAN TO THE COMMITTEE)**

  
.....  
**MS. EVELYN BREFO-BOATENG**  
**(CLERK TO THE COMMITTEE)**

