

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

REPORT OF THE

FINANCE COMMITTEE

ON THE

**CONCESSIONAL CREDIT AGREEMENT BETWEEN
GOVERNMENT OF THE REPUBLIC OF GHANA AND EXIM
BANK OF INDIA FOR AN AMOUNT OF ONE HUNDRED AND
FIFTY MILLIONS DOLLARS (US\$150,000,000.00) FOR THE
STRENGTHENING OF AGRICULTURAL MECHANISATION
SERVICE CENTRES (AMSECs) PROJECT**

PARLIAMENT OF GHANA LIBRARY

10TH JULY, 2018

INTRODUCTION

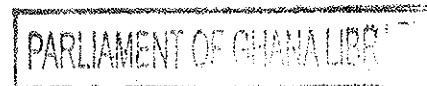
The Concessional Credit Agreement between the Government of Ghana and Exim Bank of India for a Concessional Loan of an amount of One Hundred and Fifty Million United States Dollars (US\$150,000,000) to finance the Strengthening of Agricultural Mechanization Service Centers (AMSECs) was laid in the House on 28th November, 2017 and referred to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of Parliament.

The Committee met with the Minister of State for Agriculture, Hon. Dr. Gyiele Nurah, the Deputy Minister for Agriculture in charge of Annual Crops, Hon. Sagre Bambangi, a Deputy Minister for Finance, Hon. Abena Osei Asare, and technical teams from the Ministries of Finance and Food and Agriculture to consider the Report.

2.0 REFERENCE DOCUMENTS

The Committee referred to the following documents during its deliberations:

1. The 1992 Constitution of the Republic of Ghana
2. The Public Financial Management Act, 2016 (Act 921)
3. The Standing Orders of Parliament of Ghana



3.0 BACKGROUND

Agriculture is predominantly a small holder activity in Ghana. According to the Second Food and Agricultural Development Policy (FASDEP II, 2007), about 90% of farm holdings in Ghana are less than two hectares in

size even though there are some large farms and plantations in the country.

The system of farming is traditional with hoe and cutlass as the main farming tools. There is little mechanized farming. Agriculture production varies with the amount and distribution of rainfall, as well as soil factors. Most food crop farms are intercropped while mono cropping is mostly associated with larger-scale commercial farms.

According to the Ghana Living Standard Survey (GLSS6-2014), Agriculture's contribution to total employment was estimated to be 44.7%. Although this is a sign of economic transformation, food security and economic growth is still a critical concern to the nation.

The challenges affecting the agriculture sector include declining agricultural productivity, unprofitability of farming due to high costs of operations, low access to various services along the value chain such as mechanization, irrigation, credit, extension services, processing, marketing and limited marketing information. Further, the provision of a well-organized and commercially viable agricultural mechanization services in the country is inadequate due to high initial capital investment.

As part of government's efforts to promote agricultural mechanization in the country, the Ministry of Food and Agriculture (MoFA) in 2007, initiated the concept of establishing private-led Agricultural Mechanization Service Centers (AMSECs) for farming communities.

The AMSEC initiative is to assist in providing mechanization services to small holder farmers in each MMDA who cannot afford their own machinery/ equipment due to financial and other farming constraints.

Under this initiative, the private sector who may have higher purchasing power are supported with government subsidized machinery and equipment under concessional payment arrangements to deliver well-organised and commercially viable mechanization services to small holder farmers who contribute significantly in achieving food security.

Since 2007, AMSECs have received a number of support from Government. Twelve (12) AMSECs were supported with machinery and equipment in eight regions at the end of 2007. Fifty-seven (57) AMSECs located in various parts of the country were supported in 2009. In 2010 and 2011, Fifteen (15) and Five (5) AMSECs received equipment in five and three regions respectively. As at end 2015, Eighty-nine (89) AMSECs had been supported to render mechanized services in 62 District Assemblies across the country. Between 2016 and 2017, an additional Seventy Nine (79) AMSECs were assisted with a range of machinery and equipment under the Brazilian More Food International Programme bring the total operational AMSECs at 140.

To achieve the full objectives of the AMSEC concept, there is the need to continue to strengthen the existing AMSECs as well as establish new AMSECs in order to increase their coverage across the country. Small holder farmers will also have access to timely and affordable mechanized services.

It is in this light that Government is sourcing an amount of US\$150 million concessional credit from the Export Import Bank of India to finance and strengthen the Agricultural Mechanization Service Centers (AMSECs) Project.

4.0 OBJECT OF THE LOAN

The object of the loan is to finance the Agricultural Mechanization Services Centers Project whose aim is to establish at least one (1) AMSEC in every District with the view of improving availability and timely access to affordable agricultural equipment and mechanized services in the country.

5.0 TERMS OF THE LOAN

The Financing terms of the credit are as follows:

Loan Amount	-	US\$ 150 million
Interest Rate	-	1.5%
Repayment Period	-	20years
Moratorium	-	5years
Maturity	-	25years
Grant Element	-	36.85%

6.0 OBSERVATIONS

6.1 Role of the AMSECs

The Minister of State informed the Committee that the Agricultural Mechanization Centers (AMSECs) play an important role in assisting farmers undertake the needed mechanization on their farms. He said ninety (90) percent of farmers in the country are small scale farmers using rudimentary methods of farming. In order to increase crop yield, there is the need to mechanize the entire farming processes. However, he maintained that these farmers lack the necessary funding to access agricultural machinery. He said under the current arrangement,

Government sells the tractors and other agricultural machinery to the AMSECs and the Centers then rent it out to farmers for use on their farms.

He also stated that currently most of the machinery and equipment at the AMSECs are tractors as such the intended mechanization is currently limited to land preparation (Ploughing). Through this credit, Government will extend the mechanization to all parts of the agriculture chain including ploughing, planting, fertilizer application and harvesting.

6.2 Non-use of Cooperatives

The Committee was informed that giving machinery/ equipment to cooperatives was now a thing of the past. An inherent challenge with the system is that there was no ownership hence no one can be held responsible for the maintenance and management of the machinery/equipment. Due to this, most of the equipment sent to cooperatives were never maintained, leading to their deterioration. There were instances where the machinery were even sold and the proceeds shared amongst the members.

Given the lessons learnt, Government is no longer using cooperatives but rather registered business entities as the AMSECs. This approach has worked well since its introduction as the Centers own the machinery and operate as commercial entities.

6.3 Equipping the Centers

The Committee observed that some of the AMSECs were not operational. It was explained that as a result of the high demand for the machinery in certain areas of the country, some of the machinery had been over-used thereby leading to their breakdown.

The Minister of State stated that Government is procuring more machinery to equip existing AMSECs to make them operational and also establish new ones. The goal is to establish an AMSEC in each District. This is to reduce the workload and demand for the machinery.

The Committee was informed that as part of efforts to ensure the effective management of the scheme, there would be training programmes in the following areas:

- Operation and maintenance of agricultural machinery
- Enterprise management including financial management
- Institutional development and marketing.

6.4 Pricing of the Machinery

The Minister of State informed the Committee that under the project, Government would sell the machinery to the AMSECs at concessionary rates. There would also be a financial arrangement for centers buying a large number of machinery.

Further, the machinery will be given at concessionary rates in order to reduce rent charges and also to ensure that farmers can procure the Centers' services whilst the Centers stay competitive.

6.5 Repayment by AMSECs

The Minister of State indicated that at the start of the initiative in 2007, repayment was very bad. The Ministry of Food and Agriculture therefore revised the method of operations. Some of the measures introduced included dealing with Centers which are registered businesses and demanding upfront payment. Centers requiring large machinery pay by installments. These measures have greatly improved recoveries.

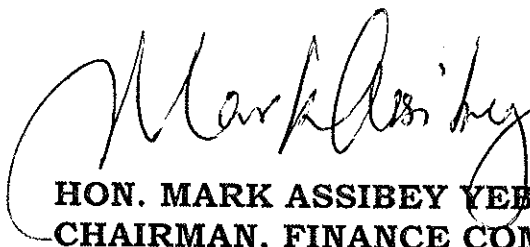
6.6 Machinery and Equipment to be Procured

The Minister of State informed the Committee that this is an Indian EXIM Bank facility and therefore all the machinery and equipment would be procured from India. However, the Ministry of Food and Agriculture has developed the specifications for the various items and this has been supplied to the EXIM Bank. He assured the Committee that given the specifications, there would be value for money. The proposed bill of quantities of the machinery and equipment to be procured is attached as APPENDIX 1

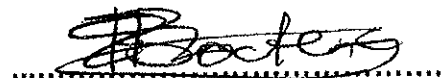
7.0 CONCLUSION

Having considered the immense benefits of the project, the Committee recommends to the House to adopt its Report and approve by Resolution **the Concessional Credit Agreement between the Government of Ghana and Exim Bank of India for a Concessional Loan of an amount of One Hundred and Fifty Million United States Dollars (US\$150,000,000) to finance the Strengthening of Agricultural Mechanization Service Centers (AMSECs)** in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 171 of the Standing Orders of the House.

Respectfully submitted.



HON. MARK ASSIBEY YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE



EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE

APPENDIX 1

ANNEX C - PROPOSED BILL OF QUANTITIES

SN	TYPE OF MACHINERY/EQUIPMENT/FACILITY	SPECIFICATION/CAPACITY	REMARKS	QTY	UNIT COST/USD	TOTAL COST/USD
1.1	Tractors(2WD)	50-60HP	For agricultural activities	1300	16,000.00	20,800,000.00
1.2	Tractors (4WD)	70-80HP	For agricultural activities	200	21,500.00	4,300,000.00
1.3	Plough	3 bottom disc	For primary tillage	1500	3,200.00	4,800,000.00
1.4	Harrow	16" disc	For secondary tillage	1500	3,070.00	4,605,000.00
1.5	Rotavator	6-8"	For secondary tillage	200	3,800.00	760,000.00
1.6	Bund Former	Disc type	For soil moisture conservation	200	3,400.00	680,000.00
1.7	Ridger	3-5 rows	Seedbed preparation	200	3,200.00	640,000.00
1.8	leveler	10ft, 100mm plate	For soil levelling	100	1,800.00	180,000.00
1.9	Trailer	5 tonnes	Carting purposes	1500	5,010.00	7,515,000.00
2.0	Power tiller with accessories	13HP	Land preparation	600	12,500.00	7,500,000.00
2.1	Boom Sprayers	600 litres	Crop maintenance and protection	100	3,500.00	350,000.00
2.2	Maize Planters	4-6 rows	eeding of maize, soybean, etc.	100	6,500.00	650,000.00
2.3	Seed Drills	4-6 rows	Seeding/planting of rice	100	5,000.00	500,000.00
2.4	Sprinkler Irrigation System Set	Set for 1 ha	For irrigation purposes	200	14,000.00	2,800,000.00
2.5	Drip Irrigation System Set	Set for 1 ha	For supplementary irrigation purposes	200	13,500.00	2,700,000.00
3.1	Self-Propelled Combine Harvester (Tracked)	70-90HP	Rice harvesting on irrigated fields	50	75,400.00	3,770,000.00
3.2	Self-Propelled Combine Harvester (Wheels)	70-90HP	Cereal harvesting on upland fields	100	65,000.00	6,500,000.00
3.3	Rice Reaper	8-10HP	Rice harvesting	100	4,000.00	400,000.00
3.4	Multicrop Threshers	1-3 tonnes/hr	For threshing cereals	100	5,000.00	500,000.00
3.5	Maize Shellers	1-3 tonnes/hr	For shelling maize	100	4,500.00	450,000.00
3.6	Maize Dryers	5 tonnes/hr	For drying maize	20	14,000.00	280,000.00
3.7	Rice Threshers	1-2 Tonnes/hr	For threshing rice	100	4,500.00	450,000.00
3.8	Flatbed trailers	3MX8M-5T	For haulage of track combine harvesters	10	20,000.00	200,000.00
3.9	9 tons payload trucks	9T PAYLOAD	For haulage	10	65,000.00	650,000.00

4.1	Rice Processing Facility (Land & Site Development, Buildings, Plant and Machinery)	4 MT/hr with colour sorting and grading facility	For rice processing at 9 locations in GAR (1), Volta (2), UER (2), CR (2) & NR (2)	9	1,820,000.00	16,380,000.00
4.2	Maize Processing Facility (Land & Site Development, Buildings, Plant and Machinery)	2.5 MT/hr maize grit plant with flour making and corn flakes facilities	For maize processing	5	1,640,000.00	8,200,000.00
4.3	Soybean Processing Facility (Land & Site Development, Buildings, Plant and Machinery)	4 MT/hr	For soybean processing	3	1,442,260.00	4,326,780.00
4.4	Warehousing Facility includes Food & Crops Testing Laboratories Equipment	5000-10,000MT	For storage of farm produce ER, NR, BAR, AR, UER, VR	9	1,375,000.00	12,375,000.00
5.1	Mechanical Maintenance and Fabrication Workshops (Building and equipment cost)	2 mechanical workshops per region	For fabrication, maintenance and repairs	20	159,297.00	3,185,940.00
5.2	Regional level training centres (RLiC) (Building and Equipment)	Training Centre	For training of operators, AMSEC Managers, mechanics, technicians, farmers	10	210,000.00	2,100,000.00
5.3	Capacity Building	Enhancement of skills	For enhancement of skills through exposure visits, specialised trainings, certification, etc			1,902,200.00
6.1	Inland and sea transportation, insurance, custom clearance, local transport and handling, spare parts	3400 containers of 40ft	For inland and sea transportation, spare parts	3400	6,500.00	22,100,000.00
7.1	Project Management Consultant, Engineering, Procurement & Construction EPC, DPR Preparation of location specific, facility specific detailed project report	EPC includes expenditure towards preliminary expenses such as mobilisation of P & M, construction material, factory inspections	Tendering and bidding process, construction and project supervision, etc.		LS	7,450,000.00
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