

JOINT PARLIAMENTARY MEMORANDUM

BY THE

MINISTER OF FINANCE

AND

MINISTER OF FOOD AND AGRICULTURE

ON THE

LOAN AGREEMENT

BETWEEN

GOVERNMENT OF GHANA (GOG)

&

KREDITANSTALT FUR WIEDERAUFBAU (KfW)

FOR AN

AMOUNT OF

€23.0 MILLION

FOR THE

**SECOND OUT-GROWER AND VALUE CHAIN FUND
(OVCF II)**

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

MINISTRY OF WATER DEVELOPMENT AND POWER

MINISTRY OF WATER DEVELOPMENT AND AGRICULTURE

MINISTRY OF WATER DEVELOPMENT AND AGRICULTURE

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
COURT YARD

1.0 Action Required by Parliament

Parliament is respectfully invited to consider and approve of a concessional Loan of **€23.0 Million (Twenty-three Million Euros)** for the financing of the **Second Out-grower and Value Chain Fund (OVCF II) Project**. The project will be financed by **Kreditanstalt fur Wiederaufbau (KfW)**.

Cabinet at its thirty-third meeting held on Thursday, 30th April 2015 granted approval for this memorandum to be laid before Parliament.

2.0 Background

The agricultural sector is characterized by high transaction costs for both the financial institutions which seek to provide credit and their clients, higher systemic risks, more volatile cash flows; as well as lower risk-bearing ability and higher vulnerability due to high incidences and depth of poverty among farmers especially. Thus, the demand for varied services from a variety of institutions has become essential.

While a large majority of the poorest households in Ghana are directly linked to agriculture in many ways, rural finance and in particular agricultural lending remains mostly unevenly chartered territory for development finance. This could be attributed to poor and sometimes a lack of infrastructure, distant and dysfunctional markets, inadequate farming methods and inappropriate techniques and technologies, volatile prices and unpredictable weather. These are but a few of the challenges making it difficult for both lenders and farmers.

To help address some of these challenges in agricultural financing, KfW (the German Development Bank) in 2010 provided funding for the Out-grower and Value Chain Fund (OVCF) in Ghana.

The Phase II of the OVCF therefore comes on the heels of the successes chalked in the on-going Phase I. The OVCF II is aimed at deepening the gains of the first phase by improving the incomes of small-scale farmers, thereby contributing to reducing rural poverty. The development of small-scale commercial farms requires linkages to profitable markets and production management that ensures that the products satisfy market expectations and legal requirement, such as quality standards and certifications.

3.0 Project Description

The Second Outgrower and Value Chain Fund is a refinancing facility for providing medium to long term investments through the banking sector. The facility was designed to fill a gap in agriculture financing owing to the growing need for innovative financing in the agricultural sector. The overall goal is to improve the income of target groups, especially small-scale farmers, upgrade the competitiveness of small commercial farmers and their agri-business partners (processors, etc.) in

Partnership property is property owned by the partnership, not by the partners individually. It is property that is used in the partnership's business and is not the personal property of any partner.

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their respective markets and thereby contribute towards rural growth and poverty reduction.

The fund would provide loans to commercially viable value chains and especially out-grower schemes. The OVCF favours the concept of out-grower farming which is based on defined contractual relations between the out-growers, a technical operator (i.e. processor, trader, etc.) and a financial operator (i.e. participating bank) which provides access to services, inputs and funding.

The investment realised through the OVCF shall directly contribute to the improvement of the quantity and/or the quality of production in selected value chains. Some value chains which stand to benefit under the fund include oil palm, rubber, mangoes, cocoa rehabilitation and maintenance, pineapple, rice, maize, butternut scotch for export, leasing of agricultural equipment (tractors, etc.), citrus, livestock (e.g. poultry), aquaculture/tilapia.

The project will be administered by the Ministry of Food and Agriculture through a Fund Management Team (FMT) which would be responsible for the day to day management of the OVCF.

Under this loan agreement, KfW would make a contribution of €23.0 million to finance this project with an additional €1.0 million grant facility to cater for the FMT's expenses, build capacity of all stakeholders and other related expenses incurred during the management of the project.

3.1 Legal and Ownership Structure

The OVCF II would be housed within Ministry of Food and Agriculture (MOFA) with the Fund Secretariat situated in the Policy, Planning, Monitoring and Evaluation Directorate (PPMED). It would therefore not be a separate legal entity from MOFA. It cannot sue and be sued. The Secretariat will only be a conduit for channelling funds to beneficiary out-growers through existing financial institutions who are already subject to regulations by the Bank of Ghana.

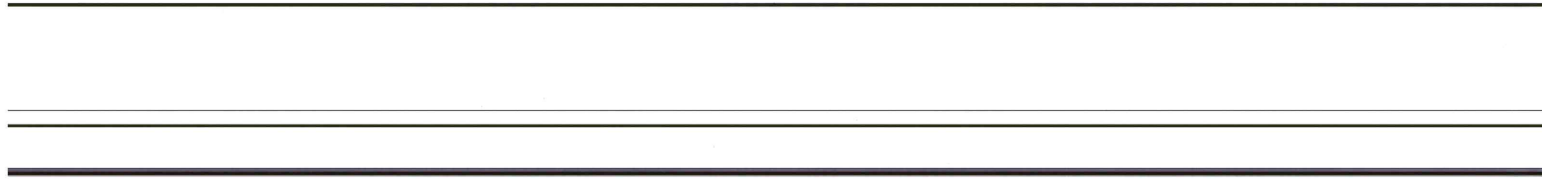
3.2 Organizational Structure

The overall organisational structure of the OVCF II shall consist of two parts:

- i. The policy and supervision structure composed of MOFA, the Ministry of Finance (MOF), BoG as well as the Fund Manager (FMT). It consists of the Steering Committee and the Technical Compliance Committee.

The Steering Committee which would be chaired by MOFA, shall oversee the overall implementation of the project and make policy recommendations accordingly.

1. The first part of the document is a title page.



2. The second part of the document is a table of contents.



3. The third part of the document is a list of figures.

4. The fourth part of the document is a list of tables.

5. The fifth part of the document is a list of references.

6. The sixth part of the document is a list of appendices.

The Technical Compliance Committee shall vet all applications for funding of value chains under the OVCF. The Committee shall include members of MOFA and MOFEP.

BoG shall be the recipient bank of all tranche disbursements from KfW. It shall disburse the received funds to the financial operators under the OVCF based on approved applications. BoG shall also ensure the repayment of loans by the financial operators.

The FMT shall among others, receive funding request and process them in accordance with eligibility criteria before submitting them to the Technical Compliance Committee (TCC) and Steering Committee (SC). It shall identify existing value chains and sensitise actors on it for possible financing and analyse and develop specific financial products for adoption by participating banks.

- ii. The specific out-grower and value chain scheme composed of the technical operator (or nucleus company), the financial operator (the participating bank) and the out-growers.

4.0 Project Objective

The Project has among others the following main objectives:

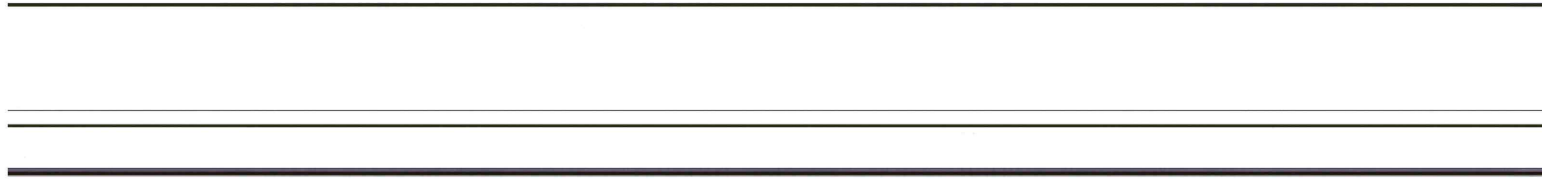
- Provide improved access to medium to long term financing for small-scale farmers and technical operations such as processors, exporters, aggregators, bulk buyers who otherwise would not have access to such financing from mainstream banks;
- Contribute to the development of outgrower schemes in Ghana; and
- Integrate small-holder farmers into commercial agricultural development.

5.0 Justification

OVCF is premised on Government of Ghana's desire to help bridge the financing gap in the agricultural sector by making funds available at affordable market rates for value chain schemes across the length and breadth of the country. With Value chain financing primarily motivated by production and productivity goals, the Government of Ghana's aim in promoting this financing scheme is to help ensure the success and profitability of the business activities of small-scale farmers by providing them with easily accessible and affordable credit.

Overall, the project is consistent with Government's policy objectives of increasing agricultural production and productivity and value chain agriculture as captured in

The Technical Reference Group will all agree that for funding to be available, the project must be a priority for the Government.



There is a need to develop a clear and concise business plan for the project.



The project has identified the following key risks:

- Risk of technical failure due to the complexity of the system.
- Risk of cost overruns due to the large scale of the project.
- Risk of delays due to the need for extensive testing and validation.

7.0 Justification

The project is justified on the basis of the following factors:

- The project will deliver significant benefits to the organization.
- The project is a strategic priority for the organization.
- The project has a clear and concise business plan.
- The project has a strong track record of successful completion.

the Second Food and Agricultural Sector Development Policy (FASDEP II) and the Medium Term Agriculture Sector Investment Plan (METASIP) of MOFA.

6.0 Expected Impact

The project is expected to help reduce the widespread and depth of poverty among small-scale farmers across the length and breadth of the country. These farmers would often not have access to credit from mainstream financial institutions because of their high credit risk position and the prevailing market interest rates.

The agricultural sector is key to the overall economic growth and development of Ghana in view of the larger numbers of the labour force it employs. In the national development agenda, agriculture is expected to lead to growth and structural transformation of Ghana's economy and maximize the benefits of accelerated growth. Hence, any policy intervention that seeks to reduce poverty in the sector has a ripple effect on the rest of the sectors of the economy.

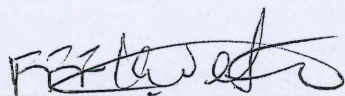
7.0 Financing Terms

The standard **Kreditanstalt fur Wiederaufbau (KfW)** financing for all projects in Ghana include:-

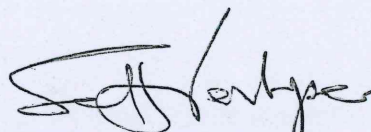
Loan amount	:	€23.0 million
Interest	:	0.75% per annum
Repayment period	:	30 years
Grace period	:	10 years
Maturity	:	40 years
Commitment Fee	:	0.25% per annum

8.0 Conclusion

In view of the immense benefits to be derived from the project, Parliament is respectfully invited to consider and approve the credit agreement for an amount of €23.0 million.



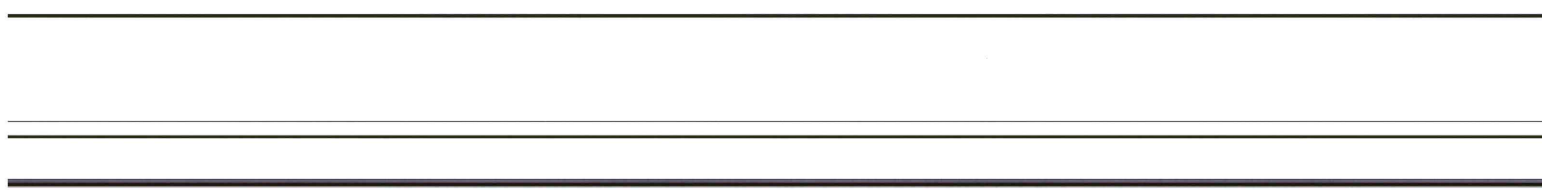
Hon. Fifi Fiavi Kwetey (MP)
Minister of Food and Agriculture



Hon. Seth Terkper
Minister of Finance

_____ June, 2015.

THE UNIVERSITY OF CHICAGO



PHYSICS DEPARTMENT



PHYSICS 435

PHYSICS 435

In case of reply the number and date of this letter should be quoted.

My Ref. No.....

Ref. No.....

SECRET

OP/CA.1/V.5



FREEDOM AND JUSTICE

OFFICE OF THE PRESIDENT

P.O. BOX 1627

ACCRA

TEL: 0302-201000/2



4TH May, 2015

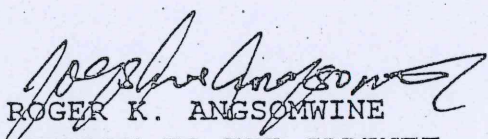
LOAN AGREEMENT BETWEEN GOVERNMENT OF GHANA (GOG) AND
KREDITANSTALT FUR WIEDERAUFBAU (KfW) FOR AN AMOUNT OF
€23.0 MILLION FOR THE SECOND OUT-GROWER AND
VALUE CHAIN FUND (OVCF II)

At its Thirty-Third Meeting held on Thursday 30th April, 2015, Cabinet considered the above-mentioned Memorandum jointly submitted by the Minister for Finance and the Minister for Food and Agriculture.

2. Cabinet was requested to consider and approve a concessional loan of Twenty-three Million Euros (€23.0 Million) for the financing of the Second Out-Grower and Value Chain Fund (OVCF II) Project.

3. Cabinet approved the Memorandum for the consideration of Parliament.

4. I shall be grateful if you could take requisite action on the decision by Cabinet.


ROGER K. ANESOMWINE
SECRETARY TO THE CABINET

THE MINISTER FOR FINANCE
THE MINISTER FOR FOOD AND AGRICULTURE

cc: The Chief of Staff
Secretary to H.E. the President
Secretary to H.E. the Vice President

Loan and Financing Agreement

dated

between

KfW, Frankfurt am Main
("KfW")

and

Republic of Ghana
("Borrower")

for

EUR23,000,000.- and
EUR 1,000,000.-
(Financial contribution)

Outgrower and Value Chain Fund II

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

On the basis of the agreement dated 28 October 2010 between the Government of the Federal Republic of Germany and the Government of the Republic of Ghana on Financial Cooperation ("Government Agreement"), the Borrower and KfW hereby enter into the following Loan and Financing Agreement:

Article 1

Amount and Purpose of the Loan and the Financial Contribution

1.1 KfW shall extend to the Borrower a Loan not exceeding

EUR 23,000,000.-

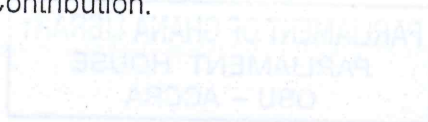
and a Financial Contribution not exceeding

EUR 1,000,000.-

The Financial Contribution shall not be repayable unless otherwise provided in Article 4.3.

1.2 The Borrower shall use the Loan and the Financial Contribution (partial amounts of both being hereinafter also referred to as "Amounts") exclusively for the Outgrower and Value Chain Fund II ("Project") and, specifically, shall use the Loan to promote market-oriented agriculture integrating small farmers into a value chain by linking them to processing or exporting companies and the Financial Contribution to finance the fund manager, his assistants and further studies. Both the Loan and the Financial Contribution shall be employed primarily to pay the foreign costs. The Borrower and KfW shall determine the details of the Project and the goods and services to be financed from the Loan and from the Financial Contribution by a separate agreement.

1.3 Taxes and other public charges to be borne by the Borrower and import duties arising within Borrower country shall not be financed from the Loan or from the Financial Contribution.



Article 2

Disbursement

- 2.1 KfW shall disburse the Loan and the Financial Contribution in accordance with the progress of the Project and upon request of the Borrower. The Borrower and KfW shall determine the disbursement procedure by a separate agreement, in particular the evidence proving that the requested amounts are used for the stipulated purpose.
- 2.2 KfW shall have the right to refuse to make disbursements at the closure of the project or after 31st December 2020 or whichever occurs first.

Article 3

Commitment Charge, Interest, and Repayment of the Loan

- 3.1 The Borrower shall pay a commitment charge of 0.25% p. a. on undisbursed loan amounts. The commitment charge shall be computed for a period beginning three months after the signing of this Agreement and ending at the date at which disbursements are debited.
- 3.2 The Borrower shall pay interest on the Loan at a rate of 0.75 % p. a. Interest shall be charged from the dates at which disbursements are debited to the dates at which repayments are credited to KfW's account specified in Article 3.9.
- 3.3 The Borrower shall pay the commitment charge, interest, and any charges on arrears pursuant to Article 3.5 semi-annually on June 30 and on December 30 for the half-year then ending. The first commitment charge shall be due together with the first interest payment.

3.4 The Borrower shall repay the Loan as follows¹:

Instalment	Date	Amount	
1	December 30, 2025	383.000,00	EUR
2	June 30, 2026	383.000,00	EUR
3	December 30, 2026	383.000,00	EUR
4	June 30, 2027	383.000,00	EUR
5	December 30, 2027	383.000,00	EUR
6	June 30, 2028	383.000,00	EUR
7	December 30, 2028	383.000,00	EUR
8	June 30, 2029	383.000,00	EUR
9	December 30, 2029	383.000,00	EUR
10	June 30, 2030	383.000,00	EUR
11	December 30, 2030	383.000,00	EUR
12	June 30, 2031	383.000,00	EUR
13	December 30, 2031	383.000,00	EUR
14	June 30, 2032	383.000,00	EUR
15	December 30, 2032	383.000,00	EUR
16	June 30, 2033	383.000,00	EUR
17	December 30, 2033	383.000,00	EUR
18	June 30, 2034	383.000,00	EUR
19	December 30, 2034	383.000,00	EUR
20	June 30, 2035	383.000,00	EUR
21	December 30, 2035	383.000,00	EUR
22	June 30, 2036	383.000,00	EUR
23	December 30, 2036	383.000,00	EUR
24	June 30, 2037	383.000,00	EUR
25	December 30, 2037	383.000,00	EUR
26	June 30, 2038	383.000,00	EUR
27	December 30, 2038	383.000,00	EUR
28	June 30, 2039	383.000,00	EUR
29	December 30, 2039	383.000,00	EUR
30	June 30, 2040	383.000,00	EUR
31	December 30, 2040	383.000,00	EUR
32	June 30, 2041	383.000,00	EUR
33	December 30, 2041	383.000,00	EUR
34	June 30, 2042	383.000,00	EUR
35	December 30, 2042	383.000,00	EUR
36	June 30, 2043	383.000,00	EUR
37	December 30, 2043	383.000,00	EUR
38	June 30, 2044	383.000,00	EUR
39	December 30, 2044	383.000,00	EUR
40	June 30, 2045	383.000,00	EUR
Amount carry over		15.320.000,00	EUR

¹ Provided the Agreement is signed in the 2nd trimester 2015.

Amount carried over			15.320.000,00	EUR
Instalment	Date		Amount	
41	December 30,	2045	384.000,00	EUR
42	June 30,	2046	384.000,00	EUR
43	December 30,	2046	384.000,00	EUR
44	June 30,	2047	384.000,00	EUR
45	December 30,	2047	384.000,00	EUR
46	June 30,	2048	384.000,00	EUR
47	December 30,	2048	384.000,00	EUR
48	June 30,	2049	384.000,00	EUR
49	December 30,	2049	384.000,00	EUR
50	June 30,	2050	384.000,00	EUR
51	December 30,	2050	384.000,00	EUR
52	June 30,	2051	384.000,00	EUR
53	December 30,	2051	384.000,00	EUR
54	June 30,	2052	384.000,00	EUR
55	December 30,	2052	384.000,00	EUR
56	June 30,	2053	384.000,00	EUR
57	December 30,	2053	384.000,00	EUR
58	June 30,	2054	384.000,00	EUR
59	December 30,	2054	384.000,00	EUR
60	June 30,	2055	384.000,00	EUR
Total			23.000.000,00	EUR

- 3.5 If any repayment instalments are not at the disposal of KfW when due, KfW may increase the rate of interest on arrears to the base rate plus 3% p.a. for the period beginning with the due date and ending at the date at which such repayments are credited to the account of KfW specified in Article 3.9. The "Base Rate" is the interest rate disclosed by the Deutsche Bundesbank as base rate at the rate applicable on the relevant due date. In the case of interest arrears, KfW may claim damages. Such damages shall not exceed the amount arrived at if interest were charged on such interest arrears at the base rate prevailing at the due date plus 3 % p.a.
- 3.6 Commitment charge, interest, and any charges on arrears pursuant to Article 3.5 shall be computed on the basis of a 360-day year and 30-day months.

~~3.7 Undisbursed or prematurely repaid loan amounts shall be credited in equal proportions against all outstanding repayment instalments unless KfW at its own discretion determines a different offsetting mode in a particular case, especially in the case of amounts of lesser volume.~~

3.8 KfW shall be entitled to credit, at its discretion, payments received against payments due under this Agreement or under other loan agreements concluded between KfW and the Borrower.

3.9 The Borrower shall, under exclusion of any set-off of counterclaims against such payments, remit all payments under this Agreement in Euro to the following account:

Recipient: KfW-Bankengruppe
SWIFT-BIC: KFWIDEFF
IBAN: DE74 5002 0400 3102 4346 95

Article 4

Suspension of Disbursements and Premature Repayment

4.1 The Borrower may at any time:

- a) subject to the fulfilment of its obligations under Article 7, cancel any amounts not yet disbursed; and
- b) repay the Loan in whole or in part in advance of maturity.

4.2 KfW may not suspend disbursements unless:

- a) the Borrower has failed to perform its obligations to KfW to make payments when due;
- b) obligations under this Agreement or under separate agreements pertaining to this Agreement have been violated;

- c) the Borrower is unable to prove that the Amounts have been used for the stipulated purpose; or
- d) extraordinary circumstances arise that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project, or the performance of the payment obligations assumed by the Borrower under this Agreement.

4.3 If any of the situations specified in Article 4.2 a), b) or c) has occurred and has not been eliminated within a period determined by KfW, which shall, however, be at least 30 days, KfW may,

- a) in the case specified in Article 4.2 a), demand the immediate repayment of all outstanding loan amounts as well as the payment of all interest accrued and all other incidental charges;
- b) in the case specified in Article 4.2 b), demand the immediate repayment of the Financial Contribution and all outstanding loan amounts as well as payment of all interest accrued and all other incidental charges;
- c) in the case specified in Article 4.2 c), demand the immediate repayment of such Amounts as the Borrower is unable to prove to have been used for the stipulated purpose.

Article 5

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

Costs and Public Charges

5.1 The Borrower shall make all payments to be effected under this Agreement without any deduction for taxes, other public charges or other costs, and shall pay the transfer and conversion costs accruing in connection with the disbursement of the Loan and the Financial Contribution.

-
- 5.2 ~~The Borrower shall bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the conclusion and execution of this Agreement.~~
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Article 6

Validity of this Agreement and Representation

- 6.1 In due course prior to the first disbursement, the Borrower shall furnish to KfW evidence satisfactory to KfW proving that the Borrower has met all requirements under its constitutional and other laws for the valid assumption of all its obligations under this Agreement.
-
- 6.2 The Minister of Finance and such persons as designated by him or her to KfW and authorized by specimen signatures authenticated by him or her shall represent the Borrower in the execution of this Agreement. The power of representation shall not expire until its express revocation by the representative authorized at the time has been received by KfW.
- 6.3 Amendments or addenda to this Agreement and any notices and statements delivered by the contracting parties under this Agreement shall be in writing. Any such notice or statement shall have been received once it has arrived at the following address of the corresponding contracting party or at such other address of the corresponding contracting party as notified to the other contracting party:

For KfW:

KfW
Postfach 11 11 41
60046 Frankfurt am Main
Federal Republic of Germany
Fax: +49 69 7431-2944

For the Borrower:

Ministry of Finance
P.O. Box MB 40
Accra
Republic of Ghana
Fax: +233 302 668879

Article 7

The Project

- 7.1 The investments financed through the Outgrower and Value Chain Fund must be economically, financially and technically sound and must be considered particularly worthy of promotion both for economic and for development policy reasons.
- 7.2 The Borrower shall
- a) prepare, implement, operate and maintain the Project in conformity with sound financial and engineering practices and substantially in accordance with the Project conception agreed upon between the Borrower and KfW;
 - b) assign the implementation of the Project to qualified firms (technical operators) and banks (financial operators); the selected financial operators shall have good financial standing (Licensed by the Bank of Ghana and sound financial situation) and adequate technical aptitude (expressly declared willingness to cooperate with the Project)
 - c) ensure the full financing of the Project and, upon request, furnish evidence to KfW proving that the costs not to be paid from this Loan or from this Financial Contribution are covered;
 - d) maintain, or cause to be maintained, books and records unequivocally showing all costs of goods and services required for the Project and clearly identifying the goods and services financed;

e) ~~enable the representatives of KfW at any time to inspect said books and records and any and all other documentation relevant to the implementation of the Project, and to visit the Project and all installations related thereto;~~

f) furnish to KfW any and all such information and reports on the Project and its further progress as KfW may request;

h) of its own accord promptly inform KfW of any and all circumstances that preclude or seriously jeopardize the implementation, the operation, or the purpose of the Project;

i) shall without delay forward to KfW any queries received by the Borrower from the OECD or its members under the so-called "Agreement for Untied ODA Credits Transparency" following the award of the contracts for the supplies and services to be financed from the Loan and shall coordinate the reply to any such query with KfW.

7.3 The Borrower and KfW shall determine the details pertinent to Article 7.1 by a separate agreement.

7.4 For the transport of the goods to be financed the provisions of the Government Agreement, which are known to the Borrower, shall apply.

Article 8

Publication and transfer of project-related information

8.1 To comply with internationally accepted principles of utmost transparency and efficiency in the development cooperation, KfW publishes selected information (including evaluation reports) about the Project and how it is financed during pre-contractual negotiations, while the Project-related agreement(s) is (are) being implemented and in the post-contractual stage (hereinafter referred to as the "**Entire Period**")

The information is published regularly on KfW's website for its business area "KfW Development Bank" (<http://transparenz.kfw-entwicklungsbank.de/>).

The publication of information (either by KfW or third parties in accordance with Article 8.3 below) about the Project and how it is financed does not include any contractual documentation or any sensitive financial or business-related detailed information about the parties involved in the Project or its financed, such as

- a) Information about internal financial data;
- b) business strategies;
- c) internal corporate guidelines and reports;
- d) personal data of natural persons;
- e) KfW's internal rating of the parties financial position.

8.2 KfW shares selected information about the Project and how it is financed during the Entire Period with the entities mentioned below, particularly to ensure transparency and efficiency:

- a) subsidiaries of KfW;
- b) the Federal Republic of Germany and its competent bodies, authorities, institutions, agencies or entities;
- c) other implementing organisations involved in German bilateral development cooperation, particularly the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;
- d) international organisations involved in collecting statistical data and their members, especially the Organisation for Economic Cooperation and Development (OECD) and its members.

8.3 Furthermore, the Federal Republic of Germany has requested KfW to share selected information about the Project and how it is financed throughout the Entire Period with the following entities, which publish the sections relevant to the purpose:

- a) Federal Republic of Germany for the purposes of the International Aid Transparency Initiative (http://www.bmz.de/de/was_wir_machen/wege/transparenz-fuer-mehr-Wirksamkeit/index.html);
- b) Germany Trade & Invest (GTAI) for the purposes of market information (<http://www.gtai.de/GTAI/Navigation/DE/trade.FOO>);
- c) OECD for the purpose of reporting financial flows in the framework of development cooperation (<http://stats.oecd.org/>);

d) German Institute for Development Evaluation (DEval) for the purposes of evaluating the overall German development cooperation to ensure transparency and efficiency (<http://www.deval.org/de/>).

8.4 KfW further reserves the right to transfer (including for the purposes of publication) information about the Project and how it is financed during the Entire Period to other third parties so as to safeguard legitimate interests. The information is not transferred by KfW to other third parties if the legitimate interests of the Borrower/Recipient and the Project Executing Agency in the information not being transferred outweigh KfW's interests in it being transferred. The legitimate interests of the Borrower/Recipient and the Project Executing Agency particularly include the confidentiality of the sensitive information mentioned in Article 8.1, which is excluded from publication. Furthermore, KfW is entitled to transfer information to third parties if this is necessary due to statutory or regulatory requirements or to assert or defend claims or other legal rights in court or administrative proceedings.

Article 9

Miscellaneous Provisions

- 9.1 The Borrower shall ensure that the persons charged by the same with the preparation and implementation of the project, the award of any contract for the supplies and services to be financed and with requesting disbursements of loan amounts and financial contribution amounts do not demand, assume, render, grant, promise or obtain a promise of unlawful payments or other advantages in connection with these tasks.
- 9.2 KfW is entitled to furnish the Federal Republic of Germany with information in connection with the conclusion and the execution of this Loan Agreement. Both KfW and the Federal Republic of Germany have the right to pass on information on the Loan and the Project including the award of the contracts for the supplies and services to be financed from the Loan to international organisations engaged in the collection of statistical data, particularly in connection with aspects of debt service.

- 9.3 If any of the provisions of this Agreement is invalid, all other provisions shall remain unaffected thereby. Any gap resulting therefrom shall be filled by a provision consistent with the purpose of this Agreement.
- 9.4 The Borrower may not assign or transfer, pledge or mortgage any claims from this Agreement.
- 9.5 All claims of KfW under this Agreement expire after five years from the end of the year in which any such claim has accrued and in which KfW has become aware of the circumstances constituting such claim or could have become aware of them without gross negligence.
- 9.6 This Agreement shall be governed by the law of the Federal Republic of Germany. The place of performance shall be Frankfurt am Main
- 9.7 All disputes arising out of or in connection with the present Agreement shall be settled first through amicable discussions between the parties, failing which the party who alleges that a dispute has arisen may commence arbitration proceedings which shall be exclusive and final. In this regard, the following will apply:
- a) The arbitration tribunal will consist of three arbitrators who will be appointed in the following manner, (i) one arbitrator each would be appointed by the Borrower and KfW (ii) the third arbitrator would be appointed by both parties acting together who would act in accordance with UNCITRAL rules. applicable from time to time.
 - b) The arbitration proceedings will be conducted in Frankfurt am Main. The proceedings will be held in the English language.

Done in 2 originals in the English language.

Frankfurt am Main

Accra

this

this

KfW

Republic of Ghana
represented by the
Ministry of Finance

Ministry of Finance
P. O. Box M 40
Accra / Republic of Ghana

Isabel Huber
our ref.: Hu
phone: +49 (0)69 7431 2127
email: Isabel.huber@kfw.de
Date: Draft cleared wi. MoF/MoFA

Ministry of Food and Agriculture
P. O. Box M 37
Accra / Republic Ghana

LAa3 German Financial Cooperation with Republic of Ghana
Outgrower and value chain fund (OVCF) II
Loan component EUR 23 million, BMZ-No 2009 65 327
Financial contribution EUR 1 million, BMZ-No 2009 70 467

Separate Agreement to the Loan and Financing Agreement dated

Dear Sir or Madam

In accordance with the Loan Agreement entered into between ("Borrower") and KfW ("KfW") dated _____ the following shall be determined by separate agreement:

Pursuant to Article 1.2:

the details of the Project as well as the goods and services to be financed from the Loan;

Pursuant to Article 2.1:

the disbursement procedure, in particular the evidence proving that the disbursed loan amounts are used for the stipulated purpose;

Pursuant to Article 7.3: the details pertaining to Article 7.1 and 7.2.

We propose that the following be agreed upon:

I. Project Design

1. Details of the Project

The Project concerns the Outgrower and Value Chain Fund (OVCF), Phase II. The purpose of the Project is the improvement of quantity and/or quality of production in selected value chains of the Ghanaian agriculture, particularly by promoting linkages between small-scale commercial farmers and agro-processors (outgrower schemes). This is to contribute to the reduction of rural poverty in the program regions. The criteria for reaching these objectives, the Project results and the required Project activities as well as the assumptions underlying the Project purpose and the Project results are contained in Annex 1.

The design of the Project is based on the documents enumerated in Art. I Project Design of the Separate Agreement dated 29.03.2010 signed for Phase I.

The following Project activities shall be financed from the Loan:

- Costs for the establishment of plantations and productive infrastructure related to outgrower schemes,
- Spot improvements of infrastructure related to outgrower schemes,
- Specific scheme management services.

The following Project activities shall be financed from the Financial Contribution:

- Fund management,
- Complementary studies.

2. Time Schedule

The underlying time schedule for the preparation, implementation and operation of the Project is contained in Annex 2.

3. Total Cost and Financing

The estimated total Project cost ("Total Cost") underlying the Project appraisal is approximately EUR 31.4 million. The Loan amount is EUR 23 million and the amount of the financial contribution is EUR 1 million. The composition of Total Costs and the financing plan are contained in Annex 3.

4. Changes in the Project Design

Any major changes in the Project design shall require KfW's prior consent. The Borrower shall inform KfW thereof immediately, stating the reasons, the planned measures and the consequences of the change (including on Total Cost). Execution of such measures may commence only on the basis of revised planning and upon KfW's consent.

II. Project Implementation

1. Responsibilities and Time, Cost and Financing Schedule

- 1.1 The Ministry of Food and Agriculture (MoFA) shall be responsible for the implementation of the Project.
- 1.2 The overall organisational structure of the OVCF will consist of two parts, namely (I) the policy and supervision structure and (II) the specific outgrower and value chain schemes.
- 1.3 The policy and supervision structure shall be composed of a steering committee, a technical committee and the fund manager as well as the Bank of Ghana (BoG): During Phase I of the OVCF details referring to composition and tasks of the different levels mentioned were discussed and considered with consent of all different stakeholders into the Operational Manual and respective annexes.
- 1.4 The detailed time, cost, and financing schedule, regularly updated for the proper technical and financial implementation of the Project, shall be prepared as soon as possible by the Borrower in cooperation with the Fund Manager and submitted to KfW. Such schedule is to show, by deadlines and amounts, the intended chronological interrelation of the Project activities and the resulting financial requirements. If any deviation from such schedule becomes necessary during the implementation of the Project, KfW shall be furnished with a revised schedule.

2. Assignment of a Consultant

2.1 The duties of the consultant shall comprise the management of the OVCF (fund manager). Furthermore, short-term consultants may be recruited to carry out specific studies, which are crucial for the OVCF. KfW and the borrower shall agree by exchange of letters on the study themes and whether they shall be financed out of the loan or financial contribution.

2.2 The contract for the Fund Manager has been tendered for 2 years (Phase I) on basis of the tender procedures defined in the Separate Agreement dated 29.03.2010 signed for Phase I. Provided the services of the Fund Manager meet all the expectations of the borrower and KfW and subject to an approval by the Borrower and KfW of a financial and technical proposal to be submitted by the Fund Manager the contract can be extended for further 2 years (Phase II). For the case the extension of the contract shall not be a suitable option the consultant services for the Fund Management during Phase II shall be tendered according to Article 2 (Assignment of a Consultant) of the Separate Agreement dated 29.03.2010 signed for Phase I.

2.3 In case the Borrower will extend the consultant contract and designate the consultant CIDR for the rendering of the above mentioned services, the engagement of the consultant shall require KfW's prior approval. For this purpose KfW shall be furnished in due course with the draft contract, documents on the qualifications of the experts chosen for the Project, the technical and the financial offer and all other relevant documentation as KfW may request.

3. Award of Contracts for Goods and other Services

The stipulations made under Art. 3. Award of Contracts for Goods and other Services of the Separate Agreement dated. 29.03.2010 signed for Phase I remain valid.

4. Provisions for the Proper Operation of the Project

To secure the proper operation of the Project, the Borrower shall submit respective operation and maintenance concepts drawn up in cooperation with the respective technical operators.

III. List of Goods and Services and Disbursement Procedure

1. List of Goods and Services

1.1 The list of the goods and services to be financed from the Loan shall be prepared on the basis of the contracts concluded for such goods and services. Accordingly, KfW shall be furnished with an original or a copy of each of said contracts and of any pertinent amending contracts.

1.2 If any Project measures are to be executed on force account and no contracts have been concluded, KfW shall receive, in lieu of the contracts, a schedule of the measures planned, broken down by main cost categories ("schedule of force-account measures"). Costs incurred for general administration in connection with force-account work must not be included in said schedule of force-account measures.

1.3 After having reviewed the contracts, the KfW shall inform the Borrower on request of the amounts of the Loan that it has reserved for financing (list of goods and services).

2. Disbursement Procedure

Disbursement shall be governed by the regulations as stipulated in Annex No. 4 (Disbursement Procedure), which forms an integral part of this agreement.

IV. Reporting and Other Provisions

The stipulations made under Art. IV. Reporting and Other Provisions of the Separate Agreement dated. 29.03.2010 signed for Phase I remain valid.

Please confirm your consent to the above Agreement by signing in a legally binding form and returning the enclosed copies.

Please forward a copy of the present letter in due course to the consultant.

Yours sincerely,

KAW

Annexes

Annex 1: Objectives and Results of the Project and Assumptions for their Achievement

Annex 2: Time Schedule

Annex 3: Total Cost and Financing

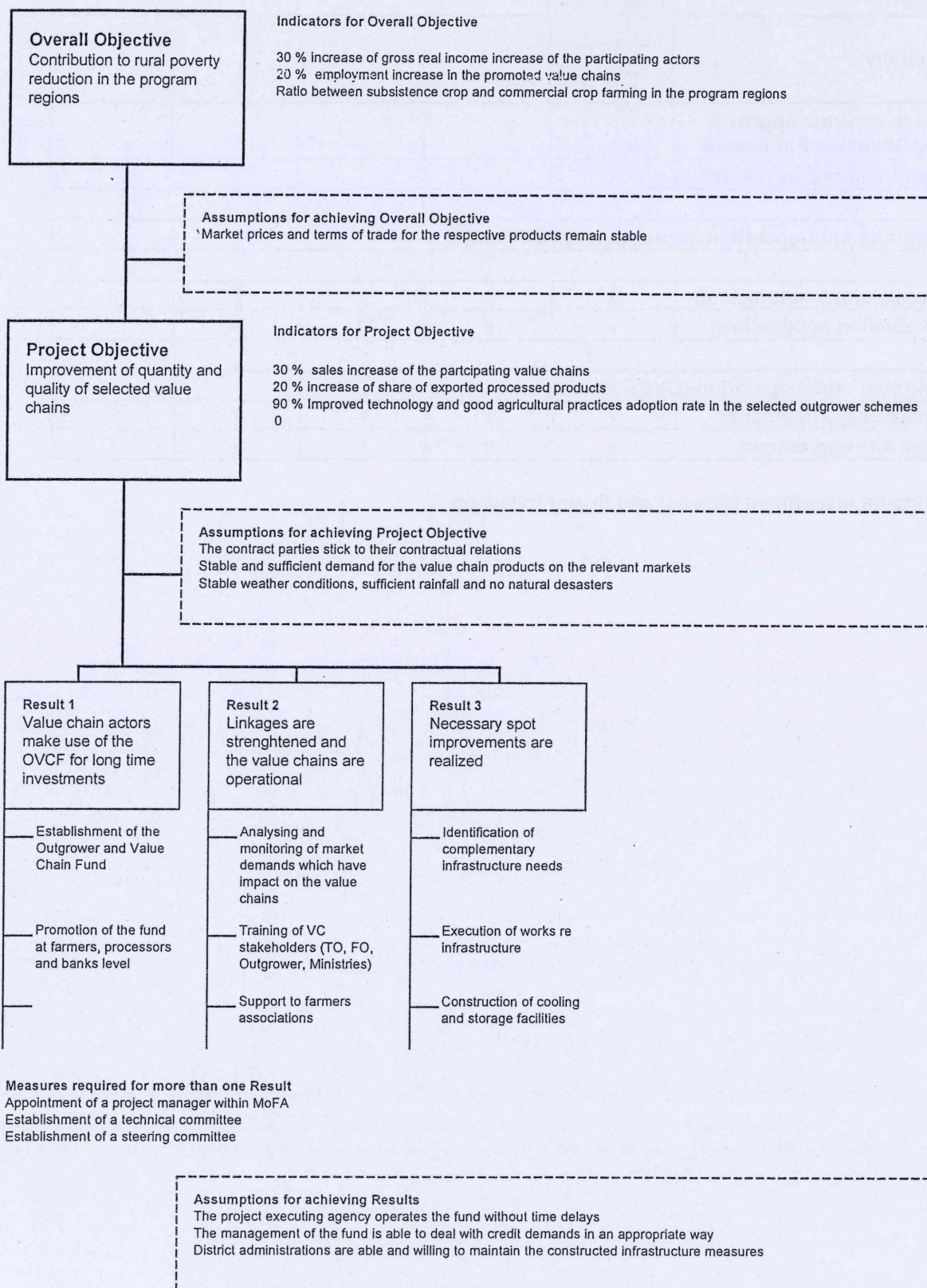
Annex 4: Disbursement Procedure

Read and agreed:

Accra, this

Outgrower and value chain fund

LogFrame - OVCF



**OVCF
Time Schedule for the Project**

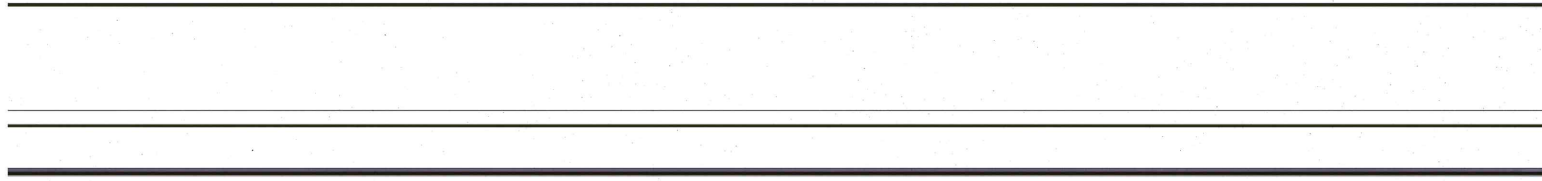
Year	2015				2016	2017	2018	2019
Quarter	I	II	III	IV				
Activity								
Loan contract approval by Ghanaian Parliament		X						
Loan contract signature		X						
ongoing fund operation, promotion (OVCF I and II)								
Applications submission		X			X	X	X	X
Evaluation applications		X			X	X	X	X
ongoing credit operation (OVCF I and II)								
onlending agreements		X			X	X	X	X
tripartite agreements		X			X	X	X	X
ongoing investment phase (I and II) and follow up								

OVCF II
Total Cost and Financing
(OVCF

Outgrower and value chain fund II
TOTAL COSTS AND FINANCING (Million)

		Costs				Financing			
		Local costs	Foreign costs	Total costs		KfW-Loan	KfW-Grant	Outgrower Schemes/Counterpart	Total financing
		Mio GHC	Mio EUR	Mio GHC	Mio EUR	Mio EUR	Mio EUR	Mio EUR	Mio EUR
1	Investments								
1,01	Middle-to long-term investments								
	~Outgrower	39,708	0,000	39,708	16,545	11,030	0,000	5,515	16,545
	~Nucleus companies	11,462	0,000	11,462	4,776	4,776	0,000	0,000	4,776
1,02	Infrastructure								
	~Outgrower	12,208	0,000	12,208	5,087	3,391	0,000	1,696	5,087
	~Nucleus companies	3,524	0,000	3,524	1,468	1,468	0,000	0,000	1,468
	Technical Assistance for infrastructure, outgrower management etc.	5,520	0,000	5,520	2,300	2,300	0,000	0,000	2,300
1,03	Technical and financial contingencies	0,084	0,000	0,084	0,035	0,035	0,000	0,000	0,035
	Sub total I	72,506	0,000	72,506	30,211	23,000	0,000	7,211	30,211
2	Accompanying measures	2,799	0,000	2,799	1,098	0,000	1,166	0,100	1,267
	Total	75,305	0,000	75,305	31,309	23,000	1,166	7,311	31,478

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Annex 4
to the Separate Agreement

Officer in Charge: Julia Kirchner
phone: +49 69 7431-8249
email: Julia.kirchner@kfw.de

Disbursement Procedure

German Financial Cooperation with Republic of Ghana
Loan/Financing/Project/Programme Agreement of KfW
EUR 23 million Loan component and EUR 1 million Financial Contribution component
Programme name: Outgrower and value chain fund (OVCF) II
KfW-Reference No.: 2009 65 327 EUR 23 million Loan
KfW-Reference No.: 2009 70 467 EUR 1 million Financial contribution

1 INTRODUCTION

This annex stipulates the disbursement procedure for the above-mentioned project/programme. The Separate Agreement including this Annex shall be made available to all staff of the borrower, recipient, or project/programme-executing agency ("**Authorized Party**") and any other party involved with disbursements.

KfW disburses loans and non-repayable financial contributions ("**Funds**") upon request of the **Authorized Party** in accordance with the progress of the projects/programme financed. KfW supervises the contractual use of the Funds which it has reserved for specific goods and services on the basis of the "Separate Agreement" pertaining to the Loan/Financing/Project/Programme Agreement. The List of Goods and Services as well as the corresponding Funds reserved thus form the framework within which the Authorized Party may request disbursement from KfW once all contractual prerequisites for disbursement have been fulfilled.

2 GENERAL PROVISIONS

2.1 All withdrawal applications shall

- indicate the **KfW Reference Number**,
- be **numbered consecutively** and
- be signed by representatives of the Authorized Party who have been designated as authorized towards KfW and of whom KfW has received **specimen signatures** (example see **Attachment A**).

2.2 In general, KfW accepts only **original** withdrawal applications. If, in exceptional cases, a withdrawal application has been transmitted by fax, the original is to be sent by mail immediately afterwards marked as fax confirmation. KfW is released by the Authorized Party from liability for any damage resulting from false transmissions, due in particular to transmission errors, abuse, misunderstanding, or mistakes.

2.3 For payments made in a currency other than that committed ("**Foreign Currency**"), KfW will debit the borrower or recipient with such amount as was expended by KfW for the procurement of the foreign currency, inclusive of incidental expenses.

2.4 ~~KfW will not be liable for delays caused by transferring banking institutions in the~~
disbursement or remittance of Funds. If any delay is caused by KfW, its liability will be
limited to the payment of interest accrued.

3 SPECIAL PROVISIONS

3.1 Authorized Party is the Ministry of Finance, Accra.

3.2 Procedure to be applied

The Funds assigned to goods and services specified in the Separate Agreement I.1. (fund management and complementary studies under the Financial Contribution) shall be disbursed according to the **Direct Disbursement Procedure (Consultant)**.

The Funds assigned to goods and services specified in the Separate Agreement I.1. (spot improvements of infrastructure related to outgrower schemes) shall be disbursed according to the **Direct Disbursement Procedure**.

The Funds assigned to goods and services as specified in the Separate Agreement I.1. (costs for the establishment of plantations and productive infrastructure related to outgrower schemes, specific scheme management services) shall be disbursed in **Tranches** to a special account held with the Bank of Ghana.

3.3 Direct Disbursement Procedure (Consultant)

The Authorized Party will send KfW a duly signed Withdrawal Application (see Attachment B), indicating the beneficiary's name and payment instructions (full bank details).

3.3.1 Documents supporting the Withdrawal Application, whenever applicable:

- Copy of consultant's invoice
- Evidence of the contractually agreed bases for price computation in case of price escalation
- List of expenditures for reimbursable costs showing date, description, price, exchange rate of the expenditure, duly signed by the consultant stating that the information given is true and correct.

3.3.2 Documents

All original evidence of expenditures corresponding to the invoices is to be kept until at least five years after completion of the financed measures and will have to be accessible at all times for inspection by KfW or third parties so instructed by KfW (e.g. auditors) or will be sent on request to KfW or to third parties commissioned by KfW.

3.4 Direct Disbursement Procedure

The Authorized Party will send KfW a duly signed (authorized signatures) withdrawal application (see Attachment C), indicating the beneficiary's name and payment instructions (full bank details).

3.4.1 Documents supporting the Withdrawal Application whenever applicable:

Under the Direct Disbursement Procedure the Authorized Party is to include the following documents in the withdrawal application whenever appropriate:

- Copies of **commercial invoices** for the goods and services to be financed. The invoices are to be made up according to the specifications stipulated in the contracts for goods and/or services.

In addition, in case no implementation consultant is contracted and price escalation has been invoiced.

- evidence of the contractually agreed bases for price computation

- Where appropriate, copies of the **bank guarantees and acceptance certificates** to be produced in accordance with the contract for goods and/or services, and **certificates on the progress of the project.**

- A confirmation on the invoice by the consultant contracted in the implementation of the project, stating
 - that the goods and services invoiced have been duly provided and their payment is due,
 - that all documents to be presented (incl. guarantees) are in accordance with contract conditions and KfW regulations/standards,
 - that all prerequisites for the application of price escalation clause have been fulfilled and price increase invoiced is justified.

3.5 Disbursement in Tranches

The Authorized Party will send KfW a duly signed Withdrawal Application (see Attachment D), indicating the beneficiary's name and payment instructions (full bank details).

The First Tranche of EUR 1 million will be disbursed by KfW as an advance payment upon entry into force of the Loan Agreement.

For all following Tranches the Authorized Party will present evidences together with the Withdrawal Application after expenditures of at least 80 % of the preceding tranche can be substantiated. The actual amount to be disbursed in all following tranches is subject to the presentation of a forecast of the expenditures planned for the following three months by the Authorized Party.

In due time, the Authorized Party will prepare a Statement of Expenditures (SOE), drawn up in accordance with the loans/subloans extended and described in the Separate Agreement. The SOE, duly filled in, (form see Attachment) is to be attached to the Withdrawal Application.

For the balance of funds the presentation of evidence of the use of funds by means of a Statement of Expenditures (SOE) is to be presented to KfW within six months after disbursement of the last Tranche.

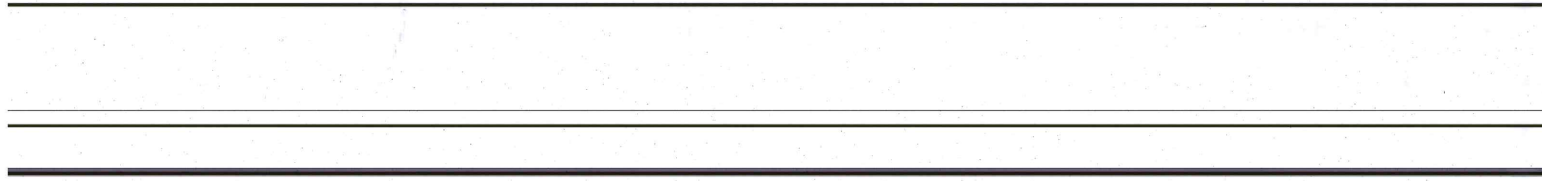
3.5.1 Documents

All original evidence of expenditures pertaining to the loans is to be kept until at least five years after completion of the financed measures and will have to be accessible at all times for inspection by KfW or third parties so instructed by KfW (e.g. auditors) or will be send on request to KfW or to third parties commissioned by KfW.

3.6 An **external auditor** shall examine annually (in compliance with KfW Terms of Reference for Auditors, Attachment E) whether the funds have been managed properly. The final audit will be executed six months after funds have been fully used. A copy of each auditor's report will be sent to KfW in due course after the end of the period under review.

3.7 **Debit advices** will be automatically distributed to the addressees of the Separate Agreement and to other parties involved as communicated to KfW by the Authorized Party.

Please contact the KfW-official mentioned above if you have any questions about the disbursement procedure, quoting the KfW-reference number.



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