

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

**REPORT OF THE FINANCE COMMITTEE ON THE
LOAN AGREEMENT BETWEEN THE REPUBLIC OF
GHANA AND THE AFRICAN DEVELOPMENT FUND
IN THE AMOUNT OF UA 15,002,600 (US\$19.47
MILLION) TO FINANCE THE INLAND VALLEYS
RICE DEVELOPMENT PROJECT**

1.0 INTRODUCTION

The above Agreement was laid in the House on Tuesday, 13th November 2001, in accordance with Article 181 of the Constitution, and referred to the Finance Committee for consideration and report, pursuant to Article 171(1) of the Standing Orders.

The Committee met with the Deputy Minister for Food and Agriculture, Dr. Majeed Haroon, officials of the Ministry of Food and Agriculture and a technical team from the Ministry of Finance and reports as follows:

2.0 BACKGROUND

Ghana imports about two-thirds of its rice requirements. Even though the development of irrigation schemes has so far failed to ensure national self-sufficiency in rice production, there is the need to increase local rice production through rice farming in the inland valleys, which have a favorable natural resource base.

Government has therefore subsidized rice development in the inland valleys through the provision of simple, low cost, traditional water management structures, and the use of improved production inputs and post-harvest management methods, in order to boost rice production for food security, employment generation, and foreign exchange-saving through import substitution.

The Inland Valleys Rice Development Project is thus to support Government's agricultural growth and development initiatives through:

- Promoting the expansion of inland valley areas under cultivation for increased output and improved quality of rice;
- Facilitating access to field and markets through improvement in feeder roads, transportation system;
- Facilitating access to rural finance for production, processing and marketing;
- Providing technological packages for rice production and processing; and
- Building the human resource and institutional capacity of farmers, farmer groups/associations, private sector processors and traders, research scientists and agricultural extension agents.

3.0 PROJECT AREA AND BENEFICIARIES

The Ministry of Food and Agriculture (MOFA) and the African Development Bank (AfDB) have jointly selected 25 valley bottom sites from 17 potential Districts in 5 Regions. The Regions and Districts are :

1. Ashanti Region

- ♣Ejisu-Juaben
- ♣Ahafo Ano South
- ♣Ejura-Sekyedumase

2. Brong Ahafo Region

- ♣Tano
- ♣Atebubu

3. Central Region

- ♣Assin

4. Eastern Region

- ♣Birim South
- ♣Birim North
- ♣Kwaebibirem

5. Western Region

- ♣Shama-Ahanta East
- ♣Mpohor-Wassa East
- ♣Nzema East
- ♣Wassa West
- ♣Wassa Amenfi
- ♣Aowin-Suaman
- ♣Sefwi Wiawso
- ♣Juabeso-Bia

3.1 CRITERIA FOR AREA SELECTION

The Project's target beneficiaries are smallholder rice farmers, millers and traders including men, women and farm families. They will comprise about 9,000 rice farmers made up of 450 farmer group/associations, 50 mill operators and 100 traders within the private sector. The secondary project beneficiaries will be 36 Agricultural Extension Agents (AEAs) of MOFA and 10 rice scientists from research institutes and universities.

The Project sites were selected based on the following criteria:

- (a) the farmers' experience and know-how in rice production;
- (b) the potential of inland valley area as a result of previous topographic assessment;
- (c) the physical accessibility and distance to site from farmers' village; and
- (d) the existing level of inland valley development.

The implementation of the Project will have limited environmental impacts that can be routinely resolved through application of mitigating measures and/or design changes. The Environmental Protection Agency (EPA) will assist with monitoring and evaluating these impacts throughout project implementation.

4.0 PROJECT OBJECTIVES

The project will increase incomes of small holder rice producers by increasing the production of good quality local rice in the target areas.

Through this it will:

- (i) improve rural living conditions whilst promoting crop development in an environmentally friendly manner;
- (ii) create employment through on-farm production, processing, marketing, input supply, and construction of civil works;
- (iii) improve the technical, business and financial management skills of women farmers, women processors and women traders;
- (iv) maintain a healthy population so as to preserve the labor force within the project area for sustainable development activities, and
- (v) contribute to foreign exchange savings through import substitution.

4.1 PROJECT OUTPUTS

The outputs expected to be derived from the project include:

- Development of rice with improved technology in inland valleys to cover an area of 4,500 hectares in the project area.
- Increase in rice yields from 1.5 t/ha to 4.5 t/ha.
- The release and adoption of 10 on-farm tested new rice varieties by farmers in the project area.
- Improvement of 200 km of feeder roads and upgrading of 80 km of field access tracks in the 17 districts in the five regions listed above.

- Enhancement of the technical and managerial capacity of 9,000 farmers, 450 farmer groups/associations, 50 rice mill operators and 100 traders.
- Enhancement of the capacity for rice research, as well as the improvement in the delivery of extension services to beneficiaries.

5.0 PROJECT COMPONENTS AND ACTIVITIES

The Project has 5 main components, which are:

I. LAND MANAGEMENT

The Project is to develop 4,500 hectares scattered over 25 inland valley sites, ranging from 100 to 300 hectares, in the 17 districts in the project area. This development will involve land clearing, survey, design and supervision, and construction of simple, low cost, land and water management structures (contour bunds, small dikes, irrigation and drainage canals, field bunds and leveled basins). Beneficiary farmers will undertake field bunds and leveling of rice basins, and maintenance of bunds.

II. CREDIT FOR CROP DEVELOPMENT

A credit scheme totaling UA4.72 million (US\$6.12 million) 31% of the ADF Loan would be established and managed by the Agricultural Development Bank (AgDB), to support crop intensification and expansion as well as improved post-harvest handling. Short-term loans (6-12 months) will be provided to farmers for direct production inputs, medium-term loans (up to 5 years) will be provided to

entrepreneurs for acquisition of farm machinery and equipment, storage facilities, drying floors and mini-rice mills, and inventory credit will be accessed by traders to purchase paddy from farmers. The chargeable interest rates will be at the prevailing rates for both small holder beneficiaries and short term production loans.

III. CAPACITY BUILDING

The Project will contract selected NGOs to mobilize and form groups of rice farmers, processors and traders, and train them in business and management skills. Rice farmers will be trained in crop management techniques and environmental protection through Farmer field Schools (FFSs), field visits, workshops and seminars.

Agricultural Extension Agents (AEAs) would also be trained in efficient on-farm nutrient utilization, intensification of the rice-based cropping systems and Integrated Crop and Pest Management (ICPM) for delivery to farmers, and research scientists will benefit from short-term training and study tours in the West Africa sub-region.

In line with Government's development strategy, the project will collaborate with the Ministry of Health to undertake HIV/AIDS control, malaria prevention, family planning awareness and population control campaigns targetted at farmers, processors, traders and extension agents in the project area.

IV. ADAPTIVE RESEARCH AND SURVEYS

Technologies will be tested and demonstrated at selected sites. Research activities will include on-farm evaluation of

improved varieties, nutrient management, rice-based cropping systems studies and Integrated Crop and Pest Management (ICPM). Foundation seed of superior varieties will be produced for multiplication and adoption by farmers. A baseline survey will be conducted to establish benchmark parameters for monitoring of project performance.

V. PROJECT COORDINATION

The Project will be implemented by the Directorate of Crop Services of the Ministry of food and Agriculture, which will be supported by a technical team of three national Specialists comprising a Rice Production Specialist (Team Leader), a processing and marketing Specialist and a Water Management Engineering Specialist. At the field level, the project will be coordinated by 5 Regional Development Officers for Crops in the respective Regional Agricultural Development Units (RADUs). The Project's technical team will be located in Kumasi, where they will share the office space and accounting facilities of the Project Management Unit of the on-going African Development Bank -funded food Crops Development Project.

5.1 OVERALL PROJECT SUPERVISION

The existing Project Steering Committee (PSC) of the food Crops Development Project, chaired by the Deputy Minister of Food and Agriculture (Crops) and assisted by national Director of Crop Services, MOFA would provide overall policy guidance and coordination. Additional stakeholder members to the Steering Committee will include representatives of the project regions, beneficiaries (farmers, processors and traders), farmer groups/associations and NGOs.

Five Regional Technical committees (RTCs) will oversee project implementation in the respective districts. Each RTC will be chaired by the Regional Director of Agriculture and will include the respective District Directors of Agriculture, the Regional Development Officer for Crops, a representative of the District Assembly, the three National Technical Specialists, and three representatives (one each) of the primary beneficiary farmers, processors and traders.

6.0 PROJECT BENEFITS

The expected benefits of the Project include the following:

- the implementation of this Project will increase the annual farm gross margin incomes per hectare of farmers seventeen-fold, which is appreciable to ensure full, active and sustained participation of rice farmers in the operation and maintenance of the production schemes under the Project;
- the annual gross income/profit of rice processors and traders will increase by about ten-fold and thirteen-fold, respectively;
- the project's production activities will provide continuous employment for 60,000 people in 10,000 households, and create 8,500 seasonal jobs. There will be increased labor demand for the construction of civil works, land development, and annual operation and maintenance of structures;
- employment opportunities will increase substantially in the processing and marketing of rice, and in the supply of inputs, machinery and equipment;

- on-farm and off-farm project activities will generate disposable income in rural communities in order to reduce poverty levels;
- increased incomes for women, derived from specific training programmes, direct production activities and credit, will improve household food security and family livelihood;
- the provision of appropriate farm machinery, equipment and processing plants will reduce women's drudgery in the project area;
- the project's participatory approach will help address the needs of resource-poor farmers, majority of whom are women;
- the dissemination of HIV/AIDS control and malaria prevention messages to the project beneficiaries will create a healthy population and preserve the labour force.

7.0 PROJECT DURATION, COST AND FINANCING

The Project will be implemented over a five-year period. Its total cost, exclusive of custom duties and taxes but including physical and price contingencies, is estimated at UA17,094,800 (US\$22.19 million), of which UA15,002,600 (US\$19.47 million), or 88%, is a concessional loan from the African Development Fund, whilst UA2,092,200 (US\$2.72 million), or 12%, represents Government's contribution (including beneficiaries); to cover project stall salaries, office space and facilities for Project coordination Unit, and operating costs. Beneficiaries contribution will be in the form of labour towards the costs of land clearing,

construction and maintenance of field bunds, field levelling and upgrading of field access tracks.

7.1 TERMS AND CONDITIONS

Total Amount	-	UA15,002,600 (US\$19.47 million)
Repayment Period	-	40 years
Grace Period	-	10 years
Interest Rate	-	1% (11 th - 20 th year inclusive) 3% (21 st - 40 th year inclusive)
Commitment Fee	-	0.25%
Service Charge	-	0.75%

8.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee noted that under the terms of the Loan Agreement, the Government agrees that the funds shall be exclusively applied to financing the expenditures, other than taxes, duties and levies of any kind, related to the Project. *The House would therefore need to, by Resolution, exempt the Inland Valleys Rice Development Project from paying taxes, duties and levies of any kind.*

On the issue of why the Northern part of Ghana, which is known for rice production is not part of this Project, the Committee was informed that there is already a 5-year pilot Lowland Rice Development Project being implemented over there with a grant

from the French Government. This was sourced through the French Aid Agency, Agence Francaise de Development (AFD), to develop 1000 ha of lowland rice in three valleys around Tamale, namely, Sillum, Zuwari and Kulda-Yarong.

The officials indicated that currently 650 ha of inland valley land has been developed and put under rice cultivation, while the remaining 350 ha is yet to be developed. The Ministry of Food and Agriculture is preparing with the French Government to expand the area coverage, under a second phase of this promising Project.

The Committee was further informed that the French Government has already financed a feasibility study of a 1000 ha Lowland Rice Development Scheme, around Hohoe in the Volta Region. This proposed Project has been appraised by a mission from AFD-Paris, and is awaiting finances from the French Government.

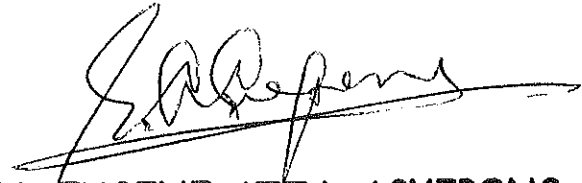
The Committee also observed that the Project is technically feasible and environmentally friendly. It is also deemed economically viable and desirable. It is gender-sensitive, as women are also target beneficiaries. Also it will promote the attainment of government's development initiative through provision of food security, rural poverty reduction, employment generation, improvement of human resource capacity, and import-substitution to conserve foreign exchange.

Please find attached as ANNEX I , a list of items that are to be exempted from payment of taxes and duties under the Project. This is estimated at UA318, 360 (US\$428,789.53), and is endorsed by the Customs, Excise and Preventive Service.

9.0 CONCLUSION

Based on the foregoing, the Committee recommends to the House, approval by resolution of an amount of UA15,002,600 (US\$19.47 Million) to finance the Inland Valleys Rice Development Project and a tax exemption of UA318,360 (US\$428,789.53) for equipment and vehicles in accordance with Articles 181 and 174 (2) of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

Respectfully submitted.



HON. EUGENE ATTA AGYEPONG
VICE CHAIRMAN



ALHAJI IBRAHIM GOMBILLA
CLERK

ANNEX I

INLAND VALLEYS RICE DEVELOPMENT PROJECT PROCUREMENT PLAN: TAXES, DUTIES AND EXEMPTIONS

Description	Quantity	Total Cost Including Contingencies (UA '000)	Import Duties	VAT	Other Levies (ECOWAS & Export Devt.)	Total Duties/Taxes/Levies (UA '000)
Vehicles and Motorcycles						
1. Station Wagon (4WD)	1	29.00	5.80	3.62	0.29	9.71
2. Double Cabin Pick-up (4WD)	8	183.04	Free	22.88	1.83	24.71
3. Motorcycles for AEAs	20	47.70	Free	5.96	0.48	6.44
Other Equipment						
4. Photocopier for Project Coordination Unit (PCU)	1	6.85	0.69	0.86	0.07	1.62
5. Computer, printer and accessories for PCU and Regional Development Officers (RDOs)	5	43.90	Free	5.49	0.44	5.93
6. Software for computers	Lump	5.70	0.57	0.71	0.06	1.34
7. Software for networking PCU	Lump	5.70	0.57	0.71	0.06	1.34
8. Office communication equipment for PCU (e.g. phones, fax etc)	Lump	5.70	0.57	0.71	0.06	1.34
9. Steel cabinet for PCU	5	0.10	0.01	0.01	0.01	0.03
10. Steel cabinet for RDOs	5	0.10	0.01	0.01	0.01	0.03
11. Air conditioning units for RDOs	5	5.85	1.17	0.73	0.06	1.96
12. Furniture for PCU and RDOs	Lump	13.20	2.64	1.65	0.13	4.42

UA 1= US \$1.34687

Description	Quantity	Total Cost Including Contingencies (UA '000)	Import Duties	VAT	Other Levies (ECOWAS & Export Devt.)	Total Duties/ Taxes/Levies (UA '000)
Inputs/Materials for Adaptive Research, Demonstrations and Seed Production						
13. Inputs/materials for seed production and on-farm variety testing.	Lump	9.70	0.97	1.21	0.10	2.28
14. Inputs/materials for soil nutrient management	Lump	2.80	0.28	0.35	0.03	0.66
15. Inputs/materials for rice-based cropping systems.	Lump	0.50	0.01	0.06	0.01	0.08
16. Inputs/materials for establishment of demonstration plots	Lump	0.60	0.01	0.08	0.01	0.10
Equipment & Facilities for Medium-Term Credit						
17. Power tillers	200	807.5	Free	Exempt	8.08	8.08
18. Rice reapers	250	524.8	Free	Exempt	5.25	5.25
19. Rice threshers	250	220.0	Free	Exempt	2.20	2.20
20. Mini rice mills	50	493.9	Free	Exempt	4.94	4.94
21. Digital moisture meters	60	38.6	Free	Exempt	0.39	0.39
22. Weighing scales	125	37.3	Free	Exempt	0.37	0.37
23. Tarpaulins	250	82.8	16.56	10.35	0.83	27.74
24. Storage Sheds	48	1082.7	Free	135.33	Exempt	135.33
25. Drying Floors	57	169.6	Free	21.20	Exempt	21.20

UA 1 = US \$1.34687

Description	Quantity	Total Cost Including Contingencies (UA '000)	Import Duties	VAT	Other Levies (ECOWAS & Export Devt.)	Total Duties/Taxes/Levies (UA '000)
Inputs for Seasonal Credit						
26. Fertilizer	Lump	322.6	Free	Exempt	3.23	3.23
27. Herbicides	Lump	247.1	Free	Exempt	2.47	2.47
28. Insecticides	Lump	192.2	19.22	24.03	1.92	45.17
Total		4579.54	49.08	235.95	33.33	318.36

UA 1= US \$1.34687

UA 318.36= US \$428,789.53

SAA
MARTIN ADJOKE
 19/09/01