

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

REPORT OF THE FINANCE COMMITTEE ON

**A. THE DEVELOPMENT CREDIT AGREEMENT
OF SDR 6.9 MILLION (EQUIVALENT US\$9.3 MILLION)
BETWEEN THE REPUBLIC OF GHANA AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION**

**B. THE GLOBAL ENVIRONMENT TRUST FUND GRANT
AGREEMENT OF SDR 6.5 MILLION
(EQUIVALENT US\$8.7 MILLION) BETWEEN THE REPUBLIC
OF GHANA AND THE INTERNATIONAL BANK FOR
RECONSTRUCTION FOR THE IMPLEMENTATION OF THE
NATURAL RESOURCE MANAGEMENT PROJECT PHASE I**

1.0 INTRODUCTION

The above agreements were laid in the House on Tuesday 23rd March, 1999 in accordance with Article 181(2) of the 1992 Constitution and subsequently referred to the Finance Committee in accordance with Order 171(1) of the Standing Orders for consideration and report.

The Committee met to consider the agreements with the Minister of Lands and Forestry, Hon Christine Amoako-Nuamah and her technical staff and reports as follows:

2.0 BACKGROUND INFORMATION

The Government in 1994 adopted a Forest and Wildlife Policy, aimed at conserving and sustaining the development of forest and wildlife resources for maintenance of environmental quality and the perpetual flow of optimum benefits to all segments of society. In order to attain the objectives of the new policy, a forestry development Master Plan was launched in 1996, subsequently the Natural Resources Management Programme (NRMP) was developed to implement the master plan and aspects of the National Environmental Action Plan.

- The NRMP aims at addressing major sector issues and also to sustainably increase the supply of forest products through project interventions to:
 - (a) Support community based high forest, savanna woodland and wildlife resource management
 - (b) Stimulate private investment in off-reserve tree planting and reforestation of degraded area in forest reserve
 - (c) Encourage efficiency of the logging and wood processing industry
 - (d) Support improvement and monitoring of forest bio-diversity through the establishment of special biological protection areas within the existing system of forest reserves that explicitly incorporate bio-diversity conservation as an integral management objective

- (e) Promote better co-ordination between ministries and agencies involved in management and monitoring of environmental resources.

3.0 OBJECTIVE OF NRMP

The development objective of the NRMP is to protect, rehabilitate and sustainably manage national land, forest and wildlife resources and to sustainably increase the income of rural communities who own these resources.

- Progress in achieving the objectives would be measured by the following:
 - (i) Improvement in the policy and regulatory environment for high forest management and timber industry development
 - (ii) Enhanced local community involvement in management of the high forest and savanna woodland zones and improved flow of benefits to communities from resource sales
 - (iii) Community and farmer adoption of improved land and water management techniques
 - (iv) Improved management of wildlife reserves while increasing their contribution to the livelihood of local communities and economic development

- (v) Implementation of the forest protection strategy to enhance conservation of the globally significant bio-diversity in forest reserves and national parks.

4.0 COMPONENTS OF THE PROGRAMME

The programme has five main components; namely:

- High Forest Resource Management, this includes the transformation of the Forestry Department into a forest service, merging the Forest Products Inspection Bureau and the Timber Export Development Board into a single body, establishment of a forest certification system and the promotion of private commercial forest plantation.
- Bio-diversity Conservation, including improved management and Protection of areas of special biological importance.
- Savanna Reserve Management, to improve savanna woodland management and revenue generation in the three Northern Regions, involving rural communities and district authorities.
- Wildlife Resource Management, involving the development of protected areas including Mole National park and community based projects such as eco-tourism.
- Environmental Management Co-ordination, this involves support for the Environmental Protection Agency's 5-year strategic plan.

5.0 IMPLEMENTATION

The NRMP is to be implemented in three phases. The first phase covers a period of two years with the second and third phases covering - four-year each.

- Phase I of the (NRMP I) would concentrate on finalising policy reforms and enacting legislation related to resource pricing and forest concession allocation and management, restructuring and strengthening sector institutions, completing resource assessments and undertaking baseline technical and socio-economic studies, and piloting collaborative resource management approaches.
- Conditional on the success of the first phase, the second phase (NRMP II) would support the implementation of the collaborative resource management programmes, focussing on priority sites, selected from environmental, economic or social viewpoints. The third phase (NRMP III) would complete the implementation of the programme on a countrywide basis and would ensure that the system of collaborative management is institutionalised at national, regional and district levels.

6.0 PURPOSE OF THE AGREEMENTS

The Credit Agreement and the grant facility are to (i) promote sustainable use of Ghana's national land, forest and wildlife resources and (ii) to conserve the rich bio-diversity of the country's forests.

7.0 TERMS AND CONDITIONS OF THE CREDIT

The terms and conditions of the Credit Agreements are as follows:

Development Credit Agreement

(i) (International Development Association)

- Amount - SDR 6.9 Million (equivalent US\$ 9.3 Million)
- Interest Rate - 0%
- Term - 40 years
- Repayment Period - 30 years
- Grace Period - 10 years
- Commitment Charge - 0.5% p.a. on principal amount
- Service Charge - 0.75% p.a. on principal amount
- Disbursement Period - 2 years

Global Environment Trust Fund Grant

(International Bank for Reconstruction)

- Amount - SDR 6.5 Million (equivalent US\$8.7 Million)
- Disbursement - US\$2.1 Million (SDR) in NRMP I
US\$6.6 Million (SDR) in NRMP II
- Disbursement Period - 6 years

8.0 OBSERVATIONS

- The Committee was informed that the NRMP would be funded through an arrangement devised by the World Bank and the Global environmental facility in tandem with US\$12.1 Million of co-financing that is yet to be confirmed. The expected co-financiers include the Department for International Development (DFID) the Danish International Development Agency (DANIDA), the Netherlands Development Administration (NEDA), the African Development Bank (AFDB), the European Union (EU) and the World Food Programme (WFP). The matching funds requirement from the Government the Committee was further told would be the Cedi equivalent of US\$2.2 Million over the first two years.
- The first tranche of which ø2.6 billion would be required when the credit becomes effective in June, 1999 has been provided for in the 1999 budget approved for the Ministry.
- Conditions For Effectiveness Of Loan

The conditionalities covering the utilisation of the Loan depends on the following:

- (a) The adoption of a project implementation plan, in form and substance acceptable to the Bank

- (b) The establishment of a financial management system for the project acceptable to the Bank
 - (c) The approval of appropriate legislation providing for the establishment of rates for timber royalties satisfactory to the Bank
 - (d) The presentation to Parliament legislation satisfactory to the Bank for the establishment of the Ghana Forest Service
 - (e) The adoption of the National Bio-diversity strategy in form and substance satisfactory to the Association.
- The Committee was finally assured that all the conditions except (e) have been satisfied.
 - With regard to (e) the Committee was further assured that the final draft of the bio-diversity strategy is ready for consideration by the Bank.

The Committee was finally assured by the Ministry of Finance that the loan being contracted has been programmed in the 1999 budget.

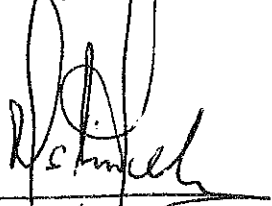
9.0 RECOMMENDATION

The Committee noted that the untimely and in some cases non-release of counterpart funds by the Government have seriously affected the implementation of donor funded projects in the country.

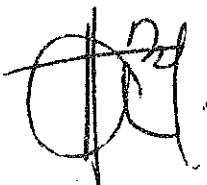
The Committee therefore urges the Ministry of Finance to ensure timely release of the €2.6 million counterpart fund for the successful implementation of the NRMP project.

- In view of the importance of the programme to the Government and in order not to delay the launch of the first phase of NRMP, the Committee recommends to the House the approval of the Development Credit Agreement and the Global Environment Trust Fund Grant Agreement between the Government of Ghana and International Development Association (IDA) and the International Bank for Reconstruction and Development in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

Respectfully Submitted.



**HON. (CDRE) S.G. OBIMPEH (RTD)
CHAIRMAN**



**ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE**

20TH MAY, 1999