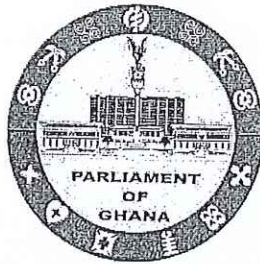


IN THE FOURTH SESSION OF THE EIGHTH PARLIAMENT OF  
THE FOURTH REPUBLIC OF GHANA



REPORT OF THE FINANCE COMMITTEE ON THE CONCESSIONAL  
FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF  
GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) FOR AN  
AMOUNT OF THREE HUNDRED MILLION UNITED STATES DOLLARS  
(US\$300,000,000.00) TO FINANCE THE FIRST RESILIENT  
RECOVERY DEVELOPMENT POLICY FINANCING.

4th March 2024

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## **1.0. INTRODUCTION**

The Concessional Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) for an amount of Three Hundred Million United States Dollars (US\$300,000,000.00) to finance the First Resilient Recovery Development Policy Financing was presented to the House on the Tuesday, 13<sup>th</sup> February, 2024 by the Deputy Minister for Finance, Hon. Abena Osei-Asare.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was referred to the Finance Committee for consideration and report.

The committee was assisted by the Hon. Deputy Minister for Finance Mrs. Abena Osei-Asare and Officials from the Ministry of Finance, Public Utilities Regulatory Commission and deliberated on the Agreement.

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of Parliament.

The committee is thankful to the Deputy Minister and the officials who made time to Honour the Committee's invitation to assist in its deliberations.

## **2.0. REFERENCES**

The Committee made reference to the following documents during the deliberations:

- i. The 1992 Constitution of the Republic of Ghana
- ii. Public Financial Management Act, 2016 (Act 921)
- iii. The Standing Orders of the Parliament of Ghana

### 3.0. BACKGROUND OF THE AGREEMENT

The economy of Ghana had been fairly stable with economic growth averaging 7%, inflation remaining in the single digits, the fiscal deficits remained within the 5% GDP benchmark of fiscal responsibility, with US\$8 billion in gross international reserves supporting four months' worth of imports, between 2017 and 2019.

These economic conditions, however, declined in 2020 to 2022 as a result of the impact of the COVID-19 pandemic, the Russian-Ukraine war, shocks to commodity prices around the world, stringent global financing conditions and increases in interest rates. These conditions resulted in an increase in inflation, sharp depreciation of the Ghana cedi, and a high level of public debt just to mention a few.

In an effort to restore economic stability and promote inclusive economic growth, the government of Ghana has enlisted the assistance of the International Monetary Fund (IMF) to carry out the Post-COVID Programme for Economic Growth (PC-PEG) in pursuit of Government's objective to reestablish macroeconomic stability and put the economy on a path of robust growth.

The implementation of the IMF backed PC-PEG has resulted in improvement in key economic variables showing signs of recovery. Real GDP Growth for the first three quarters of 2023 averaged 2.8%, compared to a similar growth of 2.8% during the corresponding period in 2022 and higher than the 2023 initial GDP growth target of 1.5%. Inflation has declined by 30.9 ppts to 23.2% in December 2023 after reaching 54.1% in December, 2022. The Cedi has largely been stable, with a cumulative depreciation of 7.2% between February and December, 2023, compared to 28.4% over the same period in 2022. The stability has continued into 2024, with a year to January, 19



depreciations of 0.3%, compared to 17.2% recorded in the same period in 2023.

To sustain the relative stability and sustain progress made, the government has outlined a number of policy measures in the 2024 Budget to return the economy to stability and sustained growth. In this regard, the government intends to seek funding from the International Development Association of the World Bank in the form of general budget support to finance the implementation of some key policy initiatives in the 2024 Budget.

#### **4.0. OBJECTIVE OF THE FACILITY**

The IMF-supported PC-PEG aims to restore macroeconomic stability, debt sustainability and to support inclusive growth while protecting the poor and vulnerable. It also targets strengthening monetary and exchange rate policies to lower inflation and restore external buffers. The facility will also involve initiatives aimed at maintaining the stability of the financial sector, implementing policies to promote private investment and growth, and making the required changes to enhance public sector efficiency, governance, and transparency. Along with the Government's fiscal adjustment program and extensive structural changes, the government is also implementing a comprehensive debt operation that will help to stabilize public finances and debt.

#### **5.0. JUSTIFICATION FOR GOVERNMENT ACTIONS**

To sustain the progress made in the macroeconomic sector the Government of Ghana has secured an amount of Three Hundred Million United States Dollars (US\$300.0 million) Credit from the International Development Association (IDA) of the World Bank Group for the First Resilient Recovery Development Policy Operation (DPO1) Financing which constitutes the first tranche of the World Bank US\$900 million programmatic Development Policy Operation (DPO) series for Financial Year 2023-2025.

The objective of the DPO series is to restore fiscal sustainability, support financial sector stability and private sector development; improve energy sector financial discipline and strengthen social and climate resilience. Key areas of reform underpinning the DPO series include strengthening domestic revenue mobilization, controlling expenditures, safeguarding financial sector stability, removing impediments to private investment, ensuring the financial and operational sustainability of the energy sector, strengthening the country's social protection architecture, and ensuring that climate adaptation and mitigation are better mainstreamed.

#### 6.0. TERMS AND CONDITIONS OF THE AGREEMENT

The First Resilient Recovery Development Policy Financing is to be supported by a credit facility of US\$300 million from the International Development Association (IDA) of the World Bank Group under the following terms:

Credit amount	US\$300,000,000.00
Repayment Period	25 years
Grace Period	5 years
Maximum Commitment Charge	0.5 - One-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
Service Charge	1.31% - sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment (+56bps) to the Service Charge on the Withdrawn Credit Balance and three-fourths of one percent (3/4 of 1% per annum, or such rate as may apply following a Currency Conversion; on the Withdrawn Credit Balance.
Interest Charge	1.25% - sum of one and a quarter percent per annum plus the Basis Adjustment to the Interest Charge (+10bps) and zero percent (0%) per annum, or such rate as may apply following a Currency Conversion; on the Withdrawn Credit Balance.
Grant Element	26%



## **7.0. OBSERVATIONS**

### **7.1. Importance of the Facility**

The Committee noted that the US\$300 Million facility is not dedicated to any specific project in the 2014 Budget. The Deputy Minister of finance explained that the facility is part of General Budget Support and will be applied to finance critical aspect of the 2024 Budget. The Committee further noted that the facility constitutes IDAs budget support commitments to Ghana for the period 2023 to 2025.

Ghana is, however, obliged to meet some conditions to trigger the release of the funds. Following the attainment of a number of the conditions, the Government of Ghana therefore intends to assess some US\$300 million from the IDA to support the implementation of the 2024 Budget.

### **7.2. Rationale for the Facility**

The Committee noted that following a decline in micro economic conditions as a result of both external and internal factors, the Government of Ghana implemented a number of reforms including seeking the support of the International Monetary Fund to restore macroeconomic stability. To sustain progress made in the macroeconomic sector, the Government of Ghana has secured an amount of Three Hundred Million United States Dollars (US\$300.0 million) Credit from the International Development Association (IDA) of the World Bank Group for the First Resilient Recovery Development Policy Operation (DPO1) Financing which constitutes the first tranche of the World Bank US\$900 million programmatic Development Policy Operation (DPO) series for Financial Year 2023-2025.

The objective of the DPO is to restore fiscal sustainability, support financial sector stability and private sector development; improve energy sector financial discipline, and strengthen social and climate resilience. Key areas of reform underpinning the DPO include strengthening domestic revenue

mobilization, controlling expenditures, safeguarding financial sector stability, removing impediments to private investment, ensuring the financial and operational sustainability of the energy sector, strengthening the country's social protection architecture, and ensuring that climate adaptation and mitigation are better mainstreamed.

The Hon Deputy Minister informed the Committee that Ghana has made significant progress towards the attainment of a number of conditions precedent for assessing the US\$900 million facility. The Minister informed the Committee that the government has implemented key measure to improve domestic revenue mobilization, improve energy sector operational and financial efficiency, promote financial sector efficiency and fostering resilience to economic and climate shocks.

#### **8.0 POSITION OF THE MINORITY NDC MEMBERS**

The NDC Minority expressed their concerns about the extent of borrowing by Government and took the view that Government should rather deepen measures to maximise domestic revenue. They strongly objected to the numerous tax exemption applications currently before Parliament, which they cited as example of avenues from which domestic revenue could be mobilised.

According to the Minority, tax exemptions pending before the Finance Committee of Parliament amount to about GH¢5.5 billion, that is US\$449 million in dollar terms. They further pointed to some additional GH¢7.0 billion tax exemptions which they indicated were being processed to Parliament.

They expressed concerns that, put together, these tax exemptions will amount to some GH¢12.5 billion, which outstrips the GH¢11 billion that the Government seeks to mobilise from new taxes introduced in the 2024 budget.

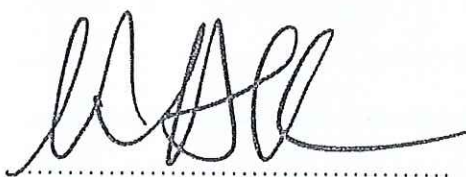
They concluded that the above observations indicate that there are available opportunities for domestic revenue mobilisation; so Government must not be encouraged to add unto the public debt.

The entire Members of the Minority therefore declined to recommend the loan agreement for Parliament's approval.

## 9.0 CONCLUSION

By a Majority Decision therefore, the Committee, having examined the financing agreement for the implementation of the First Resilient Recovery Development Policy Operation (DPO1) Financing Ghana Productive Safety Net Project II, recommends to the House to adopt its report and approve the Concessional Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) for an amount of Three Hundred Million United States Dollars (US\$300,000,000.00) to finance the First Resilient Recovery Development Policy Financing in accordance with Article 181 of the Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully submitted.



HON. KWAKU KWARTENG  
(CHAIRMAN, FINANCE COMMITTEE)



MR. EPHRAIM AMU  
(SCHEDULE OFFICER)