



**REPORT
OF THE FINANCE COMMITTEE**

ON

**THE TERMS OF A RECEIVABLES TRADE FINANCE
FACILITY BETWEEN GHANA COCOA BOARD
(COCOBOD) AND A CONSORTIUM OF BANKS AND
FINANCIAL INSTITUTIONS, WITH THE GOVERNMENT
OF THE REPUBLIC OF GHANA AS GUARANTOR, FOR
AN AMOUNT OF TWO BILLION UNITED STATES
DOLLARS (US\$2,000,000,000.00) FOR THE
PURCHASE OF COCOA BEANS IN GHANA FOR THE
2014/2015 COCOA SEASON.**

16TH JULY, 2014

REPORT OF THE FINANCE COMMITTEE ON TERMS OF A RECEIVABLE TRADE FINANCE FACILITY BETWEEN GHANA COCOA BOARD (COCOBOD) AND A CONSORTIUM OF BANKS AND FINANCIAL INSTITUTIONS, WITH THE GOVERNMENT OF THE REPUBLIC OF GHANA AS GUARANTOR, FOR AN AMOUNT OF TWO BILLION UNITED STATES DOLLARS (US\$2,000,000,000.00) FOR THE PURCHASE OF COCOA BEANS IN GHANA FOR THE 2014/2015 COCOA SEASON

1.0 INTRODUCTION

The request for approval of the Terms of a Receivable Trade Finance Facility between the Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic of Ghana as Guarantor, for an amount of Two Billion United States Dollars (US\$2,000,000,000.00) for the purchase of cocoa beans in Ghana for the 2014/2015 Crop Season was presented to the House by the Hon. Minister of Finance, Mr. Seth Terkper, on Wednesday, 16th July, 2014 in accordance with Article 181 of the 1992 Constitution. The Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

Pursuant to the referral, the Committee met with the Hon. Minister of Finance, Mr. Seth Terkper, Hon. Deputy Minister for Finance, Mr. Kwaku Ricketts-Hagan, the Chief Executive Officer of the Ghana Cocoa Board, Dr. Stephen K. Opuni, officials from the Ministry of Finance and Ghana Cocoa Board and considered the referral. The Committee

is grateful to the Hon Minister and his Deputy, the Chief Executive Officer and Officials from the Ministry and Ghana Cocoa Board for attending upon it.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana; and
- Ghana Cocoa Board Act, 1984 (PNDCL 81).-

3.0 BACKGROUND

The cocoa industry has been the backbone of Ghana's economic development over the years. In 2010 cocoa contributed about a quarter of Ghana's Gross Domestic Product (GDP). The industry has over the years created employment for millions of Ghanaians and serves as a major source of foreign exchange earner for the country. Cocoa production in Ghana has also increased significantly since the 1999/2000 crop season reaching an all-time high of over a 1 million metric tonnes in the 2010/2011 crop season. The increase in the levels of production requires substantial financial resources to enable the Ghana Cocoa Board to finance the purchase of cocoa beans. To this end, the offshore syndicated Trade Finance arrangement was put in place to enable the Ghana Cocoa Board secure a loan facility to finance cocoa purchases and for other payments each year.

In anticipation of increased production in 2014/2015 crop season, the Board of Directors of the Ghana Cocoa Board and Cabinet have given approval for the COCOBOD to borrow an amount of **Two Billion United States Dollars (US\$2,000,000,000.00)** to finance cocoa purchases in the 2014/2015 cocoa season.

The arrangement involves a Consortium of several international and local banks in arranging a credit facility to purchase an estimated 950,000 metric tonnes of cocoa beans in the 2014/2015 crop season.

4.0 JUSTIFICATION OF THE REQUEST

The Trade Facility is to enable COCOBOD raise adequate funds to purchase cocoa beans from farmers through license buying companies for the 2014/2015 cocoa season. The sourcing of the facility also provides the nation with the opportunity to demonstrate its good track record on borrowing from the international financial market.

5.0 TERMS OF THE FACILITY

The indicative terms of the facility are as follows:

Lenders	:	Barclays Bank Plc, Commerzbank, Aktiengesellschaft, Deutsche Bank Ag, Kfw Ipex-Bank Gmbh and Natixis
Interest Margin	:	LIBOR + 0.60
Commitment Fees	:	35 BPS on interest margin
Flat Fee (Participation and Arrangement)	:	0.575 BPS
Legal Cost and Other Expenses	:	To be negotiated
Agency Fees	:	Nil
Security Margin	:	Assignment of Cocoa Contract for 110% of Facility Amount
Interest on Cash Collateral Deposit	:	To be Marked-Related LIBID
Underwriting level	:	Fully Underwritten
Estimated Cost	:	US\$ 15,692,190.48
Current LIBOR	:	0.32640%

6.0 OBSERVATION

6.1 Importance of the Facility

The Committee was informed that cocoa industry has over the years remained a major contributor to Ghana's economic growth and transformation. The approval is therefore necessary to enable COCOBOD finance the purchase of cocoa for the 2014/2015 crop season and for other payments to stakeholders. The loan amount will be used to purchase a projected 950,000 metric tonnes of cocoa, i.e., an estimated 80,000 metric tonnes of cocoa during the Light crop season and 870,000 metric tonnes during the Main crop season.

Current cedi/dollar exchange rate is GH¢3.0244 to US\$1.0

6.2 Proposed increase in cocoa purchase

The Committee was informed that COCOBOD has exceeded the 2013/14 crop season projection of 830,000 tonnes by over 80,000 metric tonnes as at 30th June 2014. The increase, it was explained was as a result of increased production emanating from the implementation of free and timely supply of fertilizer to famers as well as improved rainfall patterns during the year. It was therefore in anticipation of the increase production for the 2014/2015 crop season that COCOBOD has syndicated an amount of US\$ 2 billion for cocoa purchases and other related uses in the 2014/105 crop season.

6.3 Utilisation of 2013/2014 Loan Facility

The Committee observed that during the 2013/2014 crop season, COCOBOD raised an amount of US\$1,200,000,000.00 for cocoa purchase and payment of other liabilities.

The amount was utilised to cover the following expenditure items:

ITEM	(US\$)
Payment for inputs	554,378.06
Arrangement and Participation Fees	8,400,000.00

Commitment Fee	179,666.67
Interest Paid	2,152,839.08
Legal Fees	20,931.27
Bank Charges	156.47

ITEM	(GHC)
Seed Fund to LBCs	1,278,479,256.00
GOG escrow account for loan servicing	29,997,018.39
Chemical and Fertilizers	348,314,164.43
Export Duty	100,000,000.00
Purchase for 2013/2014 main crop	730,091,741.80
Purchase for 2012/2013 main crop	75,372,126.64
Grant / Advances:	
CMC	20,000,000.00
QCC	6,497,943.64
COCOBOD and Divisions	103,484,981.85
Cocoa Evacuation	2,673,803.81
Purchases of fertilizer and chemical	8,483,489.00
Released to Commercial banks for purchases	184,000,000.00

6.4 2014/15 loan facility disbursement

The following were given as the operational areas for the disbursement of the 2014/15 loan facility:

1. Cocoa Purchase
2. Licensed Buying Companies and Haulers Margins
3. Procurement of Fertilizer and Chemicals
4. Nursery and Seedling Production
5. Rehabilitation of Over-aged and Diseased Trees
6. Cocoa Roads in all Cocoa Growing Regions
7. Export Duty to Government

8. Farmers Bonus
9. Scholarship to Farmers Wards
10. Ghana Cocoa Board's Operations

It was indicated that the actual disbursement in respect of the above listed operational areas will be determined by the Producer Price Review Committee and since COCOBOD was still in the loan syndication process it would not be prudent to indicate the various amounts to be disbursed.

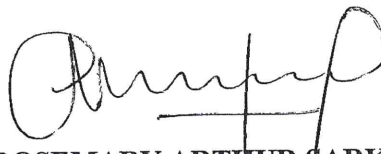
7.0 CONCLUSIONS

Considering the significant contribution of the cocoa industry to the economic development of Ghana and to secure a financial facility to ensure a continued cocoa purchase in the country, the Committee after careful examination of the request, recommends to the House to adopt its report and approve by resolution, the request for approval of the Terms of Receivable- Backed Trade Finance Facility between the Ghana Cocoa Board (COCOBOD) and a Consortium of Banks and Financial Institutions, with the Government of the Republic of Ghana as Guarantor, for an amount of **Two Billion United States Dollars (US\$2,000,000,000.00)** for the purchase of cocoa beans in Ghana for the 2014/2015 Crop Season in accordance with Article 181 of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



**HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)**



**ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)**