

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

**THE FINANCE COMMITTEE REPORT ON THE
AGREEMENT AMENDING DEVELOPMENT CREDIT
AGREEMENT, DATED 28TH JUNE 2000, BETWEEN
THE REPUBLIC OF GHANA AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION**

1.0 INTRODUCTION

The above-mentioned agreement was laid in the House on Tuesday, 8th May 2001 in accordance with Article 181 of the Constitution, and referred to the Finance Committee, pursuant to Standing Order 171 (1), for consideration and report. The Committee met with the Minister for Finance, Hon. Yaw Osafo-Mafo, and reports as follows:

2.0 BACKGROUND AND PURPOSE OF THE AGREEMENT

The House at its sitting on Tuesday, 8th July 1999 approved by Resolution the Development Credit Agreement between the Republic of Ghana and the IDA. Under the Agreement (ERSO II) dated 9th July 1999 the IDA made available to Ghana an amount of SDR 132,700,000, in various currencies, equivalent to US\$180 million for the purposes of supporting the on-going program designed to achieve structural adjustment of Ghana's economy. This agreement became

effective on 13th July 1999 and the IDA has already released the first and second tranches to Ghana.

Subsequently, two separate Amendment Credit Agreements for additional assistance have been concluded by the Parties. Under the first Amendment Agreement dated June 28, 2000, an additional amount in various currencies equivalent to SDR 900,000, (\$1.2 million) was made available to Ghana. The Second Agreement amending the Development Credit Agreement dated September 20, 2000, made available an additional SDR 37 million (\$48,100,000). This latter Agreement became effective and the amount of SDR37 million has already been released to the Government of Ghana.

Members will however note that the amount of SDR 900,000 made available by the Amendment Agreement of June 28, 2000 and intended to be included in the Second Agreement Amending Development Credit dated September 20, 2000 was submitted to Parliament on 29th September 2000, and was subsequently approved on

November 2, 2000. Unfortunately, it was inadvertently omitted and the Agreement for SDR 900,000 elapsed. The IDA has therefore not released the amount to Ghana. The Government renegotiated and has been given up to May 31,2001, to satisfy the requirements that will make the loan operative.

3.0 TERMS AND CONDITIONS

The terms and conditions of the present loan are the same as those of the old loan.

Total Credit Facility	-	SDR 900,000
Interest Rate	-	0%
Grace Period	-	10 years
Repayment Period	-	30 years
Commitment Fee	-	0.5% on loan amount undisbursed
Service Charge	-	0.75% on loan amount withdrawn and outstanding.

4.0 OBSERVATIONS

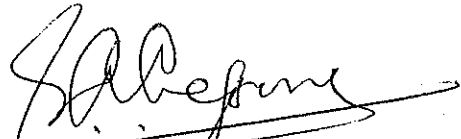
Members noted that Parliament must reappraise and approve this Credit Agreement dated 28th June 2000, before 31st May 2001, the new expiry date for the Agreement.

Members also noted that in line with the Government's policy to mobilize all available financial resources for investment in the economy, there is an urgent need to satisfy the approval requirements to enable the Government to furnish the IDA with evidence that the Agreement for SDR 900,000 has been duly authorised by all necessary governmental action. It is only then that the IDA will agree to release the funds to Ghana.

5.0 RECOMMENDATION

In view of the favorable terms and conditions and the foregoing observations, the Committee recommends to the House, approval by Resolution, the Agreement Amending Development Credit Agreement, dated 20th June 2000 for the amount of SDR900,000 from the IDA to finance the Economic Reform Support Operation (ERSO II) in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.



~~HON. E. A. AGYEPONG~~
(VICE CHAIRMAN)



ALHAJI IBRAHIM GOMBILLA
(CLERK)

17th MAY 2001