

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

REPORT OF THE FINANCE COMMITTEE ON
THE CREDIT FACILITY AGREEMENT BETWEEN THE
REPUBLIC OF GHANA AND THE AGENCE FRANCAISE
DE DEVELOPMENT (AFD) IN THE AMOUNT OF
10,895 Million EUROS (APPRX. US\$9 Million)
TO FINANCE THE CONSTRUCTION OF ROADS AND
BRIDGES IN THE NORTHERN AND UPPER EAST
REGIONS OF GHANA

1.0 INTRODUCTION

The above-mentioned Credit Facility was laid in the House on Thursday, 28th February 2001 and referred to the Finance Committee for consideration and report in accordance with the Constitution and Standing Orders of the House.

To consider the Bill, the Committee met with a technical team from both the Ministry of Finance and the Ghana Highways Authority and reports as follows:

2.0 BACKGROUND

In the Government's bid to improve on the roads in the country and that of the Northern sector in particular, and as part of the Road Sector Development Program (agreed between the Ministry

of Roads and Transport and the international Donors), this AFD loan was contracted in December 2001.

On completion, this project would improve the road infrastructural base in the North. This will provide access to the Northern rural areas, thus boosting the commercial activity in the area and help alleviate poverty.

3.0 PROJECT DESCRIPTION

This project, which is to be carried out over an estimated 4-year period, would cover a 203.1 km stretch in the Northern and Upper East Regions.

The work to be done includes:

- The construction of one-lane bridges on decks of reinforced concrete beams or where necessary, semi-submersible crossings (for a total of 6 bridges and 2 crossings). This is to re-establish the continuity of traffic and covers about 80% of the whole project.
- The repair or reconstruction of access roads with a laterite gravel wearing course (less than 20% of the works)

The project comprises six sub-projects as follows:

- Sub Project NP1 - Busunu-Daboya road (with 2 bridges)
- Sub Project NP2 - Wulugu-Kunkwa Road (with 2 bridges)

- Sub Project NP - Gambaga-Tamkobo Road
with 1 Semi-submersible crossing)
- Sub Project NP7 - Salaga-Kpandai Road (with 1
Bridge)
- Sub Project UEP 1 - Zoko-Manyoro Road
(with 1 Semi-submersible crossing)
- Sub Project UEP 5 - Zebilla-Burkina Faso Road
(with 1 bridge)

4.0 TERMS AND CONDITIONS

- Total Amount** - Euro10.895m (Approx.US\$9 m)
- Nominal Interest Rate** - 2.5% per annum
- Grace Period** - 8 years (commencing on date
when loan is disbursed)
- Repayment Period** - 12 years
(in 24 equal semi-annual
installments due on 30th April
and 31st October each year.
Starting from 31st October,
2009 to 30th April 2021)

The concessionality rate of the loan is 41.4%.

4.1 CONDITIONS PRECEDENT TO DISBURSEMENT

The conditions precedent to disbursement are:

- 1 An actual reevaluation of the fuel levy paid to the Road Fund, to a level agreed between the Government and the donors within the framework of the Road Sector Development Programme
- 2 An undertaking by the Minister of Roads to obtain a regular maintenance of rebuilt or improved roads pursuant to the project, including the crossing works.
3. Presentation to the Lender of a legal opinion given by the Office of the Attorney General, conforming to the model set out in Appendix III of the Credit Agreement.

4.2 COSTS AND FINANCING OF THE PROJECT

The amount of Euro10, 895 m (approx. US\$9 m) will cover cost (net of taxes) of the works and engineers' services and a provision for physical and financial contingencies.

Component	Thousands of Euros
* Works (Roads & Crossing Works	8,319
* Engineer's Services including	1,123
- detailed studies and tender documents, support to the Ministry of Roads and Transport for the pre-qualification and choice of contractors;	291
- supervision of works	832
*provision for physical and financial contingencies	1,453
TOTAL	10,895

5.0 OBSERVATIONS

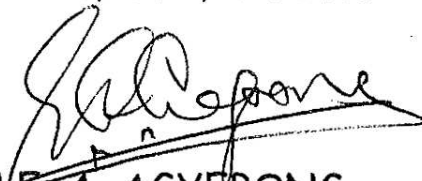
The Committee observed that according to the Agreement none of the money is to go towards the payment of any duties, taxes or levies in Ghana.

The Republic of Ghana is therefore to bear the cost of all taxes and duties on the engineering and works contracts or to grant exemptions thereon. Ghana is also to bear the cost of any land needed to carry out the works and any overruns of engineering and works costs with respect to the financing plan set out in the Agreement.

The Committee would therefore, when appropriate, come back to this august House to seek the necessary exemptions on this project.

6.0 RECOMMENDATIONS

The Committee recommends to the House to approve by Resolution the Credit Facility Agreement between the Republic of Ghana and the Agence Francaise de Development (AFD) in the amount of Euros 10,895 million (approx. US\$9 m) to finance the construction of roads and bridges in the Northern and Upper East Regions of Ghana, in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970, Act 337.



**HON. E. A. AGYEPONG
(CHAIRMAN)**



**ALHAJI IBRAHIM GOMBILLA
(CLERK)**

7TH MARCH 2002