

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

**REPORT OF THE FINANCE COMMITTEE
ON A LOAN AGREEMENT OF DM76,000,000
(APPROX. US\$ 38 MILLION) BETWEEN THE
REPUBLIC OF GHANA AND KREDITANSTALT FUR
WIEDERAUBAU (KFW) OF THE FEDERAL REPUBLIC
OF GERMANY TO FINANCE THE REHABILITATION
OF THE TEMA-SOGAKOPE ROAD**

1.0 INTRODUCTION

The above Loan Agreement was laid on Thursday 2nd December, 1999 and referred to the Finance Committee for consideration in accordance with Article 181 of the Constitution and Order 171 (1) of the Standing Orders.

The Committee met with the Deputy Minister of Roads and Transport Hon. Steve Akorli, his technical team and a representative from the Ministry of Finance and reports as follows:

2.0 BACKGROUND

The Tema-Sogakope Road is part of the 166 km Tema-Aflao Road which provides an important link between Accra, the Port of Tema and the Inland Port of Akosombo and Aflao on the Ghana-Togo border. It also forms an integral part of the Trans-West African Highway by linking Ghana to her eastern neighbours such as Togo, Benin, Nigeria and our western neighbours especially Cote d'Ivoire. It is therefore an important route for the integration of administrative and economic activities within Ghana and between Ghana and her ECOWAS neighbours.

This road, which is a national road with bituminous treated surfacing is heavily distressed at several locations. Intensive periodic maintenance activities (resurfacing and resealing) have been carried out over the years, especially for the first 81 kms, yet the road could not be saved. The maintenance activities only provided temporary relief but could not add strength to the pavement layers. The road will therefore not be able to carry projected future traffic safely. What is needed is a complete rehabilitation of the road.

The need to have the road rehabilitated was recognised by the Government and part of the proceeds of the credit from IDA under the

Second Transport Rehabilitation Project (TRP 2) was used to finance the Feasibility Study and Detailed Engineering Design of the road in 1994.

The study was updated under KFW funding in 1998.

3.0 PURPOSE OF LOAN

To finance the rehabilitation of the Tema-Sogakope road.

4.0 SCOPE OF THE PROJECT

The proposed road will be reconstructed to a single carriage way with two lanes including the reconstruction of drainage structures along the road, provision of standard road signs and markings and a by-pass at Akatsi township to ensure safety as well as a smooth flow of traffic especially on market days. The surface will be asphaltic cement concrete to cope with the heavy international traffic.

5.0 TERMS AND CONDITIONS OF THE LOAN

- Loan Amount - DM76,000,000
(Approx. US\$38 million)
- Repayment - 30 years

By 60 semi-annual instalments of DM1,266,000.00 beginning 30th June, 2010 - 30th December, 2039.
- Grace Period - 10 years

• Interest Rate - 0.75% per annum

Interests shall be charged from the dates at which disbursements are debited to the dates at which repayments are credited to KFW's account.

• Commitment Charge - 0.25% per annum

on undisbursed loan amounts. The commitment charge shall be computed for a period beginning three months after the signing of the Agreement and ending at the date at which disbursements are debited.

6.0 OBSERVATIONS

6.1 Cost of Project

The Committee noted that the entire project (i.e. Tema - Aflao) is estimated to cost about US\$60 million and is expected to start in the year 2000 and would be completed within 36 months from the effective date of the contract, however the Tema-Sogakope stretch is projected to amount to US\$38 million ;

6.2 Bidding

The Committee further noted that the award of the contract for the goods and services to be financed from the loan would be made through international competitive bidding.

6.3 Implementation

The preparation and supervision of the construction of the project is to be assigned to independent qualified German Consultants and its implementation to the qualified firms.

6.4 Tax Exemption

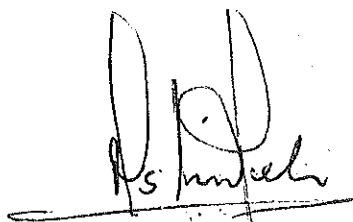
The Committee noted that under the Contract Document the Government would be expected to grant tax exemption on project materials, equipment and vehicles. The Committee was however informed that the list of materials to be exempted could only be compiled after the award of contract. In the circumstances the Committee agreed that the tax exemption on the loan agreement would be considered at a later date.

7.0 RECOMMENDATION

The Committee is satisfied with the terms and conditions of the loan facility, and in view of the importance of the Tema-Sogakope road which forms part of the Trans-West African Highway Network System, recommends to the House to approve the **DM76,000,000 (Approx.**

US\$38 Million) Loan Facility from the Kreditanstalt Fur Wiederrbau (KFW) of the Federal Republic of Germany for the rehabilitation of the Tema-Sogakope road 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**

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13 DECEMBER, 1999