

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

**REPORT OF THE FINANCE COMMITTEE ON THE
CONCESSIONARY LOAN AGREEMENT
OF DM10.00 MILLION**

**BETWEEN THE GOVERNMENT OF GHANA AND THE
GERMAN GOVERNMENT FOR THE PURCHASE OF FIFTY-
ONE (51) MERCEDES BENZ / NEOPLAN BUSES FOR THE
GHANA PRIVATE ROAD TRANSPORT UNION (GPRTU) AND
THE ASSOCIATION OF TRAVEL AND TOUR AGENTS
(GHATTA)**

1.0 INTRODUCTION

The above Loan Agreement was laid in the House in accordance with Article 181 of the Constitution and referred to the Finance Committee pursuant to Order No. 171 (1) of the Standing Order on 26th October, 1999 for consideration and report.

The Committee subsequently met to consider the Agreement and had the benefit of further explanation from the Deputy Minister of Roads and Transport Hon. Steve Akorli, his technical staff and the National Chairman of GPRTU, Mr. E.K. Gbedemah.

In attendance were officials of the Ghana Private Road Transport Union (GPRTU). The Committee hereby reports as follows:

2.0 BACKGROUND

At the 1994 Ghana-Germany bilateral negotiations, it was agreed that the GPRTU would benefit from a loan facility to import a total of two hundred and fifty (250) buses under a phased programme. Consequently, one hundred and eleven (111) of the buses were delivered and put into operation in 1996.

The importation of the fifty-one (51) buses, the subject of the loan under consideration, therefore forms part of the original number of buses agreed upon at the negotiation and which have been found to be suitable for our road conditions.

Previous Loan For GPRTU

The House would recall that on 17th March 1997 it gave approval by a resolution to Government's guarantee of a loan facility of US\$5.5 million from the India Government to the GPRTU for the importation of 200 Tata buses. The loan under consideration is of a similar nature.

3.0 PURPOSE OF THE LOAN

The purpose of the loan being considered is to finance the importation of fifty-one (51) buses, comprising, thirty-one (31) standard buses for the GPRTU and twenty (20) tourist coaches for the Ghana Association of Travel and Tour Agents (GHATTA)

4.0 TERMS AND CONDITIONS OF THE LOAN

Loan Amount	-	DM10.00 million
Interest	-	0.75% per annum
Commitment Charge	-	0.25% on undisbursed loan Amount
Moratorium	-	10 years
Repayment Period	-	40 years (including Moratorium)
Repayment Schedule (Principal, commitment charge and interest)	-	60 semi-annual instalments payable on June 30, and Dec. 30, of each year.

3.0 OBSERVATIONS

5.1 Disbursement of Loan Amounts

The Committee observed that the German Government is represented by the Kreditanstalt Für Wiederaufbau (KfW).

The Government of Ghana and KfW shall agree on the disbursement procedure, in particular on the evidence to be furnished proving that the requested loan amounts are used for the stipulated purpose.

5.2 Delay in Repayment

The Committee also observed that if any repayment instalments are not at the disposal of KFW when due, KFW may increase the rate of interest on arrears to the base rate (Deutsche Bundesbank rate) plus 3% per annum for the period beginning with the due date and ending at the date at which such repayments are credited to the accounts of the KFW.

5.3 Taxes and other Charges

Taxes and other public charges including import duties chargeable in Ghana shall not be financed from the loan but shall be borne by the GPRTU (taxes and duties).

5.4 Cost Of Buses

The Committee was informed that the twenty (20) tourist coaches for (GHATTA) will cost DM4,745,762 while the remaining thirty-one (31) standard buses will cost DM5,254,237 and would be assembled locally by Neoplan Ghana Ltd.

5.5 Cabinet Recommendations

Cabinet approved the Loan Agreement under consideration for parliamentary ratification subject to the following:

- (a) That all legal suits pending against the GPRTU National Executives in connection with the distribution of previous buses received will be expeditiously disposed of;
- (b) That a proper strategy for the monitoring of the repayment of the loan is worked out;
- (c) That five (5) of the coaches will be allocated to the Ministry of Defence, to be paid for by the Ministry; and
- (d) That the GPRTU will submit return on the distribution of the buses for cabinet's information.

5.6 GPRTU's Response

(i) Legal Suits

According to the GPRTU, there is no legal suit against its National Executive in respect of the distribution of previous buses received

(ii) **Strategy for Monitoring Repayment of Loan**

The Union suggested the opening of an ESCROW account into which all instalments from operators of the buses will be lodged to serve as sufficient safeguard for the prompt servicing of the loan. It also suggested that its National Chairman, General Secretary, one of its National Trustees and the Union's Transport Committee Chairman including a representative from the Ministry of Finance and the Accountant General's Department will be signatories to the ESCROW account. Overhead expenses on the project, such as road-worthy certificates, insurance and administrative expenses are also expected to be paid from the fund.

(iii) **Coaches to the Ministry of Defence and Submission of Returns**

The GPRTU agreed to allocate five (5) coaches to the Ministry of Defence to be paid for by the Ministry and also submit returns on the distribution of the buses to the Ministry of Roads and Transport for cabinet's information

(iv) **On-lent Agreement**

The Committee observed that the loan is to be on-lent by the Government to the GPRTU and that on-lending agreements between the Government and the GPRTU and GHATTA will be signed in due course.

(v) Previous Loan Repayment

The Committee examined the GPRTU's previous loan repayment schedule and noted that repayment on the Tata and Urvan buses are on schedule however that of the Neoplan buses are slightly behind schedule as a result of the late local assembling of the buses which were two (2) years behind schedule.

The cash flow projection of GPRTU shows that even at 10% or 20% interest rate, the GPRTU can generate enough money to repay the loan and also assist in the repayment of the arrears on the 1998 loan.

(v) Cost of Bus

The Committee noted the estimated cost price of a bus including taxes and duties is Three Hundred Million Cedis (¢300 million).

6.0 RECOMMENDATION

The Committee having satisfied itself with the terms and conditions of the loan agreement and noting that if the loan is used for the purchase of the buses proposed, it would improve transportation in the country, recommends that the House approves the Concessional Loan Agreement of **DM 10 million** between the Government of Ghana and the German Government for the purchase of fifty-one (51) buses

for the Ghana Private Road Transport Union (GPRTU) and the Ghana Association of Travel and Tour Agents (GHATTA) in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

RECEIVED
COMMISSIONER GENERAL OF LANDS AND
MINING
ACCREDITED
GCU - ADORA

Respectfully submitted.

HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN

ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE

29TH NOVEMBER 1999