

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

REPORT OF THE FINANCE COMMITTEE



ON

**THE COMMERCIAL LOAN CREDIT
AGREEMENT BETWEEN THE GOVERNMENT
OF GHANA AND SOCIETE GENERAL (AS
MANDATED LEAD ARRANGER, LENDER AND
AGENT) FOR AN AMOUNT OF FORTY-FIVE
MILLION, FOUR HUNDRED AND EIGHTY-FIVE
THOUSAND, FIVE HUNDRED AND FIFTY-EIGHT
US DOLLARS (US\$45,485,558.00) RELATING TO
THE ACCRA RESURFACING PROJECT**

October, 2014

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REPORT OF THE FINANCE COMMITTEE ON THE COMMERCIAL LOAN CREDIT AGREEMENT BETWEEN THE GOVERNMENT OF GHANA AND SOCIETE GENERALE (AS MANDATED LEAD ARRANGER, LENDER AND AGENT) FOR AN AMOUNT OF FORTY-FIVE MILLION, FOUR HUNDRED AND EIGHTY-FIVE THOUSAND, FIVE HUNDRED AND FIFTY-EIGHT US DOLLARS (US\$45,485,558.00) RELATING TO THE ACCRA RESURFACING PROJECT

1.0 INTRODUCTION

The request for the approval of the Commercial Loan Credit Agreement between the Government of Ghana and Societe Generale (as Mandated Lead Arranger, Lender and Agent) for an amount of Forty-five Million, Four Hundred and Eighty-five Thousand, Five Hundred and Fifty-eight US Dollars (US\$45,485,558.00) relating to the Accra Streets Resurfacing Project was presented by the Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson on behalf of the Minister for Finance on Tuesday, 1st October, 2014 in accordance with Article 181 of the 1992 Constitution. The Rt. Hon. Speaker referred the agreement to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

2.0 REFERENCE DOCUMENTS

The Committee referred to the following additional documents during the consideration of the agreement:

- The 1992 Constitution of Ghana
- The Standing Orders of the Parliament of Ghana; and
- The Loans Act 1970, (Act 335).

3.0 DELIBERATIONS

The Committee was assisted by the Hon. Minister of Roads and Highways, Alhaji Inusah Abdulai B. Fusani and the Deputy Minister of Finance and Roads and Highways Messrs. Cassiel Ato Baah Forson and Isaac Adjei- Mensah and other Officials from the Ministries of Finance and Roads and Highways. The Committee is grateful to them for their assistance.

4.0 BACKGROUND

The population of Ghana is over 24 million with more than 50 percent living in the urban areas. Approximately, three million people representing more than fourteen percent of the national population is believed to be living in Accra. It is estimated that Ghana's urban areas currently contribute over sixty per cent of GNP, illustrating both their importance and potential for contributing further to economic growth.

The city of Accra is growing at four percent (4%) per year and this means that the population will thus double in sixteen years. The expansion in the city size has made it difficult for the municipal authorities to meet the service demands of its residents. Traffic in Accra is characterized by heavy congestion (particularly, during the peak periods), weak implementation of traffic management measures, inadequate facilities for pedestrians and bicyclists and high accidents rates. Traffic flow in Accra is also adversely affected by the poor condition of the major and minor arterials where traffic is heaviest. The network size in Accra is about 2,296km with 43% in good, 6% in fair and 51% in poor condition. Recent events of high intensity rains over long duration have worsened the condition of the network.

Government recognizes that the above challenges will substantially worsen without a strong intervention, especially, with the continuous growth in the urban areas. The intended response, which is mainly focused on high level maintenance activities including asphaltic concrete overlay, among others, is to improve existing infrastructure

with an effective combination of traffic management measures, minor rehabilitation and maintenance and improvements in regulatory and enforcement to address congestion and safety issues. A number of roads are currently being rehabilitated in Accra in the above regard and the proposed roads would complement the projects that are currently being implemented as part of Government's policy objective to strengthen the provision of road infrastructure and related facilities and to improve the business environment to sustain broad-based growth in achieving middle-income country (MIC) status by 2015. It is against this background that Parliament is being requested to approve the Credit Facility to enable government implement this intervention.

5.0 PROJECT COMPONENTS

The project comprises the following works:

- 6cm Asphaltic overlay on 76 km of streets
- Sectional repairs and pothole patching of selected roads in 9 communities;
- 46 km of minor arterials;
- 30 km of collector roads; and
- Execution of road markings & signs

6.0 IMPLEMENTATION PERIOD/AARANGEMENTS

The project is estimated to be completed within a period of eighteen (18) months from the commencement date. The Ministry of Roads and Highways will have oversight responsibility for the implementation of the project to be supervised by FAS CONSULT/HANMAC (the Project Consultants), whilst the implementing agency, Dept. of Urban Roads (DUR) will coordinate all project activities for and on behalf of the Ministry of Roads and Highways.

7.0 PROJECT FINANCING

Societe Generale, Paris is providing a Credit facility of US\$ 45,485,558.00 for the execution of the proposed project. The summary terms and conditions of the credit facility are shown below:

Facility Amount	-	US\$45,485,558.00
(Inclusive of risk mitigation ofUS\$5,485,558)		
Repayment Period	-	5 years
Draw Down Period	-	2 years
Maturity Period	-	7 years
Interest Rate	-	6 months LIBOR + 3.05% p.a
Arrangement Fee	-	1% flat
Commitment Fee	-	1.22 % p.a
Structuring Fee	-	0.75 % flat

8.0 OBSERVATIONS

8.1 *Project Objectives*

Touching on the objectives of the project, the Minister for Roads and Highways indicated that the ultimate goal of the project is to facilitate socio-economic development of the country through an improved, efficient and cost effective road transport system with enhanced road safety standards that integrate economic centres, contribute to poverty reduction and improved standard of living of the people in the project's influence areas.

The Minister added that increasing the durability of the roads will also reduce the high maintenances cost which is becoming a drain on the government. Other objectives the Minister mentioned includes reduced pollution due to vehicle emission as a result of delays, reduced travel time and reduced vehicle operating costs.

8.2 *Current Status of Roads in Accra and justification for the Project*

Commenting on the status of the roads, the Minister indicated that the minor arterials and collector roads within some communities of the capital city have deteriorated for lack of maintenance and as a result, the surface conditions of the roads are in a fair to poor conditions. The Minister explained that some of the roads have developed lots of potholes whilst others have not had any periodic maintenance activities for over long periods of time. Further, adverse climatic conditions characterized by high intensity rainfall over longer durations with more incidence of flooding have worsened the situation. According to the Minister, pothole patching has not been able to address the maintenance challenges that are encountered on the roads. The Minister added that current inflows into the Road Fund however, cover only about 60% of the maintenance requirements of the road network and as a result, there is a backlog of maintenance required on the network and therefore, the need for the facility to save the network from the rapid development of potholes and sectional deterioration.

Though the Committee lauds the initiative, it is still of the view that, the deplorable state of the roads are not limited only to Accra and urge the Ministry of Roads and Highways to step up its efforts at improving the condition of the roads throughout the country. This, the Committee believes will improve mobility and stimulate economic activities throughout the country.

8.3 *Beneficiary Communities*

The Committee was informed that the choice of selected roads by the Ministry of Roads and Highways was based on the assessment of the state of the roads in Accra. The beneficiary Communities and the estimated km length were given as follow:

Community	Estimated length
➤ Mamprobi, Korle Gonno, LetebiorkoshieChorko & Dansoman	25km
➤ Accra Central	5km

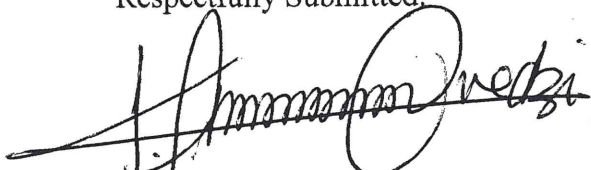
➤ New Town/Kpehe	5km
➤ Kanda	5km
➤ Haatso, Dome, Abgogba	14km
➤ Adabraka	5km
➤ Adenta/Madina	5km
➤ La	<u>5km</u>
Total	76km

The Committee urges the Ministry to extend the project to other parts of Accra to improve the general road networks.

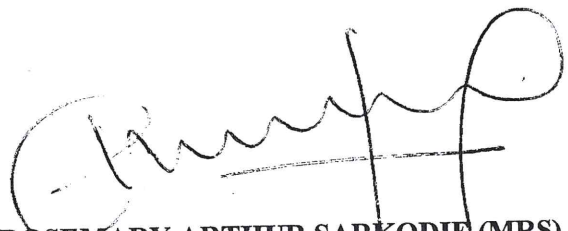
9.0 CONCLUSION AND RECOMMENDATION

The has carefully examined the request and is of the view that the project when completed will help improve the traffic flow, reduce congestion and vehicle operating costs and ultimately stimulate local economic growth. The Committee accordingly, recommends to the House to adopt its report and approve the Commercial Loan Credit Agreement between the Government of Ghana and Societe Generale (as Mandated Lead Arranger, Lender and Agent) for an amount of *Forty-five Million, Four Hundred and Eighty-five Thousand, Five Hundred and Fifty-eight US Dollars (US\$45,485,558.00)* relating to the Accra Streets Resurfacing Project in accordance with Article 181 of the Constitution, Section 7 of the Loans Act 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)