

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

**REPORT OF THE FINANCE COMMITTEE ON THE BUYER  
CREDIT FACILITY AGREEMENT BETWEEN THE REPUBLIC OF  
GHANA AND THE FORTIS BANK (NETHERLANDS)N.V. OF  
THE NETHERLANDS FOR AN AMOUNT OF €4,495.922.65  
FOR FINANCING THE ADDITIONAL WORKS ON 45 KM  
SEFWI-WIAWSO-BENKYEMA JUNCTION ROAD PROJECT**

**1.0 INTRODUCTION**

The above Buyer Credit Facility Agreement was laid in the House on Tuesday, 17<sup>th</sup> July 2007 and referred to the Finance Committee in accordance with Article 181 of the Constitution and the Standing Orders of the House.

To consider this facility the Committee met with the Deputy Minister of Finance and Economic Planning, Hon. George Gyan-Baffour and a technical team from the Ministries of Finance and Economic Planning and Transportation and reports as follows:

**2.0 BACKGROUND**

The Government of Ghana has for the past decade been implementing a number of road improvement programmes as part of its Transport Policy to improve the transport sector. The programmes involve routine and periodic maintenance of feeder, trunk and urban roads as well as their rehabilitation and reconstruction.

One of such programs is the Road Sector Development Programme. Under this programme, the 45 kilometre Sefwi-Wiawso-Benkyema junction road has been earmarked for rehabilitation.<sup>1</sup>

This road commences from Sefwi-Wiawso at the northern end of the bridge over the Tano River and ends at Benkyema junction.

The Sefwi-Wiawso area is an agriculturally active area for the production of foodstuffs and cash crops especially cocoa, which is the major export of the country.

The road is critical for integration of administrative and economic activities within and between Ghana and her ECOWAS neighbours, as well as other landlocked countries.

Currently the Sefwi-Wiawso-Benkyema road which is bituminously treated has deteriorated considerably giving rise to serious driving difficulties, high transport costs and safety problems and this has adversely affected agricultural and brisk trading that could facilitate socio-economic development and poverty reduction.

Hon. Members may recall that the House approved a Loan Agreement amounting to €15 million with a grant element of € 8.5 million to finance the Sefwi-Wiawso-Benkyema road. The Government of Ghana also provided € 2.2million to help finance the rehabilitation project.

The scope of the project includes the reconstruction of the road through gravel sub-base and base pavement with bituminous surfacing. Major elements of the works are:

- earthwork and pavement construction;
- drainage and ancillary works including pipe and box culverts
- upgrading of existing bridges and construction of reinforced concrete bridges
- relocation of utility services including water mains, power transmission and telecommunication lines.

However these contributions are not sufficient to complete the project as a result of some necessary changes that has arisen in the project specifications.

Due to this Government of Ghana is seeking additional funds in the sum of €4, 495,922.65 to finance these additional works required to enable contractors complete the project and this agreement is currently before the House.

### **3.0 TERMS AND CONDITIONS**

<b>Loan Amount</b>	-	<b>€4,495,922.65</b>
<b>Interest Rate</b>	-	<b>Euribor +0.75%</b>
<b>Repayment period</b>	-	<b>10 years</b>
<b>Grace Period</b>	-	<b>2 years</b>
<b>Maturity</b>	-	<b>12 years</b>
<b>Commitment Fee</b>	-	<b>0.25% per annum</b>
<b>Management Fee</b>	-	<b>0.50% flat</b>
<b>Grant Element</b>	-	<b>39.26%</b>

### **4.0 OBSERVATIONS**

The Committee observed that there is the need for the construction of the road because of its strategic importance within its vicinity and the country as a whole.

The Committee also observed that the project if implemented will reduce the amount of post harvest losses and provide quick and easy transportation of foodstuffs, timber and internal trade.

The Committee further observed that the rehabilitation of the road will enhance economic activities, and facilitate the movement of goods especially cocoa, since the road lies in the heart of cocoa growing areas.

The technical team informed the Committee that the project involves setting out road alignment and ancillary works including taking cross sections of the road. It also involves improving the vertical alignment and reshaping the existing material to profile.

The Committee was also informed that this additional funding is being sought for due to the changes in the project specifications especially the Axle Load Limit. This is because Ghana has now become a strategic route for transiting goods destined for landlocked countries. In the light of this, the current Axle load limit 10 tonnes cannot cope with the pressures from the heavy duty vehicles with higher Axle load currently plying the trunk roads.

Furthermore the thickness in the pavement layer for the road had to change from an initial estimate of 150mm for both the Base Course and sub- Base Course to 300mm for Base Courses and 200mm for the sub- Base Courses. These revised specifications would help the country match its road specifications with its neighbouring countries & other landlocked countries, thereby preventing early deterioration of the roads.

Members expressed concern about different vehicles with different axel loads plying our roads. They noted that the proposed Axle Load Limit of 11.5 tonnes for trunk roads is still low compared with the limits of some of our neighbouring countries. They therefore recommend that for the roads in the country to last longer after construction, there is the need for a survey to be conducted on the different Axle Load Limits used by the neighbouring countries. This would serve as a guide in setting a realistic Axle Load Limit to accommodate these vehicles and reduce the level of deterioration of the roads.

The Deputy Minister informed the Committee that under the project there would be the construction of town drainage systems like U-channels, stone pitched drainage channels, pipe culverts and box

culverts. Concrete sealing of new pavement against existing concrete works will also be undertaken.


The Committee noted that finishing works such as road markings, accesses, traffic signs and the erection of guardrail would also be constructed. Furthermore, the committee observed that the loan is concessional and has a total grant element of 39.29%.

The Committee again noted that the construction of the road will facilitate easy transportation for inhabitants from the hinterland to the towns and cities as well as goods from the country's harbors for landlocked countries.

## **5.0 CONCLUSION**

After careful consideration and observation as enumerated above, the Committee recommends to the House to adopt its report and approve by resolution **the Buyer Credit Facility Agreement between the Republic of Ghana and the Fortis Bank N.V. of the Netherlands for an amount of €4,495.922.65 for financing the additional works on 45 Km Sefwi-Wiawso-Benkyema Junction Road Project** in accordance with Article 181 of The Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.

  
**HON. NII ADU DAKU MANTE**

**CHAIRMAN**

**FINANCE COMMITTEE**

  
**LOUIS BOAKYE YIADOM**  
**FOR CLERK, FINANCE COMMITTEE**

**19<sup>TH</sup> JULY 2007**