

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

REPORT OF THE FINANCE COMMITTEE ON THE
SUPPLEMENTARY AGREEMENT BETWEEN THE
REPUBLIC OF GHANA AND THE NORDIC
DEVELOPMENT FUND IN THE AMOUNT OF
SDR300,000 (\$450,000.00) TO SETTLE
OUTSTANDING CLAIMS TO MESSRS K.L
CONTRACTORS OF DENMARK

1.0 INTRODUCTION

The above Agreement was laid in the House on Tuesday, 18th December 2001 in accordance with Article 181 of the Constitution and referred to the Finance Committee for consideration and report, pursuant to Articles 171(1) of the Standing Orders.

The Committee met with Hon. Mrs. Grace Coleman, Deputy Minister for Finance to analyze the Document and reports as follows:

2.0 BACKGROUND

In 1994, the Government of Ghana secured a concessional credit of SDR4,000,000.00 (US\$5,000,000.00) from the Nordic Development Fund (NDF) to finance the foreign cost for the rural electrification project in the Volta Region.

This project involved the extension of the national grid to Nkwanta, a district capital in the Volta Region, and twenty-three other towns and villages on the supply route.

During the implementation process, it became necessary to include many more communities within the project area, which were not initially captured because of insufficient funds.

A feasibility study therefore had to be conducted on twenty-one (21) additional communities for inclusion in the project at an additional cost of SDR1,000,000.00 (US\$1,350,000.00).

On completion of the project however, the Government of Ghana owes Messrs. KL contractors of Denmark an amount of SDR300,000.00 as a result of exchange rate fluctuations during the project implementation.

In view of the current fiscal situation, Government is not in a position to readily settle the outstanding claim to the contractor but the NDF has indicated that it is ready to provide a further SDR300,000.00 to settle the debt to Messrs. KL Contractors. The current arrangement will therefore bring Government's total indebtedness to the NDF under the Electrification project to SDR5,300,000.00, the breakdown being:

Original Credit	-	SDR4, 000,000.00
Addendum No.1	-	SDR1, 000,000.00
Addendum No.2	-	SDR300, 000.00

3.0 TERMS AND CONDITIONS

The terms and conditions of this credit are the same as those for the initial SDR4, 000,000:

Loan Amount	-	SDR 300,000(US\$450,000)
Interest Rate	-	0%
Grace Period	-	10 years
Repayment Period	-	30 years
Service Charge	-	0.75%
Commitment Charge	-	0.50% on the undisbursed amount

The grant element or rate of concessionality of this Credit is 70%.

4.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee observed that since the project has already been completed and the debt incurred, taking this additional loan to settle the indebtedness to Messrs K.L contractors of Denmark is therefore in the right direction.

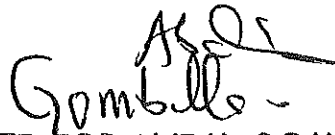
The Committee further observed that the loan has a very high grant element, making it very concessional.

7.0 CONCLUSION

After careful consideration, the Committee recommends to the House for approval by resolution, in accordance with Article 181 of the Constitution the amount of SDR300, 000 (US\$450,000.00) to settle the outstanding claims to Messrs. K.L Contractors of Denmark.

Respectfully submitted.


HON. EUGENE ATTA-AGYEPONG
VICE CHAIRMAN


ALHAJI IBRAHIM GOMBILLA
CLERK

Friday, December 21 2001