

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

REPORT OF THE FINANCE COMMITTEE ON THE
DEVELOPMENT CREDIT AGREEMENT OF SDR175.3
MILLION (US\$220 MILLION) BETWEEN THE REPUBLIC
OF GHANA AND THE INTERNATIONAL DEVELOPMENT
ASSOCIATION (IDA) FOR THE FINANCING OF THE
ROAD SECTOR DEVELOPMENT PROGRAMME (RSDP)

1.0 INTRODUCTION

The above Agreement was laid in the House on Friday, 13th July 2001, in accordance with Article 181 of the Constitution, and referred to the Finance Committee for consideration and report, pursuant to Standing Order 171 (1).

The Committee met to consider the Agreement with the Minister of Roads and Highways, Hon. Kwadwo Adjei Darko and the technical team from the Ministry and reports as follows:

2.0 BACKGROUND

The country's road network policy over the last couple of years has been made by Government towards the development and improvement of the road network and services in a regionally equitable manner based on the objectives of Poverty reduction and economic growth. Government has been implementing a rolling Road Sub-Sector Strategic Program with the principal objective of clearing the backlog on road maintenance and to achieve a road condition mix of 70% good, 20% fair and not more than 10% poor by the year 2005.

Some achievements have been realized in the implementation of this Program in the years gone by and in order to improve on its performance in the ensuing years and in pursuance of the determination of the Ministry to improve the overall road condition of the network, the Road Sector Development Program (RSDP) was prepared to reflect the integrated and donor coordinated approach to road development and management under the Government's Medium Term Expenditure Framework with particular emphasis on the Comprehensive Development Framework (CDF) with ultimate result of increasing the impact of external resources on poverty reduction.

The Road Sector Development Programme (RSDP) involves a multi-year budgeting programme which allows for a more realistic arrangement of development priorities with the aim of utilizing the limited resources efficiently to achieve a given set of objectives within a certain time frame. The expenditure plan for the programme is based on the projected revenue from the Road Fund, the Consolidated Fund and assistance from donors. The IDA Credit of SDR 175.3 Million is to support the Government's budget for the implementation of the planned three-year Road Sector Development Programme.

3.0 PROJECT OBJECTIVES OF IDA'S COMPONENT

The Project objectives are:

- (a) to finance a three-year segment of the Program;
- (b) to achieve sustainable improvements in the performance of trunk roads, feeder roads, urban roads and road transport services in all regions of the country;
- (c) strengthen the capacities for management and implementation in the road sector; and

- (d) establish management systems that will ensure the upgrading and preservation of an improved system and the use thereof.

4.0 PROJECT DESCRIPTION

The project consist of the following parts:

Part A - Routine Maintenance

Part B - Periodic maintenance, Minor Rehabilitation and Minor Upgrading

Part C - Major Rehabilitation Reconstruction and Upgrading

Part D - Traffic Management and Safety

Part E - Institutional strengthening

Part F - Programme Operation.

Component	Sector	Indicative Cost (US\$m)	% of Total	Bank Financing (US\$)	% Bank Financing
Routine Maintenance	RSDP	101.37	8.5	0.0	0.0
Periodic Maintenance and Minor		416.03	34.9	57.50	26.1
Rehabilitation and Minor Upgrading		559.20	47.0	119.00	54.1

Traffic Management and Safety		11.0	0.9	2.60	1.2
Institutional Strengthening		55.40	4.7	38.40	17.5
Programme Operation		48.00	4.0	2.50	1.1
Total Project Costs		1191.00	100.0	220.0	100.0

5.0 TERMS OF THE CREDIT

- (i) The Credit would be on standard IDA terms with 40 years maturity;
- (ii) Interest Rate - 0%
- (iii) Moratorium - 10 years
- (iv) Repayment Period - 30 years
- (v) Commitment Charge - 0.50%
- (vi) Service Charge - 0.75%
- (vii) Closing Date - June 30, 2006

6.0 FUNDING OF THE PROJECT

The Road Sector Development Program (RSDP) is a three-year Program with a total Program cost being US\$1.2 Billion. The amount of SDR175.3 million (US\$220 million) is an initial support to co-finance the execution of a segment. The rest of

the amount of the total cost would be sought from the Donor Agencies. The Minister informed the Committee that some countries and Donor Agencies have indicated their interest in funding the Program.

7.0 OBSERVATIONS

Members observed that the Road Sector Development Program (RSDP) will in the long run improve the productivity and competitiveness of the Ghanaian economy and further improve access by the poor to the economy through the provisions of an improved all weather access to markets and services for a broad cross section of the population.

The Committee also noted that the benefits of the improved road network would be spread across all the regions in the country since the Program has already identified works and activities in each region. This will eventually increase opportunities for Poverty reduction and lead to economic growth.

Some Members expressed concern about the high amount of money earmarked for consultancy services and purchase of vehicles for the Project and called on the Minister to use the understanding on flexibility between his Ministry and the IDA in the implementation of the Project to redirect such funds to road works for cost efficiency.

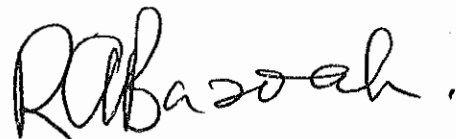
The Committee however noted that in using the flexibility agreement, the Minister should not deviate too much from the proposals submitted to the IDA in the disbursement of the credit.

Finally the Committee examined the terms of the credit and found them to be in line with IDA standard terms.

8.0 RECOMMENDATION

The Committee is satisfied after careful consideration of the Development Credit Agreement and therefore recommends that this House approves by Resolution the Credit facility of SDR175.3 Million (US\$220 million) towards the financing of the Road Sector Development Program (RSDP) in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.



HON. R.A. BASOAH
CHAIRMAN



ALHAJI IBRAHIM GOMBILLA
CLERK TO THE COMMITTEE

24TH JULY 2001