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

REPORT OF THE JOINT COMMITTEE ON FINANCE  
AND COMMUNICATIONS ON THE CREDIT FACILITY  
AGREEMENT BETWEEN THE REPUBLIC OF GHANA AND  
MESSRS. DAF BUS INTERNATIONAL b.v. OF THE  
NETHERLANDS IN THE AMOUNT OF NLG 18,286,287  
(US\$7,224,069.00) FOR THE IMPORTATION OF 100  
DAF/NEOPLAN BUSES

## 1.0 INTRODUCTION

The above Agreement was laid in the House on Wednesday, 18<sup>th</sup> July 2001, in accordance with Article 181 of the Constitution, and referred to the Joint Committee on Finance and Communications for consideration and report, pursuant to Standing Order 171(1). The Committee met with the Minister for Transport and Communication, Hon Felix Owusu-Adjapong, and his technical men and reports as follows:

## 2.0 BACKGROUND

Members will recall that H.E. the President in his Sessional Address to this House early this year indicated his Government's intention to introduce Mass Transportation into the country. As part of the policy, the Ministry of Transport and Communications has sourced some concessionary loans to fund the importation of

buses for the private sector to bring this vision to reality.

This first batch of 100 buses is to be funded with a Dutch concessionary Credit facility of NLG 28,132,750 (US\$11,113,953) consisting of a Mixed Credit facility of 35% ORET Grant and 65% concessionary loan.

The DAF Bus International b.v. of the Netherlands, represented by Mechanical Lloyd in Ghana, will manufacture the chassis and body kits of the buses and ship them to Ghana for Neoplan (Gh) Ltd. to construct.

### 3.0 TERMS AND CONDITIONS

#### A. ORET GRANT

Total Credit Amount	-	NLG 9,846,463 (US\$3,889,883.80) (ie. 35% of the Principal Loan including cost financing of about NLG 927,000)
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#### Conditions for disbursement

- The Grant Agreement must be signed by both parties
- The Concessionary Loan should become effective
- The DAF Bus International b. v. must provide a Bank Guarantee covering its component of the advance down payment

- The GPRTU must guarantee an increase of its tariff by at least 10% and this should be unrelated to any increase due to other factors, particularly fuel.
- Government must approve the increase in tariff mentioned above

## **B. COMMERCIAL LOAN**

<b>Total Loan Amount</b>	-	<b>NLG 18,286,287 (US\$7,224,069.6) (65% of the Principal Loan)</b>
<b>Interest</b>	-	<b>7.15% of outstanding balance</b>
<b>Repayment Period</b>	-	<b>7 years(14 semi-annual Instalments)</b>
<b>Grace Period</b>	-	<b>1year</b>

## **4.0 OBSERVATIONS**

The Committee observed that though the original Agreement dated 22<sup>nd</sup> May 2001 had the GPRTU as Borrower and ING Bank N.V as the Lender, this has been substituted with a later Agreement dated 20<sup>th</sup> July 2001 which has the Republic of Ghana as the Borrower and the ING Bank N.V. as the Lender. In the earlier Agreement the GPRTU was the sole beneficiary but this new Agreement includes other transport organizations like the Progressive Transport Associations (PROTOA) and the Co-operative Transport Association. (Please find attached a letter from the GPRTU acknowledging the Ministry's intention to

distribute the buses among all the named beneficiaries)

The Committee was thus of the view that as this credit would be lent to the GPRTU, PROTOA and Co-operatives by the Government of Ghana, these beneficiaries should be made to produce evidence of their ability to repay, possibly in the form of Bank guarantees, before the facility is extended to them so as to protect the Government from an undue financial burden.

The Committee was informed that to ensure the beneficiaries' ability to pay back the loan, discussions with them are ongoing so that they would give to the Ministry a level of initial guarantee that they will be able to support the Government's efforts. They are also to propose appropriate modalities they intend putting in place for repayment without putting undue financial constraints on the Government. In this light an escrow account is to be set up into which payments for the loan would be made on schedule.

The signatories to the account will include a representation from the Ministry of Finance, Controller and Accountant-General and the beneficiaries.

Members also held fears with regards to the supply of spare parts. They were of the view that whatever spare parts are to be provided should be stated in black and white. This is because leaving the issue vague may lead to the importation of one part and not the other or even poor quality parts, which would end up being more of a liability than a help to the Government, which is the borrower. In this light Members asked that the make of the vehicles be specified so that the wrong parts would not be brought in for them.

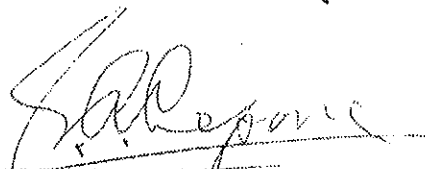
## 5.0 RECOMMENDATION

The Committee, having closely examined the Mixed Credit facility Agreement of NLG 18,286,287 (US\$7,224,069.6) between the Government and Messrs. DAF Bus International b.v. of the Netherlands, recommends to the House its approval, by Resolution, 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, FINANCE COMMITTEE)



HON. EUGENE ATTA AGYEPONG  
(CHAIRMAN, COMMITTEE ON COMMUNICATIONS)



ALHAJI IBRAHIM GOMBILLA  
(CLERK)

26<sup>th</sup> July 2001

**Mechanical Lloyd Company Ltd.**  
Accra - Ghana



HON. F.K. OWUSU-ADJAPONG  
MINISTER OF TRANSPORT & COMMUNICATIONS  
MINISTRY OF TRANSPORT & COMMUNICATIONS  
ACCRA

Your Reference  
Our Correspondence  
From / Department  
Telephone (+233 21)  
Fax (+233 21)  
E-Mail  
Date  
Subject

**T.R. Darko/Executive**  
229312 / 229318  
227366 / 229399  
tdarko@mechlloyd.com  
Thursday, July 26, 2001  
**SUPPLY OF 100 DAF BUSES UNDER  
DUTCH CONCESSIONARY FINANCING**

Dear Sir,

We refer to the Sale and Purchase Contract dated 31<sup>st</sup> August, 2000 between GPRTU and DAF INTERNATIONAL B.V. for the supply of 100 buses under Dutch Concessionary Financing.

Enclosed, please find a letter from GPRTU concerning the distribution of the buses.

We are hopeful that with all the necessary approvals granted by the end of this month, the chassis and coach components will be shipped by the end of the year to enable delivery of the completed buses begin early 2002.

We are grateful for your Ministry's support for this project and assure your Ministry of our commitment to the Government's mass transportation programme.

Yours faithfully,  
for: **MECHANICAL LLOYD CO. LTD.**

  
**T.R. DARKO**  
**MANAGING DIRECTOR**

Enc.

**Address**  
Mechanical Lloyd Co. Ltd  
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**Bankers**  
Barclays Bank of Ghana Ltd  
High Street Branch  
Accra

Standard Chartered Bank  
Ghana Ltd  
High Street Branch  
Accra

**Directors**  
Y.M. Sarpong, Chairman  
T.R. Darko, Managing Director  
C.S. Aidoo, Director  
N.K. Bulley, Director  
A. Lawson, Director  
C.B.K. Zwenne, Director

# GHANA PRIVATE ROAD TRANSPORT UNION OF T.U.C. (GHANA)

Tel: 667656

**BANKERS:**

Social Security Bank  
North Industrial Area, Accra  
Bank for Housing & Const.  
Tudu, Accra



Telegraphic Address: "GHAPRTU" Accra  
National Secretariat  
P. O. Box 701  
Accra (Ghana) West Africa

Our Ref: IN/NMB/Voic 2

Your Ref: .....

Dept: ADMINISTRATION

All Communications should be  
Addressed to the General Secretary

**THE MANAGING DIRECTOR  
MECHANICAL LLOYD COMPANY LTD.  
P. O. BOX 2086  
ACCRA.**

25<sup>th</sup> July 2001

Dear Sir,

## PURCHASE OF 100 BUSES WITH CONCESSIONARY FINANCE FROM THE NETHERLANDS GOVERNMENT

Reference is made to the sale and purchase contract between the Ghana Private Road Transport Union (GPRTU) and DAF – Bus International B.V. for 100 buses through a concessionary finance from the Netherlands Government.

We wish to confirm that the buses will be distributed to members of all the transport organizations in Ghana under the guidelines of the Ministry of Transport and Communications in support of the government's mass transportation programme.

We would appreciate it if the order and delivery of these buses could be effected as soon as possible.

Yours faithfully  
Ghana Private Road Transport Union  
Of the Trade Union Congress

GHANA PRIVATE ROAD TRANSPORT  
UNION OF T.U.C. (GHANA)

**E. K. GBEDEMAH  
(NATIONAL CHAIRMAN)**

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