

IN THE SECOND SESSION OF THE FIFTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA

**REPORT OF THE FINANCE COMMITTEE ON THE  
CREDIT AGREEMENT BETWEEN THE  
GOVERNMENT OF THE REPUBLIC OF GHANA  
AND THE SOCIAL SECURITY AND NATIONAL  
INSURANCE TRUST (SSNIT) FOR AN AMOUNT  
OF ONE HUNDRED AND NINE MILLION GHANA  
CEDIS (GH¢109,000,000.00) FOR THE  
PAYMENT OF CONTRACTORS UNDER THE  
GHANA ROAD FUND**

**1.0 INTRODUCTION**

The Credit Agreement between the Government of the Republic of Ghana and the Social Security and National Insurance Trust (SSNIT) for an amount of *one hundred and nine million Ghana Cedis* (GH¢109,000,000.00) for the payment of contractors under the Ghana Road Fund was laid in the House on Thursday June 03, 2010 in accordance with article 181 of the Constitution and *referred* to the Finance Committee for consideration and report pursuant to order no. 171(1) of the Standing Orders of the House.

The Committee consequently met and considered the Agreement with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terpkor and technical teams from the Ministry of Finance & Economic Planning, Ministry of Roads and Highways and the Ghana Road Fund and presents this report.

## **2.0 BACKGROUND**

Honourable Members of Parliament would recall that the Government of Ghana, acting through the Ministry of Finance and Economic Planning entered into an Agreement in March 2008 with the Social Security and National Insurance Trust (SSNIT) for the Ghana Cedi equivalent of US\$85 million for the payment of contractors by the Ghana Road Fund.

There is currently a backlog/arrears of payment to contractors for works executed which is also accumulating interest.

The Social Security and National Insurance Trust (SSNIT) has agreed to provide an amount of GH¢109 million under terms similar to the 2008 loan to enable the Ghana Road Fund make payment to contractors for works executed.

## **3.0 PURPOSE OF THE LOAN**

The purpose of the Agreement is to obtain funds for the payment of contractors under the Ghana Road Fund.

## **TERMS AND CONDITIONS**

The terms of the Agreement are as follows:

<b>LOAN AMOUNT</b>	-	<b>GH¢109 Million</b>
<b>Grace Period</b>	-	<b>1 year</b>
<b>Repayment Period</b>	-	<b>6 years</b>
<b>Maturity Period</b>	-	<b>7 years</b>
<b>Interest Rate</b>	-	<b>BOG Prime Rate + 200bp</b>

<b>Penalty</b>	-	<b>3% p.a. on unpaid amount</b>
<b>Processing Fee</b>	-	<b>0.5% flat</b>
<b>Commitment Fee</b>	-	<b>0.1% flat</b>
<b>Security</b>	-	<b>GOG Guarantee</b>

#### **4.0 OBSERVATIONS**

The Committee observed that this loan is completely fresh and different from the US\$85 million facility approved by the House in March 2008 and was agreed that the loan is an addition to the earlier one approved in 2008.

The Committee requested that the above corrections should be made before the loan Agreement is finally signed by the Minister.

As to how much the Road Fund owed contractors, the Committee was informed that as at the 16<sup>th</sup> of January 2010, the total indebtedness of the Fund to contractors stood at about GH¢108.9 million and hence the decision to borrow the amount of GH¢109 million.

The Committee was informed that the loan will be disbursed in six instalments.

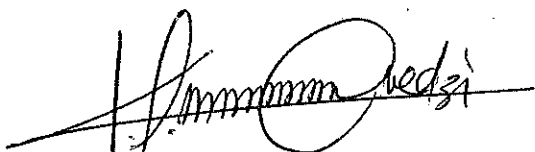
The Committee agreed that the Minister of Roads and Highways be later invited to brief the House on the specifics of individual contractors to whom the moneys are owed.

Officials of the Ghana Road Fund assured the Committee that the flow of revenue into the Fund would be able to repay the loan and therefore *other things being equal*, there will not be recourse to government to pay the loan.

## **5.0 CONCLUSION**

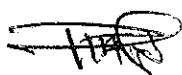
The Committee recommends to the House adopt this report and approve by Resolution, the **Credit Agreement** between the **Government of the Republic of Ghana** and the **Social Security and National Insurance Trust (SSNIT)** for an amount of *one hundred and nine million Ghana Cedis (GH¢109,000,000.00)* for the **payment of contractors under the Ghana Road Fund** in accordance with article 181 of the Constitution, Sections 3 and 7 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI**

**CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)**

**CLERK**

**8<sup>TH</sup> JUNE, 2010.**