

IN THE THIRD 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 CAL BANK GHANA LIMITED FOR AN
AMOUNT OF GH¢85.00 MILLION FOR THE
CONSTRUCTION OF SCHOOL
INFRASTRUCTURE FOR THE SENIOR HIGH
SCHOOL PROGRAMME.

1.0 INTRODUCTION

The Credit Agreement between the Government of the Republic of Ghana and CAL Bank Ghana Limited for an amount of *eighty-five million Ghana Cedis* (GH¢85,000,000.00) for the construction of school infrastructure for the Senior High School Programme was laid in the House on Friday 21st January, 2011 and referred to the Finance Committee for consideration and report.

The Committee met and considered the Agreement with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, Deputy Minister of Education, Hon. Elizabeth Amoah-Tetteh and officials from the Ministries of Finance and Economic Planning and Education and hereby presents this report to the House pursuant to order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

There are currently 453,214 students in the nation's 517 Senior High Schools and Technical Institutions, with some 200,000 expected to be admitted in September of this year. It has thus become imperative to provide additional facilities to reduce the shortfalls in infrastructural requirements to ensure the smooth implementation of the nation's four year Senior High School programme and also to enable the schools to admit new students when the new academic year begins.

During the preparation of the 2010 Budget, the Ministry of Education made a specific request for budgetary allocation to be made for the construction of infrastructural facilities to accommodate the fourth year cohort of Senior High School students in the 2010/2011 academic year.

The total cost of the entire construction is estimated at GH¢147.5 million out of which GETFund is providing an amount of GH¢45.00 million. This medium term loan of GH¢85.00 million is therefore part of measures to raise the balance of GH¢102.00 million which would have to be sourced to supplement the GETFund allocation.

3.0 PURPOSE OF THE LOAN

The purpose of the facility is to obtain funds to support the provision of infrastructure for Senior High Schools in the country.

4.0 TERMS OF THE LOAN

The terms of the facility are as follows:

Loan Amount : Up to GH¢85.00 million

Interest Rate	:	CAL Bank Base Rate (Currently 26.0%) Minus 4.0%(i.e. 26.0%- 4.0%=22.0%)
Grace Period	:	12 months
Repayment Period	:	48 months
Maturity Period	:	60 months
Arrangement Fee	:	0.75% flat
Participation Fee	:	0.75% flat

5.0 OBSERVATION

The Committee observed that the projects to be undertaken under the GH¢85 million facility would include the following:

- i. construction of 6-unit classroom blocks for 161 Senior High Schools
- ii. Construction of 55 Dormitories for 55 Senior High Schools
- iii. Provision of classroom furniture for 161 Senior High Schools
- iv. Provision of Bunk Beds for 55 Dormitories.

The Committee noted that CAL Bank Limited is the Mandated Lead Arranger of the facility and that the original lenders include Barclays Bank Limited, CAL Bank Limited, International Commercial Bank Limited, Merchant Bank Ghana Limited and The Trust Bank Limited.

The technical team from the Ministry of Education informed the Committee of the cost breakdown of the project as follows:

• Civil Works – comprising the construction of 161 six-unit classroom blocks and 55 two-storey Dormitory Blocks	GH¢70.9 million
• Consultancy (6% of civil work cost)	<u>GH¢4.3 million</u>
SUB-TOTAL	GH¢75.2 MILLION
• Contingency (1%)	<u>GH¢0.752 million</u>
TOTAL (Civil works, Consultancy and Contingency)	GH¢75.952 MILLION
• Furniture	<u>GH¢9.048 million</u>
GRAND TOTAL	<u>GH¢85 MILLION</u>

The Committee was further informed that the total amount required to provide classroom furniture and bunk beds for the dormitories to be constructed is GH¢34.9 million. It was explained that aside the GH¢9.048 million being provided from this facility, the rest of the furniture cost would be sourced from GETFund.

In order to ensure speedy completion of works, the Ministry of Education would employ a mix of wet construction (block and mortar) technology and prefabricated material (prefab) technology.

It was observed that even though the project is originally aimed at providing infrastructure to cater for the fourth year band of the SHS students, the facilities would enable more students to be admitted when the SHS system fully reverts to 3 years.

The Committee noted that the GH¢45.0 million being provided by GETFund would help construct about 214 classroom blocks for Senior High Schools in the country.

Members bemoaned the scanty nature of the Contingency provision of 1% which they felt would be woefully inadequate given the time lag between when the estimates were made and now.

The Committee noted that projected SHS 1 admission for the 2010/2011 Academic Year was 200,000. However, actual admission as at the end of February 2011 was 185,624, thus requiring an additional 4,125 classrooms or 687 six-unit Classroom Blocks (assuming a class size of 45).

In accordance with clauses 30 and 31.1 of the Agreement, the "Agreement is governed by Ghanaian Law" and that the "Courts of Ghana shall have exclusive jurisdiction to settle any dispute arising out of or in connection with the Finance Documents (including a dispute regarding its existence, validity or termination)".

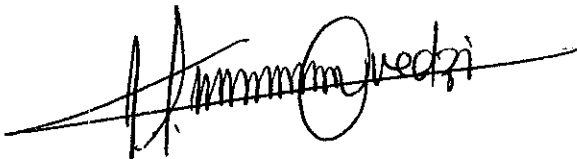
The Government of Ghana (Borrower) is given the right under clause 7.3 (a) to prepay the whole or any part of the loan without penalty by giving not less than 30 Business Days' prior notice to the Agent (Lender). Such prepayment should however be made at the end of an interest period otherwise if made during an interest period, it will be subject to Break Costs incurred by the Lender.

The Government of Ghana represents and warrants under clause 15.10 that its payment obligations under the Finance Documents (Agreement) rank at least pari passu with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

6.0 CONCLUSION

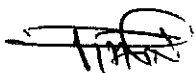
The Committee, having critically examined the Agreement and taking cognizance of the dire infrastructural needs facing the various Senior High Schools in the Country, respectfully recommends to the House to adopt this report and approve by resolution, the **Credit Agreement** between the **Government of the Republic of Ghana** and **CAL Bank Ghana Limited** for an amount of *eighty-five million Ghana Cedis* (GH¢85,000,000.00) for the **construction of school infrastructure for the Senior High School Programme** in accordance with article 181 of the 1992 Constitution and sections 3 and 7 of the Loans Act, 1970 (Act 335).

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI

CHAIRMAN



PEACE A. FIAWOYIFE (MS.)

CLERK

10TH MARCH, 2011