

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

**REPORT OF THE FINANCE COMMITTEE ON
THE LOAN AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA
AND COMMERZBANK AG OF BELGIUM FOR
AN AMOUNT OF €8,210,129.00 FOR THE
FINANCING OF THE SECOND BATCH OF 50
VDL JONCKHEERE BUSES AND SPARE PARTS**

1.0 INTRODUCTION

The Loan Agreement between the Government of Ghana and Commerzbank AG of Belgium for an amount of *eight million, two hundred and ten thousand, one hundred and twenty-nine Euros (€8,210,129.00)* for financing the second batch of 50 VDL Jonckheere Buses and spare parts was laid in the House on Friday, 16th July, 2010 in accordance with article 181 of the Constitution.

Pursuant to order no. 171(1) of the Standing Orders of the House, the Agreement was *referred* to the Finance Committee for consideration and report.

The Committee consequently met and considered the Agreement with the Minister of Transport, Hon. Mike Hammah, Deputy Minister of Finance and Economic Planning, Hon. Seth Terpkker and technical teams from the Ministry of Finance & Economic Planning and Ministry of Transport and presents this report.

2.0 BACKGROUND

In March 2003, the Ministry of Transport on behalf of the Government and some financial institutions incorporated the Metro Mass Transit

Limited (MMT) to operate mass transport services throughout the country. The MMT currently operates in all the Regional Capitals and some major towns and cities in the Regions.

Following the actualization of the Government's policy on the re-introduction of mass transportation, the Belgian Government in 2006 granted approval for the supply of 150 VDL Jonckheere buses under concessionary financing. All the 150 completed buses have since been delivered to the MMT.

In view of the durability and suitability of the buses to our roads, the then Ministry of Transportation in 2008 made a request for additional buses. The Government of Belgium through a financial intervention with the Commerzbank AG, Brussels Branch again provided a credit facility for the supply of additional 150 Jonckheere buses to augment MMT's bus fleet for its expansion programme.

Due to budgetary and production constraints, the Belgian Government has agreed to stagger the financing and the delivery of the buses into three batches of 50 buses per batch. The first batch of 50 buses together with their spare parts and Global Positioning System (GPS) to track the buses and monitor their movement and usage have been delivered to the MMT.

In pursuance of the deal, the Belgian Government has made available a concessionary loan of €8,210,129.00 through the Commerzbank AG, Brussels and an additional grant of €1,896,734.00 for the supply of the second batch of 50 buses.

3.0 PURPOSE OF THE LOAN

The purpose of the Agreement is to enable Ghana to be supplied with the second batch of 50 VDL Jonckheere Buses and spare parts to help boost the operations of the Metro Mass Transit Limited (MMT).

TERMS OF THE LOAN

The terms of the Credit Agreement are as follows:

Total contract Amount	-	€10,106,863 (including insurance premium)
LOAN AMOUNT	-	€8,210,129.00
Interest Rate	-	0%
Moratorium Period	-	18 months after signing of Loan Agreement
Repayment Period	-	7 years by 14 semi-annual installments
Grant Amount	-	€1,896,734.00
Grant Element	-	35.78%

4.0 OBSERVATIONS

The Committee observed that the facility has a grant amount of €1,896,734.00 and a grant element of 35.78%, thus making it concessional.

The Committee was informed that increase in urbanization and use of many private cars and mini buses are causing congestion on our main urban arterial roads with high fuel consumption and consequently high cost of travel per passenger/km. The importation and use of high occupancy buses would help reduce congestion in our cities and lower fuel cost. This would therefore lower cost per passenger/km.

The Committee noted that the buses would be delivered during the fourth quarter of 2010 and would be consigned to Metro Mass Transit Ltd. for operations countrywide to alleviate the problems that the travelling public in both the urban and rural areas face.

It was observed that an amount of *one million, eight hundred and ninety-six thousand, seven hundred and thirty-four Euros* (€1,896,734.00) representing 18.8% of the total contract sum of €10,106,863.00 is a grant from the Belgian Government to part finance the project.

Under article 14.2 of the Agreement, the Government of Ghana (Borrower) undertakes that "its obligations under the Loan Agreement rank and will rank *pari passu* with all its other present and future unsecured and unsubordinated external (i.e. towards foreign creditors) indebtedness with the exception of any preferred obligations by general, mandatory law in Ghana."

The Committee was informed that the additional buses from the facility would enable the Metro Mass Transit Limited (MMT) to serve more communities.

It was noted that article 5 of the Agreement requires that commitment fee, management fee, and liquidity premium will be paid by the Exporter.

Some Members wanted to know the current bus fleet of the Metro Mass Transit Limited (MMT). To this, the Minister of Transport explained that the MMT currently has 1300 buses out of which between 700 and 800 are currently operational. He further explained that most of the buses off the road are Yaxing buses. Currently, the MMT has a strategy to repair them using the automatic transmission system.

As to who owns the MMT, the Committee was informed that the Government of Ghana is the largest shareholder with 45% with other financing institutions holding the remaining 55%. These institutions include NIB, ADB, GOIL and SSNIT.

Some Members advised that since Government continues to make investment into the MMT, the shareholder structure should be recalculated to reflect the true state of affairs.

4.1 TAXES

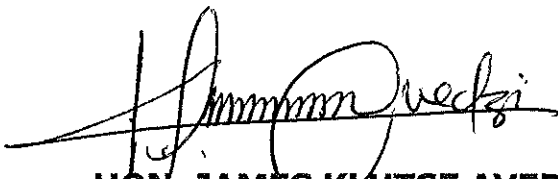
Article 11.1 of the Loan Agreement requires the Borrower (i.e. GOG) to be responsible for "all taxes, levies, and fees and similar costs arising at present or in future" outside the Kingdom of Belgium in connection with the Loan Agreement.

The Committee advises the Ministry of Finance and Economic Planning to present a formal request for the waiver of the relevant taxes and duties to the House in due course for consideration and approval.

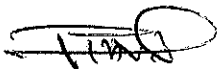
5.0 CONCLUSION

The Committee, in view of the foregoing observations, recommends to the House to adopt this report and approve by Resolution, the Loan Agreement between the Government of Ghana and Commerzbank AG of Belgium for an amount of *eight million, two hundred and ten thousand, one hundred and twenty-nine Euros (€8,210,129.00)* for financing the second batch of 50 VDL Jonckheere Buses and spare parts 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

21ST JULY, 2010.