

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

**REPORT OF THE FINANCE COMMITTEE
ON A LOAN AGREEMENT OF DM 10.0 MILLION
(ABOUT US\$5.6 MILLION) BETWEEN THE KREDITANSTALT
FUR WIEDERAUFBAU (KFW) OF GERMANY AND THE
REPUBLIC OF GHANA TO SUPPORT THE CAPITALS II
PROJECT (PRODICAP II) IN TEN (10) DISTRICTS IN THE
BRONG AHAFO AND ASHANTI REGIONS**

1.0 INTRODUCTION

The above Loan Agreement was laid in the House on Tuesday 7th December, 1999 and referred to the Finance Committee for consideration and report in accordance with Article 181 (2) of the Constitution and Order No. 171 (1) of the Standing Orders respectively.

The Committee met to consider the Agreement together with the Deputy Minister of Local Government and Rural Development Hon. Francis Korbieh and his technical staff and hereby reports as follows:

2.0 BACKGROUND

The German Government in 1996 supported the promotion of District Capitals I Project (PRODICAP I) with a grant of DM 21.2 million disbursed through two German Agencies KfW, DM 17.0 million, and GTZ DM 4.2 million.

2.1 Components of PRODICAP I

Some of the components of PRODICAP I include:

- (a) Establishment of a Business Promotion Centre at Nkoranza for four (4) project districts namely; Nkoranza, Kintampo, Atebubu and Ejura Sekyedumase;
- (b) The construction of piped water supply systems and household sanitation facilities in Nkoranza, Kintampo and Ejura;
- (c) Construction of market and lorry park complex in Atebubu; and
- (d) Capacity building in the district assemblies for performance of their functions with special focus on community mobilization and co-operation and maintenance of services.

The project was favourably appraised by KfW, GTZ and the Ministry of Local Government and Rural Development in 1998. PRODICAP II is a follow-up to PRODICAP I.

3.0 PURPOSE

The purpose of the Loan Agreement under consideration is to finance the implementation of the promotion of District Capitals Project II (PRODICAP II) in the following ten (10) districts in the Brong Ahafo and Ashanti Regions; Atebubu, Kintampo, Nkoranza, Sene, Techiman, Wenchi, Ejura Sekyedumase, Offinso, Sekyere East and Sekyere West. The facilities eligible for support under the project are markets, lorry parks and related infrastructure like toilets, access roads and drainage facilities as **prioritized by the District Assemblies themselves.**

3.1 Project Cost

(i)	80% of cost of infrastructure projects (to be financed with KfW loan)	DM 6.8 mil.
(ii)	Foreign consultancy services (KfW loan)	DM 1.2 mil.
(iii)	Local consultancy services (KfW loan)	DM 0.9 mil.
(iv)	Contingencies (KfW loan)	DM 1.1 mil.
(v)	20% of physical infrastructure projects (to be financed by communities and district assemblies)	<u>DM 1.7 mil.</u>
	Total	<u>DM 11.7 mil.</u>

4.0 PROJECT OBJECTIVES

The main project objectives are:

- (a) Improve upon selected physical infrastructure facilities in the beneficiary districts; and
- (b) Improve upon the capacity of the beneficiary District Assemblies to perform their functions and operate and maintain infrastructure services.

4.1 Project Implementation and Methodology

The Project Implementation is designed to adopt demand-driven and participatory approaches. The Communities and the District Assemblies will prioritize, plan and design the projects and apply for funds from the loan fund on a competitive basis to finance eligible projects.

There are no pre-allocated budgets. This is to provide opportunity to the District Assemblies to seek Project Funds for their current development needs. A funding limit of ₪800 million per project has been indicated.

5.0 TERMS AND CONDITIONS

- Loan Amount: - DM10.0 mil. (about US\$5.6 mil)
- Interest: - 0.75% per annum to be charged against disbursed amount.

- Commitment Charge: - 0.25% per annum to be charged on undisbursed loan funds beginning three (3) months after the signing of this agreement.
- Grace Period: - 10 years
- Repayment Period: - 40 years (including grace period)
- Repayment Schedule: - As provided in Article 3.4 of the Agreement.

6.0 OBSERVATIONS

- The Committee was informed that the Business Promotion Centre PRODICAP I has been established and is being operated by the NBSSI and a German volunteer. The markets and water supply projects are however in progress and are scheduled to be completed by late 2000.
- The Committee was also informed that unlike PRODICAP I PRODICAP II will not only cater for capital towns but also towns with population of 5000 and above within the beneficiary districts.
- Further, the loan under consideration will be complemented with a German Government Grant of DM8.0 million to be disbursed through GTZ for capacity building and development of management systems in the beneficiary districts. The grant facility will also cover

programmes prioritized by the District Assemblies and beneficiary communities.

- The Committee noted that under the Agreement, the Government of Ghana has the obligation of providing staff and regular budgetary allocations to the District Assemblies for the project. Also beneficiary communities will contribute 20% of the cost of physical works.
- The Committee also observed that proceeds of the credit are not to be used to pay import duties / taxes and duties imposed by Government of Ghana on goods and services to be procured for the project.

The Ministry of Local Government and Rural Development is therefore requesting for tax exemptions to be granted on materials for the project. At the time of the report the list of materials to be granted tax and the total tax involved had not been submitted. The Committee therefore takes the tax exemption at a later date.

7.0 RECOMMENDATION

The Committee wishes to recommend for approval by Parliamentary resolution, the Loan Agreement of **DM10.0 Million (about US\$5.6 million)** between the Kredistanstalt Fur Wiederaufbau, Frankfurt am Main (“KFW”) and the Republic of Ghana to support the implementation of the Promotion of District Capitals II Project

(PRODICAP II) in ten (10) districts in the Brong Ahafo and Ashanti regions in accordance with Article 181 (2) of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

Respectfully submitted.

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN

ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE

15 DECEMBER, 1999