

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

**REPORT OF THE FINANCE COMMITTEE ON THE LOAN  
AGREEMENT OF SEVEN MILLION, SEVEN HUNDRED  
THOUSAND DOLLARS (US\$7,700,000.00) BETWEEN  
THE GOVERNMENT OF GHANA AND THE ARAB BANK FOR  
ECONOMIC DEVELOPMENT IN AFRICA (BADEA)  
FOR THE TAMALE STORM WATER DRAINAGE PROJECT**

**1.0 INTRODUCTION**

The above Loan Agreement was laid in the House on 23<sup>rd</sup> November, 1999 and referred to the Finance Committee for consideration and report in accordance with Article 181 of the Constitution and Order No. 171 (1) of the Standing Orders respectively.

The Committee met to consider the agreement and had the benefit of further explanation from the Deputy Minister of Works and Housing Hon. Amadu Seidu, and his technical staff, a representative from the Ministry of Finance and reports as follows:

**2.0 BACKGROUND**

The inadequate drainage system in Tamale and its attendant periodic flooding problems during the raining season has been the

greatest concern of Government because of the loss of lives and property and the accompanying problems. These concerns led to the initiation of the preparation of a Drainage Master Plan in 1993, for the Tamale township.

The Arab Bank for Economic Development in Africa (BADEA) agreed to a Government's request to pre-finance the preparation of the Drainage Master Plan for Tamale. It was agreed that the cost of the study should be included in any future loan made available by the fund for the project.

The first loan of US\$277,000 granted in 1993, was disbursed to finance the preparation of:

- (i) The Drainage Master Plan for Tamale and
- (ii) Detailed designs and preparation of Tender Documents for the drainage network in the Central Business District (CBD) area.

### **3.0 SCOPE OF WORK**

The scope of the works to be covered under the loan includes:

- (a) The construction of primary drains from the Central

Business District area to the outfall point of which:

- (i) Approximately 13.4 kilometers would be in **open channel** concrete with varying cross section and
  - (ii) Approximately 6.0 kilometers in **closed conduct** concrete with varying cross sections.
- (b) Construction of **pedestrian crossings** over the drains  
Relocation of utilities during the period of construction
  - (c) Consultancy service for the revision of prepared bidding documents.

### 3.1 PURPOSE OF THE LOAN

The purpose of the BADEA loan under consideration is to finance the Tamale storm water drainage project as indicated by the following financial plan:

#### 3.1 Goods and Services to be Financed and Allocation of Proceeds of BADEA's Loan

<u>Category</u>		<u>Amount Allocated (expressed in ) US Dollars</u>	<u>% of Expenditures to be financed</u>
1. Civil Works:	(a)	4,470,000	100% of cost in foreign currency
	(b)	1,320,000	47.8% of cost in local currency
2. Consultancy Services		390,000	100% of cost in foreign currency

3. Technical Assistance :	277,000	100% of cost in foreign currency
(executed and amount fully disbursed)		
4. Unallocated (a)	793,000	in foreign currency
(Optional) (b)	450,000	in local currency

### 3.2 Description Of The Project

- a) **Civil Works:** This is composed of constructing the major gravity storm water drainage channels starting from the Central Business district of Tamale (CBD) up to the discharge outfall point, in addition to the covered roadside ditches. This component also includes constructing the pedestrian crossing along the major channels together with the relocation of utilities during construction.
- (b) **Consultancy Services:** This includes the revision of the prepared bidding documents in addition to the control and supervision of works.
- (c) **Technical Assistance:** This includes feasibility study of the project which was executed in June, 1996 and the expenditure of which is considered to have been withdrawn from the loan proceeds on the date of effectiveness of this agreement.

#### 4.0 TERMS AND CONDITIONS OF THE AGREEMENT

- Loan Amount - US\$7,700,000
- Repayment Period - 14 years semi-annual instalments  
Payable on each June 1, and  
December 1, commencing  
December 2002 and ending June,  
2016.
- Moratorium - 3 years
- Interest Rate - 3% per annum on the principal  
amount of the loan withdrawn and  
outstanding from time to time.  
The interest and other eventual  
charges shall be payable semi-  
annually on the 1<sup>st</sup> of June and the  
1<sup>st</sup> of December, in each year.
- Project Period - The closing date shall be 31<sup>st</sup>  
December, 2002 or any other later  
date established by BADEA.

- Taxes

The general conditions applicable to loan and guarantee. Agreements of BADEA provides in part that, the principal of, and interest and other charges on the loan shall be free from any taxes and paid without any deduction for any taxes levied by, or in the territory of Ghana.

Commitment Charge:

Nil

However the Borrower (Government of Ghana) would pay an additional commitment charge at the rate of 0.5% per annum on the principal amount of any special commitment entered into by BADEA at the request of the Borrower pursuant to a special commitment by BADEA that is upon the Borrower's request and upon such terms and conditions as shall be agreed upon between the Borrower and BADEA, BADEA

may enter into special commitments in writing to pay certain amounts to the Borrower or others in respect of the cost of goods to be financed under the Loan Agreement notwithstanding any subsequent suspension or cancellation by BADEA or the Borrower (Section 5.02 of contract document).

**5.0 OBSERVATIONS**

**5.1 Effective Date**

The Committee was informed that the effectiveness date of the loan agreement, which should have been 31<sup>st</sup> May, 1999 has been extended to 20<sup>th</sup> December, 1999 to enable Ghana meet some conditions precedent to the effectiveness of the agreement.

**5.2 Counterpart Funding**

The Committee observed that the Government of Ghana is to provide a counterpart fund of US\$2,000,000 and by this agreement, the Hydrological Services Department within the Ministry of Works and Housing is to make adequate annual budgetary allocations to meet this

amount provided for under its Medium Term Expenditure Framework (MTEF) budget (1999-2001).

**5.3** The Committee noted that the project when completed would give relief and ensure the security of life, property and investments in the metropolitan capital, Tamale.

**5.4** Exemption

The Committee noted that under the agreement, the contractor is to be exempted from the payment of taxes and other fiscal levies on the equipment and supplies required for the project. However as at the time of the report the total amount of the taxes and levies involved was not immediately available.

The Committee therefore decided to consider the loan agreement only. When the details of the tax waiver are made available these will be presented to the House for its consideration.

**5.5** Cabinet Recommendations

The Committee took note of Cabinet advice that in view of the fact that the Ministries of Roads and Transport and Local government and Rural Development are also undertaking other road projects in the Tamale municipality, the Hon. Minister for Works and Housing should liaise with his colleagues of the two ministries to ensure that the



implementation of the projects is **well co-ordinated** to avoid unnecessary bottle-necks. And noted that reference and adherence to any existing master plan designed for the development of a road network for the Tamale Municipality would be a step in the right direction.

The Committee also noted that consequent to the Cabinet advice a sub-committee, comprising representatives of the Ghana Highway Authority (GHA), the Hydrological Services Department (HSD) and Department of Urban Roads (DUR) has been set up to monitor and co-ordinate all project activities in respect of road network and the proposed Storm Water Drainage Project, including the on-going infrastructural projects in the Tamale Municipality with a view of ironing out any areas of conflicts and overlapping at all stages of implementation. It was also agreed that, the Northern Regional representative of the various executing agencies at Tamale should be actively involved.

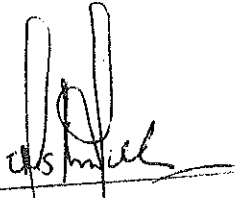
## **6.0 RECOMMENDATION**

The Committee after careful consideration of the terms and conditions of the agreement and having taken due cognisance of the importance of the project to the people of Tamale and its surrounding

areas and for that matter the development of the country as a whole,  
recommends for approval the loan agreement of **Seven Million, Seven  
Hundred Thousand US Dollars (US\$7,700,000.00)** between the  
Government of Ghana and the Arab Bank for Economic Development in  
Africa (BADEA) for the Tamale Storm Water Drainage Project  
in accordance with Article 181 of the Constitution and Section 7 of the  
Loans Act, 1970 Act 335.

Respectfully submitted.

REPUBLIC OF GHANA LEGISLATURE  
PARLIAMENT HOUSE  
OSU - ACCRA



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



**ASANTE AMOAKO-ATTA  
CLERK TO THE COMMITTEE**

DECEMBER 1999