

IN THE THIRD SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA



**REPORT OF THE FINANCE COMMITTEE ON LOAN AGREEMENT BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE
MINISTRY OF FINANCE) AND KREDITANSTALT FUR WIEDERAUFBAU
(KFW), FRANKFURT AM MAIN FOR AMOUNT OF ELEVEN MILLION, FIVE
HUNDRED THOUSAND EUROS (€11,500,000.00) TO FINANCE THE
FINANCIAL COOPERATION GOVERNANCE PROGRAMME, AUDIT
SERVICE (CONSTRUCTION OF 12 REGIONAL AND DISTRICT OFFICES).**

1.0. INTRODUCTION

The Loan Agreement between the Government of The Republic of Ghana (Represented by the Ministry of Finance) and Kreditanstalt Fur Wiederaufbau (KFW), Frankfurt am Main for Amount of Eleven Million, Five Hundred Thousand Euros (€11,500,000.00) to Finance the Financial Cooperation Governance Programme, Audit Service (Construction of 12 Regional and District Offices) was presented to the House on Saturday, 16th December, 2023 by the Hon Minister for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Hon Minister responsible for Finance in accordance with Article 181 of the 1992 Constitution and Section 56 of the Public Financial Management Act, 2016, Act 921.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was referred to the Finance Committee and the Leadership of the Special Budget Committee for consideration and report.

The Committee hereby presents its Report as follow:

2.0. DELIBERATIONS

The Committee subsequently met with the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare and officials from the Ministry of Finance and Ghana Audit Serviced and deliberated on the Agreement.

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of Parliament.

The Committee is grateful to the Hon. Deputy Minister and Officials for attending upon it and assisting in the deliberations.

2.1. REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

1. The 1992 Constitution of the Republic of Ghana
2. The Standing Orders of the Parliament of Ghana
3. The Public Financial Management Act, 2016 (Act 921)

3.0. BACKGROUND

The Ghana Audit Service (GAS) is mandated under Article 187 of the 1992 Constitution of the Republic of Ghana to audit the Public Accounts of Ghana and all Public Offices including the Accounts of Ministries, Departments, Agencies and Other Public Boards and report to Parliament. The functions of GAS as provided under the Audit Service Act, 2000, Act 584, is to assess

whether programmes and activities of government are carried out efficiently and effectively in accordance with International Auditing Standards.

In fulfillment of this mandate, the GAS plays a crucial role as both the Auditor of the Government of Ghana (GoG) and Development Partner (DP) funded projects. By performing its role as the Supreme Audit Institution (SAI) of Ghana, GAS determines whether all resources of government, including external assistance are prudently utilized and fully accounted for.

However, the effective performance of these roles by the GAS is hampered by a number of constraints, principal among which the lack of logistics/infrastructure including local GAS offices, transport and other materials to undertake audits. There is also the urgent need to upgrade the skills levels of the personnel for special audits operations.

As part of efforts to address these, the Government of Ghana with the support of the German government proposes to give additional support to GAS for the construction of 12 regional and district offices across the country.

4.0. JUSTIFICATION FOR GOVERNMENT ACTION

In 2016, the Government of Ghana approved a loan facility of EUR13,000,000 from Kreditanstalt für Wiederaufbau (KfW), the German Development Bank Group, for the improvement of infrastructure for the Audit Service. An amount of EUR12,000,000.00 from the Loan was earmarked for the construction of 25 regional and district offices for the Audit Service while the remaining EUR1,000,000.00 was committed for consultancy services. As a result of delayed procurement process for the project, the cost of construction per unit due to global rise in prices has increased thereby creating a funding gap.

The Government of Ghana in collaboration with the German government has therefore committed additional financing of €11,500,000.00 to enable the Audit Service to construct the remaining 6 district offices as well as 6 regional offices for the newly created regions.

The aim of the project is to increase the presence of GAS in the districts and to ensure a comprehensive coverage of its audit of public institutions in the country. The project is expected to contribute to the promotion of good governance in the areas of transparency, accountability and probity in the public financial management system in Ghana by strengthening the regional and district structures of GAS.

5.0. TERMS AND CONDITIONS OF THE FACILITY

The Financial Cooperation Governance Programme, Audit Service (Construction of 12 Regional and District Offices) would be financed by KfW under the following concessional terms:

Facility Amount	-	€11.5 million
Grace Period	-	7 years
Repayment Period	-	31 years
Tenor	-	38 years
Interest rate	-	0.75% p.a.
Commitment fee	-	0.25%
Grant element	-	54.21%

6.0. OPTIONS CONSIDERED

The options available for addressing the infrastructure deficit of the Audit Service include:

- a. Securing the concessional funding of €11,500,000.00 from KfW for the construction of the Regional and District offices which aims at supporting the achievement of the broad objectives of Public Financial Management (PFM) performance; or
- b. The Government of Ghana uses its own resources to construct the six regional and six district offices.

The Government in an attempt to address the infrastructure deficit and in consideration of the tight fiscal space in the national budget opted for a loan of €11,500,000.00 from KfW with highly concessional rate to finance the project.

The option would guarantee the availability of funds to ensure timely execution of the project.

7.0. PROJECT DESCRIPTION

The project for the construction of 12 Regional and District Offices for the Ghana Audit Service has two components which include investment in infrastructure and capacity development. Investment in infrastructure involves the construction of six (6) regional offices in Goaso, Dambai, Sefwi Wiawso, Nalerigu, Techiman and Damango. It would also see to the construction of six (6) District offices in Enchi, Axim, Nkwanta, Sogakope, Odumase Krobo and Lawra to ensure timely audits and increased coverage.

The capacity development component involves the development of training manuals and training of GAS staff.

8.0. IMPLEMENTATION PLAN

The design of the Project is based on the concept as well as lessons learnt from the implementation of the first phase of the project. The following Project activities shall be financed from the Loan:

- a. Construction of 12 Regional and District office buildings, outdoor facilities and supplementary equipment;
- b. Procurement of office furniture and equipment;
- c. Human resource development; and
- d. Consulting services.

9.0. OBSERVATIONS

The following observations were made by the committee during its deliberations:

9.1. Additional Financing

The Committee observed that Parliament on 31st October, 2016 approved a loan facility amounting to EUR13,000,000.00 from Kreditanstalt für Wiederaufbau

(KfW), the German Development Bank Group to the Audit Service for the construction of 25 regional and district offices. The Committee however, noticed that the service was only able to commence work on 19 offices leaving 6 projects outstanding.

The Committee was informed that the delays in the project implementation and currency fluctuations resulted in increased cost of materials which affected the cost of the projects. There is therefore the need for additional financing to enable the Service continue the six (6) outstanding projects and construct six (6) regional offices for the newly created Regions. The Committee further informed that about 83% of the original facility has been disbursed so far.

7.2. Selection of Beneficiary Districts

The Committee was informed that the overarching consideration for the selection of the locations of Audit Service Offices is strictly based on GAS's priority needs, especially those with pressing accommodation demands. The Committee was further informed that the policy of GAS is to locate District Offices in the District Capitals or centralized locations to ensure effective coverage of District Assemblies and other newly created audit entities falling within the jurisdiction of the Assemblies. The requirement is that GAS must have Title Deeds to the land in the selected Districts to qualify for the construction of a new office.

8.0. CONCLUSION

The Committee after a careful examination of the referral is of the view that the construction of the twelve (12) Regional and District Offices for the Ghana Audit Service will strengthen the capacity of the Ghana Audit Service to fully carry out its mandate.

The Committee therefore recommends to the House to adopt its Report and approve **the Loan Agreement between the Government of The Republic of**

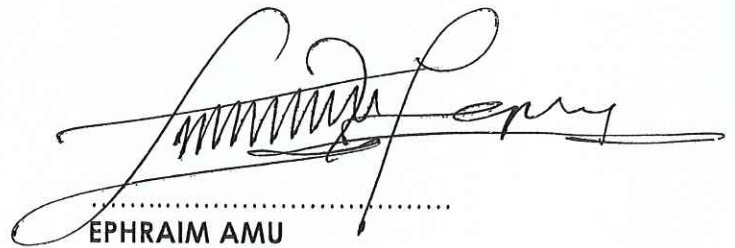
Ghana (Represented by The Ministry of Finance) And Kreditanstalt Fur Wiederaufbau (KFW), Frankfurt am Main for Amount of Eleven Million, Five Hundred Thousand Euros (€11,500,000.00) to Finance the Financial Cooperation Governance Programme, Audit Service (Construction Of 12 Regional and District Offices) in accordance with Article 181 of the Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



HON. KWAKU KWARTENG

(CHAIRMAN, FINANCE COMMITTEE)



EPHRAIM AMU

(SCHEDULE OFFICER, FINANCE
COMMITTEE)

18TH DECEMBER, 2023

