

IN THE FOURTH SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE FINANCE COMMITTEE

ON THE

CREDIT FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA AND AGENCE FRANCAISE DE DEVELOPPEMENT (Afd) FOR AN AMOUNT OF THIRTY-SEVEN MILLION AND FIVE HUNDRED THOUSAND EUROS (€37,500,000.00) TO FINANCE THE KUMASI ROADS AND DRAINAGE EXTENSION PROJECT.

FEBRUARY, 2016

**REPORT OF THE FINANCE COMMITTEE ON THE CREDIT FACILITY
AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND AGENCE FRANCAISE DE DEVELOPPEMENT (Afd) FOR
AN AMOUNT OF, THIRTY-SEVEN MILLION AND FIVE HUNDRED
THOUSAND EUROS (€37,500,000.00) TO FINANCE THE KUMASI
ROADS AND DRAINAGE EXTENSION PROJECT**

1.0 INTRODUCTION

The Credit Facility Agreement between the Government of the Republic of Ghana and Agence Francaise de Developpement for an amount of Thirty-seven Million, Five Hundred Thousand Euros (€37,500,000.00) to finance the Kumasi Roads and Drainage Extension Project was presented to the House by the Hon. Minister for the Interior Mr. Mark Owen Woyongo on behalf of the Minister for Finance on Thursday, 28th January, 2016 in accordance with Article 181 of the 1992 Constitution. The Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

The Committee was assisted in its deliberations by the Hon. Minister for Roads and Highways, Alhaji Inusah A. B. Fuseini, the Hon. Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson and Officials from the Ministries of Finance and Roads and Highways.

The Committee is grateful to the Hon. Minister, the Deputy Minister and Officials from the two Ministries for attending upon it.

2.0 REFERENCE

The Committee referred to the following documents at its deliberations:

- i. The 1992 Constitution of the Republic of Ghana;
- ii. The Standing Orders of the Parliament of Ghana; and
- iii. The Loans Act 1970 (Act 335)

3.0 BACKGROUND

Kumasi is the capital of the Ashanti Region and is Ghana's second largest traffic hub. It is a progressively expanding city both in size and activities with an accelerated population growth and urbanization. Traffic growth in the city is estimated at 7% to 10% per annum during the last few years resulting in heavy vehicular congestion on the road network. Several studies were undertaken by the government of Ghana from the year 2000 to address the critical issues of vehicular congestion and flooding within the Kumasi Metropolis.

Governments over the years have committed financial resources including Donor Assistance towards the amelioration of vehicular congestion and also flooding within the Kumasi Metropolis. However, population expansion, rural-urban migration and increased economic activities in the metropolis puts stress on existing roads and further worsening the situation.

This proposed project is to be funded by the Agence Francaise de Developpement (AfD) through a concessional credit facility aims at expanding the existing road network to reduce vehicular traffic in the metropolis.

4.0 PROJECT DESCRIPTION AND COMPONENTS

The Kumasi Drainage and Road Extension project is expected to finance the design and construction of the Lake Road/Oforikrom Bypass and the Aboabo Drainage works. The project covers; the extension of the Lake Road from 2+700 to km 4+700; and the extension of the Aboabo storm drain by 2.0km including the reconstruction of the Lake Road Bridges across the Aboabo Drain. The project will also complete the upgrade of major roads and drainage infrastructure in Kumasi. It will contribute to the full completion of works undertaken under two projects financed by AFD namely AFD Kumasi Road and Urban Development Project (construction of the Oforikrom-Asokwa by-pass and lake road), under which funds were fully utilized without completing all the planned works. The project is grouped into two main components.

Component A: Road Works

i. Lake Road Extension

The First part of this component will construct a dual carriageway road from Asafo Roundabout to the Coca-Cola bottling Company junction. The proposed project is a 2km extension of this route including the improvement of the intersections.

ii. Asphaltic Concrete Overlay

The second part will construct an asphaltic Concrete Overlay of 10km of roads in the Kumasi Metropolis to be selected by the Department of Urban Roads and Kumasi Metropolitan Assembly in consultation with the Supervising Consultant.

Component B: Drainage Works

The second component of the project will construct storm drains to reduce the perennial flooding in the metropolis. It will be implemented in two parts as follows:

i. Aboabo Storm Drain (Sissai River) Extension

Under the AfD financed component of the Second Urban Environmental Sanitation Project (UESP II), 3.6 km of the Aboabo Storm Drain has been constructed starting from the culvert on the Kumasi-Accra Road and terminating near the Lake Road culvert across the Aboabo Storm Drain. The focuses now are to tie in the 31m width channelized drain to the Lake Road culvert/bridge and extend the lined drain further downstream for 2km to an outfall. The design also includes footbridge, culverts and all confluents/outfalls in to the Aboabo drain.

ii. Reconstruction of the Lake Road Bridge across the Aboabo Storm Drain

The second part of component B will expand the current capacity of the Lake Road Bridge to contain the new flow of the reconstructed Aboabo Storm drain. It will also accommodate all the load of vehicles that will cross the Lake Road.

5.0 FINANCING TERMS

The terms and conditions of the credit facility are as follows:

Facility amount	-	€37,500,000.00
Commitment Charge	-	0.5% maximum on the unwithdrawn balance
Interest	-	1.63% p.a.
Grace period	-	7 years
Repayment Period	-	20 years

Repayment Dates	-	April 30 th and October 31 st each year
Grant Element	-	39.67%

6.0 OBSERVATIONS

Significance of the facility

The Hon. Minister for Roads and Highways explained to the Committee that the facility will help complete works on some ongoing projects in the Kumasi metropolis and help resolve the perennial flooding in the city. He indicated that, Kumasi has become the hub of economic activity with its attendant traffic congestion that needed an urgent intervention to facilitate vehicular movement and trade. The facility is therefore important to expand road networks in the metropolis.

The Deputy Minister for Finance indicated to the Committee that the facility is a concessionary credit with a grant element of 39.67% which falls perfectly in line with Government's policy for financing social projects. He said, as the country transits into a middle income status, such concessionary facilities are not readily available to the country and hence the need for the country to take advantage of any such opportunity.

Impact on Debt Stock

On the likely impact of the facility on the Debt stock and for that matter the Country's Debt Sustainability, the Deputy Minister for Finance explained to the Committee that the impact of the facility on the country's debt sustainability is minimal. He also explained that, the facility only becomes part of the debt stock when it is drawn down. He explained that the Ministry of Finance is in the process of analyzing the country's debt to separate loans that have been taken for commercial projects that can pay for themselves from facilities that are financed directly from the Consolidated

Fund. He however, indicated that to the Committee that the analysis so far is showing that more than 20% of the country's debt stock was used to finance commercial projects with the capacity to repay the loans with proceeds from these projects.

7.0 CONCLUSION

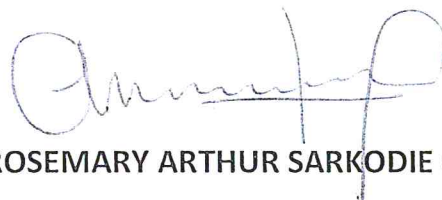
The Committee having carefully examined the referral is convinced that the facility, when approved will help reduce traffic congestion in the Kumasi Metropolis, improve the drainage system and reduce the perennial flooding in the city and contribute to improve the road network thereby facilitating economic activity. The Committee therefore recommends to the House to adopt its report and approve by resolution the Credit Facility Agreement between the Government of the Republic of Ghana and Agence Francaise de Developpement for an amount of **Thirty-seven Million, Five Hundred Thousand Euros (€37,500,000.00)** to finance the Kumasi Roads and Drainage Extension Project in accordance with Article 181 of the 1992 Constitution and the Loans Act, 1970 (Act 335).

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI

(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS.)

(CLERK, FINANCE COMMITTEE)