

REPORT OF THE COMMITTEE

ON

**LOCAL GOVERNMENT AND RURAL
DEVELOPMENT**

ON

**THE CONTRACT AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA (MINISTRY
OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT)**

AND

**CONTRACTA CONSTRUCTION (UK) LIMITED FOR AN
AMOUNT OF TWO HUNDRED AND FORTY-EIGHT MILLION
(€248,000,000.00) FOR PHASE II OF THE REDEVELOPMENT
AND MODERNISATION OF THE KUMASI CENTRAL
MARKET AND ITS ASSOCIATED INFRASTRUCTURE.**

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24th JULY 2018

**REPORT OF THE COMMITTEE ON LOCAL GOVERNMENT AND
RURAL DEVELOPMENT ON THE CONTRACT AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA
(MINISTRY OF LOCAL GOVERNMENT AND RURAL DEVELOPMENT)
AND CONTRACTA CONSTRUCTION (UK) LIMITED FOR AN AMOUNT
OF TWO HUNDRED AND FORTY-EIGHT MILLION (€248,000,000.00)
FOR PHASE II OF THE REDEVELOPMENT AND MODERNISATION OF
THE KUMASI CENTRAL MARKET AND ITS ASSOCIATED
INFRASTRUCTURE.**

1.0 INTRODUCTION

The Contract Agreement between the Government of the Republic of Ghana (Ministry of Local Government and Rural Development) and Contracta Construction (UK) Limited for an amount of Two Hundred and Forty-Eight Million Euros (€248,000,000.00) for Phase II of the Redevelopment and Modernisation of the Kumasi Central Market and its associated infrastructure were laid in Parliament on Thursday 19th July 2018 by the Hon. Deputy Minister responsible for Local Government and Rural Development, Mr. Osei Bonsu Amoah on behalf of the Minister for Local Government and Rural Development.

The Agreement was subsequently referred to the Committee on Local Government and Rural Development for consideration and report in accordance with the Constitution and Order 181 of the Standings Orders of the House.

The Committee is grateful to the Deputy Ministers for Local Government and Rural Development, officials from the Ministry and the Chief Executive Officer of the Kumasi Metropolitan Assembly for their invaluable contributions during the Committee's deliberations.

2.0 REFERENCES

In considering the Agreement, the Committee referred to the following documents:

- i. The 1992 Constitution
- ii. The Standing Orders of the Parliament of Ghana

3.0 BACKGROUND

The redevelopment and modernisation of Kumasi Central Market and its associated infrastructure project began in 2014. The construction of the Project was divided into three phases so as to maintain business continuity and reduce the impact that the construction would have on the business community; reduce the financial burden and cost of borrowing; and utilise revenues that would be realised from the first two phases of the Project to support the funding of the Phase three.

The Phase I of the Project which begun in 2015 is 97 percent complete and is scheduled to be completed in October 2018. The outstanding works delayed because of a protracted litigation which has since been resolved. The Phase I has a total construction area of 156, 437 m² and comprised three levels with a total number of stores and counters amounting to 8,417.

Levels 1 and 2 contain the stores and counters, as well as washrooms and food courts, with a connection to the Phase II so that once all the phases are completed, the Market will be one interconnected building of approximately 1,000 meters long.

The Government of Ghana acting through the Ministry of Local Government and Rural Development signed an Engineering, Procurement and Construction (EPC) contract with Contracta Engenharia Ltda., Brazil in 2014 to undertake all the three phases of the project. The Agreement provided for the right of the contractor of Phase I to execute Phases II and III.

4.0 PROJECT OBJECTIVE

The main objective of the Phase II of the Project is to improve on selected infrastructure in the Central Business District as well as redevelop, modernise and expand the commercial, social/community facilities of the central market enclave. It is also to provide facilities, which are necessary and complementary for the effective and efficient functioning of the market complex that were not catered for in the Phase I.

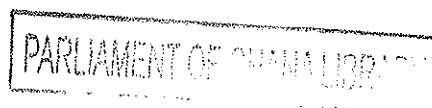
5.0 PROJECT COMPONENTS AND SCOPE UNDER PHASE II

Phase II is a continuation of Phase I which covers a total construction area of 172,197 m². The project consists of several components, including the external and internal infrastructure, remodelling of the adjacent road system, organization and increase in the parking area, construction of a new traditional

market area and modernization of the bus terminal. The external infrastructure is being executed to create conditions also for the private sector to invest in the surrounding areas thereby accelerating growth of the area. The Phase II is a distinct and contiguous area of land part of which is currently occupied by the Central Market of Kumasi.

The main structure of the building will be pre-manufactured steel structure and beams. The scope of Phase II of the project include:

- A. *General Infrastructure (for decongestion of the CBD)*
 - a. Neighbouring Road Network improvements
 - b. New pedestrian streets
 - c. New aerial walkways to avoid pedestrian and vehicular conflict
 - d. New and enhanced drainage system to prevent flooding
 - e. New and safer energy distribution system to prevent short circuiting
 - f. New and improved sewer collection and waste disposal system
 - g. New and improved water supply to create a healthy central market environment.
- B. *Market Infrastructure*
 - a. Transport Terminal in relation to the different accesses to the Central Market
 - b. Adequate car parking for retailers/ shop owners and customers
 - c. Arterial Roads
 - d. Community Facilities
- C. *Market Construction*
 - a. Steel and concrete structure
 - b. Metallic roofing
 - c. Stalls and circulation areas
 - d. Conveniences
 - e. Administrative and management areas
 - f. Technical area.



6.0 CONTRACT SUM

The contract sum for Phase II is Two Hundred and Forty-Eight Million Euros (€248,000,000.00) and it is divided into two tranches. The cost of the first Tranche is Eighty-Two Million Euros (€82,000,000.00) with the balance One Hundred and Sixty-Six Million Euros (€166,000,000.00) being the cost of the second Tranche.

7.0 OBSERVATIONS

7.1 Intended Benefit of the Project

The Committee observed that the Project has enormous economic and social benefits. Economically, the modernization of infrastructure, access and transportation network within the central business district will drive investment in new businesses and increase employment leading to increased government revenue through rent, fees and other charges. Further when completed the project will ease the traffic congestion, thereby allowing thousands of shops in the surrounding areas to be developed and enhance economic viability. The construction of a parking lot and especially the transport terminal will also provide conditions for a well-organized mass transport system in this very densely populated area.

Socially, when completed the Phase II would also enhance the already known status of the market as a major commercial hub of West Africa to a new level. It will boost the tourism industry especially the Art and Craft market thereby benefiting the surrounding neighbourhoods.

7.2 Concerns about Phase I

The Committee observed that Phase I and its associated infrastructure Project have not been completed. The completion of that Phase was intended to create space for the relocation of traders from the site for the construction of the Phase II. Since the Phase I project was yet to be completed, the Committee was concerned that this may affect the commencement date of Phase II. The Committee noted that should the Commercial Contract be signed without the contractors having access to the site, it may delay the Project and this may affect the project cost.

In response, the Committee was assured that with the determination of the legal suit in favour of the KMA by the Court, the works should be completed by September for the relocation of traders from the site of the Phase II to Phase I for works to commence. The KMA indicated that the Assembly has constituted a committee and the committee has had smooth and cordial engagement with the traders and other stakeholders on allocation of shops and spaces at Phase I and the relocation exercise. They indicated that they do not anticipate any serious hinderance with regard to the relocation exercise to pave way for the construction of Phase II. The Committee was assured that since the Project was

an integrated one, there would be a seamless transition from the Phase I to the Phase II.

7.3 Provision for Cost of Compensation and other Related Costs

The Committee observed that the cost of the project provision was not made for compensation for properties and persons to be affected by the Phase II. Other costs excluded include:

- Cost related to removal of any person relocated from construction areas;
- Cost related to construction of areas for relocated persons;
- Cost related to existing railway

The Committee noted that although these items have been excluded from the Project budget, they form a critical aspect of the project without which the project cannot commence.

The Committee was informed that per the nature and terms of facilities such as the one secured for the Project, the agreement does not permit the use of such funds for the payment of compensation and related matters. It is therefore Government's obligation to ensure that all the items excluded are catered for in a separate arrangement. The Ministry of Local Government and Rural Development therefore assured the Committee that the Project was critical in the Government's transformation agenda and therefore committed to providing funds for any compensation claims that may arise and other related costs.

The Committee is therefore requesting the Government and the implementing agency to make adequate provision to cater for these exclusions so as to forestall any delays that may be occasioned by the inability of Government to act on any of the issues mentioned above.

7.4 Commercial Viability of the Project

As to whether the project was commercially viable and can pay for itself, the Committee was informed that the Project was capable of paying for itself in the long term. They however indicated that it was essential to separate the actual cost of the market and the allied social infrastructure such as roads, drainage and sewage system, fire station, police post, among others. The Consultants are in the process of decoupling the costs so as to determine the direct project costs and the cost of social infrastructure.

The Committee was also informed that revenues generated from the market would be applied to service the loan. An on-lending agreement would be entered into between the Government and KMA regarding the servicing of the loan facility.

7.5 Value for Money Audit

The issue of value for money was also raised during the deliberations. The Committee was informed that, the Value for Money (VFM) Audit on the project was not yet ready. The Consultants to the Project explained that detailed designs of the Project would be done after the approval of the contract. They noted that value for money audit was not possible without the detailed designs. The Ministry of Local Government and Rural Development assured the Committee that the VFM audit report would be made available to the Committee once it was completed. The Committee agreed to the proposal but requested that the audit be conducted as soon as possible and the Committee briefed accordingly.

7.6 Planning and Design

The Committee was informed that preliminary layouts of the Project have been done and the layout reflects the same design and construction principles considered for Phase I that was incorporated into the employer's requirement. The design proposal would be responsive to the location of the Kumasi Central Market, its history and culture.

The Committee was assured that the design proposal would take into account the fact that the Project will generally generate large traffic volumes arising from public access to the shops private and commercial service vehicles.

7.7 Resettlement and Relocation of Affected Persons

On where to relocate and resettle traders currently occupying the project area, the Committee was informed that adequate provision in the form of shops and spaces have been made in the Phase I for affected persons.

7.8 Stakeholders Consultation

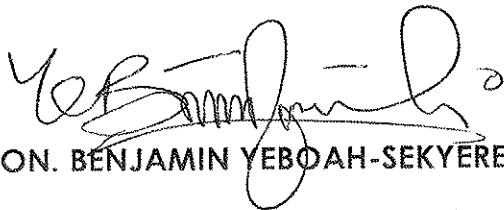
The Committee noted that one of the major challenge that the Phase I of the project faced was resistance from some stakeholders leading to litigation that delayed the completion of the project. As the market serves an estimated 500,000 people a day made up of traders, shoppers, commuters and service providers, the implication for the development of the project on peoples'

livelihoods is huge. As to whether enough consultations have been made to ensure a smooth take off of the Phase II, the Committee was informed that enough stakeholders' consultations have taken place with the primary aim of creating awareness and building confidence and acceptance of the project by market traders and all concerned.

CONCLUSION

The Committee believes that the project will have enormous impact on the socio-economic, environmental and financial wellbeing of the people of Kumasi and its environs. The Committee therefore recommends to the House to adopt this report and approve by Resolution the Contract Agreement between the Government of the Republic of Ghana (Ministry of Local Government and Rural Development) and Contracta Construction (UK) Limited for an amount of Two Hundred and Forty-Eight Million Euros (€248,000,000.00) for Phase II of the Development and Modernisation of the Kumasi Central Market and its Associated Infrastructure.

Respectfully submitted.



HON. BENJAMIN YEBOAH-SEKYERE

Vice Chairman of the Committee



MR. CAMILLO PWAMANG

Clerk to the Committee

