

JOINT MEMORANDUM TO PARLAIMENT

BY

MINISTER FOR FINANCE

(KEN OFORI-ATTA)

AND

MINISTER OF ROADS AND HIGHWAYS

(HON. KWASI AMOAKO ATTAH, MP)

FOR

**THE CREDIT FACILITY AND COMMERCIAL AGREEMENTS FOR
THE REHABILITATION AND AUXILIARY INFRASTRUCTURE OF
KUMASI INNER RING ROAD AND ADJACENT STREET PROJECT
(100 KM) – PH.1**

DATE: 7th MAY 2019

1.0 ACTION REQUIRED

Parliament is respectfully invited in accordance with Article 181 of the 1992 Republic of Ghana Constitution and Sections 55 (1) and 56 (1) of the Public Financial Management Act, 2016 (Act 921) to consider and approve:

- A. The Credit Facility Agreement between the Republic of Ghana represented by the Ministry of Finance and Deutsche Bank AG, London Branch (as Agent, Arranger, Structuring Bank and Original Lender) an amount of Fifty-Five Million Euros (€55,000,000.00) to finance the Rehabilitation and Auxiliary Infrastructure of Kumasi Inner Ring Road and Adjacent Streets project (100 KM) – Ph.1; and
- B. The Commercial Contract Agreement between the Republic of Ghana represented by the Ministry of Roads and Highways and Contracta Construction UK Ltd. in the amount of Fifty-Five Million Euros (€55,000,000.00) for the Rehabilitation and Auxiliary Infrastructure of Kumasi Inner Ring Road and Adjacent Streets project (100 KM) – Ph.1.

2.0 BACKGROUND

Road Transportation is the main means of movement in the Greater Kumasi Metropolitan, it serves as the web within which all movements are made as well as connecting all other social and economic centres and the people in the region. It has been a big challenge to ensure a well-functioning road transportation system that would meet the needs of the Kumasi Metropolis with a rapidly increasing population.

The Kumasi road network has been characterized by deteriorated road surfaces, inadequate drainage structure and some missing links because of the urban dislocation due to presence of some streams. As far as provision of alternative routes is concerned, the proposed rehabilitation of the strategically selected urban roads will have a tremendous impact in connecting the surrounding districts and making them more accessible thereby giving road users better conditions of use.

The road network of Greater Kumasi Metropolitan Area has exhibited stress in a lot of areas due to increasing traffic volume exceeding the capacity of roads and major intersections. The road network in the city centre has significantly deteriorated and there are rights of way constraints which will affect future expansion of the roads.

However, the roads sections have been strategically selected considering the opportunities and possibilities for future expansion. The intervention being envisaged will by and large enhance the functionality of the road network by eliminating transit traffic through the urban areas of Kumasi and dispersing incoming traffic towards the urban centres. Furthermore, the redevelopment of the selected roads would enable traffic bypass Kumasi and provide access to critical land uses making the city more attractive and environmentally friendly.

3.0 PROJECT OBJECTIVES

The overall goal of the project is to facilitate socio-economic development of the country through an improved, efficient and cost-effective road transport system with enhanced road safety standards that integrate economic centres, contributing to poverty reduction and the improvement in the standard of living of the people in the project's influence areas. Other important objectives of the Project are as follows:

- To improve traffic circulation by enhancing the capacity of the road network and by removing bottleneck sections of the road network;

- To support socioeconomic development of Kumasi and surrounding by improving movement of people and goods;
- Develop and strengthen the functions and amenities of Kumasi City Centre as the Primary Centre of Greater Kumasi Sub-Region; and
- Disperse traffic coming into urban center.

4.0 PROJECT DESCRIPTION/COMPONENTS

Some of the communities that require urgent attention to preserve the existing paved network comprising Nine (9) sub-metros include Subin, Oforikrom, Asokwa, Nhyiaeso, Manhyia, Tafo/Pankrono, Suame, Bantama, and Kwadaso. As already indicated, the first phase of the project would cover 100km of local road networks and 42.6km of related drainage structures within the Metropolis. Additional communities would also benefit from the second phase of the project as envisaged.

The project components would include:

- Earthworks- removal of existing pavement and excavation of the base, average excavation of 0.20 meters per square meter of the road
- Base- a stabilized base with 150mm thickness with 40% crushed rock and 60% laterite natural gravel.
- Double surface dressing with binder, aggregates with 10-20mm on the first layer and 6-10mm on the second layer.
- Resealing with Double Surface Dressing pavement
- U-drains and culverts
- Construction of outfall drains
- Construction of critical culverts to reduce the flooding being experienced on those sections of the road
- Road markings/signs- continuous line at the centre, at the edge, intermittent marking dividing the lanes. Vertical signs (Stop, round-about, give way, speeded hump, directional signs)
- Relocation of utilities

5.0 JUSTIFICATION/ BENEFITS OF THE PROJECT

An improved condition of the road network will reduce congestion and vehicle operation costs. This will stimulate local economic growth by reducing travel time to various economic and social activities. The safe and efficient flow of traffic is a major concern and the solution presented will help address the transportation needs of the city.

6.0 ENVIRONMENTAL IMPACTS CONSIDERED

The civil works to be carried out under the proposed project would be undertaken in accordance with the Environmental Management Plans (EMPs) which would be prepared by the Contractor for purposes of this project. The Contractor's method statement would include the traffic management plans to minimize inconvenience to road users and the public during implementation.

The planned civil works will not have significant negative impacts during project implementation. This is especially the case for maintenance works, which would not require any major re-alignments, land acquisition or destruction of structures. The potential adverse environmental and social impacts will be limited and site specific and would be mitigated in compliance with environmental legislation.

7.0 RECORD OF CONSULTATION

Consultations have been undertaken among the Ministry of Finance, the Ministry of Roads and Highways and the Implementing Agency; the Department of Urban Roads involved with the implementation of the proposed project. Cabinet has also considered the Credit Facility Agreement and the Commercial Contract Agreement and has approved and recommended that both agreements be submitted to Parliament for further consideration and approval. **A copy of Cabinet's approval letter is attached as Appendix 3 to this Memorandum.**

Continuous consultations would be held during project implementation with all relevant stakeholders including the Metropolitan Assembly and projected affected persons to ensure that all project implementation issues and related challenges are adequately addressed to ensure that the project is completed as planned.

8.0 IMPLEMENTATION PERIOD/ARRANGEMENTS

The first phase of the project is expected to be completed within a period of eighteen (18) months from the commencement date. The Ministry of Roads and Highways will have oversight responsibility for the implementation of the project whilst the implementing agency, DUR will coordinate all project activities and address contractual issues for and on behalf of the Ministry of Roads and Highways.

9.0 COMMUNICATION PLAN AND STAKEHOLDER CONSULTATIONS

The commitment to achieve the project objectives would require sustained and active consultation among key governmental and non-governmental stakeholders including relevant MMDAs, Regional Coordinating Council, opinion leaders, Transport unions and Property Affected Persons (PAPs) along the selected road sections to address project related concerns for a smooth implementation and completion of the project.

10.0 FINANCIAL IMPACT

The total cost of the project is to be financed through the Financing Agreement between Government of Ghana and Deutsche Bank AG, London. Under the arrangement, the total cost of the project is €55.0 million.

The agreed indicative terms and conditions of the Financing Agreement for the Project are summarized below:

Loan Amount	: €55,000,000.00
Interest rate	: 6M Libor + 5.70% p.a.
Commitment fee	: 1.00% p.a.
Arrangement fee	: 1.25% flat
Structuring fee	: 0.50% flat
Grace Period	: 1.5 year
Repayment period	: 5 years
Tenor	: 6.5 years

11.0 FISCAL IMPACT ASSESSMENT

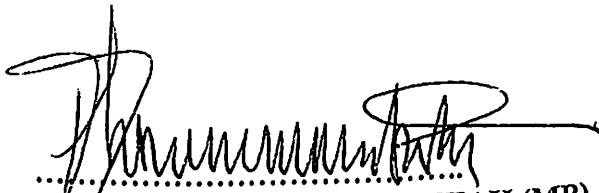
- A Debt Sustainable Analysis (DSA) was conducted for a number of loans (envisaged pipeline loans) taking into consideration the disbursement profile for the medium term, payment periods, interest rates and other relevant charges which determine Government's debt obligations.

This project was factored in the assessment which informed the Government's Medium-Term Debt Strategy (MTDS) and consequently determined government's borrowing plan for the medium term.

Its fiscal impact has been incorporated in the 2019 Budget and forms part of the anticipated Project Loan disbursement amount of GHS4.3 billion.

12.0 CONCLUSION

In view of the Government's agenda for delivery of infrastructure projects, continuous provision of road infrastructure and maintenance of the existing road network and associated facilities, and the immense socio-economic benefits to be derived from the project; Parliament is hereby respectfully invited to consider and approve the Credit Facility and the Commercial Contract as requested in paragraph 1 above.



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HON. KWASI AMOAKO-ATTAH (MP)
MINISTER, ROADS & HIGHWAYS



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KEN OFORI-ATTA
MINISTER FOR FINANCE

DATE: 7/05/2019

Analysis documents

- Copies of the following documents are attached as appendices to this Memorandum:
- Appendix 1 – Credit Facility Agreement between the Republic of Ghana represented by the Ministry of Finance and Deutsche Bank AG, London Branch.
- Appendix 2 –Commercial Contract between the Republic of Ghana represented by Ministry of Roads and Highways and Contracta Construction UK Ltd.
- Appendix 3 –Cabinet Approval letter dated 2nd April 2019 and numbered OPCA.3/3/020419/b.

CONFIDENTIAL

*In case of reply the
number and date of this
letter should be quoted.*



REPUBLIC OF GHANA

OFFICE OF THE PRESIDENT
P.O. BOX 1627
ACCRA
TEL: 0302-201000/2

My Ref. No OPCA.3/3/020419/b

Your Ref. No.....

2nd April, 2019

CREDIT FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF GHANA
AND DEUTSCHE BANK AG, LONDON BRANCH, FOR AN AMOUNT OF
FIFTY-FIVE MILLION EUROS (€55,000,000.00) FOR THE REHABILITATION
AND AUXILIARY INFRASTRUCTURE OF KUMASI INNER-CITY AND ADJACENT
STREETS PROJECT (100KM) - PH.1

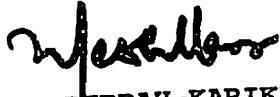
Cabinet at its Fifty-first meeting held on Wednesday, 27th March, 2019 considered a report of the Cabinet Committee on Economic Matters on the above Memorandum submitted jointly by the Ministers for Roads and Highways and Finance.

2. The Memorandum requested Cabinet to consider, approve and recommend to Parliament for consideration and approval:

- (i) a Credit Facility Agreement between the Government of Ghana and Deutsche Bank AG, London Branch, for an amount of Fifty-five Million Euros (€55,000,000.00) for financing the Rehabilitation and Auxiliary Infrastructure of Kumasi Inner-City Roads and Adjacent Streets Project (100km)-Ph.1; and
- (ii) a Commercial Contract Agreement between the Ministry of Roads and Highways and Contracta Construction UK Ltd for the implementation of the said project.

3. Cabinet approved the Memorandum for consideration by Parliament.

4. I should be grateful if you could take requisite action on the decision by Cabinet.


MERCY DEBRAH-KARIKARI
SECRETARY TO THE CABINET

THE HON. MINISTER FOR ROADS
AND HIGHWAYS

THE HON. MINISTER FOR FINANCE