REPUBLIC OF GHANA

JOINT PARLIAMENTARY MEMORANDUM

BY

KEN OFORI-ATTA
MINISTER FOR FINANCE

&

KWASI AMOAKO-ATTAH (MP)
MINISTER FOR ROADS & HIGHWAYS

ON THE

PROPOSED UA 58.3 MILLION (US$81.67 MILLION) LOAN FROM THE AFRICAN DEVELOPMENT BANK (AfDB) AND US$ 20 MILLION LOAN FROM THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID)

FOR THE

EASTERN CORRIDOR DEVELOPMENT PROGRAMME (PHASE 1)

NOVEMBER 2019
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1. ACTION REQUESTED

Honourable Members of Parliament are respectfully invited to consider and approve a UA58.3 million (US$ 81.67 million equivalent) loan from the African Development Fund (ADF) of the African Development Bank (AfDB) and US$20 million loan from the OPEC Fund for International Development (OFID) to finance the proposed Eastern Corridor Development Programme (Phase 1).

2. BACKGROUND INFORMATION

The Transport Sector in Ghana has been providing efficient transportation services that serve as a catalyst for economic growth anchoring on its vision to provide “an integrated, efficient, cost-effective and sustainable transportation system responsive to the needs of society, supporting growth and poverty reduction and capable of establishing and maintaining Ghana as a transportation hub of West Africa”. The Eastern Corridor road along which this project is located is classified as National Road Two (N2), approximately 695km and one of three north-south corridors (Eastern, Central and Western corridors) in the country, linking the southern coastal seaports to the hinterland and landlocked neighbours in the north. It is a strategic alternative route to the main Central Corridor, being a shorter route by almost 200km and does not have as many bottle-necks such as major urbanised towns. This makes it a much safer and economical link especially for transit trade. It is also a multi-modal corridor with several sections either recently completed or being considered for construction. These include: i) current expansion of the container terminal at Tema Port through MPS (Meridian Port Services) Concessional financing; ii) current construction of a grade separate interchange at Tema roundabout through Japanese (JICA) funding; iii) ongoing construction of the Tema – Akosombo rail line through India-Exim financing; iv) ongoing studies and dredging interventions to revive the lake Volta transport through World Bank funding; v) various sections of the road corridor completed or under construction financed by the EU, the Governments of Brazil, China and Ghana Government.

4. The overall Eastern Corridor Programme under the AfDB funding entails development of four sections of the Eastern Corridor route including 3 road sections – sections 1, 3 and 4 and a bridge on section 2. Phase 1 of the programme will include construction of the bridge in section 2 and road sections 3 and 4 and related works together with consultancy services for design review and supervision, institutional support, hard and soft community interventions and studies to support agriculture and facilitate trade.

5. The project is driven by the need for an alternative north-south corridor linking the port of Tema to the northern parts of the country and across the borders to Ghana’s landlocked neighbours whilst contributing towards an efficient multi-modal transportation system that promotes Ghana’s ports and corridors to enhance inclusiveness, stimulate socio-economic development and facilitate domestic and regional trade and integration.
PROJECT DESCRIPTION

6. **Project Objectives:** The primary objective of the Eastern Corridor Development Programme (Phase 1) is to contribute towards an efficient transportation system that promotes Ghana’s ports and corridors to enhance inclusiveness, stimulate socio-economic development and facilitate domestic and regional trade and integration. The specific objectives of the project are to: (i) provide journey time reliability along the Eastern Corridor; (ii) reduce road accidents; (iii) improve basic social service delivery and (iv) increase in value added agricultural products and exports.

7. **Project Components:** The Project is structured around five (5) components as described below:

- **Component 1: Road Construction Works (US$87.6 million):** This component covers the main civil works contracts incorporating: i) construction of two road sections - Section 3 Dufor Addome – Asikuma Junction (39.2km) and Section 4 Asutuare – Aveyime (23.9km) including 2 no. interchanges at Dufor Addome and Asikuma Junction; ii) implementation and monitoring of the Environmental and Social Impact Assessment (ESIA) and Resettlement Action Plan (RAP).

  **Component 2: Consultancy Services (US$7.8 million):** This component covers the consultancy services contracts supporting project implementation and monitoring. It incorporates: i) Design review & supervision of civil works; ii) Monitoring & Evaluation of Project’s impact; iii) Audits – Road safety, Technical, Procurement, Financial; iv) Sensitisation - Campaigns on road safety, gender and women’s rights, HIV AIDS, STDs, etc.; v) Studies for future road projects, study for establishment of Agro-industrial parks along the Eastern Corridor and study for a water and sanitation system for the communities within the project area.

- **Component 3: Project Management and Institutional Support (US$3 million):** This component focuses on supporting and enhancing performance of the Executing Agency, Project Coordination Unit (PCU) and AfDB Desk Office. Interventions will include: i) Technical Assistance support in FM, Project Management, Social Safeguards, Contracts and Records Keeping; ii) Trainings in specialized fields; iii) Provision of Logistics and equipment; iv) general operations and coordination.

- **Component 4: Community Support (US$7.4 million):** This component focuses on addressing the immediate needs of the communities located along the project corridor. It emphasizes selectivity, integration and prioritizes support under three sub-components as follows: i) Skills Development: The project will train selected youth and women in the community to enhance their employability and entrepreneurship. Specifically the
project will train construction gangs to avail services to the roads contractor and thereafter other constructions such as artisans, auto related services and other entrepreneurial occupations. ii) Support for establishment of District and Community Level Agro-Processing Facilities: Under the guidance of the Ministry of Trade and Industry, the project will provide facilities for livestock and fish processing and cassava, cereals and fruit processing for men and women. iii) Social infrastructure development - emphasis on rehabilitation and improvements of existing facilities including 15 Basic Schools; 6 Health Posts; construction of 2 markets and 2 multi-functional centers. The Program will help address the needs of an estimated 228,665 people in the three districts and impact the lives of over 5.4 million inhabitants 53.6 % are women, children, and youth.

- **Component 5: Trade and Regional Integration (US$ 750,000):** This component looks at interventions to maximize the efficiency of the corridor by ensuring that procedures and controls governing the movement of goods along the Eastern Corridor do not impede trade and, instead help maximize the benefits of the road infrastructure and enhance regional integration. It is made up of three sub-components, namely: i) Customs related activities: the project will train customs officials on transit procedures and regulations, transit process flow as well as the monitoring of transit traffic along the corridor. ii) Inter-Agency Coordination: the project will undertake a study on business process mapping and the re-engineering of agencies operating at Tema port; as well as establish an inter-agency coordination platform to address bottlenecks along the entire trade corridor. iii) Corridor Coordination Activities: the project will facilitate the establishment of corridor coordinating institutions and negotiation of corridor MOU with Burkina Faso and Mali to ensure smooth traffic along the eastern corridor; as well as the harmonization of policies, laws and regulations along the corridor.

**INSTITUTIONAL AND IMPLEMENTATION ARRANGEMENTS**

8. A Project Steering Committee (PSC) chaired by the Chief Director of MRH and constituting Heads of the main Agencies relating to the project such as the Ghana Highway Authority (GHA) and Ministry of Finance (MoF) will oversee the activities of the project and provide strategic guidance and direction of the project. The PSC shall meet quarterly to execute its core mandate on the project.

9. The Ghana Highway Authority (GHA) will be the executing agency for the project based on its legal mandate, experience and capacity to implement the proposed programme. GHA was established by Act 539 (1997), as an autonomous authority responsible for the administration, control, development and maintenance of trunk roads and related facilities. It is governed by a Board of Directors.
10. The GHA shall set up a Project Coordination Unit (PCU) constituting experienced and dedicated GHA staff with focal points from Ministry of Finance and Ministry of Roads & Highways and supported by technical, social and financial experts to oversee the day-to-day management of the project.

EXPECTED OUTCOMES

11. The project will create 1,500 direct jobs (at least 30% women) during construction and 850 indirect jobs (250 youth – at least 40% women). The Eastern Corridor project will boost regional integration through trade by facilitating movement of passenger, goods and services between Ghana and its landlocked neighbours as well as integrate the coastal capital city with the hinterland.

12. The project will improve travel times and result in cost savings for businesses and people due to the travel time saving of up to 60 minutes between Tema and Asikuma junction and assure road safety through reduction of accidents.

13. The project will also help to provide support to education and health services delivery with expected contribution to the increase of gross enrollment.

14. The project will also see value chain addition in meat and fish processing.

15. The project will address the human capital deficit in the construction sector.

FINANCIAL IMPLICATIONS

16. This proposed project is expected to be financed by the Bank, OFID and GoG and parallel financed with the Japanese International Corporation Agency (JICA). The JICA loan of USD100 million as parallel finance for the bridge construction in Section 2 has already been secured by GoG and procurement for the Bridge Works is currently ongoing. Total project cost for the Eastern Corridor Road Development Programme (Phase 1) co-financed by the Bank, OFID and GoG is USD113.27 million or UA80.91 million. OFID loan of USD20 million will exclusively co-finance the road works (18%) with the Bank whilst GoG counterpart contribution of USD11.60 million will cover RAP and Environmental and Social Management Plan (ESMP). Operations costs of the Project Coordination Unit and taxes (10%); the Bank’s funding from ADF14 allocation of UA58.30 million equivalent to USD81.67 million (72%) will cover all the remaining activities including co-financing the road works with OFID. The project is expected to start in 2020 will be completed by 2024.
The summary cost for the project is provided below:

<table>
<thead>
<tr>
<th>Source of Financing</th>
<th>FE (USD Mil)</th>
<th>LC (USD Mil)</th>
<th>Total Cost (USD Mil)</th>
<th>% of Total</th>
<th>Equivalent (UA mil)</th>
</tr>
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<tbody>
<tr>
<td>AdDB</td>
<td>73.62</td>
<td>7.55</td>
<td>81.67</td>
<td>72%</td>
<td>58.30</td>
</tr>
<tr>
<td>OFID</td>
<td>18.45</td>
<td>2.05</td>
<td>20.00</td>
<td>18%</td>
<td>14.29</td>
</tr>
<tr>
<td>GoG (net)</td>
<td>-</td>
<td>6.60</td>
<td>6.60</td>
<td>6%</td>
<td>4.72</td>
</tr>
<tr>
<td>Project Cost (net of taxes)</td>
<td>92.07</td>
<td>16.20</td>
<td>108.27</td>
<td>95%</td>
<td>77.31</td>
</tr>
<tr>
<td>Taxes</td>
<td>-</td>
<td>5.00</td>
<td>5.00</td>
<td></td>
<td>3.60</td>
</tr>
<tr>
<td>GoG (incl taxes)</td>
<td>-</td>
<td>11.60</td>
<td>11.60</td>
<td>10%</td>
<td>8.32</td>
</tr>
<tr>
<td>Total with Taxes</td>
<td>92.07</td>
<td>21.20</td>
<td>113.27</td>
<td>100%</td>
<td>80.91</td>
</tr>
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17. The **US$ 81.67 million** is provided by the African Development Bank (AfDB) with the following terms:

- **Loan Amount:** - UA 58.30 million
- **Interest:** - 1% per annum
- **Service Charge:** - 0.75% per annum on amount disbursed and outstanding
- **Commitment Charge:** - 0.5% per annum on of the undisbursed loan amount 120 days following signature of the Loan Agreement
- **Grace Period:** - 5 years
- **Re-payment Period:** - 25 years (exclusive of grace period)
- **Grant Element** - 35.97%

18. The **US$ 20 million** is provided by the **OPEC Fund for International Development (OFID)** with the following terms:

- **Loan Amount:** - US$ 20 million
- **Interest:** - 1.75% per annum
- **Service Charge:** - 1% per annum
- **Commitment Charge:** - N/A
- **Grace Period:** - 5 years
- **Re-payment Period:** - 15 years (exclusive of grace period)
- **Grant Element** - 26.32%
JUSTIFICATION FOR GOVERNMENT ACTION

19. The project will assist the poor and vulnerable and contribute to socio-economic improvements for women/ youth and children. It will also enhance mobility and contribute to productivity and efficiency of the beneficiary communities.

20. The project will create jobs in the construction process (permanent and temporary) and affect on a direct basis, the lives of the rural women and men in the region. The program activities will contribute to spur local economic activities by enhancing economic liquidity, as well as: i) support rehabilitation of gender sensitive social infrastructure, notably basic schools, health posts and multifunctional centres for women and new markets. Other benefits include; ii) skills development.

21. The project will train selected 1,500 youth and women in the community to enhance their employability and entrepreneurship skills.

22. The current condition of the road impedes accessibility to and within the area, resulting in a high level of deprivation. The construction of the Eastern corridor road will facilitate the transportation of agricultural produce to boost socio-economic activities. Additionally, the construction of the road and rehabilitation of health and educational facilities would improve accessibility and enhance the chances of attracting skilled human resources to the area. This would improve service delivery and social development outcomes particularly in health and education.

INTERMINISTERIAL AND AGENCY CONSULTATIONS

23. During the preparation phase of this project GoG initiated plenary information and consultation sessions with the project area notably the Project Affected Persons (PAP), with the support of the delegated supervisory authorities. As part of the preparation of the ESIA, ESMP and RAP reports, the consultant held six (6) public consultations with relevant stakeholders to capture the significant concerns associated with the project. The process ensured that these groups were given the platform to voice their opinions and views. The process also gave prior disclosure of relevant and adequate project information to stakeholders.

24. Preparation and appraisal missions were received from the African Development Bank. Also extensive consultations and follow-up meetings were conducted with other project stakeholders including Development Partners which informed the project design under community development and institutional support components. Consultations and discussions were had with Community Water and Sanitation Agency and the National Board for Small Scale Industries. The ESIA, ESMP and RAP reports have been submitted to EPA in line with the requirements of LI 1652 and the ISS. This participatory process and public consultation will be maintained throughout the project processing and implementation.
LEGAL AND REGULATORY PLAN

25. The execution of the project would not require the enactment of any legislation or an amendment of existing legislation.

COMMUNICATION PLAN

26. To ensure that the commitment for realizing the objectives of the proposed project is sustained, the involvement of key governmental and non-governmental stakeholders has already been initiated and there will be active consultations with all stakeholders and project affected persons prior to commencement and during the implementation of the project to ensure continued support for a successful implementation and completion of the project.

CONCLUSION

27. In view of the expected benefits of the implementation of the project towards the realization of Government’s efforts at accelerated growth, poverty reduction and its impact on the achievement of the goals and objectives of the road sector, Honourable members of Parliament are respectfully invited to consider and approve the proposed African Development Bank (AfDB) and OPEC Fund for International Development (OFID) loans.

28. Attached as an Appendix 1-2 are copies of the Cabinet Approval and initialled Loan Agreement.

KEN OFORI-ATTA
MINISTER FOR FINANCE

KWASI AMOAKO-ATTAH (MP)
MINISTER FOR ROADS & HIGHWAYS

NOVEMBER 2019
CONFIDENTIAL

18th November, 2019

PROPOSED UA58.3 MILLION (USD81.67 MILLION EQUIVALENT) LOAN FROM THE AFRICAN DEVELOPMENT BANK (AFDB) AND USD20 MILLION LOAN FROM THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT TO FINANCE THE EASTERN CORRIDOR DEVELOPMENT PROGRAMME (PHASE I)

Cabinet at its Sixty-fifth meeting held on Thursday, 14th November, 2019 considered a report of the Cabinet Committee on Economic Matters on the above Memorandum submitted jointly by the Ministers for Finance, and Roads and Highways.

2. The Memorandum requested Cabinet to consider and approve a proposed Fifty-eight million and three hundred thousand Units of Account (UA58,300,000), which is the equivalent of Eighty-one million, six hundred and seventy thousand United States Dollars (USD81,670,000) loan from the African Development Fund (ADF) of the African Development Bank (AfDB), and Twenty million United States Dollars (USD20,000,000) loan from the OPEC Fund for International Development (OFID) to finance the proposed Eastern Corridor Development Programme (Phase I).

3. Cabinet approved the Memorandum for the consideration of 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 FINANCE
THE HON. MINISTER FOR ROADS AND HIGHWAYS

cc: Chief of Staff
     Secretary to the President
     Secretary to the Vice President
     Minister for Parliamentary Affairs
     Chairperson, Cabinet Committee
     On Economic Matters