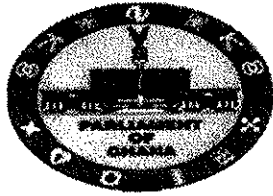


**IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



**REPORT OF THE FINANCE COMMITTEE
ON THE**

i. Third Addendum Supplemental to the Master Facility Agreement dated 16th December, 2011 (as amended by an Addendum dated 21st June 2013 and an Addendum dated 15th December, 2017)

ii. Second Addendum Supplemental to the Five Party Agreement dated 13th June, 2012 as amended by an Addendum dated 21st June, 2013, a second Addendum dated 15th December, 2017

iii. Additional Accounts Agreement between the Republic of Ghana and China Development Bank (CDB)

iv. Charge Over Additional Accounts between the Republic of Ghana and China Development Bank (CDB)

v. Deed of Confirmation to Offtaker Agreement between the Ghana National Petroleum Company (GNPC) acting on behalf of the Government of the Republic of Ghana as Seller and UNIPEC Asia Company Limited as Buyer

**vi. Deed of Security Confirmation Agreement between the Republic of Ghana and China Development Bank (CDB);
and**

vii. Existing Accounts Agreement between the Republic of Ghana and China Development Bank (CDB)

NOVEMBER, 2018

PARLIAMENT OF GHANA LIBRARY

1.0 INTRODUCTION

The

- i. Third Addendum Supplemental to the Master Facility Agreement dated 16th December, 2011 (as amended by an Addendum dated 21st June 2013 and an Addendum dated 15th December, 2017)**
- ii. Second Addendum Supplemental to the Five Party Agreement dated 13th June, 2012 as amended by an Addendum dated 21st June, 2013, a second Addendum dated 15th December, 2017**
- iii. Additional Accounts Agreement between the Republic of Ghana and China Development Bank (CDB)**
- iv. Charge Over Additional Accounts between the Republic of Ghana and China Development Bank (CDB)**
- v. Deed of Confirmation to Offtaker Agreement between the Ghana National Petroleum Company (GNPC) acting on behalf of the Government of the Republic of Ghana as Seller and UNIPEC Asia Company Limited as Buyer**
- vi. Deed of Security Confirmation Agreement between the Republic of Ghana and China Development Bank (CDB); and**

vii. Existing Accounts Agreement between the Republic of Ghana and China Development Bank (CDB)

were laid in Parliament on Friday 9th November, 2018 (in respect of **i – vi**) and 23rd November 2018 (in respect of **vii**) .

The Agreements were subsequently *referred* to the Finance Committee for consideration and report in accordance with Article 181 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the Parliament of Ghana.

A Deputy Minister for Finance, Hon. Kwaku Kwarteng and other officials from the Ministry of Finance attended upon and assisted the Committee in its deliberations on the Agreements.

The Committee expresses its gratitude to the Honourable Deputy Minister and the officials from the Ministry of Finance for attending upon the Committee.

2.0 REFERENCES

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

- a. The 1992 Constitution of the Republic of Ghana.
- b. The Standing Orders of the Parliament of Ghana.
- c. The Public Financial Management Act, 2016 (Act 921)

3.0 BACKGROUND

The Master Facility Agreement between the Government of the Republic of Ghana and the China Development Bank (CDB) for an amount of **Three Billion United States Dollars (US\$3,000,000,000.00)** to finance Infrastructure Development Projects in Ghana was first laid in Parliament and approved on 26th August, 2011.

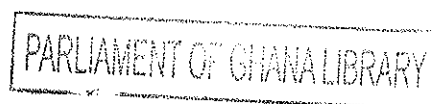
The Facility was to be disbursed through two windows (i.e. **Tranche A and Tranche B**) and specific disbursements under each of the Tranches were to be determined project-by-project as would be spelt out in subsequent Subsidiary Agreements.

4.0 PURPOSE OF THE ADDENDA TO THE AGREEMENT

The Purpose of the present Addenda is to reinstate the Master Facility amount to the original US\$3.0 Billion, and to amend relevant provisions of the Master Facility Agreement (MFA) and related Documents/Agreements to accommodate the two additional Subsidiary Agreements.

5.0 REVISED TERMS OF THE AGREEMENT

Due to the modifications to the Master Facility, the terms are modified as indicated in the table below:



	Tranche A	Tranche B	Modified Terms
Tenor	15 years	10 year	9 years
Grace period	5 years	3 years	3 year
Interest Rate	6M Libor+2.95% p.a.	6M Libor+2.85% p.a.	6M Libor+2.85% p.a.
Upfront Fees	0.25% Flat	0.25% Flat	0.25% Flat
Commitment Fee	1.00% p.a.	1.00% p.a.	1.00% p.a. on signed, undrawn and uncanceled portion of commitment
DSRA	1.5 times	1.5 times	1.3 times
Sinosure Premium	Not Applicable	Not Applicable	5.56% Flat

6.0 AMENDMENTS TO EXISTING FINANCE DOCUMENTS

The following finance documents are to be amended to allow GOG and CDB sign the 3rd and 4th Subsidiary Agreements:

6.1 The Master Facility Agreement – The Third Addendum Supplemental to the Master Facility Agreement dated 16th December 2011 (as amended by an Addendum dated 21st June 2013 and an Addendum dated 15th December 2017).

The major amendments to the MFA are:

- **Definition of Availability period** (i.e. 1st Availability Period, the 2nd Availability Period, the 3rd Availability Period or the 4th Availability Period: These have been defined to clearly provide for the availability period for each Subsidiary Agreement).
- **Definition of Additional Accounts** and introduction of **Additional Accounts Agreement** (i.e. Additional Collection Account, Additional Debt Service Reserve Account, and Additional Owner Contribution Account. These are to cater for the additional Subsidiary Agreements).
- **Definition of Final Repayment Date**, in respect of the 3rd Subsidiary Agreement and the 4th Subsidiary Agreement.
- **Definition of Grace period** in respect of the 3rd Subsidiary Agreement and the 4th Subsidiary Agreement.
- **Interest margin, contrary to the margins for Tranche A and Tranche B Facility**, the Margin applicable to the 3rd Subsidiary Agreement and the 4th Subsidiary Agreement is 2.85% p.a.
- **Introduction of the Charge over Additional Accounts** to govern the introduction of the additional accounts in the Additional Accounts Agreement.
- **Clause 5.3. that details currency and amount** is amended to allow GOG submit utilization request in

amounts not less than **US\$10,000,000** (previously **US\$20,000,000**) and in higher multiple integrals of US\$10,000 (previously US\$5,000,000) for 3rd and 4th Subsidiary Agreements.

- **Amendment of the Commitment fee calculation** to allow GOG pay to CDB a commitment fee of an amount equal to one per cent. (1%) per annum on the undrawn and uncanceled portion of the Commitment (previously the Total Commitment). This will formalize the arrangement between the two parties with respect to commitment fee calculation.

6.2 The Five Party Agreement - Second Addendum supplemental to the Five Party Agreement dated 13th June 2012 (as amended by an Addendum dated 21st June 2013).

The Five Party Agreement is amended to recognize the changes to the MFA and the Introduction of the Additional Accounts Agreement. The major changes relate to the definitions and Clauses of the following:

- Additional Aggregate Debt Service Reserve Amount
- Additional Debt Service
- Additional Debt Service Fraction
- Additional Owner Contribution Amount
- Additional Transfer Amount

6.3 The Accounts Agreement – Second Addendum supplemental to the Accounts Agreement dated 13th June 2012 (as amended by an addendum dated 21st June 2013).

The existing Accounts Agreement and related transfer amounts for the 1st and 2nd subsidiary agreements are amended to distinguish them from the accounts that will be established for the 3rd and 4th Subsidiary Agreements. To distinguish them, all the previous accounts and transfer amounts have "Existing" as part of their names. They include:

- Existing Accounts (i.e. Existing Collection Account, the Existing Debt Service Reserve Account or the Existing Owner Contribution Account).
- Existing Aggregate Debt Service Reserve Amount
- Existing Required Amounts
- Existing Debt Service Reserve Amounts
- Existing Debt Service
- Existing Excess Amount
- Existing Transfer Amount

6.4 NEW FINANCE DOCUMENTS TO BE SIGNED

The following new finance Agreements are to be signed between GOG and CDB upon signing of the 3rd and 4th Subsidiary Agreements.

6.4.1 Additional Accounts Agreement; it spells out the obligations of GOG in terms of deposits and withdrawals from the following accounts to be established for the 3rd and 4th Subsidiary Agreements:

- Subsidiary Loan Disbursement Account
- Additional Debt Service Reserve Account
- Additional Owner Contribution Account
- Additional Collection Account
- The Additional Debt Service Reserve Amount is amended to 1.3 times of debt service amount (previously 1.5 times)

6.4.2 Charge Over Additional Accounts; GOG custodies or charges to the Lender by way of first fixed charge and as a continuing security for the repayment and discharge of the secured liabilities of GOG's rights and interest from time to time with respect to the Additional Accounts; and all Accounts Proceeds.

6.4.3 Deed of Security Confirmation; GOG acknowledges, agrees to and affirms the terms of the 2018 Addenda, the Additional Accounts Agreement and the transactions contemplated thereby. GOG further acknowledges and agrees that its obligations and duties (including, without

limitation, its indemnification obligations) and the rights, powers and remedies of the Lender under the Charge over Accounts shall remain in full force and effect and be unaffected by the 2018 Addenda and the Additional Accounts Agreement. GOG also acknowledges and agrees that, notwithstanding the terms of the 2018 Addenda, the Additional Accounts Agreement and the transactions contemplated thereby, its grant, or purported grant, of a security interest in the Charged Assets pursuant to the Charge Over Accounts shall continue to be in full force and effect and be unaffected by the 2018 Addenda and the Additional Accounts Agreement.

6.4.4 Deed of Confirmation to Offtaker Agreement-

To be signed between GNPC (the seller) and the UNIPEC Asia Company Limited (the buyer). Each party acknowledges, agrees to and affirms the terms of the 2018 Addenda, the Additional Accounts Agreement and the transactions contemplated thereby. Each party further acknowledges and agrees that its rights and obligations under the Offtaker Agreement shall remain in full force and effect and be unaffected by the 2018 Addenda and the Additional Accounts Agreement.

7.0 OBSERVATIONS

7.1 Master Facility Agreement (MFA)

The Master Facility Agreement between the Government of Ghana and the China Development Bank (CDB) covers an umbrella Facility amount of US\$3.0 Billion under which Subsidiary Agreements are executed to finance relevant infrastructure projects. The MFA was first signed on 16th December 2011 and subsequently amended twice by **Addenda dated 21st June 2013 and 15th December, 2017**)

7.2 Change in Security for the Facility

The Committee was informed that following the drop in crude oil prices in 2014, the underlying security provided the Government of Ghana to support its repayment obligations to CDB weakened. CDB therefore delayed the approval of additional Subsidiary Agreements (SAs).

To reinstate the financing cooperation framework, CDB made a request for additional resources to enhance the security cover for the Facility. Government in 2015/2016 negotiated to extend the 13,000bbl/day crude oil liftings under the Offtaker Agreement, to add 600MT/day LPG and to procure a Sinasure credit insurance to enhance the security cover for the Facility.

Upon resumption of negotiations in 2017/18 however, CDB agreed to procure only the Sinasure credit and political insurance for the two subsidiary agreements since the amount in the Debt

Service Reserve Account (DSRA) was enough to cover the two Subsidiary Agreements.

7.3 Sinasure Premium

The Committee noted that the Sinasure premium is charged on the principal and interest amounts. This translates to 5.56% which is payable upfront in one lump sum. CDB is financing 85% of the Sinasure premium under the loan whilst the remaining 15% will be paid by the Government of Ghana.

The Committee was informed that the cost of Sinasure insurance premium is competitive compared with the premium charged by similar international bodies such as SACE (Italy), UKEF (United Kingdom), OPIC (USA), Ashra (Israel) and EKN (Sweden).

7.4 Reduction in the Debt Service Cover

With the introduction of the Sinasure insurance cover, the debt service cover ratio being the *Debt Service Reserve Amount (DSRA)* has been reduced from *1.5 times* to *1.3 times* by CDB.

7.5 Revised Tenure

The Committee observed that Government does not intend to extend the expiry date of the Offtaker Agreement. Government has therefore agreed with CDB to tie the tenor of the two subsidiary agreements to the existing Offtaker Agreement expiry date. The revised tenor of the two subsidiary agreements is nine (9) years instead of ten (10) years. The Accra Intelligent Traffic

Management Project which was initially placed under Tranche A is now placed under Tranche B.

8.0 CONCLUSION

In view of the foregoing observations, the Committee recommends to the House to adopt this report and approve by resolution, the

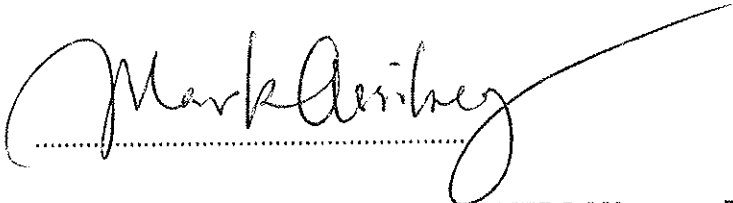
- i. Third Addendum Supplemental to the Master Facility Agreement dated 16th December, 2011 (as amended by an Addendum dated 21st June 2013 and an Addendum dated 15th December, 2017)**
- ii. Second Addendum Supplemental to the Five Party Agreement dated 13th June, 2012 as amended by an Addendum dated 21st June, 2013, a second Addendum dated 15th December, 2017**
- iii. Additional Accounts Agreement between the Republic of Ghana and China Development Bank (CDB)**
- iv. Charge Over Additional Accounts between the Republic of Ghana and China Development Bank (CDB)**
- v. Deed of Confirmation to Offtaker Agreement between the Ghana National Petroleum Company (GNPC) acting on behalf of the**

**Government of the Republic of Ghana as Seller
and UNIPPEC Asia Company Limited as Buyer**

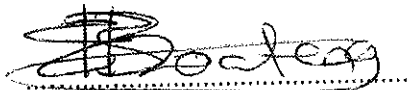
- vi. Deed of Security Confirmation Agreement
between the Republic of Ghana and China
Development Bank (CDB); and**
- vii. Existing Accounts Agreement between the
Republic of Ghana and China Development Bank
(CDB)**

in accordance with Article 181 of the 1992 Constitution of the
Republic of Ghana.

Respectfully Submitted.



**HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)**



**EVELYN BREFO-BOATENG (MS.)
(CLERK, FINANCE COMMITTEE)**

28TH NOVEMBER, 2018

