

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**THIRD SUBSIDIARY AGREEMENT BETWEEN
THE REPUBLIC OF GHANA AND CHINA
DEVELOPMENT BANK (CDB) FOR AN
AMOUNT OF ONE HUNDRED AND EIGHTY-
FIVE MILLION, FIVE HUNDRED AND
SEVENTY THOUSAND UNITED STATES
DOLLARS (US\$185,570,000) IN RELATION TO
THE COASTAL FISHING LANDING SITES
PROJECT UNDER THE TRANCHE B FACILITY**

PARLIAMENT OF GHANA

NOVEMBER, 2018.

1.0 INTRODUCTION

The **THIRD SUBSIDIARY AGREEMENT** between the Republic of Ghana and China Development Bank (CDB) for an amount of **One Hundred and Eighty-Five Million, Five Hundred and Seventy Thousand United States Dollars (US\$185,570,000)** in relation to the **Coastal Fishing Landing Sites Project under the Tranche B Facility** was laid in Parliament on Friday 9th November, 2018 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance.

The Agreement was 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 Agreement.

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.

The following projects were originally proposed to be financed under **Tranche A** of the Facility (Tranche A was further divided into A1 and A2):

Tranche A1: Infrastructure Renewal for Integrated Industrial Minerals Processing Ventures

- (a) *Western Corridor Infrastructure Renewal Project* – Railway Components [Rehabilitation/modernization of Takoradi – Kumasi and Dunkwa – Awaso railway lines in line with Scenario 1 of EU funded feasibility study conducted by Bonifica].

Project Developer is the Ghana Railway Development Authority (GRDA). Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US\$500 Million)

- (b) *Western Corridor Infrastructure Renewal Project* – Takoradi Port Phase 1 Retrofit/Rehabilitation.

Project Developer is the Ghana Ports and Harbours Authority (GPHA). Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US\$150 Million)

- (c) *Sekondi Free Zone Project* – Development of onsite infrastructure and utility services for the proposed industrial minerals processing estate, including an Alumina Refinery.

Project to be implemented by a Free Zone Developer to be licensed by the Ghana Free Zones Board (GFZB) under a build-operate-transfer contract (Estimated Amount of US\$100 Million)

Tranche A2: Infrastructure Development for Accelerated Agricultural Modernization

- (a) *Accra Plains Irrigation Project* Phase 1 covering 5000 hectares. Project Developer is the Ghana Irrigation Development Authority (GIDA). Project implementation is under a build-operate-transfer contract (Estimated Amount of US\$100 Million).

- (b) *Coastal Fishing Harbours and Landing Sites Project* – Axim, Dixcove, Elmina, Winneba, Mumford, Senya Bereku, Jamestown, Teshie, Gomoa Fetteh, Ada, Keta, Moree. Project Developer is the Ghana Ports and Harbours Authority (GPHA). Project implementation is under design-build contracts (Estimated Amount is US\$150-250 Million).

- (c) *Eastern Corridor Multi-modal Transportation Project* – Volta Lake facilities components – upgrade of ferries/pontoons and landing sites for Kpandu/Amankwakrom, Kete Krachi-Kwadwokrom, Yeji-Makango, Tapa Abotoase, Dzemini; as well as upgrade of Akosombo and Buipe ports. Project Developer is the Volta Lake Transport Authority (VLTA). Project implementations is under design-build-maintain contacts (Estimated Amount of US\$150-500 Million)

The Following projects were proposed to be financed under Tranche B (Tranche B was also sub-divided into B1 and B2):

Tranche B1: Oil and Gas Sector Infrastructure Development

- (a) *Western Corridor Gas Infrastructure Project* – Offshore Gathering Pipeline, Early Phase Gas Processing Plant, Onshore Trunk Pipeline including gas dispatch facility; retrofit of Tema Oil Refinery (TOR) to enable processing of natural gas liquids (NGLs); and deployment of helicopter fleet for enhanced surveillance of facilities. Project Developer is the newly created Ghana National Gas Company Limited, and project implementation is under performance-based design-build-maintain contracts (Estimated Amount of US\$850 Million).

- (b) ***Phase 1 of the Takoradi Petroleum Terminal Project*** – to be sited at Pumpuni.

Project Developer is the Bulk Oil Storage and Transportation Company Limited, with project implementation under performance-based design-build-maintain contract (Estimated Amount of US\$200 Million)

- (c) ***Western Corridor “Oil Enclave” Toll Road Redevelopment Project***

Project Developer is the Ghana Highways Authority. Project implementation is under a design-build-maintain contract (Estimated Amount of US\$150 Million).

Tranche B2: Special Projects

- (a) ***Deployment of an ICT-based integrated communications platform to enhance security and surveillance of all infrastructure and facilities in the Western Corridor “Oil Enclave”.***

Project Developer is the National Security Council. Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US\$150 Million)

- (b) ***Accra Metropolitan ICT-enhanced Traffic Management Project*** – This includes an additional financing to enable accelerated completion of “stranded” road construction works on key congested road arteries for the metropolis, especially
- (i) Nsawam Road (Achimota – Ofankor segment);
 - (ii) Dodowa Road (Tetteh Quarshie – Haatso Junction) and
 - (iii) La Beach Road.

Project Developer is the Urban Roads Department, with project implementation under a build-operate-transfer contract. (Estimated Amount of US\$150-200 Million)

- (c) ***Small and Medium Enterprises (SMEs) Projects Incubation Facility*** – Through collaboration between CDB’s Special Facility for African SMEs and NTHC Ltd., a blueprint has been developed to pilot a US\$100 Million facility to support local capability building of Ghana SMEs involved in public-private partnerships for infrastructure development (Estimated Amount of US\$100 Million).

After the signing of the Master Facility Agreement on 16th December 2011, two Subsidiary Agreements (SAs) were signed for the *Western Corridor Gas Infrastructure Project (WCGIP)* and the *ICT Enhanced Surveillance Project (ICT Project)* in June 2012 and April 2013 respectively. The two projects together amounted to One Billion Dollars (US\$1.0 Billion) out of the Three Billion (US\$3.0 Billion) Master Facility.

The ICT Project is fully disbursed whilst US\$824.15 Million has been disbursed under the WCGIP.

The **THIRD SUBSIDIARY AGREEMENT** presently before the House is one of two additional Subsidiary Agreements for which preparations are completed for implementation. These two additional Subsidiary Agreements are

- a) Third Subsidiary Agreement for the Coastal Fishing Landing Sites Project, and
- b) Fourth Subsidiary Agreement for the Accra Intelligent Traffic Management Project

The signing of these 2 additional Subsidiary Agreements (SAs) would bring the number of SAs executed under the Master Facility Agreement to a total of four, and amounting to a total commitment of *One Billion, Three Hundred and Ninety-Six Million, Four Hundred and Ten Thousand United States Dollars (US\$1,396,410,000.00.)*

The **Third Subsidiary Agreement** is for an amount of *One Hundred and Eighty-Five Million, Five Hundred and Seventy Thousand United States Dollars (US\$185,570,000)* to be utilised for the Coastal Fishing Landing Sites Project in Ghana under the Tranche B Facility.

4.0 PURPOSE OF THE THIRD SUBSIDIARY AGREEMENT

The Purpose of the Third Subsidiary Agreement is to draw funds from the Master Facility amount to undertake the Coastal Fishing Landing Sites Project in Ghana.

5.0 TERMS OF THE THIRD SUBSIDIARY AGREEMENT

The terms are as follows:

Project Amount: US\$208,000,000

GOG contribution: US\$32,750,000 (US\$31.20 Million for the project and US\$1.55 Million for Sinasure premium)

FACILITY AMOUNT: US\$185,570,000 (US\$176.80 Million for project and US\$8.77 Million for Sinasure premium)

Tenor : 9 years

Grace period : 3 years

Interest rate : 6M Libor + 2.85% p.a.

Commitment fee : 1.00% p.a.

DSRA : 1.3times

All-in-cost : 6.10% p.a. (i.e. applying 6M Libor of 2.86%)

6.0 PROJECT DESCRIPTION AND SCOPE

The project involves the construction of ten (10) Fishing Landing Sites and handling facilities to boost the Fisheries Sector. The landing sites and related facilities will be constructed at the following places:

- Teshie in the Greater Accra Region
- Axim and Dixcove in the Western Region
- Elmina, Winneba, Mumford, Senya-Beraku, Fetteh-Gomoa and Moree in the Central Region, and
- Keta in the Volta Region

The proposed Landing Sites are made up of several physical facilities that are to be developed under this project. The facilities relate to the peculiar physical characteristics and potential fish production capacity of each of the landing sites. The facilities will include:

- ⚓ Breakwaters for a sheltered berthing and anchorage bay
- ⚓ Quay walls for the berthing, loading/unloading of canoes and trawlers;
- ⚓ Navigational aids for the safe arrival and departure of canoes and trawlers;
- ⚓ Fish handling sheds for the transfer and sale of fresh fish under all weather conditions;
- ⚓ Ice blocks/crush making plant for the manufacture and sale of ice blocks or crushed blocks to fishermen;
- ⚓ Net mending and drying yards for fishermen to spread and mend or dry their nets;
- ⚓ Pre-mixed Fuel supply yard for the installation of pre-mixed fuel tanks for sale of premixed fuel to fishermen;
- ⚓ Canoe/trawler repair yard for the maintenance and repair of damaged canoes or trawlers;
- ⚓ Maintenance/Repair of outboard motors and marine engines yard
- ⚓ Services to the fishing ports: roads, driveways and vehicular parks, water supply, electrical power supply, telephone lines; and
- ⚓ Port administration building to accommodate the port management, the port staff of the Department of Fisheries.

7.0 OBSERVATIONS

7.1 Placement under the Tranche B Facility

The Committee noted that the Coastal Fishing Landing Sites Project was originally placed under the Tranche A Facility with interest margin of 2.95% and tenor of 15 years.

However, Government has negotiated with CDB to move it to the Tranche B Facility with an interest margin of 2.85% and a tenor of nine (9) years. This will ensure that the Offtaker Agreement is not extended beyond its current term.

7.2 Benefits of the Project

The Committee observed that the development of the fishing landing sites will ensure safe launching and landing of particularly artisanal fishing canoes, create and maintain a hygienic environment for the processing and handling of fish, minimize post-harvest losses and enhance value addition to the fish caught by artisanal fishermen. The project will further contribute to closing the infrastructure gap in the fisheries sector.

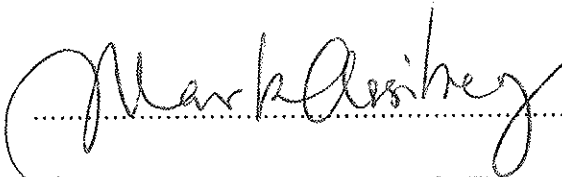
7.3 Contribution of the Fisheries Sector to the Economy

The Fisheries Sector plays a major role in the economy of Ghana. It contributes to about three percent (3%) to the Gross Domestic Product (GDP). It further provides employment opportunities for marine fishermen, boat-yard workers, suppliers of auxiliary goods and services. The Sector also contributed to foreign exchange earnings of the country as an estimated twelve percent (12%) of total national fish product is exported. The Project would therefore help to strengthen the Sector and boost its contribution to the economy.

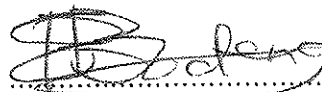
8.0 CONCLUSION

The Committee, in view of the foregoing, recommends to the House to adopt this report and approve by resolution, the **THIRD SUBSIDIARY AGREEMENT between the Republic of Ghana and China Development Bank (CDB) for an amount of One Hundred and Eighty-Five Million, Five Hundred and Seventy Thousand United States Dollars (US\$185,570,000) in relation to the Coastal Fishing Landing Sites Project under the Tranche B Facility 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.