

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

**REPORT OF THE FINANCE COMMITTEE ON THE DEFERRED PAYMENT
AGREEMENTS BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA REPRESENTED BY THE MINISTRY OF FINANCE AND
MINISTRY OF ROADS AND HIGHWAYS AND SINOHYDRO
CORPORATION LIMITED SETTING THE TERMS AND CONDITIONS OF
THE DEFERRAL OF PAYMENTS UNDER THE EPC CONTRACT
AGREEMENT IN RESPECT OF CONSTRUCTION/REHABILITATION OF
SELECTED ROADS AND INTERCHANGES IN GHANA – PHASE 1.**

1.0 INTRODUCTION

The Deferred Payment Agreements BETWEEN the Government of the Republic of Ghana represented by the Ministry of Finance and Ministry of Roads and Highways AND Sinohydro Corporation Limited setting the terms and conditions of the deferral of payments under the EPC Contract Agreement in respect of Construction/Rehabilitation of Selected Roads and Interchanges in Ghana – Phase 1 were *presented* to the House on Friday 9th November, 2018 by the Honourable Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreements were *referred* by the Honourable First Deputy Speaker to the Committee on Finance for consideration and report. The Honourable First Deputy Speaker directed the Leadership of the Committee on Roads and Transport to join the Finance Committee to consider the Agreements.

The Committee subsequently met and discussed the Agreement with the Leadership of the Committee on Roads and Transport, the Minister for Roads and Highways, Hon. Kwasi

Amoako-Atta, a Deputy Minister for Finance, Hon. Charles Adu Boahen and officials from the Ministries of Finance and Roads and Highways.

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the Honourable Minister for Roads and Highways, the Deputy Minister for Finance and the officials from the two Ministries 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 Agreements:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Master Project Support Agreement (MPSA) between the Government of the Republic of Ghana and Sinohydro Corporation Limited for an amount up to Two Billion United States Dollars (US\$2.00 Billion) for the Construction of Priority Infrastructure Projects.

3.0 BACKGROUND

The Government of Ghana recognises the importance of good road infrastructure as a critical facilitator for rapid socio-economic development of the country through the improvement of accesses, reduction in travel times, congestion, vehicle operating cost, accidents and cost of doing business.

To ensure the operational efficiency of road transport in moving persons, goods and services within the country and with neighbouring countries, the Government has

implemented some major road infrastructure projects and continues to source funding to implement additional critical infrastructure projects such as hospitals, bridges, interchanges, roads, affordable housing and fishing landing sites in line with its infrastructure development agenda.

Pursuant to the above, the Government of Ghana has entered into a Master Project Support Agreement (MPSA) with Sinohydro Corporation Limited for Two Billion United States Dollars (US\$2.0 Billion) to support priority infrastructure projects in Ghana.

Consequently, the present Deferred Payment Agreements are presented as the first phase of the implementation of the MPSA. This first phase will cover the following road infrastructure projects:

- i. Accra Inner City Roads
- ii. Kumasi Inner City Roads
- iii. Tamale Interchange Project
- iv. PTC Roundabout Interchange Project, Takoradi
- v. Adenta-Dodowa Dual Carriageway
- vi. Sunyani Inner City Roads
- vii. Western Region and Cape Coast Inner City Roads
- viii. Upgrading of Selected Feeder Roads in Ashanti and Western Regions
- ix. Rehabilitation of Oda – Ofoase – Abirem Road
- x. Hohoe-Jasikan-Dodi Pepesu Road

4.0 PROJECT OBJECTIVE

The overriding consideration for identifying the priority roads is the strategic socio-economic significance of those roads.

The objectives are to improve road infrastructure for enhanced intra-urban, regional and national road traffic flow, strengthen economic and regional integration and reduce the cost of doing business in the country.

5.0 TERMS AND CONDITIONS OF THE AGREEMENTS

The terms and conditions of the Deferred Payment Agreements are as follows:

EPC Amount including financing cost - US\$646,637,879.74

Tenor	-	15 years
Grace Period	-	3 years
Repayment Period	-	12 years
Interest Rate	-	6 months US Libor + 2.80% per annum
Management Fee	-	0.70% Flat
Commitment Fee	-	0.50% p.a.
Sinosure Premium	-	7.00% Flat

5.1 SCOPE AND COST OF PROJECTS

The Committee noted that the scope and costs (comprising both works and financing costs) of the projects to be undertaken under the Phase 1 which is to be implemented through the Ministry of Roads and Highways and its Agencies are as follows:

Lot No.	Description	Unit	Scope	Cost (US\$ million)
1	Accra Inner City Roads	Km.	84.00	94,150,334.30
2	Kumasi Inner City Roads	Km.	100.00	95,788,094.82
3	Tamale Interchange Project	No.	1	46,403,732.51
4	PTC Roundabout Interchange Project, Takoradi	No.	1	68,948,113.80

5	Adenta-Dodowa Dual Carriageway	Km.	14.00	84,083,028.92
6	Sunyani Inner City Roads	Km.	39.00	57,960,394.40
7	Western Region and Cape Coast Inner City Roads	Km.	32.19	46,978,061.00
8	Upgrading of Selected Feeder Roads in Ashanti and Western Regions	Km.	68.00	53,681,293.62
9	Rehabilitation of Oda – Ofoase – Abirem Road	Km.	38.00	39,987,137.12
10	Hohoe-Jasikan-Dodi Pepesu Road	Km.	66.40	58,657,689.25
	TOTAL			646,637,879.74

6.0 OBSERVATIONS

6.1 Financing for the Projects

The Committee was informed that the Project will be financed by Sinohydro by way of deferral of payments under the EPC Contract, with the support of refinancing by one or more Financiers and export credit insurance underwritten by Sinosure (an export credit agency in P.R. China) and Sinohydro has agreed to use its best endeavours to procure such refinancing equal to eighty-five percent (85%) of the cost of works and to finance the project upon availability whereof.

The Government of Ghana undertakes to pay the total EPC contract price to Sinohydro using the proceeds from the sale of refined bauxite as source of funds. Sinohydro will be reimbursed the total cost of the EPC Contract by way of deferral of payments. The payments would be effected over a period of twelve (12) years after a three (3) year deferred period.

6.2 Sinohydro Receivables Account

The Committee noted that under the *Deferred Payment Agreements*, Sinohydro with the knowledge and consent of the Ministry of Finance and Ministry of Roads and Highways, will enter into an Account Receivable Finance Agreement (ARFA) with a nominated Bank under which Sinohydro will assign to the Bank the right to receive all or part of the deferred payments by Ministry of Finance.

6.3 Project Duration

As to how long the projects would take to complete, the Committee was informed that the projects are expected to be completed within thirty (30) months from commencement. The Committee advises the Ministries of Finance and Roads and highways to expedite action on the relevant processes to ensure the timely commencement and completion of the projects.

6.4 Benefits of the Project

The Committee observed that the selected roads are strategic and significant part of the national road network. The construction of these roads is expected to enhance the movement of people and goods while reducing vehicle operating costs, travel time, accident rates, pedestrian and vehicular congestion in our cities. The projects would also improve the quality of life of the citizens and reduce the cost of doing business in the country.

6.5 Preparations for the extraction of the Bauxite Resources

As to what preparations the Government was making towards the extraction of the bauxite resources to ensure repayment of the facility, the Minister for Roads and highways, Hon. **Kwasi Amoako-Atta** explained to the Committee that Phase 2 of the Project under the MPSA would principally deal with matters connected to the extraction of the bauxite resources. In the interim however, Lot 8 of Phase 1 is dedicated to the rehabilitation of 68kms of feeder roads in Ashanti and Western Regions. These roads lead to areas where bauxite is located and hence their rehabilitation would facilitate and prepare the grounds for the extraction of the resource.

6.6 Contingent Liability

The Committee wanted to know whether the Ministry of Finance would consider this facility in its debt sustainability calculations. To this the Deputy Minister for Finance, Hon. Adu Boahene informed the Committee that post year three (3), the facility would be considered in the long term debt sustainability projections of the country.

6.7 Underlying Collateral

The Committee noted that pursuant to Clause 8.2(a) of the Deferred Payment Agreements, the Ministry of Finance is required to ensure that the proceeds generated by the Government of Ghana from selling refined bauxite will be deposited into an Escrow Account which shall be opened and maintained in a reputable offshore Bank acceptable to Sinohydro and the financiers. Any applied amount up to the total balance in the Escrow Account shall be remitted to Sinohydro to service the facility upon the presentation of Interim Payment Certificates (IPC) signed by the Ministry of Roads and Highways (MORH).

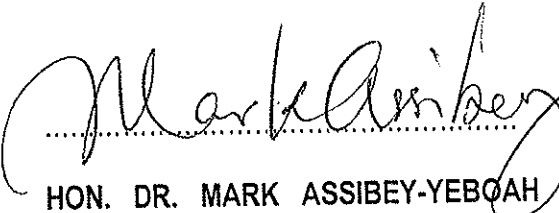
6.8 Breakdown of EPC Amount

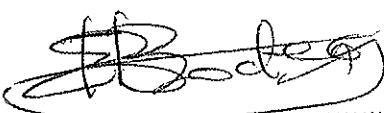
The Committee requested to be furnished with a breakdown of the Engineering, Procurement and Construction (EPC) amount of *Six Hundred and Forty-Six Million, Six Hundred and Thirty-Seven Thousand, Eight Hundred and Seventy-Nine United States Dollars and Seventy-Four Cents (US\$646,637,879.74)*. This was duly provided and a copy is hereby attached to this report as **APPENDIX**.

7.0 CONCLUSION

The Committee, in view of the foregoing observations, respectfully recommends to the House to adopt this report and approve by resolution, the **Deferred Payment Agreements** in the amount up to *Six Hundred and Forty-Six Million, Six Hundred and Thirty-Seven Thousand, Eight Hundred and Seventy-Nine United States Dollars and Seventy-Four Cents (US\$646,637,879.74)* BETWEEN the **Government of the Republic of Ghana** represented by the Ministry of Finance and Ministry of Roads and Highways AND **Sinohydro Corporation Limited** setting the terms and conditions of the deferral of payments under the EPC Contract Agreement in respect of **Construction/Rehabilitation of Selected Roads and Interchanges in Ghana – Phase 1** in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.


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



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

21ST NOVEMBER, 2018

BREAKDOWN OF FINANCED AMOUNT

	Original EPC Contract Price	Management Fee	Commitment fee	Sinosure Premium	Interest & Fees for Interest During Construction Period
LOT 1	72,837,698.14	586,524.52	397,397.35	9,055,342.53	11,273,371.75
LOT 2	73,421,486.50	592,006.22	336,888.98	9,212,861.71	12,224,851.40
LOT 3	35,195,130.58	284,393.99	129,564.17	4,486,172.86	6,308,470.91
LOT 4	52,954,038.93	614,032.70	472,481.09	6,631,402.77	8,276,158.31
LOT 5	65,405,561.00	526,257.80	389,881.26	8,087,073.02	9,674,255.84
LOT 6	45,020,399.32	362,326.62	262,539.60	5,574,608.20	6,740,520.65
LOT 7	35,817,641.64	289,025.90	146,427.91	4,518,331.64	6,206,633.91
LOT 8	40,844,015.08	329,630.07	158,231.20	5,163,045.95	7,186,371.33
LOT 9	30,368,871.65	245,161.81	112,449.83	3,845,947.30	5,414,706.53
LOT 10	45,335,208.43	365,047.44	242,303.17	5,641,673.74	7,073,456.47
TOTAL	497,200,051.27	4,194,407.07	2,648,164.56	62,216,459.72	80,378,797.10

