

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

REPORT OF THE FINANCE COMMITTEE ON THE SYNDICATED  
BRIDGE LOAN FACILITY AGREEMENT BETWEEN THE  
GOVERNMENT OF THE REPUBLIC OF GHANA AND STANDARD  
CHARTERED BANK, UNITED KINGDOM AND THE STANDARD  
BANK OF SOUTH AFRICA LIMITED FOR AN AMOUNT OF  
SEVEN HUNDRED AND FIFTY MILLION UNITED STATES  
DOLLARS (US\$750,000,000.00) TO FUND OR REFINANCE  
VARIOUS INFRASTRUCTURE DEVELOPMENT PROJECTS AND  
FOR LIABILITY MANAGEMENT IN GHANA AS APPROVED IN  
GHANA'S 2019 BUDGET.

**1.0 INTRODUCTION**

The **Syndicated Bridge Loan Facility Agreement** between the **Government of the Republic of Ghana** and **Standard Chartered Bank, United Kingdom** and the **Standard Bank of South Africa Limited** for an amount of *Seven Hundred and Fifty Million United States Dollars (US\$750,000,000.00)* to fund or refinance various **infrastructure development projects and for liability management** in Ghana as approved in Ghana's 2019 Budget was laid in the House on Friday 8<sup>th</sup> March 2019.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Request was referred to the Committee on Finance for Consideration and Report.

The Committee subsequently met and discussed the Agreement with the Deputy Ministers for Finance, Hon. Kwaku Kwarteng and Hon. Abena Osei-Asare as well as officials from the Ministry of Finance and hereby submits this report to the House.

The Committee is grateful to the Honourable Deputy Ministers for Finance, 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:

- 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 Budget Statement and Economic Policy of the Government of Ghana for the 2019 Financial Year.
- Parliamentary Resolution for the 2019 Sovereign Bond Issuance Programme

### **3.0 BACKGROUND**

Hon. Members of Parliament may recall that as stated in the 2019 Budget Statement and Economic Policy and as approved by Parliament on 21<sup>st</sup> December, 2018, the Ministry of Finance is to raise up to US\$3.00 Billion from the International Capital Markets (ICM). THE Budget also indicated Government's intention to explore the possibility and feasibility of issuing one or a combination of the following debt:

- Century bond;
- Green bond;
- Panda bond
- Samurai bond ;and
- Commercial loan

Following the Parliamentary approval, the Ministry of Finance appointed Transaction Advisors through the quality based procurement process. It was the first time that this process of engagement had been used instead of the restrictive tendering process.

Government expects that the roadshow for the Eurobond would be executed by the second week of March, 2019.

Whilst the necessary processes are ongoing for the 2019 bond issuance, Government is sourcing this bridge facility as an interim measure to help keep Government's economic programme for the year on track.

#### **4.0 TERMS OF THE LOAN**

The terms of the Facility are as follows:

<b>Bridge Facility Amount</b>	<b>: US\$750 Million</b>
<b>Interest Rate</b>	<b>: 1 Month US LIBOR plus a margin of 3.50% p.a.</b>
<b>Tenor</b>	<b>: up to 6 months</b>
<b>Arrangement Fee</b>	<b>: 0.32% p.a.</b>

#### **5.0 OBSERVATIONS**

##### **5.1 Declining Offshore Capital Inflows**

The Committee was informed that over the past few weeks, there has been declining capital inflows from offshore investors as well as increased rollover risks for maturing domestic bonds. These pressures have affected Government's domestic deficit financing and refinancing of outstanding debt securities. Due to these pressures, two (2) of the selected Advisors have proposed to provide this Government with the bridge loan facility in anticipation of issuance of the Sovereign Bond in a few weeks.

##### **5.2 Repayment**

As to how government proposed to repay this loan facility, the Committee was informed that the loan has been consciously designed as a short term facility and is to be repaid with proceeds from the 2019 Sovereign Bond programme.

### **5.3 Use of Proceeds**

Consistent with the use of proceeds of the 2019 Sovereign Bond programme as approved by Parliament, the proceeds from the bridge financing would be applied as follows:

- a. Finance critical infrastructure and Government's priority programmes on growth; and
- b. Conduct liability management on maturing domestic bonds.

For the avoidance of doubt, it is to be noted that the bridge facility is within the US\$3.00 Billion Sovereign Bond issuance programme for 2019 as approved by Parliament.

### **5.4 Consistency with Medium Term Debt Strategy**

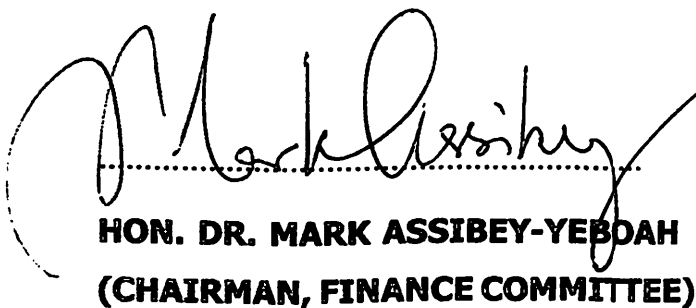
The Committee noted that the intention to raise up to US\$3.00 Billion from the International Capital Markets (ICM) is aimed at financing critical capital infrastructure, growth related expenditures and liability management. This is consistent with the Medium Term Debt Strategy (MTDS) of Government to adequately finance the budget at least cost and prudent level of risk.

### **5.5 Exchange Rate Losses**

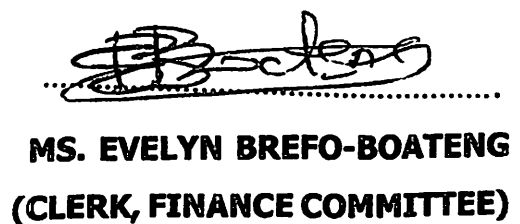
As to whether or not the Government was anticipating exchange rate losses in connection with the transaction, it was explained to the Committee that there would be no exchange rate losses since the lenders of the Bridge Facility would take the money back directly from the proceeds of the Eurobond issuance.

## 6.0 CONCLUSION

The Committee, having carefully scrutinised the Agreement, respectfully recommends to the House to adopt this report and approve by resolution, the **Syndicated Bridge Loan Facility Agreement *BETWEEN* the Government of the Republic of Ghana *AND* Standard Chartered Bank, United Kingdom and the Standard Bank of South Africa Limited** for an amount of *Seven Hundred and Fifty Million United States Dollars (US\$750,000,000.00)* to fund or refinance various infrastructure development projects and for liability management in Ghana as approved in Ghana's 2019 Budget in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.



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



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

PARLIAMENT OF GHANA LIBRARY  
**12<sup>TH</sup> MARCH, 2019**