

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

I. UNITED KINGDOM EXPORT FINANCE GUARANTEED FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND J. P. MORGAN EUROPE LIMITED (AS AGENT), JP MORGAN CHASE BANK, NATIONAL ASSOCIATION, LONDON BRANCH (AS ARRANGER), UK EXPORT FINANCE AND OTHER FINANCIAL INSTITUTIONS (AS ORIGINAL LENDERS) FOR AN AMOUNT OF NINETY THREE MILLION UNITED STATES DOLLARS (US\$93,000,000.00)

AND

II. FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND J. P. MORGAN EUROPE LIMITED (AS AGENT), JP MORGAN CHASE BANK, NATIONAL ASSOCIATION, LONDON BRANCH (AS ARRANGER), MAURITIUS COMMERCIAL BANK AND BARCLAYS BANK OF GHANA LIMITED (AS ORIGINAL LENDERS) FOR AN AMOUNT OF TWENTY-FIVE MILLION UNITED STATES DOLLARS (US\$25,000,000.00)

TO FINANCE THE

**CONSTRUCTION OF PHASE I OF THE
TEMA – AFLAO ROAD PROJECT [17KM]
(SERVICE ROADS AND INTERCHANGES)**

DECEMBER 2019

1.0 INTRODUCTION

The

- i. **United Kingdom Export Finance Guaranteed Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **J. P. Morgan Europe Limited (as Agent), JP Morgan Chase Bank, National Association, London Branch (as Arranger), UK Export Finance and Other Financial Institutions (as Original Lenders)** for an amount of ***Ninety Three Million United States Dollars (US\$93,000,000.00)*** to finance the construction of **Phase I of the Tema – Aflao Road Project [17km]** (Service Roads and Interchanges); AND

- ii. **Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **J. P. Morgan Europe Limited (as Agent), JP Morgan Chase Bank, National Association, London Branch (as Arranger), Mauritius Commercial Bank and Barclays Bank of Ghana Limited (as Original Lenders)** for an amount of ***Twenty-Five Million United States Dollars (US\$25,000,000.00)*** to finance the construction of **Phase I of the Tema – Aflao Road Project [17km]** (Service Roads and Interchanges)

were *presented* to the House on Wednesday 11th December, 2019 by the Hon. Deputy Minister for Finance, Mr. Kwaku Agyeman Kwarteng 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 Agreement was *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with a Deputy Minister for Finance, Hon. Mrs. Abena Osei-Asare, Chief Director of the Ministry of Roads and Highways, Mr. Edward Offei Annor as well as a team of officials from the Ministry of Finance (MoF), Ministry of Roads and Highways (MRH) and the Ghana Highway Authority (GHA). 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 above-mentioned Honourable Deputy Minister and the officials for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and/or 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)

3.0 BACKGROUND

The Ministry of Roads and Highways is vigorously pursuing Government's agenda for the provision of road infrastructure and development of critical road sections across the country to accelerate the socio-economic development of the nation. In this direction, the Ministries of Finance and

Roads and Highways are continuously holding talks with various project funding agencies with a view to exploring the availability of funds on very competitive terms for the implementation of road projects.

The Government of Ghana has identified the Tema-Aflao road as a priority road project which forms part of the Trans-Coastal Highway Corridor (N1). The N1 is part of the Abidjan-Lagos priority road for ECOWAS and it is listed on the PIDA high priority projects for the African Union (AU). The road section to be developed therefore forms part of an important international route which also traverses eight political/administrative Districts from Tema in the Greater Accra Region to Aflao in the Volta Region.

In 2017, the Ministry of Roads and Highways signed a non-legally binding Memorandum of Understanding (MoU) with BHM Construction outlining a general framework for the proposed finance, design and construction of the Tema-Aflao Road Project – Phase 1 (17km). The said MoU was extended to enable the proponent (BHM) to continue and complete all outstanding activities outlined in the MoU for purposes of implementation of the project.

It is envisaged that the reconstruction of the roads would among others directly benefit the inhabitants within the catchment area and specifically enhance integration of the Greater Accra and the Volta Regions of Ghana as well as provide a better road connection between Ghana and Togo, boost economic activities, transportation of agricultural produce and improve access to social and health services, which would by and large positively impact the socio-economic development of the country.

The Ghana Highway Authority (GHA) under the Ministry of Roads and Highways has already undertaken a review of the preliminary feasibility, conceptual designs, technical, economic and environmental studies conducted by the proponent of the project, BHM International.

3.1 PROJECT OBJECTIVES

The overarching objective of the Project is to contribute to the socio-economic development of the country through an improved, efficient and cost-effective road transport system with enhanced road safety standards. Specifically, the project seeks to improve road traffic circulation by enhancing the capacity and the safety features of the road network between Tema in the Greater Accra Region and Aflao in the Volta Region of the Republic of Ghana.

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the two Loan Facilities are as follows:

A. The UKEF guaranteed credit facility

Facility Amount	US\$93,000,000 (including 13% UKEF Guarantee premium)
Borrowing Currency	US Dollar
Grace Period	3 years
Repayment Period	10 years
Tenor	13 years
Interest Rate	6M Libor+0.80% p.a.
Commitment Fee	40% of the interest margin (i.e. 0.32% p.a.)
Arrangement Fee	0.75% flat of the Facility Amount
Agency Fee	US\$10,000 on annual basis

B. The Tied Credit Facility

Facility Amount	US\$25,000,000
Borrowing Currency	US Dollar
Grace Period	1 year
Repayment Period	4 years
Tenor	5 years
Interest Rate	6M Libor+5.00% p.a.
Arrangement Fee	1.25% flat of the Facility Amount

5.0 PROJECT DESCRIPTION AND COMPONENTS

The Project covers 17km of the total 170km Tema to Aflao road. The road will be designed to expressway standards commencing with a 3-lane carriageway with hard shoulders in both directions with full access control for a design life of 20 years.

The settlements among the corridor shall be connected with exits and entries to the expressway at grade separated interchanges. This shall be supplemented with parallel service roads on each side of the expressway with connecting overbridges. All works shall be constructed within the 90m N1 road reserve starting from the Tema Roundabout +1km and terminating at the Central University Junction.

The initial 4km section of the road from the Tema Roundabout shall be a 3-Lane Dual Carriageway with 3 No. Grade separated interchanges including about 28km of service roads with associated connecting overbridges.

Freeway Details include the following:

- i. Design Speed 120km/h
- ii. 2.5m surfaced slow lane shoulder (could be decreased to 2m to link to JICA design)
- iii. 3 Lane per direction of 3.65m width
- iv. Vertical clearance of 5.5m
- v. 0.5m fast lane surfaced shoulder
- vi. 4m median
- vii. 3 interchanges

In addition, there will be two (2) raised roundabout type design incorporating box culvert if geometry allows with main freeway underpass and one (1) underpass with raised crossroad including diamond entry and exit ramps with minor roundabout at intersections.

Service Road Details include:

- i. The service roads will be moved to extremity of the road reserve to protect expansion of the freeway on the slow lane shoulder if required in the future
- ii. 2 lanes per direction (one-way system) with appropriate shoulder for 60-80km/h design speed
- iii. 3 meter sidewalk incorporating a bicycle lane surfaced with seal and including non-mountable kerbs.

Other Key Aspects of the Project include:

- i. Main freeway will be fenced off to limit movement between the service road and throughway as well as limit pedestrian movement to the service roads

- ii. The provision of 2 pedestrian bridges at Dawhenya

6.0 OBSERVATIONS

6.1 Linkage to Neighbouring Countries

The Tema-Aflao Road links Ghana with neighbouring countries such as Togo, Benin and Nigeria. The development of the Joint Border with Togo which is enhancing the timeliness of transit trade at the border will be further impacted positively when the road corridor is improved. The Project supports the ECOWAS agenda for Regional integration and cooperation whilst benefiting agriculture, industry and the transport sectors for international trade.

6.2 Value for Money Assessment

The Committee sought to know if the project will be subjected to a *Value for Money (VFM)* audit. To this, the Chief Director of the Ministry of Roads and Highways answered in the affirmative and explained that VFM is a condition precedent (CP) to the implementation of the project. Currently, the necessary documentation have been submitted to the Ghana Institute of Surveyors which is the entity tasked to perform the VFM assessment.

6.3 Project Completion Period

As to how long the project would take to be completed, the Committee was informed that the project is scheduled to be completed within three (3) years after commencement.

6.4 Expected Benefits of the Project

The Committee noted that the project is expected to contribute to improve the road network on the Tema-Aflao corridor which is currently not in the best of conditions.

Specific benefits to be derived from the project include the following:

- Reduction of current vehicle operating costs
- Enhance safety standards on the project road
- Reduction of foreign currency cost of the importation of spare parts
- Reduction in travel time of road users
- Enhanced economic activities as a result of improved access for transporting agricultural produce and people to markets and other social amenities.

6.5 Capacity of the BHM International

The Committee noted that the project proponent, BHM International is a UK-based construction company founded in 1984, with a turnover of about US\$80 million and employing about 250 technical staff. The company specialises in heavy civil engineering projects including major highways, airports and landside marine works. It is accredited to ISO 9001, ISO 14001 and OHSAS 18001 with laboratory accreditation to ISO 17025.

6.6 Complete Financial Solution

As to whether the Government of Ghana would be required to provide Counterpart Funding towards the present phase of the project, the Committee was informed that the JP Morgan funding with export credit support from the UK Export Finance (UKEF) and the Tied Commercial Facility from the Mauritius Commercial Bank provide a 100% financial solution. This will ensure that the project proceeds smoothly to completion without any financial hiccups.

6.7 Accra-Tema Motorway Development

As to what plans the Ministry of Roads and Highways have to redevelop the Accra-Tema Motorway, the Committee was informed that the Ministry has programmed to open tenders on or before 14th January 2020 for the redevelopment and modernisation of the Accra-Tema Motorway.

The project will be a *Public Private Partnership (PPP)* which would require the winning tenderer to bring in his own funds to undertake the project.

The Committee was further informed that the plan of the MRH is to develop the Accra-Tema Motorway into a ten-lane dual carriage road (five lanes at each side) with three interchanges and that the toll amount proposed to be charged by each bidder will form part of the key evaluation criteria in selecting the successful bidder.

7.0 CONCLUSION

The Committee finds the project to be immensely important towards providing improved, efficient, cost-effective and an all-weather road network with enhanced road safety features between Tema in the Greater Accra Region and Aflao in the Volta Region of the Republic of Ghana.

The Committee therefore respectfully recommends to the House to adopt this report and approve by Resolution, the

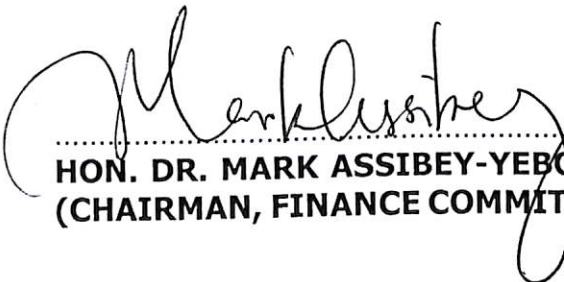
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in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.


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


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



16TH DECEMBER, 2019