

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

**REPORT OF THE FINANCE COMMITTEE ON THE SUPPLEMENTARY
BUYER'S CREDIT AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND THE EXPORT-IMPORT BANK OF INDIA UNDER
THE NATIONAL EXPORT INSURANCE ACCOUNT (BC-NEIA) FOR AN
AMOUNT OF FORTY-EIGHT MILLION, EIGHT HUNDRED AND FORTY-
THREE THOUSAND, FOUR HUNDRED AND NINETY UNITED STATES
DOLLARS AND FIFTY-FOUR CENTS (US\$48,843,490.54) FOR THE
FINANCING OF THE VARIATION OF THE "TEMA - AKOSOMBO RAILWAY
LINE CONSTRUCTION PROJECT" BEING EXECUTED BY MESSRS AFCONS
INFRASTRUCTURE LIMITED OF INDIA**

1.0 INTRODUCTION

The Supplementary Buyer's Credit Agreement between the Government of the Republic of Ghana and the Export-Import Bank of India under the National Export Insurance Account (BC-NEIA) for an amount of Forty-Eight Million, Eight Hundred and Forty-Three Thousand, Four Hundred and Ninety United States Dollars and Fifty-Four Cents (US\$48,843,490.54) for the financing of the variation of the "Tema - Akosombo Railway Line Construction Project" being executed by Messrs AFCONS Infrastructure Limited of India was laid in the House on Monday, 16th March, 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf the Minister responsible for Finance.

Rt. Hon. Speaker referred the above agreement to the Finance Committee for consideration and report.

The Committee met with a Deputy Minister for Railways Development, Hon. Kwaku Agyenim Boateng, a Deputy Minister for Finance, Hon Mrs. Abena Osei-Asare, and officers from the Ministry of Finance, the Ministry of Railways Development and the Ghana Railway Development Authority (GRDA).

2.0 DOCUMENTS REFERRED TO

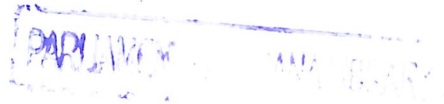
The Committee referred to the following documents:

1. The 1992 Constitution;
2. The Public Financial Management Act, 2016 (Act 921);
3. The Standing Orders of the Parliament of Ghana; and
4. The Buyer's Credit Agreement Between the Government of Ghana and Export Import Bank of India in the sum of Three Hundred and Ninety-Eight Million, Three Hundred and Thirty Thousand United States Dollars (US\$398,330,000.00) for the:
 - a) Design and construction of an 84.832km multi-model railway line including railway stations between Tema and Akosombo; and
 - b) Design and construction of railway heads at Tema and Akosombo on an Engineering, Procurement and Construction (EPC) basis.

3.0 BACKGROUND

In June 2007, the then Ministry of Harbours and Railways commissioned a study which was undertaken by Dar Al Handasah Consultants with funding from Arab Bank for Economic Development in Africa (BADEA) for a feasibility study for a Multi-Model Transport Link between Tema and Buipe via Akosombo.

The report, which was submitted in 2009 was emphatic on the economic, financial and operational feasibility of the freight corridor.



The proposed Tema-Akosombo Railway Line is thus part of a multimodal transport system from the Tema Port to Buipe via Akosombo to serve the Northern part of Ghana and the landlocked countries of Burkina Faso, Mali and Niger. It consists of a railway line between Tema and Akosombo to join the Volta Lake transport system between Akosombo and Buipe. This corridor experiences major congestion because the transport of domestic and transit freight from Tema to the Northern parts of Ghana is via roads.

The Tema-Akosombo railway line has subsequently been incorporated and described in the Railway Master Plan of 2013 which guides the systematic development of the railway network in Ghana.

At its Fourteenth Sitting of the Third Meeting held on Monday, 31st October, 2016, Parliament approved by Resolution the Credit Facility between the Republic of Ghana represented by the Ministry of Finance and EXIM Bank of India as well as the Commercial Contract Agreement between the Ghana Railway Development Authority (GRDA) and AFCONS Infrastructure Limited of India, in the sum of Three Hundred and Ninety-Eight Million, Three Hundred and Thirty Thousand United States Dollars (US\$398,330,000.00) for;

- a) Design and construction of an 84.832km multi-model railway line including railway stations between Tema and Akosombo; and
- b) Design and construction of railway heads at Tema and Akosombo on an Engineering, Procurement and Construction (EPC) basis/

The contract for the above-mentioned works was signed on 18th November, 2016 between the Ghana Railway Development Authority and Messrs AFCONS Infrastructure Limited.

Under the original Agreement, the termination point in the project was at Akosombo near the Dam where there is an existing port being operated by the Volta Lake Transport Company Limited. In order to get to this terminal location

with the new railway line, there was the need to construct a 1.3km tunnel adjacent to the dam. However concerns have since been raised that there was a high possibility that the tunneling of the rail line through the dam could gradually weaken the dam due to vibration.

Following these concerns, the Ministry responsible for Railways commissioned a study to investigate the possible effects of the proposed drilling of the railway tunnel on the Dam and propose an alternative termination point for the railway. The study confirmed the concerns and recommended Mpakadan which is located on the opposite of the Volta River to the Akosombo Dam as a suitable termination point.

Due to this, Mpakadan has been chosen as the new terminal point and this has resulted in works variation including an increase in the length of the railway line by approximately 12.793km. The relocation of the terminal point has also led to an increase in the on-going railway construction costs by Forty-eight Million, Eight hundred and Forty-Three Thousand, Four Hundred and Ninety United States Dollars (US\$48,843,490.54). In order to successfully implement the project, the Export-Import Bank of India under the National Export Insurance Account (BC-NEIA) has agreed to provide supplementary funding for the project. It is this supplementary agreement that is before the House for approval. **Attached as an Appendix is the variations and the amounts thereof.**

4.0 PURPOSE OF THE REQUEST

The purpose of the request is to seek approval to finance the variation in respect of the on-going railway construction works between the Port of Tema and Mpakadan.

4.1 Revised Project Description

Under the project, the Contractor will now cater for the following:

- Extension of the Railway line by a further 12.793km from the original termination location of Akosombo to Mpakadan;
- Construction of additional Nineteen (19) grade separator crossing Bridge/ ROB/RUB
- Construction of additional Seventy-Three (73) culverts;
- Excavation of about 2.4 Million cubic meters of hillocks to develop Mpakadan railway facility;
- Relocation of major underground utilities
- Provision for other unforeseen site conditions that would need to be addressed under the EPC Contract; and
- Construction of Special 300meter Bridge across the Volta River near Senchi.

5.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the Loan are as follows:

Loan Amount	-	US\$48,843,490.54
Interest Rate	-	6 Months Libor + 1.5%p.a
Repayment Period	-	9 years
Grace Period	-	3 years
Commitment fee	-	0.50% p.a.
Management fee	-	0.05% flat

6.0 OBSERVATIONS

The Committee made the following observations:

6.1 Rationale for the Variation

The Committee observed that under the original agreement, the termination point of the railway line in the project was Akosombo near the Dam where there is an existing port being operated by the Volta Lake Transport Company Limited.

The Committee was informed that concerns has since been raised that there was a high possibility that the vibrations from the tunneling could gradually weaken the dam.

The Committee was also informed that one of such concerns came from the Volta River Authority (VRA). VRA noted that the continuous vibrations on the Akosombo Dam when the tunneling is being carried out is likely to impact negatively on the dam since the Dam is a rock fill embankment with a central clay core and its safety could be compromised by such heavy construction activity.

It is in response to these concerns and other benefits to be derived that the terminal point has been relocated to Mpakadan.

6.2 Benefits of the Project

The Committee observed that the overall objective of the project is to address the imbalance between transport modes for long distance transit and domestic freight movements from Accra/ Tema northwards and vice versa. In particular, freight (containerized and other bulk commodities) movements via Tema port, as an alternative to current transport solutions, will improve existing port operations, resulting in reduced vessel waiting time, container dwelling times and increase the competitiveness of the Port as well as lead to reduction in freight transport cost with increased safety.

The Committee was informed that the relocation of the terminal to Mpakadan will not only help complete the rail line project from Tema to Mpakadan in time but would also create the opportunity to develop Mpakadan port and create a new Volta Lake City. The relocation would also help develop a free industrial enclave and ripen the tourism potential of the area.

Other benefits include:

- Reduction in cost of shipment in terms of time;
- Linking the Tema port to the lake transport network especially the North-South movement over a distance of about four hundred kilometers and open up the lake to the transportation of not only fuel and cement in limited quantities but also containerized cargo and agricultural produce from the SADA enclave and Afram Plains to the port of Tema and other destinations.
- Reduction of pressure on the road network (including the Eastern Corridor roads under construction) thereby reducing their early deterioration and hence increase their service life span
- Reduction of the cost of transportation of bulk commodities, containers and agricultural produce to the ports and other destinations;
- Provision of cheaper, reliable and alternative means of transport for passengers; and
- Construction, operation and maintenance works of the railway infrastructure will help provide employment (direct and indirect) to a number of Ghanaians.

6.3 Status of Implementation

The Committee observed that the project is about 77% complete.

6.4 Challenges Facing the Project

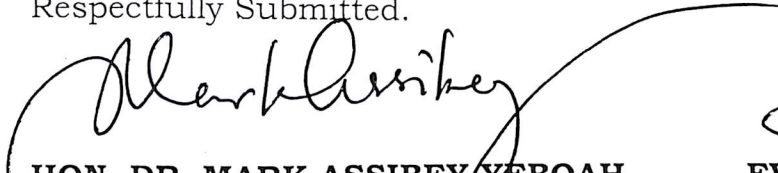
The Committee observed that the main challenges facing the project are encroachments along the existing right-of-way and the acquisition of new right-of-ways.

The Committee was assured that the Ministry was taking the necessary steps to ensure that the right-of-way bottlenecks are removed to ensure timely completion of the project.

7.0 CONCLUSION

In view of the immense benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of the Supplementary Buyer's Credit Agreement between the Government of the Republic of Ghana and the Export-Import Bank of India under the National Export Insurance Account (BC-NEIA) for an amount of Forty-Eight Million, Eight Hundred and Forty-Three Thousand, Four Hundred and Ninety United States Dollars and Fifty-Four Cents (US\$48,843,490.54) for the financing of the variation of the "Tema - Akosombo Railway Line Construction Project" being executed by Messrs AFCONS Infrastructure Limited of India in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.


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


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

March, 2020



APPENDIX

AFCONS INFRASTRUCTURE LIMITED

CONSTRUCTION OF SINGLE STANDARD GAUGE RAILWAY FROM TEMA TO MPAKADAN ON EPC.

	<u>Original Contract Amount (\$)</u>	<u>Revised Contract Amount (\$)</u>	<u>Variation Amount (\$)</u>
Mobilization	\$ 29,874,750	\$ 29,874,750	\$ -
Survey, Geotechnical investigation, Engineering Design etc.	\$ 13,941,550	\$ 15,743,642	\$ 1,802,092
ROW, possession of land, shifting utilities	\$ 11,949,900	\$ 13,751,992	\$ 1,802,092
Supervision Consultants	\$ 9,958,250	\$ 9,958,250	\$ -
Earthworks/Embarkment	\$ 83,250,970	\$ 95,805,544	\$ 12,554,574
Culverts, Road over/under bridges	\$ 46,405,445	\$ 77,846,417	\$ 31,440,972
Viaduct	\$ 7,369,105	\$ -	\$ (7,369,105)
TUNNELS	\$ 25,891,450	\$ -	\$ (25,891,450)
VOLTA BRIDGE	\$ -	\$ 21,200,589	\$ 21,200,589
Railway Track and Track Laying, Drains	\$ 95,599,200	\$ 111,015,936	\$ 15,416,736

Signalling and Communications	\$ 10,356,580	\$ 11,918,393	\$ 1,561,813
Stations and Maintenance Facilities	\$ 15,933,200	\$ 15,933,200	\$ -
Railhead Facility at Tema	\$ 13,543,220	\$ 13,543,220	\$ -
Railhead Facility at Mpakadan	\$ 33,658,885	\$ 42,194,934	\$ 8,536,049
Capacity Building	\$ 597,495	\$ 597,495	\$ -
Overall Discount			\$ (12,210,873)
TOTAL	<u>\$ 398,330,000</u>	<u>\$ 459,384,362</u>	<u>\$ 48,843,489</u>