

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

**REPORT OF THE FINANCE COMMITTEE ON THE
SUPPLIER'S CREDIT AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA
(REPRESENTED BY THE MINISTRY OF FINANCE)
AND MESSRS. DONGFANG ELECTRIC
INTERNATIONAL CORPORATION FOR AN
AMOUNT OF TWO HUNDRED AND FORTY-THREE
MILLION, SIX HUNDRED THOUSAND UNITED
STATES DOLLARS (US\$243,600,000.00) FOR
THE PROCUREMENT OF STANDARD GAUGE
ROLLING STOCK**

1.0 INTRODUCTION

The **Supplier's Credit Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **Messrs. Dongfang Electric International Corporation** for an amount of **Two Hundred and Forty-Three Million, Six Hundred Thousand United States Dollars (US\$243,600,000.00)** for the **procurement of standard gauge rolling stock** was *presented* to the House on Monday 3rd August 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Minister responsible for Finance.

PARLIAMENT OF GHANA LIBRARY

Pursuant to Orders 169 and 171(1) 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 considered the Agreement with the Minister for Railways Development, Hon. Joe Ghartey, a Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng and a team of officials from the Ministries of Finance and Railways Development, the Ghana Railways Development Authority (GRDA) and the Ghana Railways Company Limited (GRCL) and hereby presents 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 Hon. Minister for Railways Development, Deputy Minister for Finance and the team of officials for attending upon the Committee.

2.0 BACKGROUND

A major objective of Government's poverty reduction and growth agenda is the construction and provision of railway infrastructure and equipment to support the development of the country.

The Government of Ghana is desirous of developing a modern standard gauge railway network.

The Ghana Railway Company Limited has rehabilitated the 56km section of the Western line from Kojokrom to Tarkwa and this has enabled the reintroduction of passenger service from Takoradi to Tarkwa in 2020 on narrow gauge line.

The Government of Ghana has presently adopted a systematic approach to developing a new standard gauge Western Railway Line from Takoradi to Kumasi with a branch line from Dunkwa to Awaso. In furtherance of this objective, a contract was awarded to Messrs Amandi Holding Limited in December 2017 for the construction of a new standard gauge line from Kojokrom to Eshiem, a distance of 5km. That Project is currently ongoing.

Subsequently in 2018, another contract was awarded for the continuation of the construction works for a further 17km standard gauge from Eshiem to Manso. The contractor is presently on site and work is on-going.

Again, Parliament has recently approved a loan facility from Deutsche Bank AG for the continuation of the construction works on sections of the Western Railway Line from the Takoradi Port to Huni Valley on standard gauge.

Another major ongoing railway project is the Tema-Mpakadan rail line construction which is also being done on standard gauge.

It has become necessary therefore for Government to procure standard gauge rolling stock to test and operationalise the standard gauge lines being constructed as the country presently does not have any standard gauge rolling stock.

3.0 PURPOSE OF THE AGREEMENT

The purpose of the instant Credit Agreement is to finance the acquisition of standard gauge rolling stock to enable the testing, commissioning and immediate operation of the new standard gauge railway lines currently under construction in the country.

4.0 TERMS AND CONDITIONS

The financing terms of the Agreement are as follows:

Facility Amount:	US\$243,600,000.00
Grace Period:	2 years
Repayment Period:	10 years
Tenor:	12 years
Interest Rate:	6M Libor + 2.5% p.a.
Sinosure premium:	Up to 7.00% of the supplier's credit

5.0 SCOPE OF WORKS

The scope of the contract agreed between the Government of Ghana and Messrs. Dongfang Electric International Corporation covers the following:

A – Locomotives, Coaches and Wagons:

- a) Supply of nine (9) Nos. 4500HP Mainline Diesel Locomotives with maximum speed of 160km/hr for Passengers
- b) Supply of forty-eight (48) Nos. Passenger Coaches
- c) Supply of fifteen (15) Nos. 4500HP Mainline Diesel Locomotives for Freight with maximum speed 100km/h
- d) Supply of three hundred and thirty (330) Nos. Freight Wagons
- e) Supply of eleven (11) Nos. 1000HP Shunting Diesel Locomotives

A total of thirty-five (35) standard gauge trains are therefore to be delivered by the Suppliers as part of the Contract.

B – Spares and Tools:

The supply of accompanied Spares and Tools along with the Locomotives and Rolling Stocks within the twenty-four (24) months warranty period.

C – Maintenance Workshop:

The establishment of one (1) Maintenance Workshop (not more than 3000m²) with Maintenance Equipment at a location to be determined by the Purchaser.

D – After Sales Service:

The Contract also includes *After Sales Services* to guarantee regular routine and proper maintenance of the rolling stock during the operational period.

E – Training:

The Supplier will also provide training for skilled personnel or railway engineers and managers in all aspects of rolling stock systems including Locomotive Design, Operation and Maintenance.

6.0 OBSERVATIONS

6.1 Tema – Mpakadan to be Completed Ahead of Schedule

The Committee was informed that the Contract for the construction of the 97km railway line from the Port of Tema to Mpakadan is expected to be completed ahead of the contractual completion date of July, 2021. The contract however does not include the supply of rolling stock to test and operationalise the line upon completion.

Some of the rolling stock being financed under the instant Supplier's Credit Agreement will be used to test, commission and operationalise the Tema-Mpakadan rail line.

6.2 100% Financial Solution

The Committee noted that the Dongfang financing package provides a 100% financial solution and there will be no additional

budgetary requirement on the part of Government to execute this project.

6.3 Skills Transfer

The Committee was informed that the acquisition of the new standard gauge rolling stock will require training, skills and capacity development of the project staff to be able to operate and manage the new equipment. In this regard, there will be the transfer of technology from the suppliers to the local staff.

6.4 Socio-economic Impact

The Committee observed that the operation of the trains will facilitate the movement of people and goods. It will also create both direct and indirect employment opportunities and therefore generate income within the catchment communities.

This will reduce poverty and bring about improvement in the local economy with its associated positive impacts, for example, on health and education. Improved local economy will help reduce migration from the rural communities to towns and cities, youth unemployment and associated social vices.

6.5 Implementation Plan

The Contract will be implemented in two (2) phases. The first phase will be completed in two batches within 12 months and 18 months respectively from the date of contract commencement.

The second phase will be completed within 18 months from a commencement date to be mutually agreed by the two Parties. The details of items to be delivered in the two phases are as follows:

Types	Passenger Locos	Freight Locos	Shunting Locos	Passenger Coaches	Freight Wagons	Shipment Period
Phase 1						
First Batch	1	1	-	8	30	Within 12 months
Second Batch	2	3	2	8	70	Within 18 months
Total (Phase 1)	3	4	2	16	100	
Phase 2						
Single Batch	6	11	9	32	230	Within 18 months
Total (Phases 1 and 2)	9	15	11	48	330	

6.6 Value for Money Audit

The Committee was informed that as part of Government's efforts to ensure efficiency and economy, the contract will be subjected to rigorous Value for Money (VfM) assessment in accordance with the laws of Ghana.

The recommendations of the VfM Audit will be incorporated into the final Commercial Agreement.

6.7 Source of the Funds

The Committee sought to know the source of the funds that **Messrs. Dongfang Electric International Corporation** would be using to provide the Supplier's Credit since Dongfang is not a bank.

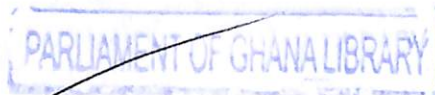
To this, the Committee was informed that Dongfang has indicated to Government that it would be procuring the required funds from

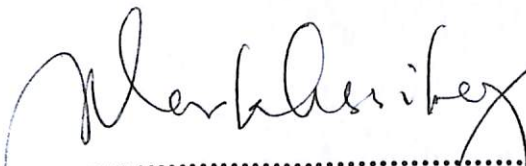
the Industrial and Commercial Bank of China (ICBC) Limited or China Construction Bank.

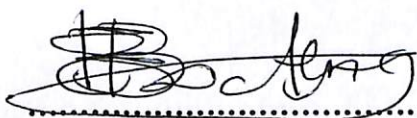
7.0 CONCLUSION

In view of the immense importance of functional and modernized standard gauge railways to the country's socio-economic development, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **Supplier's Credit Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **Messrs. Dongfang Electric International Corporation** for an amount of ***Two Hundred and Forty-Three Million, Six Hundred Thousand United States Dollars (US\$243,600,000.00)*** for the **procurement of standard gauge rolling stock** 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)


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

7TH AUGUST, 2020