

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

**TERM LOAN FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF
FINANCE) AND DEUTSCHE BANK AG, FRANKFURT BRANCH (AS
ARRANGER AND ORIGINAL LENDER) AND TMF GLOBAL SERVICES
(UK) LIMITED (AS FACILITY AGENT) FOR AN AMOUNT OF *ONE
HUNDRED AND FORTY-SEVEN MILLION, FIVE HUNDRED AND FIVE
THOUSAND, SEVEN HUNDRED AND THIRTY-FOUR EUROS
(€147,505,734.00)* FOR THE RECONSTRUCTION OF THE BECHEM –
TECHIMANTIA – AKOMADAN (40.4KM) AND THE TARKWA – AGONA
NKWANTA ROAD PROJECTS**

JULY, 2020.

1.0 INTRODUCTION

The **Term Loan Facility Agreement** between the **Government of the Republic of Ghana (represented by the Ministry of Finance)** and **Deutsche Bank AG, Frankfurt Branch (as Arranger and Original Lender)** and **TMF Global Services (UK) Limited (as Facility Agent)** for an amount of *One Hundred and Forty-Seven Million, Five Hundred and Five Thousand, Seven Hundred and Thirty-Four Euros (€147,505,734.00)* for the reconstruction of the **Bechem – Techimantia – Akomadan (40.4km)** and the **Tarkwa – Agona Nkwanta Road Projects** was *presented* to the House on Wednesday 22nd July, 2020 by the Hon. Minister responsible for Defence, Mr. Dominic Bingab Aduna Nitiwul 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, a Deputy Minister for Roads and Highways, Hon. Kwabena Owusu-Aduomi as well as 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 Hon. Deputy Ministers and the officials from the Ministries of Finance and Roads and Highways 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)

3.0 BACKGROUND

The Government of the Republic of Ghana through the Ministry of Roads and Highways 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 costs and accidents.

To ensure the operational efficiency of road transport in moving persons, goods and services both within the country and with neighbouring countries, the government has already implemented some major road infrastructure projects and continues to source funding for the implementation of additional critical road projects in line with Government's infrastructure development agenda.

The Bechem-Techimantia-Akomadan road (40.4km) runs in South-North direction from Bechem in the Bono Region through Dwomo and Techimantia all in the same Region to Akomadan in the Ashanti Region. The road connects the Bono Region to Akomadan in the Ashanti Region joining the main Kumasi – Techiman road at Akomadan through mainly agricultural towns and villages. The proposed 40.4km section to be reconstructed is in advanced state of deterioration. This has led to high vehicle operating costs, dust pollution in the settlements, road accidents and low utilization of the main road in terms of traffic volumes. Traffic safety measures such as pedestrian crossings and pavement and road line markings and road signs are absent along the sections.

The Tarkwa-Agona Nkwanta road (66 km) also runs in South-North direction from Agona Nkwanta to Tarkwa through Bonsa and Nsuta all of which have rubber and mineral prospects. The road forms part of the N1 link between Ghana and neighbours

Cote D'Ivoire and other ECOWAS countries. The road also connects to main roads in the seaport of Takoradi.

These road projects also traverse areas renowned for their production of cassava, rice, corn, tomatoes as well as other cash and food crops for consumption and exports. Due to the bad roads, access to markets for agricultural products and farmers access to inputs for enhanced productivity becomes impossible. Communities along the route are usually cut off from the remaining parts of the country during heavy rains thereby resulting in persistent outcry by the local population living along these routes. Rehabilitation of these roads, if delayed, shall result in the total collapse of a significant part of the regional road network thereby raising consequent capital cost for rehabilitation and its associated adverse social effects.

3.1 PROJECT OBJECTIVES

The objectives of the Project is to improve travel time and reduce waiting times within the relevant corridors with consequent reduction in poverty and enhanced development in Ghana. The project is specifically aimed at improving traffic circulation by enhancing the capacity of the road network and removing bottlenecks as well as to improve the movement of people, goods and services to support socio-economic development of the inhabitants of the project areas in particular and the country as a whole.

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the Loan are as presented in the table below:

| | | |
|-----------------|---------------------|--|
| Facility Amount | - | € 147,505,734.00 of which: |
| | <i>Project Cost</i> | - €145,000,000.00 |
| | <i>Upfront Fee</i> | - €2,175,000.00 (i.e. 1.50% flat of facility and financed) |
| | <i>Agency Fee</i> | - € 191,700.00 (financed) |
| | <i>Legal Fee</i> | - € 139,034.00 (financed) |

| | | |
|------------------|---|--------------------|
| Tenor | - | 10 years |
| Repayment Period | - | 8 years |
| Grace Period | - | 2 years |
| Interest rate | - | 7.50% p.a. (fixed) |

5.0 PROJECT COMPONENTS AND DESCRIPTION

The scope of works to be undertaken as part of this project shall comprise the construction of the 40.4km Bechem-Akomadan Road Project and 66km Tarkwa-Agona-Nkwanta Road Projects.

The works shall consist of providing all survey and investigation, designing of the road alignment and geometry, pavements, drainage, bridges and culverts, site investigation and tests, road marking and signage as well as all associated road works in line with the Ghana Highway Authority Pavement Design Manual and the Republic of Ghana, Ministry of Roads and Highways Standard Specifications for Road and Bridge Works.

A breakdown of the estimated cost of the components of the Project is presented in Tables 1 and 2 below:

Table 1: Budget Summary: Bechem- Techimantia-Akomadan

| COST COMPONENT BREAKDOWN FOR THE ROAD | | |
|---------------------------------------|---|-------------------|
| ITEM | DESCRIPTION | TOTAL PRICE (EUR) |
| 1 | General Items | 10,672,065.35 |
| 2 | Consultancy Services (3%) | 1,500,000.00 |
| 3 | Ground Investigation, Demolition and Site Clearance | 1,000,000.00 |
| 4 | Earthworks | 5,351,068.85 |
| 5 | Drainage Works | 2,952,213.17 |
| 6 | Road Surfacing Works | 8,481,395.00 |

| | | |
|-----------------|--|------------------------|
| 7 | Road Paving | 15,212,347.80 |
| 8 | Traffic Signs and Road Marking | 700,865.21 |
| 9 | Ancillary Works (lay-bys, Safety Barriers, Street Lights, Kerbs, Walkways and Medians) | 2,880,044.62 |
| 10 | Contingency | 1,250,000.00 |
| SUBTOTAL | | € 50,000,000.00 |

Table 2: Budget Summary: Tarkwa-Agona-Nkwanta (66km)

| COST COMPONENT BREAKDOWN FOR THE ROAD | | |
|--|--|--------------------------|
| ITEM | DESCRIPTION | TOTAL PRICE (EUR) |
| 1 | General Items | 18,370,011.00 |
| 2 | Consultancy (3%) | 2,850,000.00 |
| 3 | Ground Investigation, Demolition and Site Clearance | 1,900,000.00 |
| 4 | Earthworks | 6,850,750.85 |
| 5 | Drainage Works | 2,150,786.24 |
| 6 | Road Surfacing Works | 34,224,597.13 |
| 7 | Road Paving | 20,496,308.07 |
| 8 | Traffic Signs and Road Marking | 1,191,470.86 |
| 9 | Ancillary Works (lay-bys, Safety Barriers, Street Lights, Kerbs, Walkways and Medians) | 4,591,075.85 |
| 10 | Contingency | 2,375,000.00 |
| SUBTOTAL | | € 95,000,000 |

6.0 OBSERVATIONS

6.1 Deplorable State of the Roads

The Committee observed that the current state of the two project roads is very deplorable. The pavements are deteriorated with potholes at various locations hindering the flow of traffic and affecting economic activity and productivity. The roads have virtually become death traps, especially at night as vehicles slam into dangerous potholes without warning.

Other challenges currently faced on the roads include unnecessarily long travel times, high vehicle operating and maintenance costs, dust pollution and poor road safety.

To help address these challenges, the roads are to be completely redesigned and reconstructed with the necessary bridges, culverts, drainage, pavement reinforcement, road markings and signages to ensure they are fit for vehicular and human use.

6.2 Duration of the Project

As to how long the project would take to complete, the Committee was informed that the Bechem-Techimantia-Akomadan Project is expected to be completed within a period of twenty-four (24) months from the commencement date whilst the Agona Nkwanta -Tarkwa Project is to be completed within thirty-six (36) months from the date of commencement.

6.3 Expected Benefits of the Project

The Committee observed that the successful implementation of the project is expected to result in the following:

- Lowering vehicle operating costs, savings in travel time leading to savings in fuel consumption, reduction in accident rates and to generally improve access and contribute significantly to socio-economic activities;
- Reduction in pedestrian and vehicular congestion and consequently cost of transportation for both passenger and cargo;
- Significant improvement and enhancement of the function of the road network by enhancing vehicle flow by improving movement of people and goods;
- Enhancement of economic activities and improved public transport and standard of living of the citizenry
- Creation of jobs for the skilled and non-skilled labour in the project areas

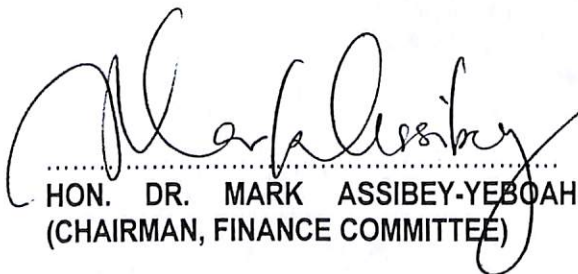
- Reduction in loss of productive man-hours, air and noise pollution, vehicle maintenance costs, road accidents and incidents thereby reducing loss of lives; and the
- Improvement in commuter and pedestrian safety along the project corridors

7.0 CONCLUSION

The Committee finds the project to be immensely important towards improving vehicular movement in the project areas and contributing to the enhancement of the road network of the country as a whole.

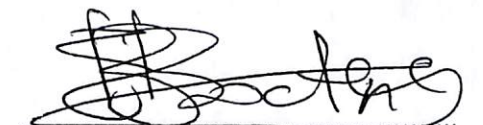
The Committee therefore respectfully recommends to the House to adopt this report and approve by Resolution, the **Term Loan Facility Agreement** between the **Government of the Republic of Ghana (represented by the Ministry of Finance)** and **Deutsche Bank AG, Frankfurt Branch (as Arranger and Original Lender)** and **TMF Global Services (UK) Limited (as Facility Agent)** for an amount of *One Hundred and Forty-Seven Million, Five Hundred and Five Thousand, Seven Hundred and Thirty-Four Euros (€147,505,734.00)* for the reconstruction of the **Bechem – Techimantia – Akomadan (40.4km)** and the **Tarkwa – Agona Nkwanta Road Projects** in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



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

PARLIAMENT OF GHANA LIBRARY



MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)
27TH JULY, 2020