

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

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 STANDARD CHARTERED BANK, LONDON FOR THE AMOUNT OF NINETY-ONE MILLION, THREE HUNDRED AND SEVENTY-FIVE THOUSAND, THREE HUNDRED AND SEVEN EUROS AND ONE CENT (€91,375,307.01) (BACKED BY EKSPORT KREDIT FONDEN (EKF) GUARANTEE) TO FINANCE THE DESIGN AND CONSTRUCTION OF DRAINAGE AND ANCILLARY SEWAGE SYSTEM IN ACCRA (NIMA DRAIN FROM KAOKUDI TO THE ODAW RIVER BASIN);

AND

THE TIED TERM LOAN FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND STANDARD CHARTERED BANK, LONDON FOR AN AMOUNT OF TEN MILLION, THREE HUNDRED AND EIGHTY-FOUR THOUSAND, SIX HUNDRED AND NINETY-FIVE EUROS (€10,384,695.00) TO FINANCE THE DESIGN AND CONSTRUCTION OF DRAINAGE AND ANCILLARY SEWAGE SYSTEM IN ACCRA (NIMA DRAIN FROM KAOKUDI TO THE ODAW RIVER BASIN)

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## 1.0 INTRODUCTION

The

- i. Term Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London for the amount of Ninety-One Million, Three Hundred and Seventy-Five Thousand, Three Hundred and Seven Euros and One Cent (€91,375,307.01) (backed by Eksport Kredit Fonden (EKF) guarantee) to finance the design and construction of drainage and ancillary sewage system in Accra (Nima drain from Kaokudi to the Odaw River Basin); and
- ii. Tied Term Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London for an amount of ten Million, Three Hundred and Eighty-Four Thousand, Six Hundred and Ninety-Five Euros (€10,384,695.00) to finance the design and construction of drainage and ancillary sewage system in Accra (Nima drain from Kaokudi to the Odaw River Basin)

were presented to the House on 23<sup>rd</sup> June, 2020 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare on behalf of the Minister for Finance.

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

The Committee met with the Minister for Works and Housing, Hon. Samuel Atta Akyea, a Deputy Minister for Finance, Hon. Abena Osei Asare, and officials from the Ministry of Finance, and the Ministry of Works and Housing to consider the requests.

## 2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Public Financial Management Act, 2016 (Act 921); and
- The Standing Orders of the Parliament of Ghana.

### **3.0 BACKGROUND**

The Mamobi community has for many years been experiencing perennial floods, mostly resulting in the loss of lives, livelihoods and properties and disruption of economic activities with its consequent financial loss to the state. The Nima drain takes its source from the western part of the airport and runs through the Airport city, CSIR, Mamobi, Nima, Asylum down, Circle and finally discharges into Odaw stream at circle near the Hawkers markets.

The stretch through Mamobi, a low income and heavily populated community, was improved through a storm water project in the community, involving the construction of a 1.2km rectangular box drain measuring 5m wide by 2.5m deep and stretches from the Kanda Highway close to the Kaokudi junction to the culvert on the Nima Road.

Unfortunately, waste management in the community is very poor and the bulk of the waste generated from the community end up in the Nima stream. The channel banks in the community are degraded due to bank erosion and most building structures along the banks have collapsed into the drain.

It is significant to note that the urban poor in the Greater Accra Region (GAR) tend to reside in low-lying areas, often informal settlements associated with overcrowding, and poor access to basic services. Informal dwellers make up 38.4% of the population within the Accra Metropolitan Assembly (AMA). Access to basic services like solid waste collection and drainage management is limited and this contributes to blockage of drains which results in flooding. The poor urban households are therefore, usually more affected by flood impacts than the rest of the population.

### **4.0 OBJECT OF THE PROJECT**

The object of the project is to:

- Mitigate the perennial flooding;
- Improve environmental and sanitary conditions in order to alleviate the serious damage to property and health risks in the Nima community with a subterranean drainage system rather than the self-defeating open drains;
- Enhance access throughout the Nima-Mamobi area for pedestrians; and

- Help the community to create public spaces that serve the diverse needs of all residents.

## **5.0 SCOPE OF THE PROJECT**

The project covers works to be undertaken on the already existing Nima drain in Accra Metropolitan Area. The scope of works includes:

- Rehabilitation and enhancement of Nima Drain PH.2 (3300M) from Nima Road to Odaw River. This is a major intervention which will be integrated with the city of Accra, through a holistic resolution of pressure and problems zones, together with the generation of city space elements;
- Backfilling the side banks on Phase 1 (Stretch between Obasanjo Highway and Mamobi Highway);
- Construction of a rectangular (closed) section between Obasanjo Highway and Mamobi Highway);
- Construction of a rectangular (closed) section on the stretch between Mamobi Highway and Kojo Thompson Avenue; which comprises the necessary works for the foundation of the enhanced area over the new closed drain; and
- Modification of the existing output of the Nima Drain into the Odaw River rotating it to a 45- degree angle output.

## **6.0 TERMS AND CONDITIONS OF THE LOAN**

The total financing amount is up to **€101,760,002.01** made up of an EKF facility of up to €91,375,307.01 and a Commercial facility of up of €10,384,695.00. Details of the facility is provided in the Table below:

**Table 1 Terms and Conditions of the Facility Agreement**

No.	Item	EKF Facility	Commercial Facility
1	Facility Amount	Up to €91,375,307.01 representing 85% of the eligible Contract Value and 100% of the EKF premium estimated at €11,760,002.01	Up to €10,384,695.00 representing the remainder of the Contract Value that is not eligible for financing under the EKF Facility
2	Grace Period	3 years	1 year
3	Repayment Amount	10 years	4 years
4	Tenor	13 years	5 years
5	Interest Rate	EURIBOR + 0.95% p.a	EURIBOR + 4.50% p.a.
6	Commitment fee	0.30% p.a.	0.50% p.a.
7	Upfront fee	1.25% flat	1.25% p.a
8	All-in-cost	3.09% p.a.	5.14% p.a

**7.0 OBSERVATIONS**

**7.1 Rationale for the Loan**

The Committee observed that Mamobi, a suburb of Accra has been experiencing perennial flooding which usually leads to loss of human life, damage to property, and loss of livestock. It was explained that the main causes of the flooding were the Nima drain and poor waste management.

The Nima drain is poorly maintained and poor waste management habits has adversely affected the surrounding communities. The drain is blocked with filth leading to stagnation of water. This makes the people around the drainage system susceptible to infections from mosquitoes and other insects as well as numerous air and water borne diseases.

The Committee was informed that a number of stop gap measures have been put in place to resolve the issue but these measures have not been successful.

In order to address the problem and improve flood safety and preparedness as well as protect lives and property, Government is constructing a subterranean drainage system. This system would help address the perennial flooding and improve environmental conditions in the environs.

## 7.2 Benefits of the project

The Committee observed that the benefits to be derived from the project include:

- improved flood safety and preparedness
- sustainable capacity for flood risk management
- reduce flood occurrence risk within the Nima drain over the medium to long term

## 7.3 Fiscal Impact Assessment

The Committee noted that a Debt Sustainability Analysis (DSA) was conducted for this project and it is part of the overall assessment which informs Government's Medium Term Debt Strategy (MTDS) that consequently determines Government's borrowing plans for the medium term as published at Appendix 10c of the 2020 Budget.

The loan also forms part of the estimated project loan disbursement of GH¢4,345.40 Million in 2020. The related estimated debt service cost for the project also forms part of the estimated debt service payments of GH¢13,916.8 Million for 2020 fiscal year.

## 7.4 Project Cost

The Committee observed that the estimated cost of the project amounts to Ninety Million Euros (€90,000,000). The breakdown of the cost is as shown in the Table below:

**Table 2 Cost Details**

No.	Description	Amount (€)
1	General Items	17,504,326.38
2	Consultancy (2%)	1,800,000.00
3	Ground Investigation, Demolition and Site Clearance	1,900,000.00
4	Earthworks	6,850,750.85
5	Concrete works	34,224,597.13

6	Sidewalks	1,191,470.86
7	Urban Facilities	20,496,308.07
8	Landscape	1,191,470.86
9	Ancillary Works (Public Lighting and Bikeways	2,591,075.85
10	Contingency	2,250,000.00
	<b>Total</b>	<b>90,000,000.00</b>

### 7.5 Project Duration

The project duration is expected to be Twenty-Four (24) months from the date of commencement.

### 7.6 Comparing the GARID Project with the Drainage System project

The Committee recalled that Parliament has approved a credit facility to finance the Greater Accra Resilient and Integrated Development Project (GARID). The project is aimed at improving flood risk management and solid waste management in the Odaw River Basin of the Greater Accra Region (GAR) and improve access to basic infrastructure and services in the targeted communities within the Basin.

On whether the current project and GARID were not one and the same, it was explained that the GARID project seeks to construct, among others, water retention points at strategic places to impound water upstream thereby reducing flooding downstream. Under this project, a subterranean drainage system would be constructed to deal with the drainage problem.

### 7.7 Enhancement facilities

The Committee was informed that when completed, enhancement facilities as indicated below would be provided for the communities around the project area:

- Green areas;
- Bike and Walkways;
- Upgraded football pitch;
- Shade areas;

- Rest areas; and
- Play areas

## 8.0 CONCLUSION

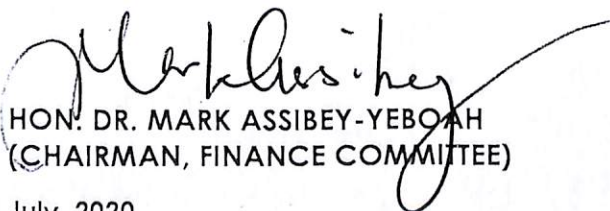
The Committee observed that when complete, the project would go a long way to address the perennial flooding that occurs in Accra. It would also help save lives and property. In view of the above, the Committee recommends to the House to adopt its report and approve the request for approval of the:

- i. Term Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London for the amount of Ninety-One Million, Three Hundred and Seventy-Five Thousand, Three Hundred and Seven Euros and One Cent (€91,375,307.01) (backed by Eksport Kredit Fonden (EKF) guarantee) to finance the design and construction of drainage and ancillary sewage system in Accra (Nima drain from Kaokudi to the Odaw River Basin); and
- ii. Tied Term Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London for an amount of ten Million, Three Hundred and Eighty-Four Thousand, Six Hundred and Ninety-Five Euros (€10,384,695.00) to finance the design and construction of drainage and ancillary sewage system in Accra (Nima drain from Kaokudi to the Odaw River Basin)

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.

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

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

July, 2020