

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

REPORT OF THE FINANCE COMMITTEE ON THE
LOAN AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF
FINANCE) AND ISRAEL DISCOUNT BANK LIMITED FOR AN
AMOUNT OF SEVENTY-FOUR MILLION, ONE HUNDRED AND
TWENTY THOUSAND UNITED STATES DOLLARS
(US\$74,120,000.00) [INCLUDING ASHRA'S PREMIUM OF
US\$6,120,000.00] TO FINANCE THE SUPPLY OF ARMoured
VEHICLES TO THE GOVERNMENT OF GHANA;

AND

COMMERCIAL LOAN AGREEMENT BETWEEN THE GOVERNMENT
OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY
OF FINANCE) AND ISRAEL DISCOUNT BANK FOR AN AMOUNT OF
TWELVE MILLION UNITED STATES DOLLARS (US\$12,000,000.00)
TO FINANCE THE SUPPLY OF ARMoured VEHICLES TO THE
GOVERNMENT OF GHANA

PARLIAMENT OF GHANA LIBRARY

1.0 INTRODUCTION

The

- Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Israel Discount Bank Limited for an amount of **Seventy-Four Million, One Hundred and Twenty Thousand United States Dollars (US\$74,120,000.00)** [including ASHRA's Premium of **US\$6,120,000.00**] to finance the supply of Armoured Vehicles to the Government of Ghana; and
- Commercial Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Israel Discount Bank for an amount of **Twelve Million United States Dollars (US\$12,000,000.00)** to finance the supply of Armoured Vehicles to the Government of Ghana

were presented to the House on Monday, 3rd August, 2020 by the Hon. Minister responsible for Monitoring and Evaluation, Hon. Dr. Anthony Akoto Osei 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 Defence, Hon. Dominic Nitiwul, a Deputy Minister for Finance, Hon. Kwaku Kwarteng, a Deputy Minister for Defence, Hon. Derek Oduro (Maj [Rtd]) and officials from the Ministry of Finance and Ministry of Defence 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 Ghana Armed forces (GAF) has been primarily responsible for the defence of the State as enshrined in Article 210(3) of the 1992 Constitution.

Additionally, the Ghana Armed Forces is involved in internal security operations with other sister security services for the safety of the general public. Such operations include Operation Gong-Gong which is geared towards maintaining peace in the northern part of the country, Operation Clam Life at Donkorkyina in the Bono Region, which seeks to curb incidents of armed robbery and other violent crimes and Exercise Ogbangame Express which seeks to fight maritime crimes in Ghana's territorial waters.

More recently, GAF personnel were also tasked to support the Police and National Disaster Management Organisation (NADMO) in Operation COVID Safety to help curb the spread of the COVID-19 disease.

In addition to its traditional roles, GAF has carved an enviable reputation for itself and the country as global peacekeepers. This is evident by the number of GAF personnel posted at various United Nations peacekeeping theatres around the world.

The Ghana Armed Forces has thus over the years performed supportive roles towards the political, social and economic spheres of national development.

The Ghana Army is the main ground warfare organisational branch of the military with the mandate of defending the land borders of the country against any threats. Over the years, several Governments have tried to ensure that the military, in general is well equipped to protect the state against internal and external aggression.

Despite these measures, most of the equipment of the GAF are obsolete and need to be replaced. The Government is therefore keen on equipping the military with modern equipment in the desired quantities to ensure that the military is adequately resourced to work effectively.

In order to achieve this, Government is procuring a loan to finance the supply of armoured vehicles for the GAF. The Israel Discount Bank has agreed to grant the needed financing for the project and it is this agreement that has accordingly been laid in Parliament for approval.

4.0 OBJECT OF THE LOAN

The object of the loan is to seek approval to enable the Government of Ghana to secure funding to procure armoured vehicles and ammunitions for the Ghana Armed Forces.

5.0 TERMS AND CONDITIONS OF THE LOAN

A total amount of US\$86,120,000.00 is to be financed from the Israel Discount Bank. This is made up of US\$74,120,000.00 ASHRA Facility and a Commercial Loan of US\$12,000,000.00. Details of the terms and conditions of the loan is captured in Table 1 below:

Table 1 Terms and Conditions of the Loan

Item	Ashra Facility	Commercial Facility
Facility Amount	US\$74,120,000.00 o/w US\$68,000,000.00 is for the contract price and US\$6,120,000.00 is for ASHRA insurance premium	US\$12,000,000.00
Tenor	7 years	3.5 years
Grace Period	2 years	0.5 years
Interest Rate	6M LIBOR + 1.15% p.a.	6M LIBOR + 2.45% p.a.
Commitment Fees	0.35% p.a.	1.00% p.a.
Upfront Fees	0.35% p.a.	1.50% flat
Insurance	8.7% flat and financed	1.50% p.a.

6.0 OBSERVATIONS

6.1 Rationale for the Loan

The Committee was informed that the current threat of terrorism and other land border threats from neighbouring countries particularly from the Sahel Region indicates that there is the need for the country, especially the Ghana Armed Forces, to prepare for any agitations.

Armoured vehicles play vital role in the work of the Army. In recent times, heavily armoured vehicles particularly 6 X 6 and 8 x 8 armoured vehicles are used by the army for land operations as they are suitable for all terrains.

Unfortunately, these vehicles are in very short supply thereby hampering smooth operations of the GAF.

The Committee was informed that the military, with other security operatives, is also currently undertaking internal operations such as the Operation Gong-Gong, Calm Life and Ahodwo operations. The GAF therefore requires these modern and sophisticated equipment to help them undertake the operations and maintain security in the country.

The Committee observed that the last time any of these armoured vehicles were purchased was over ten years ago. Attempts to acquire more armoured vehicles to augment the existing fleet of the GAF and to replace obsolete ones have failed due to the cost of purchase, maintenance and training for their use.

In order to address these challenges that the Government of Ghana has entered into an agreement with the Israel Discount Bank to finance the supply of armoured vehicles for the Ghana Armed Forces.

6.2 Equipment to be Supplied

The Committee was informed that under the project, the equipment to be supplied are captured in Table 2 below:

No	Item	Qty
1	IFV 8X8 with UT30mm including Communication Package	9
	IFV 8X8	9
	UT-30	9
	Armaments 30mm	9
	Communication Package & BMS	9
	Ammunition 30mm	5,000
2	IFV 6X6 with RCWS including Communication Package	9
	IFV 6X6	9
	ORCWS 12.7	9
	Communication Package & BMS	9
3	IFV 6X6 with Reconnaissance System including Communication Package	1
	IFV 6X6	1
	Reconnaissance System	1
	Communication Package & BMS	1

6.3 Use of Vehicles

The Committee inquired whether the armoured vehicles would be used for peacekeeping operations.

The Committee was informed that these vehicles would be used for UN Peacekeeping operations when required but they would primarily be deployed to support internal security operations.

6.4 Transparency of the Purchase

The Committee was informed that given the sensitive nature of military procurements, they are often done without much scrutiny. As a result, procurement of military equipment in many countries is not disclosed to the citizenry.

However, in line with its policy of transparency, accountability and good governance, the Government has made full disclosure of the entire procurement process.

6.5 Equipping Newly Established Units

The Committee was informed that the Army had long promulgated the establishment of 154 and 155 Armoured Regiments in Sunyani and Tamale respectively to expand the military's capabilities of dealing with contemporary national threats.

Unfortunately, the Army has been unable to do so due to lack of requisite logistics including armoured equipment.

In May 2020, though, the GAF established the 154 Regiment and a Training School in Sunyani with some 4X4 Otokar vehicles they recently acquired. Despite the Otokar vehicles, the regiment is still under resourced.

The Ministry assured the Committee that some of the equipment to be supplied would be used to enhance the 154 Regiment in Sunyani as well as help establish the much needed 155 Armoured Regiment in Tamale to assist in the supply of troops to Operation Conquered Fist.

7.0 CONCLUSION

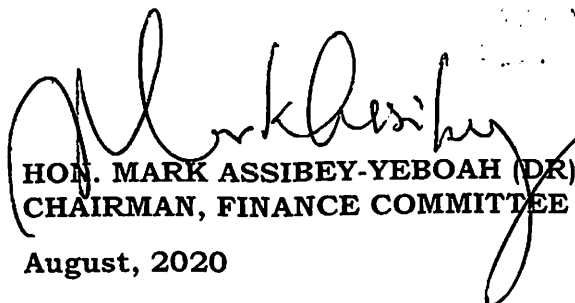
The Committee is of the view that the request will go a long way to improve the operations of the military towards defending the country as well as assisting to maintain peace within the country.

The Committee therefore recommends to the House to adopt its report and to approve the

- Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Israel Discount Bank Limited for an amount of Seventy-Four Million, One Hundred and Twenty Thousand United States Dollars (US\$74,120,000.00) (including ASHRA's Premium of US\$6,120,000.00)) to finance the supply of Armoured Vehicles to the Government of Ghana; and
- Commercial Loan Agreement between the Governments of the Republic of Ghana (represented by the Ministry of Finance) and Israel Discount Bank for an amount of Twelve Million United States Dollars (US\$12,000,000.00) to finance the supply of Armoured Vehicles to the Government of Ghana

in accordance with Article 181 of the Constitution, the Public Financial Management Act, 2016 (Act 921) and the Standing Orders of Parliament.

Respectfully submitted.



HON. MARK ASSIBEY-YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE
August, 2020



EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE