REPORT OF THE FINANCE COMMITTEE ON THE FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA) FOR AN AMOUNT OF ONE HUNDRED AND FIFTEEN MILLION UNITED STATES DOLLARS (US$115,000,000.00) AS ADDITIONAL FINANCING FOR THE E-TRANSFORM GHANA PROJECT

1.0 INTRODUCTION

The Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) for an amount of One Hundred and Fifteen Million United States Dollars (US$115,000,000.00) as additional financing for the e-Transform Ghana Project was laid in 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.

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

The Committee met with a Deputy Minister for Finance, Hon Mrs. Abena Osei-Asare, a Deputy Minister for Communications, Hon. George Andah and Officials from the Ministry of Finance and the Ministry of Communication to consider the report.

2.0   DOCUMENTS REFERRED TO

The Committee referred to the following Documents:

1. The 1992 Constitution
2. The Public Financial Management Act, 2019 (Act 921), and
3. The Standing Orders of the Parliament of Ghana

3.0   BACKGROUND

Over the last few years, there have been efforts by Government to improve the country's information communication highway to ensure that Information and Communication Technology (ICT) can be leveraged as a tool for sustainable development. To achieve this, government has provided the necessary regulatory environment to ensure that ICT and its related services are harnessed to its full potential. Government is also complementing private sector efforts within the industry with additional investments in communications infrastructure, especially in the under-served parts of Ghana. Similarly, a number of Development Partners have partnered with Government to provide investments in the sector to expand the needed infrastructure as well as fund the digitalization of government services to improve service delivery across the country. Notable among the donors who have supported the sector is the IDA of the World Bank Group, DANIDA, among others.

DANIDA for instance, has supported the construction of Fiber Optic Broadband Backbone Infrastructure on the Eastern Corridor of Ghana from Ho to Bawku, with a link from Yendi to Tamale, connecting over 120 rural communities along the route, and providing ducts to private operators to further improve connectivity in these areas that have the least connectivity in the country. Again,

in 2006 the WBG provided support of US$40.0 million to fund eGhana Project which led to the development of relevant policies, laws and regulations including electronic transactions, privacy and data protection and other related laws and regulations to facilitate the development and growth of ICT in Ghana. Examples are the Electronic Communications Act, 2008 (ACT 775); National Information Technology Act, 2008 (ACT 771); Electronic Transactions Act, 2008 (ACT 772); among others. Notwithstanding all these interventions, there is still further work to be done to fully digitize the economy.

To address the existing gaps and in fulfillment of Government's commitment to pursue and harness the potential of ICT to facilitate rapid economic diversification, improve efficiency, productivity and transparency of both public and private institutions, the eTransform Project was designed in 2014. The project, supported by a US$97 million WBG financing, is to address key constraints and anchor the deployment of e-government applications to improve transparency and accountability in the delivery of public services.

Implementation of the eTransform project started in January 2015, but was fraught with some challenges initially due to the uncertainty over the implementation of a national digital ID program.

Ultimately, Government of Ghana (GoG) decided to fund this activity from its own resources and requested a restructuring of the project in mid-2017. The restructuring which was completed in January 2018, without changing the Project Development Objective, saw the digital ID component dropped while other activities were added or scaled up. In particular, the digitization and internet connectivity activities, which were previously dispersed throughout the project, were regrouped in a revised Component two (2). Newly introduced activities included cybersecurity, support for higher education connectivity, automated hydromet stations, repurposing of post offices and support for automation of functions within Ministry of Communications (MoC).

Subsequent to the project being effective in September 2014, the following, among others, are some notable outcomes that have so far been accomplished under the project:

i. eProcurement system: activation of the eProcurement system on 30 April 2019 provides a single platform for "e-Sourcing", "e-Tendering", and "e-Purchasing" within government. It is expected to result in savings of up to US$100m over the next decade for the Government through more efficient procurement.

ii. eJustice system: commencement of the eJustice system in March 2019 will energize the paperless programme for the courts. The system has already processed more than 43,000 cases digitally.

iii. The international bandwidth: increment of the international bandwidth capacity available to GoG from 2.5 to 10.0 Gbit/s under the project, with a further 10 Gbit/s supplied to the higher education sector is anticipated to substantially ease structural constrains in delivery of public services;

iv. Three Tech hubs: completion of three tech hubs (two in Accra and one in Kumasi) under the project in 2019 serve as the breeding space for potential technological innovations. After a year in operation, the tech hubs have trained over 2,000 people with an even mix of men and women, to address the gender digital divide.

v. e-Parliament system: The almost-complete paperless Parliament is expected to enhance legislative processes;

vi. e-Immigration system: is expected to improve immigration and border control services by making the processing of entries and exits at the airport as well as issuing of visas more efficient

vii. A strategic plan for an integrated eHealth system in Ghana was completed in April 2019. This provides a basis for future investment and development as well as be particularly useful in the light of the current COVID-19 pandemic. The increased availability and use of digital technology in

health service delivery and building resilience in health system are identified as the high priority areas in the National Health Policy.

viii. ICT training has been provided to about 1400 Teachers and Educational Leaders in 200 Senior High Schools. This became very useful during this current pandemic;

ix. Automatic weather stations have been installed at 10 stations across the country and this has reduced the frequency of weather information transmission from every hour to every 15minutes. It has also improved upon accuracy of weather forecasting generated.

Even with this impressive progress, and given the need to respond to emerging issues, additional financing has become necessary to extend the range as well as expand the scope of proposed interventions. Key amongst these considerations is the central role ICT - digital technology and connectivity has assumed since the outbreak of the COVID-19 pandemic.

International Development Association (IDA) has agreed to provide Government with additional support of US$115,000,000.00 to expand the existing project and it is this additional financing agreement that is currently before the House for approval.

4.0 OBJECTIVE OF THE LOAN

The object of the loan is to seek additional funding to finance the eTransform Project which aims at improving the efficiency and coverage of government service delivery using ICT.

4.1 PROJECT DESCRIPTION

The Project is structured around Four (4) components as described below:

i. Component One covers the creation of an Enabling Environment for Electronic Government and Business (**US$12,250,000**). The Component will craft an enabling policy and regulatory environment for the development of digital services.

This would include:

- Procuring Additional Cloud Security and Storage
- Procuring Open Data Software
- Procuring Cyber security Systems
- Scaling up Innovation ecosystem; and
- Developing a digital economy.

ii. Component Two is on Support for Digitization and Connectivity (**US$58,650,000**). The objective of this Component is to digitize a selected number of government processes as well as substantially increase the bandwidth available to Ministries, Departments and Agencies (MDAs), and in rural areas. Component 2 includes the:

- Digitization of Records of the Ghana Immigration Services and the Attorney-General's Department and Ministry of Justice, and
- Backbone Connectivity to District Centers, last Mile Connectivity to Health Centers and
- extension of managed services to Security Operations Center.

iii. Component Three is on Launch and Scale up of Applications to Improve Service Delivery in Priority Sectors (**US$40,600,000**). This Component seeks to enhance the delivery of government services using ICT. This component is made up of:

- The implementation of the National eHealth Strategy;
- Provision of digital school labs and furniture for the labs;
- Scaling up Campus Networks at the University of Health and Allied Sciences and University of Energy and National Resources (UENR)
- Upgrading the eRegistration system for the Registrar General's Department;

- Scaling up the Integrated Management System at the OAGMoJ and extending case management system to Appellate Courts and Selected High Courts nationwide;
- Scaling up eProcurement; and
- Implementing eImmigration.

iv. Component 4 is on Project Management Support. There is an additional allocation of **US$3,500,000** to Component 4, to strengthen Ministry of Communication as well as the other beneficiary agencies capacity to handle the increased volume of activities proposed under the AF, and the extension of the closing date.

5.0 <u>TERMS AND CONDITIONS OF THE LOAN</u>

The terms and conditions of the Financing Agreement are as follows:

Loan Amount	-	US$115.0Million
Repayment Period	-	25years
Grace Period	-	5years
Maximum Commitment Charge	-	Half of One percent (½ of 1%) per annum on the Unwithdrawn Financing Balance
Service Charge		1.29% - sum of Three-Fourths of One percent (¾ of 1%) per annum plus the Basis Adjustment (+54bps) to the Service Charge; on the Withdrawn Credit Balance.

Interest Charge   1.35% - sum of 1.25% per
                                   annum   plus   the   Basis
                                   Adjustment   to   the   Interest
                                   Charge   (+10bps)   on   the
                                   Withdrawn Credit Balance.

5.0   OBSERVATIONS

5.1   Rationale for the Additional Financing

The Committee was informed that the existing project aligned with government policy. Not only are the proposed expansions and extensions consistent with President's Coordinated Programme of Economic and Social Development Policies (CPESDP), they are also fully aligned with the Digital Economy for Africa (DE4A) initiative. The DE4A sets out a bold vision to ensure that every African individual, business and Government is digitally enabled by 2030 to drive digital transformation of the continent and support its full participation in the global digital economy.

It was explained that during implementation of the existing project, it came to the fore that there was a shortfall between the project's budget estimates and the actual value of the bids received, notably for activities under the Sub-component 2.1 and 2.2 which are on Digitization and Connectivity respectfully. They proved to be significantly higher than the original budget by over US$100 Million.

The variance arose due to an expansion in Government's ambition for the two activities. In particular, Government has requested that the pre-purchase of backbone connectivity should be extended from 69 districts to cover all 254 Districts and Regional Centers. Further, Government is requesting for additional funding to support the Last Mile connectivity to 750 locations across the country.

This connectivity is essential to support the implementation of the Ghana Integrated Financial Management Information Systems (GIFMIS), Tax Revenue Integrated Processing Systems (TRIPS) and other eGovernment services and applications.

The additional funding will also help to:

- scale-up project activities that were successfully completed, notably those for the Judicial Service of Ghana, where case automation is to be extended outside Accra to all the regions; and

- reposition the ICT and digital ecosystem as a vital tool for effective response to the disruptions caused by the COVID-19 pandemic

5.2 Benefits of the Additional Financing

The Committee observed that the Additional Financing will help:

- complete the digitization of archives and other public records thereby facilitating online searches;
- increase internet bandwidth for Government use, including for district health centers and hospitals, Tax revenue, GIFMIS, will relieve congestion on remote working, particularly the use of remote meeting technologies (e.g. Skype, Zoom, WebEx etc).
- implement selected aspects of the national eHealth strategy which will provide a direct boost to COVID-19 preparedness, through support to telemedicine, mHealth, and associated capacity building;
- provide Computer labs and other networking facilities to 200 secondary schools, as well as a digital portal for online learning resources. This will provide greater flexibility for social distancing in the education sector.
- provide campus WiFi networks at two new universities, and additional internet bandwidth for universities, through GARNET. This will facilitate online teaching and remote learning.

- automate case handling for the Judiciary, and the development of an integrated information management system for the Office of the Attorney-General and Ministry of Justice to reduce the need for face to face contact and also facilitate remote working.
- the scale-up of eProcurement to all Ministries, Departments and Agencies and this will ensure business continuity and reduce the requirement for physical travel to deliver bidding documents;
- facilitate the use of eGates for entry and exit at the international airport, once international travel resumes, thereby reducing the requirement for face-to-face contact.

5.3   Impact of COVID-19 on Internet Usage

The Committee was informed that due to COVID-19, more and more people are using the internet. Most people and institutions are avoiding the need for a face-to-face contact in the light of the pandemic. Hence they resort to the use of the internet for their activities thereby putting an increasing strain on the country's internet capacity to maintain government business continuity.
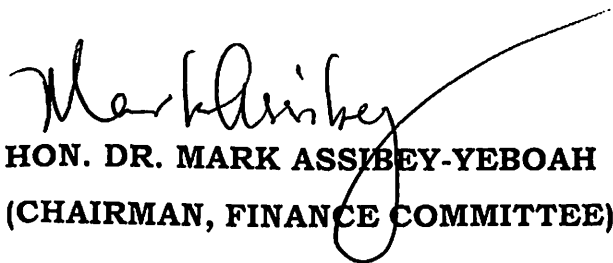
Further, efforts to accelerate digital transformation came to the forefront in the context of the rapidly unfolding COVID-19 crises as digital technologies offer Government and businesses the only opportunity to ensure business continuity, prevent service disruptions and cope with social distancing.

There is therefore the need to expand the existing internet services to accommodate the huge increase in internet usage and extend the internet services to all parts of the country. The additional financing is to augment Government's effort in achieving this and also ultimately transform the digitization of the Ghanaian economy as envisaged under the Ghana Beyond Aid Charter.

6.0 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 Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) for an amount of One Hundred and Fifteen Million United States Dollars (US$115,000,000.00) as additional financing for the e-Transform Ghana Project in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Orders 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.

HON. DR. MARK ASSIBEY-YEBOAH   **EVELYN BREFO-BOATENG (MS)**
(CHAIRMAN, FINANCE COMMITTEE)   **(CLERK, FINANCE COMMITTEE)**

July, 2020