



REPORT OF THE FINANCE COMMITTEE ON:

- i. Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG (London) [as Arranger, Structuring Bank, Facility Agent, and Original Lenders] for an amount of €439,000,000.00 [with Export Credit Guarantee and Insurance Premium from Denmark's Export Credit Agency (EKF)] to finance the construction of Sections of the Western Railway Line on Standard Gauge from Eduadin to Obuasi**

AND

- ii. Request for waiver of Import Duties, Import VAT, GETFund Levy, National Health Insurance Levy, EXIM Levy and Special Import Levy amounting to the Ghana Cedi equivalent of €29,150,735.00 on materials, equipment and works/service required for the construction of Sections of the Western Railway Line on Standard Gauge from Eduadin to Obuasi**

DECEMBER 2021

1.0 INTRODUCTION

The

- i. Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche**

- Bank AG (London) [as Arranger, Structuring Bank, Facility Agent, and Original Lenders] for an amount of Four Hundred and Thirty-Nine Million Euros (€439,000,000.00) [with Export Credit Guarantee and Insurance Premium from Denmark's Export Credit Agency (EKF)] to finance the construction of Sections of the Western Railway Line on Standard Gauge from Eduadin to Obuasi, AND
- ii. Request for waiver of Import Duties, Import NHIL, Import GETFund, Import VAT, EXIM Levy, Special Import Levy and Domestic VAT, amounting to the Ghana Cedi equivalent of Twenty-Nine Million, One Hundred and Fifty Thousand, Seven Hundred and Thirty-Five Euros (€29,150,735.00) on materials, equipment and works/service required for the construction of Sections of the Western Railway Line on Standard Gauge from Eduadin to Obuasi

were *presented* to the House on Friday 10th December, 2021 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei-Asare on behalf of the Minister responsible for Finance in accordance with Articles 181 and 174(2) of the 1992 Constitution of the Republic of Ghana.

The Agreement and the tax waiver request were subsequently *referred* to the Finance Committee for consideration and report in accordance with Orders 169 and 171 of the Standing Orders of the Parliament of Ghana.

The Committee met and considered the referral with a Deputy Minister for Finance, Hon. John Ampontuah Kumah, Deputy Minister for Railways Development, Hon. Kwaku Asante-Boateng, the Chief Executive Officer of the Ghana Railway Development Authority, Mr. Yaw Owusu as well as a team of officials from the Ministries of Finance and Railways Development and the Ghana Railway Development Authority.

The Committee is grateful to the Hon. Deputy Ministers and the team of officials for attending upon and assisting the Committee in its deliberations.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations:

- The 1992 Constitution of the Republic of Ghana;
- The Standing Orders of the Parliament of Ghana;
- The Public Financial Management Act, 2016 (Act 921);
- Revenue Administration Act, 2016 (Act 915)

3.0 BACKGROUND

The Western Railway Line, which is from Takoradi to Kumasi with a branch line from Dunkwa to Awaso (340km), is the major route for the transportation of major minerals and other bulk commodities. The haulage of such bulk commodities (manganese, bauxite, cocoa, timber, cement, petroleum products, mining equipment etc.) on the line reduces the challenge of using road transport which causes road deterioration.

Unfortunately, due to several decades of neglect and underfunding, the Western Line is completely broken down, except for partial freight services on the Takoradi - Nsuta section which is used for the haulage and export of Manganese through the Takoradi Port.

Government has adopted a systematic approach to gradually develop the Western Railway Line in accordance with the Railway Master Plan.

First and foremost, and in order to sustain the haulage and export of manganese from Nsuta through the Takoradi Port, the narrow gauge section of the line from Kojokrom to Tarkwa has been rehabilitated by Ghana Railway Company Ltd with funds provided by the Government of Ghana and passenger rail services have been reintroduced along the corridor for the first time since 2007.

Secondly, in order to develop the Western Railway Line on a new standard gauge, approval was conveyed in 2017 for the single-source procurement of Messrs Amandi Holding Limited and a contract dated December 8, 2017 was signed with the contractor for construction of the line from Kojokrom to Eshiem, a distance of 5km.

Subsequent to this, and with the approval of the Public Procurement Authority (PPA), a contract was awarded in 2018 for the continuation of the construction works for a further 17km railway line from Eshiem to Manso.

Furthermore, on 3rd June, 2020, the Ghana Railway Development Authority signed an Engineering, Procurement and Construction (EPC) contract with Messrs Amandi Investment Limited with financing arrangement from Deutsche Bank AG for the continuation of the construction works on sections of the Western Railway Line from Manso to Huni Valley. The project also includes the development of a standard gauge railway line into the Port of Takoradi as well as the conversion of the existing dual gauge line between TAKORADI and Kojokrom.

For some strategic policy reasons, Government has decided to develop the Western Railway Line southwards from Kumasi to Takoradi and 83.5km will be covered from Kumasi to Obuasi. The first phase, from Kumasi (Adum) to Kaase, covering a distance of 6km was signed on 18th August, 2020 between

the Ghana Railway Development Authority and Messrs David Walter Limited and funds will be provided by the Government of Ghana.

The second phase of the project involving the section from Kaase to Eduadin (approximately 12km) was also signed on 1st December, 2020 between Ghana Railway Development Authority and Messrs David Walter Limited.

With regard to the section from Eduadin to Obuasi, covering a distance of 51km, Messrs. AFCONS Infrastructure Limited has submitted Technical and Financial Proposals dated 31st August, 2020, including a financing offer from Deutsche Bank AG dated 15th September, 2020 for the construction of a single standard gauge railway line from Eduadin to Obuasi, a section of the Western Railway Line.

The contract dated 15th September, 2020 was denominated in United States Dollars at a contract sum of Four Hundred and Nineteen Million, Seven Hundred and Fifteen Thousand, Four Hundred and Twenty United States Dollars (US\$419,715,420.00). However, per an Addendum No. 1 to the Contract dated 20th November 2020, the contract sum was converted into Euros to correspond with the currency of the loan facility being sourced for the implementation of the contract.

4.0 PURPOSE OF THE FACILITY

The purpose of the Export Credit Facility is to enable Government to raise funds to finance the construction of sections of the Western Railway Line on standard gauge from Eduadin to Obuasi (the "Project").

5.0 TERMS OF THE FACILITY

The summarised terms and conditions of the financing agreement are as follows:

Terms	EKF Facility
Facility amount (EUR)	Up to EUR €439,000,000 o/w €361.23mn is to finance the contract amount and €77.79mn is for the estimated EKF premium
Currency	Euro
Availability period	3 years
Repayment period	14 years
Tenor	17 years
Interest rate (fixed)	0.93% p.a. (EKF Cost of Funds 0.63%p.a. plus DB Margin 0.30% p.a.)
Commitment fee	0.65% p.a.
Upfront fee	1.50% flat of the facility amount
Premium indication	17.302% (figure used for calculation circa.17.5% to keep a buffer)
All-in-cost	3.18% p.a.

6.0 PROJECT SCOPE

The detailed scope of works to be undertaken by the Contractor in line with the engineering design and requirements of the Government of Ghana include the following:

- 6.1 Construction of infrastructure for a single standard gauge railway line, including supply/procurement of materials, testing and commissioning based on the design provided by the Employer

from Eduadin to Obuasi, approximately 51km in length including extension lines on both ends. The works consist of the following:

- i. Construction of a single standard gauge railway formation with embankment in cut and fill and protected with a blanket layer;
- ii. Construction of culverts, bridges and other drainage facilities for hydrological purposes;
- iii. Construction of grid separation structures like Road Over Bridges and Road Under Passes;
- iv. Construction of a permanent way with ballasted track, pre-stressed mono-block concrete sleepers and anti-theft/anti-vandal rail fastening system;
- v. Construction of maintenance workshop facility including supply of basic rolling stock and track maintenance equipment;
- vi. Construction of station buildings with passenger amenities, loop lines, passing loops and yards;
- vii. Setting up of a communication-based signalling and telecommunication system for the entire length of the project;
- viii. Supply of rolling stock which includes 2 units of 3500 HP Locomotives, 2 units of 750 HP Shunting Locomotives, 20 Nos. of Passenger Coaches and 64 Nos. of Freight wagons;

- ix. Provision for the Employer's and Engineer's inspection facilities, project management services including detailed design and drawing, construction supervision, support towards land acquisition and utility shifting;
- x. Provision for laboratory and accommodation facilities to support the supervision and control of railway development by the Employer;
- xi. Construction of pedestrian footbridges at locations to be determined in consultation with Local Authorities; and
- xii. Construction of fencing along the right-of-way per the design.

6.0 OBSERVATIONS

6.1 Required Waiver

The Committee noted that the waiver amount of €29,150,735.00 is in line with the provisions of Clause 6.2 of the Particular Conditions Contract Agreement which stipulates that *"The contractor shall be exempted from the payment of all local taxes and charges in connection with the execution of the Works, as may be approved by the Parliament of the Republic of Ghana."*

The Agreement further stipulates that in the event that the duties and tax exemptions are not granted, the Contractor shall be reimbursed the cost of such duties and taxes by the Employer through the Interim Payment Certificates.

The Committee further noted that the Ghana Revenue Authority (GRA) has upon the request of Government assessed the relevant taxes and duties pending Parliamentary approval. **[Attached is an official assessment of the Taxes and Duties as conducted by the Ghana Revenue Authority (GRA)]**

6.2 Haulage of Heavy Commodities

The Western Railway Line used to haul bulk commodities such as bauxite, manganese, cocoa, timber, petroleum products, cement, and mining equipment and was the mainstay of the Ghana Railway Company Limited. Currently however, the line is in a serious state of disrepair.

The line north of Tarkwa has been closed and only limited freight (manganese) services from Nsuta to Takoradi and passenger services from Takoradi to Tarkwa and also from Takoradi to Sekondi via Kojokrom are being provided.

In order for the Western Line to be able to provide the services of hauling bulk commodities and also provide efficient passenger services to support economic growth, Government is making serious efforts to revamp the line as various contracts are ongoing to reconstruct the Kojokrom-Manso-Huni Valley section.

Also the Government of Ghana has already awarded a contract to Messrs David Walter Limited to construct the Kumasi (Adum)-Kaasi-Eduadin section of the line.

The instant loan facility is thus geared towards extending the line from Eduadin to Obuasi as part of efforts to revamp the Western Railway Line for enhanced economic and social benefits to the country.

6.3 Environmental Impact and Value for Money Assessments

The Committee was informed that the Ghana Railway Development Authority has engaged the services of a consultant to undertake a detailed Environmental and Social Impact Assessment (ESIA) in line with the World Bank's International Finance Corporation (IFC) Performance Standards.

The Ministry of Railways Development is also collaborating with the Ministry of Finance to go through the necessary processes to engage an independent consultant to undertake Value-for-Money (VfM) audit of the contract.

6.4 Employment/Job Creation

The Committee observed that the project will create employment opportunities for both skilled and unskilled labour in the project area. These will include artisans such as masons, carpenters, steel benders and welders. Besides these construction related employment opportunities, the project will create indirect employment or income earning opportunities for a number of people, especially in the informal sector.

6.5 Skills Transfer

There will be opportunities for workers engaged in the project implementation to upgrade their technical skills. The expatriate project contractors will employ a number of skilled foreign and local personnel such as civil engineers, mechanical engineers, electrical engineers, surveyors, quantity surveyors and planners. Majority of the workforce will be Ghanaian artisans. As the local workers work with the specialists, it is expected that there will be transfer of skills and technological know-how. This impact is positive and significant as the local workers will acquire additional skills, experience and improve their capacity for other related job opportunities.

6.6 Local Economy

With the development of the railway, both direct and indirect employment opportunities will be created and income will be generated in the communities. This will engender improvements in the local economy with associated positive impacts. Improved local economy will help reduce migration from the rural communities to towns and cities; youth unemployment and associated social vices will reduce; investible money will be available to establish new enterprises, thus, reducing poverty and improving standard of living within the affected communities.

6.7 Impact on Flora and Fauna

The Committee observed that the construction of the railway will result in the necessary removal of vegetation from the land over a distance. Vegetation will also be cleared on sites for the development of construction camps. There will be removal of some vegetation to facilitate the movement and operation of construction trucks and machinery and also the performance of construction activities. These will undoubtedly affect the vegetation and subsequently affect the habitat and the livelihood of the various animals in the affected areas.

The Committee recommends that mitigation measures like reforestation and re-grassing be undertaken upon the completion of the project to address this occurrence.

6.8 Exemptions to Local Companies

The Committee noted with concern that most tax waivers are granted in favour of foreign companies that are contracted to execute projects for the Government.

The committee recommends to Government to consider extending similar opportunities to Ghanaian companies in order to help them compete favourably with their foreign counterparts.

Some allegations were made about the tax compliance status of the contractor, and that the contractor had not paid corporate income tax since 2018. However, since the determination of the tax compliance status of the contractor was not before the Committee, the Committee could not verify the allegation and could also not make a determination on the tax compliance status of the contractor.

7.0 CONCLUSION

The Committee has carefully considered the Agreement and the request and finds that the Credit Facility is necessary for the successful implementation of the Obuasi-Eduadin railway project.

In view of the foregoing and taking into consideration the critical importance of a functional railways system to the economy, the Committee respectfully recommends to the House to adopt this report and **approve by resolution**, the

- i. **Credit Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **Deutsche Bank AG** (London) [as Arranger, Structuring Bank, Facility Agent, and Original Lenders] for an amount of **Four Hundred and Thirty-Nine Million Euros (€439,000,000.00)** [with Export Credit Guarantee and Insurance Premium from Denmark's Export Credit Agency (EKF)] to finance the **construction of Sections of the Western Railway Line on Standard Gauge**

from Eduadin to Obuasi in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana AND

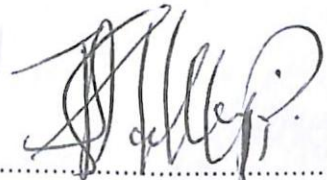
- ii. **Request for waiver of Import Duties, Import VAT, GETFund Levy, National Health Insurance Levy, EXIM Levy and Special Import Levy** amounting to the Ghana Cedi equivalent of **Twenty-Nine Million, One Hundred and Fifty Thousand, Seven Hundred and Thirty-Five Euros (€29,150,735.00)** on materials, equipment and works/service required for the **construction of Sections of the Western Railway Line on Standard Gauge from Eduadin to Obuasi** in accordance with Article 174(2) of the 1992 Constitution of the Republic of Ghana.

Respectfully Submitted.



.....
HON. KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)

PARLIAMENT OF GHANA LIBRARY



.....
JOANA ABENA SAKYI ADJEI (MRS.)
(CLERK, FINANCE COMMITTEE)

15TH DECEMBER, 2021