

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

REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR  
APPROVAL OF THE  
EXPORT CREDIT AGREEMENT BETWEEN THE GOVERNMENT OF  
THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF  
FINANCE) AND KFW IPEX-BANK GMBH FOR AN AMOUNT OF ONE  
HUNDRED AND NINETY-FIVE MILLION, SEVEN HUNDRED AND  
FIFTY THOUSAND, EIGHT HUNDRED AND SEVENTY-FOUR EUROS  
AND FORTY-TWO CENTS (€195,750,874.42) [BACKED BY EH  
CREDIT INSURANCE COVER] FOR UPGRADING OF THE EASTERN  
CORRIDOR ROAD – LOT 1: TEMA – AKOSOMBO JUNCTION (63.6KM),

AND

TERM LOAN FACILITY AGREEMENT BETWEEN THE GOVERNMENT  
OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF  
FINANCE) AND KFW IPEX-BANK GMBH FOR AN AMOUNT OF SIXTY  
MILLION, TWO HUNDRED AND FIFTY-SEVEN THOUSAND, NINE  
HUNDRED AND TWENTY-ONE EUROS AND FIFTY-EIGHT CENTS  
(€60,257,921.58) FOR UPGRADING OF THE EASTERN CORRIDOR  
ROAD – LOT 1: TEMA – AKOSOMBO JUNCTION (63.6KM)

## **1.0 INTRODUCTION**

The

- Export Credit Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and KfW IPEX-Bank GmbH for an amount of One Hundred and Ninety-Five Million, Seven Hundred and Fifty Thousand, Eight Hundred and Seventy-Four Euros and Forty-Two Cents (€195,750,874.42) [backed by EH Credit Insurance Cover] for Upgrading of the Eastern Corridor Road – Lot 1: Tema – Akosombo Junction (63.6km), and
- Term Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and KfW IPEX-Bank GmbH for an amount of Sixty Million, Two Hundred and Fifty-Seven Thousand, Nine Hundred and Twenty-One Euros and Fifty-Eight Cents (€60,257,921.58) for Upgrading of the Eastern Corridor Road – Lot 1: Tema – Akosombo Junction (63.6km)

were presented to the House on Thursday, 30<sup>th</sup> April, 2020 by the Hon. Minister for Planning, Prof. George Yaw Gyan Baffour 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 a Deputy Minister for Finance, Hon. Abena Osei Asare, Two Deputy Ministers for Roads and Highways, Hon. Kwabena Owusu Aduomi and Hon. Anthony Karbo, and officials from the Ministry of Finance and the Ministry of Roads and Highways to consider the agreements.

The Committee is grateful to the Deputy Ministers and the team of officials for attending upon the Committee.

## **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 Government of Ghana for the past decade has been implementing road improvement programs as part of its transport policy. The programs involve periodic and medium-term maintenance as well as rehabilitation and reconstruction of trunk, urban and rural infrastructure. The Government is currently upgrading sections of the Eastern Corridor Road (ECR) in line with the focus of improving the road infrastructure. The Corridor is strategically relevant, especially for freight movement within Ghana and neighbouring land-locked countries such as Burkina Faso, Niger, Mali and beyond. The Eastern Corridor Road also serves as North-South trade corridor by providing a shorter access from the Port of Tema and improving mobility between the Greater Accra, Eastern, Oti, Volta, Northern and Upper East Regions of Ghana and also between Ghana and the neighbouring land-locked countries.

The road corridor connects major towns such as Tema, Kpong, Atimpoku, Hohoe, Nkwanta, Bimbilla, Yendi, Gushiegu, Nakpanduri, Bawku and Kulungugu in Ghana. The Eastern Corridor Road (ECR) is divided into Seven (7) LOTS. The LOT 1 of the ECR covers the stretch of road from the Tema Roundabout and ends at Akosombo Junction (63.6 km).

The Tema-Akosombo Junction/Adomi Bridge Section forms part of the Eastern Corridor Road (ECR). The Eastern Corridor represents the National Trunk Road No.2 (N2) in the trunk road network in Ghana, which starts from Tema Roundabout in the south and ends at Kulungugu, north-eastern border with Burkina Faso.

The objective of the integrated intermodal system of transport is to ease the pressure on the country's busiest seaport as well as push up the gains from the Maritime logistics transport value chain and address the imbalance between transport modes for long distance transit and domestic freight from the south to the northern part of the country. The implementation of the project will link the Tema Port to the Volta Lake transport network especially North-South movements. This will be complementary to the Eastern Corridor Road transport system which will continue to play a critical role in the development of the Eastern Corridor. The rail transport will end at Akosombo and the more extensive road transport system will provide the critical 'last mile' service for development.

The planned construction of a new bridge across the Volta at Volivo to Dufor Adidome is expected to provide an alternative to the Adomi Bridge, the current sole crossing point north of the southern crossing point at Sogakope. Recent rehabilitation works on the Adomi Bridge exposed the vulnerability of the road transport system. The proposed project will complement the Bridge project.

The first 14km of the road section from Tema to Afienuya traverses the Tema, Ashiaman and Dangbe West districts which have population growth along the corridor of about 5% and traffic growth rate in excess of 8% per annum.

The Tema Roundabout is currently under construction into a two-tier interchange. The new interchange will improve traffic flow onto East-West (N1) and North-South corridors (N2). Accordingly, traffic volumes will increase along the project corridor and consequently worsen the traffic congestion within the urban section of the corridor. The Tema-Akosombo road was reconstructed in 1995 and has not had any major maintenance intervention.

Accordingly, the Ministry of Roads and Highways recognizes that the above challenges will lead to massive congestion and pavement deterioration on some sections of the corridor and the unimproved sections getting substantially worse without a strong intervention; especially given the continued growth in traffic volumes and freight to the landlocked countries. The intended response therefore is among others, to improve existing road infrastructure and preserved the investment already made on some sections. The intervention will also address the sub regional program of developing the Eastern Corridor into a major transit corridor of high standard.

#### **4.0 OBJECT OF THE LOAN**

The object of the loan is to finance the upgrading of the Eastern Corridor Road (Lot 1), a 63.6 km stretch of road from the Tema Roundabout to Akosombo Junction.

#### **5.0 PROJECT DESCRIPTION**

The project involves the design and construction of the road pavement and drainage facilities of the Eastern Corridor Road, Lot 1: Tema Roundabout to Akosombo Junction, 63.6 Km which is equivalent to 131.0 km of two-lane road.

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The proposed intervention measures based on the outcome of detailed studies is provided in Table 1 below:

**Table 1 Details of the Project**

Location	Cross Section (carriageway x Lanes)	Length of equivalent 2-lane road
Up to Afiinya Junction (Km 0-Km 14)	2x3 carriageway	42
Afiinya to Kpong (Km 14 – Km 53)	2x2 carriageway	78
Kpong to Adomi Bridge (Km 53 to Km 64)	1x2 carriageway	11
<b>Total</b>		<b>131</b>
Bridges	Km	Length (m) No. of Docks Total Width
	Bridge 1 12+393	20 2 31.7
	Bridge 2 14+608	60 2 24.4
	Brdige 3 49+713	40 1 22.6
Interchanges	Flyover intersection at the Ashaiman Roundabout and a bridge intersection at Asutsuare Junction	
Pedestrian Bridges	19 Pedestrian Bridges of average length 36m with accessibility for People Living with Disability (PLWD)	

## 6.0 TERMS AND CONDITIONS OF THE LOAN

The project is to be financed by two facilities in the sum of €256,008,796.00, structured by the KfW-IPEX Bank and partially backed by Euler Hermes Aktiengesellschaft (Germany). The terms and conditions are captured in Table 2 as follows:

**Table 2 Terms and Conditions of the Loan**

<b>Terms</b>	<b>Euler Hermes Facility</b>	<b>Commercial Facility</b>
Facility Amount	Up to €195.8 Million	Up to €60.3 Million
Grace Period	3 years	0.5 year
Tenor	13years	7years
Interest Rate	EURIBOR +1.50% p.a.	EURIBOR +5.60% p.a.
Commitment fee	0.50% p.a	0.75% p.a.
Upfront	1.25% flat	1.25% flat

## **7.0 OBSERVATIONS**

### **7.1 Justification for the Project**

The Committee was informed that the road corridor connects major towns such as Tema, Kpong, Yendi and Bawku. The corridor therefore serves as an important route for the movement of people and freight within Ghana and to other Neighboring countries. Unfortunately, the corridor has no functional railway infrastructure yet and several sections of the road are deteriorating.

The current condition of the road impedes accessibility to and within the area, resulting in a high level of deprivation. In line with the policy of providing efficient transportation services to serve as a catalyst for economic growth, Government has undertaken to develop the Eastern Corridor roads. When complete, the project will enhance mobility and contribute to productivity and efficiency of the beneficiary communities. Being a strategic route, it will make it safer and economical to transit trade and other economic activities.

### **7.2 Expected Benefits**

The Committee was informed that the project will create 1,000 direct jobs and a number of indirect jobs. When complete, the Eastern Corridor project will boost regional integration through trade by facilitating movement of passengers, goods, and services between Ghana and its landlocked neighbours as well as integrate the coastal capital city with the hinterland.

The Committee learnt that the project will help to:

- i. Improve travel times and result in cost savings for businesses and people due to the travel time savings;
- ii. Assure road safety through reduction of accidents;
- iii. Provide support to education and health service delivery with expected contribution to the increase of gross enrollment;
- iv. Address the human capital deficit in the construction sector.
- v. Facilitate the transportation of agricultural produce to boost socio-economic activities;
- vi. Rehabilitate health and educational facilities to improve accessibility and enhance the chances of attracting skilled human resources to the area; and
- vii. Improve service delivery and social development outcomes, particularly in health and education.

### **7.3 Project Duration**

The Committee was informed that the project is expected to start in 2020 and will be completed by 2024.

### **7.4 Fiscal Impact Assessment**

The Committee was informed that a Debt Sustainability Analysis (DSA) has been conducted and the project was factored in the assessment which informed Government's Medium-Term Debt Strategy (MTDS) and consequently determined government's borrowing plan for the medium term and published as Appendix 10c of the 2020 Budget.

The fiscal impact of this project has been incorporated in the 2020 Budget and forms part of the anticipated Project Loan disbursement amount of GH¢4.3 Billion.

### **7.5 Payment of Compensation**

The Committee was informed that under the project, provision for the payment of compensation has been made.

## **8.0 CONCLUSION**

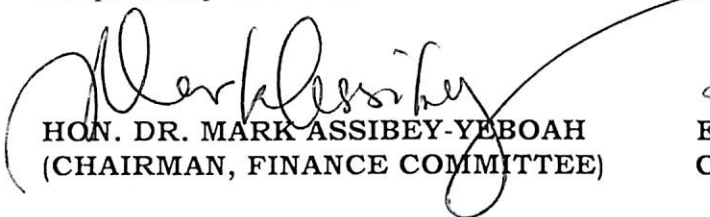
In view of the immense benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of



- Export Credit Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and KfW IPEX-Bank GmbH for an amount of One Hundred and Ninety-Five Million, Seven Hundred and Fifty Thousand, Eight Hundred and Seventy-Four Euros and Forty-Two Cents (€195,750,874.42) [backed by EH Credit Insurance Cover] for Upgrading of the Eastern Corridor Road – Lot 1: Tema – Akosombo Junction (63.6km), and
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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.



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



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

April, 2019

