

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

REPORT OF THE FINANCE COMMITTEE ON

THE FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND STANDARD CHARTERED BANK, LONDON (AS AGENT, ARRANGER AND STRUCTURING BANK) [WITH UK EXPORT FINANCE AS GUARANTOR] FOR AN AMOUNT OF FORTY-ONE MILLION, EIGHT HUNDRED AND TWENTY-EIGHT THOUSAND, SEVEN HUNDRED AND NINETY-THREE GREAT BRITAIN POUNDS AND SEVENTY-SEVEN PENCE (GBP£41,828,793.77) TO FINANCE THE DESIGN AND DELIVERY OF PREFABRICATED BRIDGES FOR DEPLOYMENT THROUGHOUT GHANA;

AND

THE FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND STANDARD CHARTERED BANK, LONDON (AS AGENT, ARRANGER AND STRUCTURING BANK) FOR AN AMOUNT OF SIX MILLION, FOUR HUNDRED AND FIFTY THOUSAND GREAT BRITAIN POUNDS (GBP£6,450,000) TO FINANCE THE DESIGN AND DELIVERY OF PREFABRICATED BRIDGES FOR DEPLOYMENT THROUGHOUT GHANA

1.0 INTRODUCTION

The

- i. Facility Agreement between the government of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London (as Agent, Arranger and Structuring Bank) [with UK Export Finance as Guarantor] for an amount of Forty-One Million, Eight Hundred and Twenty-Eight Thousand, Seven Hundred and Ninety-Three Great Britain Pounds and Seventy-Seven Pence (GBP£41,828,793.77) to finance the Design and Delivery of Prefabricated Bridges for deployment throughout Ghana; and
- ii. Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London (as Agent, Arranger and Structuring Bank) for an amount of Six Million, Four Hundred and Fifty Thousand Great Britain pounds (GBP£6,450,000) to finance the Design and Delivery of Prefabricated Bridges for deployment throughout Ghana

were presented to the House on 23rd 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 a Deputy Minister for Finance, Hon. Abena Osei Asare, a Deputy Minister for Roads and Highways, Hon Kwabena Owusu-Aduomi and officials from the Ministry of Finance, the Ministry of Roads and Highways and the Ghana Highway Authority 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 Ministry of Roads and Highways is currently implementing a rigorous programme to improve the condition of the country's road network and related facilities throughout Ghana. Under this programme, the road agencies, particularly, the Department of Feeder Roads is rehabilitating and upgrading weak or broken log bridges with short and medium span steel, composite bridges and the construction of major box culverts and bridges over water crossings to reduce the bottlenecks on the feeder road network.

Some sections of roads in a number of rural areas, including old wooden and steel bridges are damaged making many roads impassable during the rainy season. This has by and large constrained socio-economic development. Governments over the years have implemented and continue to implement a number of road infrastructure projects to connect districts to municipalities and municipalities to metropolitan areas.

Out of the Feeder road network of about 42,045km, only 25,931km is engineered with good alignment and adequate drainage. The remaining network is unengineered earth roads with water crossing points which are not bridged.

In order to address these challenges, Government is undertaking a number of projects to arrest the poor road network. Some of the projects include the Ghana-Dutch Bridges Project, the Ghana-Acrow Bridges Project, the Belgium Bridges Project and the Spanish Bridges project.

Government also implemented the "Road Sub-Sector Development Programme (RSDP)" from 2001 to June 2008 with support from the Arab Bank for the Economic Development of Africa (BADEA) where six (6) major bridges were constructed. The bridges are: Aframso Bridge (ASR), Jomoro Bridge (ER), Ofoase Bridge (ER), Hiawa Bridge (ER), Bridge on Suskuliga River at Nayoko (NR) and Bridge on Tintaraga River at Ngane (NR).

Despite these measures, defects such as cracking, depression, spalling and fatigue failure of the deck and corrosion of steel members have been observed from inspections carried out on the bridges over the last few years due to water leakage through the deck slab joints. The situation is getting very serious as deterioration progresses quickly with imminent risk of the bridges becoming impassable.

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It may be recalled that in September 2007, heavy rains hit northern Ghana causing significant damage to a number of bridges and culverts. As a result, the routes to most farming communities were cut off, severely limiting travel to and from these areas. As a temporary emergency measure, DANIDA and the Government of Ghana undertook emergency repairs by installing Bailey bridges and undertaking other temporary measures until such time as permanent bridges could be constructed.

The Government of Ghana (GOG) acting through the Ministry of Roads and Highways and the Ghana Highway Authority has requested and are in discussion with the Danish International Development Agency (DANIDA) for financial support in the form of a Mixed- Credit facility to construct permanent bridge structures at various sites of critical importance for the development of the Upper East and Upper West regions of Ghana. The bridges identified for financing under the DANIDA support programme are:

- i. Kulungugu Bridge on Bawku-Kulungugu –Burkina Faso Road
- ii. Garu Bridge on Bawku-Missiga-Garu Road
- iii. Doninga and Sissili Bridges on Sandema-Doninga Road
- iv. Ambalara Bridge on Bulenga-Yaala-Kundugu Road
- v. Kulun Bridge on Bulenga-Yaala-Kundugu Road

Over the years, resources have also been committed including Donor assistance towards the amelioration of vehicular congestion and also perennial flooding within the Metropolitan and Municipal areas. For instance, Agence Francaise de Development (AFD) through a concessional credit facility is supporting Government with the implementation of the Kumasi Roads and Drainage Extension Project.

However, population expansion, rural-urban migration and increased economic activities continue to put a lot of pressure on existing roads and related facilities, further worsening the situation.

It is the desire of Government to enhance the standard of living of the rural and urban poor and to properly support the socio-economic development of rural areas by removing these transport bottlenecks. It is in response to this need that Government is sourcing credit from the Standard Chartered Bank to procure Eighty-Nine prefabricated modular steel bridges as part of measures to address the above challenges. It is this agreement that is before Parliament.

4.0 OBJECT OF THE LOAN

The object of the loan is to seek approval to finance the design and delivery of Eighty-Nine (89) prefabricated bridges to the Ministry of Roads and Highways for use.

5.0 SCOPE OF THE PROJECT

The project involves the design, fabrication and delivery of Eighty-Nine (89) prefabricated modular steel Mabey Bridges for bridge superstructures to the Ministry of Roads and Highways depot at Akyem Kukurantumi.

6.0 TERMS AND CONDITIONS OF THE LOAN

The total cost of the project of £43,000,000 is financed by Standard Chartered Bank, made up of an UKEF facility of up to £41,828,793.77 and a Commercial facility of up of £6,450,000.00. Details of the facilities are provided in the Table below:

Table 1 Terms and Conditions of the Credit facility

Item	UKEF Facility	Commercial Facility
Facility Amount	Up to £41,828,793.77 (of which £36,550,000.00 is to finance the Contract value and £5,278,793.77 is to finance the UKEF Support fee	Up to £6,450,000 (to finance the remaining portion of the Contract Amount)
Grace Period	2 years	1 year
Repayment period	10years	4 years
Tenor	12 years	5 years
Interest rate	6MGBP (currently 0.48% as at 9/03/2020)+ a margin of 0.95% p. a.	6MGBP (currently 0.48% as at 9/03/2020)+ a margin of 4.55% p. a.
Commitment fee	0.50% p.a.	0.70% p. a.
Upfront fee	1.25% flat	1.25% flat
All-in-cost	3.73% p. a.	6.04% p. a.

7.0 OBSERVATIONS

7.1 Rationale for the Loan

The Committee was informed that sections of the roads, old wooden and steel bridges are damaged in a number of rural areas making many roads impassable especially during raining seasons. Besides there are about 10,000km of tracks which cannot be improved without the installation of critical bridges or culverts. The Department of Feeder Roads has identified about 5,000 water crossing points in very poor state, thereby hampering the improvement of some of the roads for rural dwellers and communities.

The poor state of the roads has led to:

- loss of valuable productive work due to long travel time,
- increased in transport cost,
- disruption of international vehicular traffic to landlocked countries, and
- fatigue, stress and frustration of the travelling public for the long travel times through alternative routes

The Committee was informed that some areas have been tagged as “overseas areas” in some region as they are inaccessible due to lack of bridges. There are also situations where due to lack of bridges, commuters have to resort to long detours in order to travel from one place to the other.

It is to address the bottlenecks on the roads, Government is procuring prefabricated modular steel Mabey Bridges for bridge superstructures to be constructed at Eighty-Nine (89) selected locations.

7.2 Benefits of the project

The Committee observed that the benefits to be derived from the project are as follows:

- Increased access to hospitals, schools and other social facilities;
- Improved movement of goods and people within the identified areas;
- Increased access to markets;
- Promotion of socio-economic impacts; and
- Improve the living conditions of the people living in the zone of influence.

7.3 Immediate Deployment of Bridges to Sites

The Committee enquired whether the steel bridge superstructures being procured are going to be stored at the Ministry of Roads and Highways Depot and would not be immediately erected.

The Committee was informed that the Department of Feeder Roads has identified about Five Thousand (5,000) water crossing points which are in a deplorable state and thereby hampering access for rural dwellers in the country. The procurement of Eighty-Nine (89) steel bridges is woefully inadequate.

The Committee was assured that in view of the urgent demand for steel bridges, they would be immediately be constructed to ease access for rural dwellers and commuters. The steel bridge superstructures are being stored at the Ministry of Roads and Highways Depot only as a holding area for immediate deployment.

7.4 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.

7.5 Project Cost

The Committee observed that the estimated cost of the project amounts to Forty-Three Million Great Britain Pounds (GBP£43,000,000). The breakdown of the cost is as shown in the Table below:

Table 2 Cost Details

No.	Description	Amount
1	30m Two-lane Bridge Components	42,275,000.00
2	Launch and Erection Equipment for Two-Lane Bridges	625,000.00
3	Comprehensive Training Sessions in Ghana (Twice)	50,000.00

4	UK Training Event	30,000.00
5	Refresher Training in Ghana	20,000.00
	Total	43,000,000.00

7.6 Project Duration

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

7.7 Civil Works

The Committee observed from the cost breakdown that no provision has been made for civil works. It was explained that government would bear the cost of civil works for the project.

The Committee was informed that the Ministry of Roads and Highways has budgeted for the cost of civil works in its 2020 Annual Estimates as approved by Parliament and that the necessary funding would be obtained to successfully implement the project.

8.0 CONCLUSION

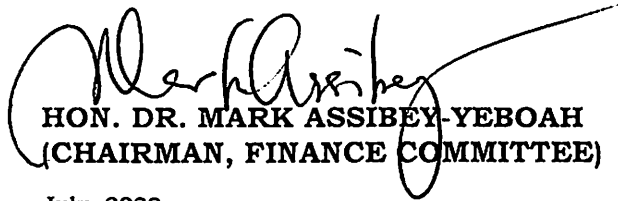
In view of the immense benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of the:

- i. Facility Agreement between the government of Ghana (represented by the Ministry of Finance) and Standard Chartered Bank, London (as Agent, Arranger and Structuring Bank) [with UK Export Finance as Guarantor] for an amount of Forty-One Million, Eight Hundred and Twenty-Eight Thousand, Seven Hundred and Ninety-Three Great Britain Pounds and Seventy-Seven Pence (GBP£41,828,793.77) to finance the Design and Delivery of Prefabricated Bridges for deployment throughout Ghana; and
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the Design and Delivery of Prefabricated Bridges for deployment throughout Ghana

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)

July, 2020



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