



**REPORT OF THE FINANCE COMMITTEE
ON THE**

UK Export Finance Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of One Hundred and Thirteen Million, Five Hundred and Forty Thousand Euros (€113,540,000.00) [including UKEF Premium] to finance the Construction of the Bunso - Adawso Road and specified approach roads to the Adawso Bridge Project;

Tied Commercial Facility Agreement amongst the Government of the Republic of Ghana (represented by the Ministry of Finance), Deutsche Bank AG (as Agent, Arranger and Structuring Bank) and African Export-Import Bank (as Original Lender) for an amount of Fifty-One Million, Four Hundred and Fifty Thousand Euros (€51,450,000.00) to finance the Construction of the Bunso - Adawso Road and Specified approach roads to the Adawso Bridge Project;

AND

Atradius Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, Frankfurt am Main, Germany (as Arranger, Structuring Bank, Agent and Original Lender) for an amount of Two Hundred and Thirty Million Euros (€230,000,000.00) [including Atradius Premium] to finance the construction of a Bridge over the Afram River at Adawso - Ekyi Amanfrom.

January 2022

1.0 INTRODUCTION

The

- i. UK Export Finance Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of One Hundred and Thirteen Million, Five Hundred and Forty Thousand Euros (€113,540,000.00) [including UKEF Premium] to finance the Construction of the Bunso – Adawso Road and specified approach roads to the Adawso Bridge Project;
- ii. Tied Commercial Facility Agreement amongst the Government of the Republic of Ghana (represented by the Ministry of Finance), Deutsche Bank AG (as Agent, Arranger and Structuring Bank) and African Export-Import Bank (as Original Lender) for an amount of Fifty-One Million, Four Hundred and Fifty Thousand Euros (€51,450,000.00) to finance the Construction of the Bunso – Adawso Road and Specified approach roads to the Adawso Bridge Project; AND
- iii. Atradius Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG, Frankfurt am Main, Germany (as Arranger, Structuring Bank, Agent and Original Lender) for an amount of Two Hundred and Thirty Million Euros (€230,000,000.00) [including Atradius Premium] to finance the construction of a Bridge over the Afram River at Adawso – Ekyi Amanfrom

were presented to the House on Monday 20th December, 2021 by the Hon. Deputy Minister for Finance, Dr. John Ampontuah Kumah on behalf of the Minister responsible for Finance.

Pursuant to article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreements were *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreements with a Deputy Minister for Finance, Hon. Dr. John Ampontuah Kumah, Deputy Minister for Roads and Highways, Hon. Stephen Pambiin Jalulah, the Chief Director of the Ministry of Roads and Highways and a team of officials from the Ministries of Finance and Roads and Highways.

The Committee hereby submits this report to the House pursuant to Order 161 of the Standing Orders of the House.

The Committee is grateful to the above-mentioned Honourable Deputy Ministers and the officials for attending upon the Committee.

2.0 REFERENCES

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

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

3.0. BACKGROUND

The Government of the Republic of Ghana through the Ministry of Roads and Highways recognises the importance of good road infrastructure as a critical facilitator for rapid socio-economic development of the country through the

improvement of accesses, reduction in travel times, congestion, vehicle operating costs and accidents.

To ensure the operational efficiency of road transport in moving persons, goods and services both within the country and with neighbouring countries, the Government has already implemented some major road infrastructure projects and continues to source funding for the implementation of additional critical road projects in line with Government's infrastructure development agenda.

The road transport sector is regarded as essential due to the central role it plays in the transportation of people and goods, especially the transportation of farm produce to market centres and for export.

The project areas include Kwahu Afram Plains North, South, and Kwahu South Districts of the Eastern Region and in close proximity the Sekyere Afram Plains in the Ashanti Region of the Republic of Ghana. These areas have great potential to contribute significantly to the improvement of the well-being of the inhabitants and to food security in Ghana through the significant supply of farm produce to consumers in major cities and towns in Ghana.

The inhabitants of the districts are often almost cut-off from the rest of the country due to limited physical access on three sides of the Afram River and lack of connecting roads to other parts of the country, leaving the ferry as the only means of transport.

The project interventions include the construction of the Adawso - Ekyi Amanfrom Bridge (approximately 3.0km long) and the road between Adawso and Bunso on the N6 (approximately 128km) linking the Afram Plains with the commercial, administrative, health and educational centres

in the region, boosting the agricultural sector in the Afram basin and fostering internal and regional integration.

3.1 OBJECTIVE OF THE PROJECT

The objective of the Project is to improve travel time and reduce waiting times within the project corridor with consequent reduction in poverty and enhanced development of Ghana. The project is specifically aimed at improving transport access and circulation by constructing a bridge across the Afram river, enhancing the capacity of the approach road network and removing bottlenecks so as to improve the movement of people, goods and services to support socio-economic development of the inhabitants of the project areas in particular, and the country as a whole.

4.0 TERMS AND CONDITIONS OF THE LOANS

A summary of the financing agreements for the road project is as presented below:

TERMS	UKEF FACILITY	COMMERCIAL FACILITY
Facility Amount	€113,540,000.00 (Inclusive of UKEF Premium estimated at 13.2% flat of facility amount)	€51,450,000.00
Lenders	Deutsche Bank and UKEF and Other Financial Institutions	African Export-Import Bank
Grace Period	2.5 years	1 year
Repayment Period	10 years	6 years
Tenor	12.5 years	7 years

Interest Rate	a. 6M EURIBOR (EURIBOR floored at zero) + 1.00% p.a. for the guarantee portion b. CIRR (circa 0.62%) UKEF direct lending portion	6M EURIBOR (EURIBOR floored at zero) + 5.85% p.a.
Commitment Fee	0.60% p.a. (Guarantee tranche) on the undisbursed balances	0.75% p.a. on the undisbursed balances
Upfront Fee	1.50% flat of the facility amount	1.50% flat of the facility amount
All-in-Cost	3.3% p.a.	6.45% p.a.

A summary of the financing agreement for the bridge project is as follows:

Terms	Atradius Facility
Facility Amount	€230,000,000 (Inclusive of Atradius premium estimated at 14.53% flat of the facility amount)
Lenders	Deutsche Bank
Grace Period	3.5 years
Repayment Period	10 years
Tenor	13.5 years
Interest Rate	6M EURIBOR + 1.30% p.a. (EURIBOR floored at zero)
Commitment Fee	0.60% p.a. on the undisbursed balances
Upfront Fee	1.50% flat of the facility amount
All-in-cost	3.66%

5.0. PROJECT DESCRIPTION

The project involves both Bridge and Road components. The Bridge project consists of the design and construction of the approximately 3.0km (Subject to the topographical survey) of a 2-lane Bridge, including service lanes and walkway on the side to connect Adawso and Ekye Aman from in the Eastern Region by BNIP – Janson – Adowso Consortium.

The bridge project includes the construction of facilities for weighing, police post, ambulance station and other ancillary facilities.

The road component shall consist of the provision of all survey and investigation, designing of the road alignment and geometry, interchanges, pavements, drainage, bridges and culverts, site investigation and tests, road marking and signage as well as all associated road works in line with the Ghana Highway Authority's design manual.

The scope of works on the **Bridge component** shall include:

- Construction of approximately 3.0km length of a 2-lane Bridge, including service lanes and walkway on one side.
- Site clearance.
- Earthworks.
- Construction of various pavement layers inclusive of natural gravel layers, asphalt surfacing and double bituminous surfacing.
- Relocating and or protection of existing services within the road reserve.
- Construction of various drainage structures and infrastructure to adequately manage stormwater drainage along the route.

- Provision of road furniture, including streetlight, signage, crash barriers, fences and line marking along the road, as specified in the contract drawings.

The scope of works on the **road component** shall include:

- Rehabilitation of Obuoho (Begoro) - Kwahu Tafo R34(58.7km)
- Rehabilitation of Kwahu Tafo - Adawso IR3(20km)
- Rehabilitation of Ekye Amanfrom - Donkokrom - R72 (101km)

5.1. BUDGET SUMMARY FOR THE BRIDGE

COST COMPONENT BREAKDOWN FOR THE BRIDGE		
ITEM	DESCRIPTION	TOTAL PRICE (EUR)
1.	Engineering Design including consultancy and soil investigation	€10,000,000.00
2.	Mobilization and site preparation including camp, site office and storage facilities	€6,500,000.00
3.	Construction of substructure including foundation and pile cap	€103,000,000.00
4.	Manufacturing, supply and installation of composite superstructure including construction of deck and walkway	€72,000,000.00
5.	Bridge furniture (bearings, railings, safety barriers, expansion joints, lighting)	€3,500,000.00
6.	Associated works including security post, weight station, ambulance station	€5,000,000.00

SUB-TOTAL**€200,000,000.00****5.2. BUDGET SUMMARY FOR THE ROAD**

COST COMPONENT BREAKDOWN FOR THE ROADS		
ITEM	DESCRIPTION	TOTAL PRICE (EUR)
1.	General Items	€ 8,606,001.00
2.	Consultancy Services	€9,650,000.00
3.	Earthworks	€14,110,417.00
4.	Paving	€67,848,797.00
5.	Concrete and Steel Bridges	€6,338,717.00
6.	Drainage	€16,453,615.00
7.	Signaling	€4,629,773.00
8.	Relocation of Utilities and Compensation	€8,348,181.00
9.	Lighting	€3,000,000.00
10.	Contingency	€11,004,499.00
SUB-TOTAL		€150,000,000.00

6.0. OBSERVATIONS**6.1. Deplorable State of the Road**

The Committee observed that the current state of the project roads, spanning Obuoho (Begoro) through Kwahu Tafo to Adawso and from Ekyi Amanfrom to Donkorkrom, is very deplorable.

The pavements are deteriorated with potholes at various locations hindering the flow of traffic and affecting economic activity and productivity. Sections of the road have virtually become death traps, especially at night as drivers may slam into dangerous potholes without warning. Other challenges currently faced on the road include unnecessarily long travel times, high vehicle operating and maintenance cost, dust pollution and poor road safety.

Again, there is presently no bridge crossing the Afram River, thereby leaving the ferry as the only veritable source of transport from one end of the River to the other.

To help address these challenges, the roads are to be completely redesigned and reconstructed with the necessary bridges, culverts, drainage, road markings and signages to ensure the roads are fit for vehicular and human use. A bridge of approximately 3.0 km would also be constructed across the Afram River to directly link Adawso to Ekyi Amanfrom.

6.2. Project in line with Government's Poverty Reduction Strategy

The Committee observed that the project is in line with the Government's strategy that emphasizes poverty reduction through increased agricultural production, socio-economic development, and strengthening the foundations of sustainable development through the improvement of the social and economic infrastructure and enhancing the enabling environment for private sector growth.

Furthermore, the project will directly or indirectly complement the government's committed efforts at achieving the Sustainable Development Goals (SDGs).

6.3. Socio-Economic Impact of the Project

The project is expected to propel greater access to employment opportunities, educational and health facilities, agricultural development, social inclusion and networking by directly or indirectly benefitting approximately 67,260 households in the catchment area. The project intervention will support the structural transformation that Ghana is undergoing as it moves beyond lower-middle-income status by facilitating the movement of people, goods and services thereby increasing the tempo of economic activities in the project districts

6.4. Complete Financial Solution

The Committee noted that the cost of the Commercial Contracts is to be fully paid from the proceeds of the loans under consideration.

The financing package provides a 100% financial solution and there will be no additional budgetary requirement on the side of Government to complete the project.

6.5. Debt Sustainability

The Committee observed that this project is on the approved list of priority projects to be financed from non-concessional borrowing as indicated in Appendix 10C of the 2022 Budget.

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.

The Committee was informed that a Debt Sustainability Analysis (DSA) was conducted for a number of loans

(envisaged pipeline loans) taking into consideration the disbursement profile for the medium term, payment periods, interest rates and other relevant charges which determine Government's debt obligations.

6.6. Expected Benefits of the Project

The Committee observed that the successful implementation of the project is expected to result in the following:

- Lowering vehicle operating costs, savings in travel time leading to savings in fuel consumption, reduction in accident rates and to generally improve access and contribute significantly to socio-economic activities;
- Provision of a bridge crossing over the Afram River to facilitate cross-river transportation and consequently a reduction in the cost of transportation for both passenger and cargo;
- Significant improvement and enhancement of the function of the road network by enhancing vehicle flow and improving movement of people and goods;
- Enhancement of economic activities and improvement in public transport and standard of living of the citizenry, especially those in the project catchment area.
- Creation of jobs for the skilled and non-skilled labour in the project catchment area.
- Reduction in loss of productive man-hours, air and noise pollution, vehicle maintenance costs, road accidents and incidents thereby reducing loss of lives; and the
- Improvement in commuter and pedestrian safety along the project corridor.

6.7. Value for Money

The Committee enquired to know whether a Value for Money (VFM) assessment has been conducted on the EPC Contract. To this, the Committee was informed that VFM is a *Condition Precedent* to the effectiveness of the Commercial Contract.

Thus the Contract will not become effective until VFM has been concluded and therefore no drawdown of the loans can be made until this *condition precedent* has been met.

The Committee was informed that the Ministry of Roads and Highways has commenced processes to subject the Project to VFM.

The Committee hereby notes the importance of VFM analysis in ensuring the efficient use of resources and recommends to the Ministries of Finance and Roads and Highways to ensure that the VFM is rigorously carried out to ensure proper value for the funds being procured for the project.

6.8. Fixed Term Project

As to how long the Project will take to complete, the Committee was informed that the Project has a fixed term duration of 30 months and that there is no anticipated extension of the project completion period.

The design, engineering, procurement and construction of both the Bridge and Road components are thus expected to be completed within 30 months in accordance with the fixed term contract.

7.0. CONCLUSION

In view of the foregoing, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the

- i. UK Export Finance Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank AG (as Agent, Arranger, Structuring Bank and Original Lender) for an amount of One Hundred and Thirteen Million, Five Hundred and Forty Thousand Euros (€113,540,000.00) [including UKEF Premium] to finance the Construction of the Bunso - Adawso Road and specified approach roads to the Adawso Bridge Project;
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in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



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



**JOANA A.S. ADJEI (MRS)
(CLERK, FINANCE COMMITTEE)**

27TH JANUARY, 2022