

**IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE LOAN  
AGREEMENT BETWEEN THE GOVERNMENT OF THE  
REPUBLIC OF GHANA (REPRESENTED BY THE  
MINISTRY OF FINANCE) AND THE GOVERNMENT OF  
THE REPUBLIC OF KOREA ACTING THROUGH THE  
EXPORT-IMPORT BANK OF KOREA [GOVERNMENT  
AGENCY FOR THE ECONOMIC DEVELOPMENT  
COOPERATION FUND {EDCF}]) FOR AN AMOUNT IN  
KOREAN WON NOT EXCEEDING THE EQUIVALENT OF  
ONE HUNDRED AND FORTY-SEVEN MILLION, ONE  
HUNDRED THOUSAND UNITED STATES DOLLARS  
(US\$147,100,000.00) TO FINANCE THE  
IMPLEMENTATION OF THE IMPROVEMENT OF VOLTA  
LAKE TRANSPORT SYSTEM PROJECT**

**1.0 INTRODUCTION**

The Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the Government of the Republic of Korea acting through the Export-Import Bank of Korea [Government Agency for the Economic Development Cooperation Fund {EDCF}]) for an amount in Korean Won not exceeding the equivalent of One Hundred and Forty-Seven Million, One Hundred Thousand United States Dollars (US\$147,100,000.00) to finance the

**implementation of the Improvement of Volta Lake Transport System Project** was presented to the House on 22<sup>nd</sup> June, 2022 in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Pursuant to Article 103 and Order 171(1) of the Standing Orders of the House, the Agreement was *referred* to the Finance Committee for consideration and report.

The Committee met and considered the Agreement with the Minister for Transport, Hon. Kwaku Ofori Asiamah, Deputy Minister for Transport, Hon. Frederick Adom Boateng, Deputy Minister for Finance, Hon. Dr. John Kumah and a technical team from the Ministries of Finance and Transport and hereby presents this report to the House.

## **2.0 BACKGROUND**

The creation of the Akosombo Dam led to the formation of the largest man-made lake in the world (the Volta Lake) covering an area in excess of 8,000sq.km over 400km long and with a shoreline exceeding 4,800km. The construction of the Dam displaced over 80,000 residents of 739 villages. The existing road network became inundated with the lake, which resulted in both physical and economic isolation of the area around the Volta Lake.

For the purpose of providing suitable services to safely transport passengers and goods, the Volta Lake Transport Company (VLTC) was established in 1970 to operate river transportation for passengers, bulk haulage of petroleum products and significant quantities of cement and cross-lake ferry services along the Lake. Currently, VLTC carries cargo using push tugs and barges. The most common cargo includes petroleum products, cement and yams.

However, transportation on the Volta Lake is currently faced with myriad of challenges. Vessels are in poor condition, laid-up or sunk. Landing stages are in poor conditions or non-existent in areas where informal boat operations now abound. Port operations are poorly equipped to handle existing shipments and over 500 unregulated boats provide informal services. Additionally, most of the existing landing ramps are unpaved and in poor condition making it difficult to ensure smooth berthing and safe embarkation and disembarkation of passengers and vehicles. These conditions have led to less frequent trips, longer travel time and less people for cross-lake ferry services.

A number of studies have been undertaken to inform short and long-term strategies for the improvement of Volta Lake Transport System. Key among them is the preparation of a plan for the rapid rehabilitation of VLTC vessels and current port handling facilities in the inland ports of Akosombo and Buipe; aiming to update vessels

and facilities to meet the VLTC's commercial obligations.

In 2019, the Government of Ghana, with grant financing from the Korean Government, commissioned a feasibility study for the development of the Volta Lake Transport System with an emphasis on Cross-lake ferry services.

The study identified the need to urgently improve infrastructure and provision of services on the Lake. Following the completion of the study, the Korean Government pledged to provide a Concessional Facility of US\$147,100,000.00 under the Economic Development Cooperation Fund (EDCF) to support the Improvement of the Volta Lake Transport System Project.

The Project is in line with Government's Medium-term Master plan for transportation on the Volta Lake, which seeks to upgrade the lake transport infrastructure to meet current and future demand, improve safety, promote trade and improve access to socio-economic services, among others.

### **3.0 PURPOSE OF THE LOAN**

The purpose of the facility is to finance the implementation of the Improvement of Volta Lake Transport System Project.

The Project aims to enhance accessibility and safety of inland water transport in the Volta Lake by developing an integrated, effective and

reliable inland water transport system, connecting isolated communities and providing them with better access to socio-economic services and increasing safety and efficiency on the Volta Lake.

#### **4.0 TERMS AND CONDITIONS**

The terms and conditions of the Korea Eximbank concessional loan facility are as follows:

<b>Loan Amount</b>	US\$147,100,000.00
<b>Interest Rate</b>	0.15% per annum
<b>Grace Period</b>	Ten (10) years
<b>Repayment Period</b>	Thirty (30) years ( <i>exclusive of 10-yr grace period</i> )
<b>Service Charge</b>	One-tenth of one percent (0.1%) of the loan amount
<b>Concessionality</b>	66 percent

#### **5.0 PROJECT COST BREAKDOWN**

The total cost of the project is estimated at US\$168,100,000 of which US\$147,100,000 (88% of project cost) will be financed by the loan. The Government of Ghana's portion is estimated at US\$21,000,000 (12% of project cost) will cover, taxes and duties that will be imposed on the project and other ineligible expenditure. The detailed project cost estimates are shown in the table below:

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Item	EDCF				Gov't Of Ghana	Total
	Foreign Currency Portion		Local Currency Portion EDCF	Total		
	Korea	3 <sup>rd</sup> Countries				
<b>1. Procurement</b>	<b>46,904</b>	<b>11,340</b>	<b>51,919</b>	<b>110,163</b>	-	<b>110,163</b>
- Vessel	29,988	10,533	6,302	46,822	-	46,822
- Landing Stage	3,214	0	35,291	38,505	-	38,505
- Slipway Shipyard	9,036	0	10,314	19,351	-	19,351
- Integrated Management System	3,849	807	0	4,656	-	4,656
- Training	393	0	12	405	-	405
- O&M Support	424	0	0	424	-	424
<b>2. Consulting Services</b>	<b>9,882</b>	<b>0</b>	<b>525</b>	<b>10,408</b>	<b>0</b>	<b>10,408</b>
- Consulting Service	9,339	0	525	9,864	0	9,864
- Capacity Building	544	0	0	544	0	544
<b>Base Cost (1 + 2)</b>	<b>56,786</b>	<b>11,340</b>	<b>52,445</b>	<b>120,571</b>	<b>0</b>	<b>120,571</b>
<b>3. Contingencies</b>	<b>4,718</b>	<b>1,847</b>	<b>19,818</b>	<b>26,383</b>	<b>0</b>	<b>26,383</b>
- Physical	2,839	567	2,622	6,029	0	6,029
- Price	1,878	1,280	17,196	20,354	0	20,354
4. Taxes and Duties**	0	0	0	0	21,000	21,000
5. Service Charge	147	0	0	147	0	147
<b>Grand Total (1~5)</b>	<b>61,651</b>	<b>13,186</b>	<b>72,263</b>	<b>147,100</b>	<b>21,000</b>	<b>168,100</b>

*\*\* The actual cost of taxes and duties will be determined by GiRA when the project masterlist has been finalized and assessed. The request for waiver will be submitted to Parliament for consideration and approval.*

## **6.0 OBSERVATIONS**

### **6.1 Challenges Facing the VLTC**

The Committee noted that the Volta Lake Transport Company (VLTC) is currently bedeviled with a myriad of challenges. These include poor conditions of landing sites, ferries in poor conditions as well as poor conditions of port operations including lack of appropriate waiting areas for passengers.

The instant project is thus aimed at providing the necessary equipment and facilities to ameliorate the situation.

### **6.2 Connecting Communities across Five Regions of Ghana**

The Committee observed that there is an urgent need to improve the transport network that connects cities, towns and rural areas of the country and to address urban traffic congestion.

The Government of Ghana through this Project aims to achieve its objective of positioning the Volta Lake as a major artery. In sustaining the operations of an effective water transport system, this project will connect communities across five regions in Ghana namely Oti, Volta, Eastern, Northern and Bono East Regions of the country.

### **6.3 High Concessionality Limiting Long Term Fiscal Impact of Loan**

The Committee observed that there will be no immediate significant



fiscal impact of the loan on the Ghanaian economy due to the ten (10) year grace period of the facility. In the medium to long term however, Government would be required to amortize the loan in equal semi-annual installments over a thirty (30) year period. The concessionality of the facility is sixty-six percent (66%) and therefore this long-term impact is expected to be minimal.

#### **6.4 Economic Impact**

The Committee noted that there are short and long-term outcomes for the country through the operation of various infrastructure and services that would be provided under the project. The construction of slipway type of shipyard would allow for the introduction of new vessels as well as efficient repairs and maintenance of future vessels that will operate on the Volta Lake. This will enhance accessibility to markets, healthcare, education as well as safety of transport for communities living along the lake.

The Project is also expected to create jobs leading to increase in beneficiary households' income and its multiplier effect.

Again, Agriculture and Tourism could potentially benefit from an improved inland transportation system.

#### **6.5 Consolidating Multi-Modal Transport**

Government's effort of improving inter-modal transport services will be consolidated through this Project. As mobility improves, productivity

will improve and eventually contribute to the achievement of the National Development Agenda. Communities along the lake would have easy means of transport when organizing social programmes and pursuing livelihood activities.

The Cross-lake ferry services could potentially feed into the national objective of improving access for all, especially access of children to schools in cross-lake communities. The Project thus aligns well with the Sustainable Development Goal 4 (SDG 4) that aims at ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all, especially the people of the project catchment area.

### **6.6 Project Captured in the 2022 Budget**

As to whether the Project was captured in the Budget and Economic Policy Statement of the Government for the 2022 Financial Year, officials of the Ministry of Finance answered in the affirmative and indicated that the Project was included in Appendix 10D of the 2022 Budget as part of the projects to be funded from Concessional Borrowing Sources.

### **6.7 Contingency Allocation**

The Committee observed that an amount of US\$26.38 million has been allocated to 'Contingencies'.

As to why such a significant provision has been made to contingency, it was explained to the Committee that the nature of the Korean EDCF

financing facilities are such that they drag on for a few years before the project actually gets implemented.

The long time span in getting to actual implementation of the project is partly attributable to the fact that a project contractor is not selected before the facility is approved. It is only after the final approval of the credit facility that a consultant is competitively selected to undertake the design of the project. An EPC Contractor is subsequently employed through competitive tendering among Korean Contractors. All these processes cause a lot of delay in the actual implementation of the project.

Given the current international inflationary pressures, it has become necessary for adequate provision to be made to cover contingencies so as to ensure that the project does not get frustrated by price fluctuations and other unanticipated global economic occurrences.

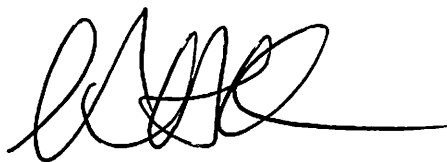
The Committee was assured that any funds in excess of actual requirement would not be drawn down as Government does not bear any commitment charges under the facility.

## **7.0 CONCLUSION**

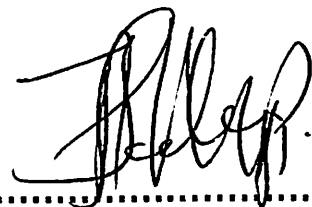
The Committee has critically examined the Agreement and found the terms to be concessional and favourable.

The Committee respectfully recommends to the House to adopt this report and approve by *Resolution*, the **Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the Government of the Republic of Korea acting through the Export-Import Bank of Korea [Government Agency for the Economic Development Cooperation Fund {EDCF}]**) for an amount in Korean Won not exceeding the equivalent of One Hundred and Forty-Seven Million, One Hundred Thousand United States Dollars (US\$147,100,000.00) to finance the implementation of the **Improvement of Volta Lake Transport System Project** in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



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**HON. KWAKU KWARTENG**  
**CHAIRMAN, FINANCE C'TTEE**



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**MS. JOANA A.S. ADJEI**  
**CLERK TO THE COMMITTEE**

**30<sup>TH</sup> JUNE, 2022**