



JOINT MEMORANDUM TO PARLIAMENT

BY

**HON. KEN OFORI-ATTA
MINISTER FOR FINANCE**

AND

**HON. URSULA OWUSU -EKUFUL, MP
MINISTER FOR COMMUNICATIONS AND DIGITALISATION**

ON A

US\$200.0 MILLION IDA CREDIT

FROM THE

**INTERNATIONAL DEVELOPMENT ASSOCIATION OF
THE WORLD BANK GROUP**

TO FINANCE THE

GHANA DIGITAL ACCELERATION PROJECT

4TH NOVEMBER, 2022

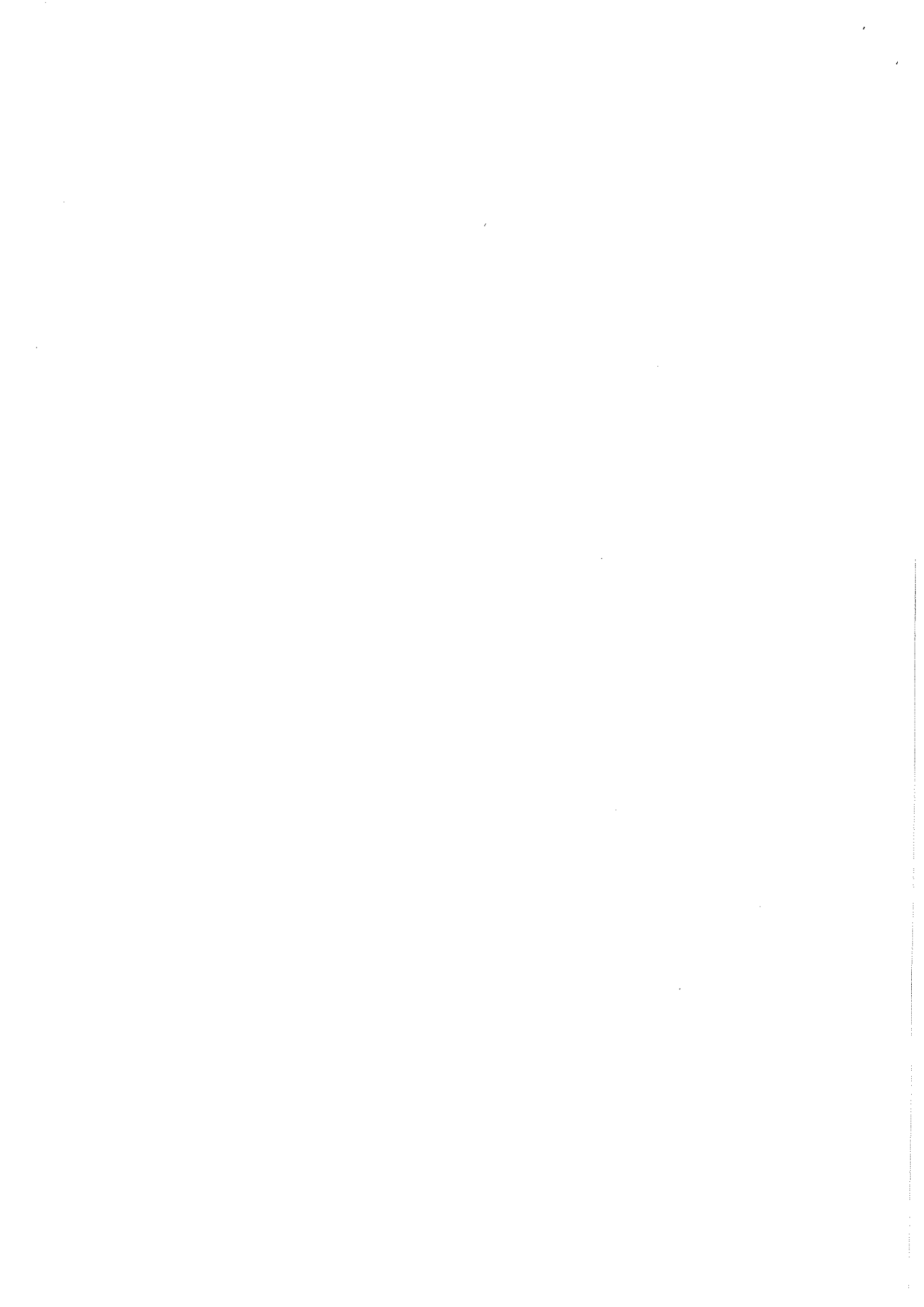


TABLE OF CONTENTS

CONTENT	PAGE
EXECUTIVE SUMMARY.....	3
PARLIAMENT DECISION REQUESTED.....	3
BACKGROUND INFORMATION.....	3
JUSTIFICATION FOR GOVERNMENT ACTION.....	4
OPTIONS AND IMPACTS CONSIDERED.....	5
INTER-MINISTRY CONSULTATIONS RECORD.....	6
IMPLEMENTATION PLAN.....	6
LEGISLATION/REGULATORY PLAN.....	7
FINANCIAL TERMS.....	7
COMMUNICATION PLAN.....	7
CONCLUSION.....	8

ATTACHMENT:

Negotiated Draft Financing Agreement

EXECUTIVE SUMMARY

PARLIAMENT DECISION REQUESTED

1. Parliament is respectfully requested to consider and approve a proposed **Two Hundred Million United States Dollars (US\$200.00 million)** credit from the International Development Association (IDA) of the World Bank Group (WBG) for the Ghana Digital Acceleration Project (GDAP). Cabinet at its 39th meeting held on Thursday 27th October 2022, granted its approval for the proposed project.

BACKGROUND INFORMATION

2. Ghana is regarded as a top performer and is also among the digital leaders in Sub-Saharan Africa, according to the United Nations' Global e-Government rankings. ICT is one of the best performing sectors in the country, growing on average by 19 percent per year between 2014 and 2020.

3. In 2020, Ghana's ICT sector accounted for approximately 3.3 percent (US\$1.7 billion) of the country's GDP, growing 23 percent in 2020 largely because of the pandemic. Telecommunication is the largest component of the sector, accounting for 85 percent of ICT gross value added and 37 percent of employment, followed by information technology (IT) support services, which accounts for 13 percent of gross value added and 28 percent of employment. The potential of Ghana's digital transformation is significant, as reflected in the rise of foreign direct investment, which grew from US\$144 million in 2005 to US\$3.8 billion in 2019. Several global technology companies such as Google, Microsoft, IBM, Oracle, and soon Twitter, have established presence in Accra to optimise the high potential of the Ghanaian market. Several global players in Business Process Outsourcing (BPO), recognizing the unfolding digital opportunities, have located or are locating their businesses into the country.

4. A diagnostic of Ghana's digital economy, conducted by the World Bank in 2020 as part of the Digital Economy for Africa initiative, identified the main bottlenecks to accelerating digital transformation. The study suggests that lack of infrastructure sharing, and network optimization has led to suboptimal use of existing infrastructure.

5. To ensure more-efficient use, completion of missing fiber optic links and greater investment in last-mile infrastructure, particularly in underserved communities, better guidelines and regulations will be required. Limited trust in the National Information Technology Agency's (NITA) ability to provide services to Ministries, Departments and Agencies (MDAs) is also a bottleneck for development of shared services and supporting interoperability. Despite growing in number, entrepreneurship support organizations are of mixed quality, and many are not able to support businesses past the start-up stage through to growth and maturity. Hence, inclusions like Ghana venture Capital Trust fund and the continuous support for the Ghana Tech Labs and Innovation hubs.

6. Although Government is aggressively working to advance a whole-of-government digital transformation agenda, multiple challenges persist, affecting the ability to operate digitally and the quality and adoption of e-services. Operationalization of common interoperability standards

and framework is essential to ensure coherency across government entities, avoid potential duplication of effort and overlap, and foster a whole-of-government approach to digitisation towards the digital economy agenda of government for the total benefit of all.

7. To address the existing gaps and in fulfillment of Government's commitment to pursue and harness the potential of ICT to facilitate rapid economic diversification, improve efficiency, productivity and transparency of Government businesses, the Ghana Digital Acceleration Project has been designed. The proposed project to be supported by the World Bank seeks to expand access to broadband, enhance the efficiency and experience of selected digital public services, and strengthen the digital innovation ecosystem.

JUSTIFICATION FOR GOVERNMENT ACTION

8. **Alignment with Government policy:** The project is consistent with the *Coordinated Programme of Economic and Social Development Policies (CPESDP) 2017-2024*. The proposed interventions are fully aligned with Government's objective to entrench ICT at the centre of the national development agenda through mainstreaming ICT in the public sector; improving telecommunications accessibility; creating opportunities for entrepreneurship; increasing citizens' accessibility to data platforms; and collaborating with the private sector to increase the broadband bandwidth and speed of connections nationwide. The project will contribute significantly to Government's strategy of positioning Ghana as a regional ICT hub.

9. The proposed project interventions are also consistent with the *Ghana Beyond Aid (2021-2023) Charter, the medium-term Ghana COVID-19 Alleviation and Revitalization of Enterprises Support Program, and the Ghana Integrated Digital Transformation Blueprint (2021-30)*. These policies envision structural reforms to support economic diversification and refocusing key government flagship programs to increase efficiency, leverage digitization, and advance financial sustainability.

10. **Alignment with International Commitments:** The proposed interventions are in line with the *Digital Economy for Africa (DEAA) Initiative* which sets out a bold vision to ensure that every African individual, business and government is digitally enabled by 2030 to drive digital transformation of the continent and support its full participation in the global digital economy.

11. **Job Creation:** The proposed project interventions will help create viable start-ups poised for expansion and strengthen Ghana's digital innovation capacity, contributing to job creation and productivity gains critical to COVID-19 recovery. The proposed project will also explore support to the YouStart program to facilitate job creation in the country via skills and capacity development and access to funding for young entrepreneurs.

12. These key objectives, which are to be achieved by end 2027, are reflected in the four (4) components as outlined below:

Component 1: Ensuring Inclusive and Safe Digital Transformation (US\$43 million):

This component will support Government's continued efforts to build solid foundational blocks for inclusive and safe digital transformation. The component will do this by i) Providing an enabling environment for broadband development and greening ICT

enablers; ii) Support government with digital connectivity in lagging areas; and iii) Support government's effort to provide safeguards for cyber-security and data protection.

Component 2. Modernizing Digital Government Services (US\$76 million): This will focus on change management towards a strengthened digital governance, enhance government's digital and user-centric services, and invest in the future of government work for viable transformation.

Component 3. Support for Digital Transformation of Productive Strategic Sectors (US\$66 million): This component will strengthen the scaling up of Ghana's digital entrepreneurship and innovation ecosystem, enhance efforts to transform digitization in the agricultural sector, and support skills for digital jobs and inclusion.

Component 4. Project Management and Implementation Support (US\$15 million): Under this component, support will be rendered for the management and implementation of project-associated activities. The component will also finance activities related to recruitment of project management consultants, project coordination, fiduciary specialists, monitoring and evaluation (M&E) activities, environmental and social safeguards, project communications, and citizen engagement.

Component 5: Contingent Emergency Response Component. In the context of the COVID-19 crisis, a contingent emergency response component has been added to the project structure to help the Government respond swiftly to eligible crises, including climate and natural disasters and public health emergencies.

13. The development outcomes anticipated from the proposed project include a more efficient and transparent targeting and use of limited public resources; improved delivery of public and private sector services through the use of ICT, especially in rural and underserved areas; trust in payment systems, and enhanced confidence in electronic business and financial transactions. This would ultimately lead to diversified employment opportunities, and a more integrated and coordinated public sector that is able to make better policies, efficient management of public finances and respond effectively to citizens' needs.

OPTIONS AND IMPACTS CONSIDERED

14. The three (3) potential funding options explored in arriving at a decision for financing the proposed GDAP are: Funding from the National Budget, Private sector Investment (including Private Public Partnership) as well as seeking Financing from Development Partners.

- i. **National Budget:** The least cost path to financing this project is through the National Budget thus domestically mobilising about US\$40.0million a year for this project. However, considering the challenges inherent in domestic revenue mobilization in support of the national budget, particularly from an economy that is just seeking to recover from the COVID-19 pandemic, coupled with the substantial fiscal investment required, implementing this critical intervention through this option is less favourable.
- ii. **Private Investment or Partnership:** Having stated private sector participation and involvement as a policy stance, efforts to address these emergent challenges seem to offer a unique opportunity to involve these actors. The approach will be to seek financial investments from private actors either on a Build-Operate and Transfer (BOT) or Build-

Own and Operate Transfer (BOOT) mechanism. Clearly, this would free needed public financial resources and still guarantee the provision of the additional infrastructure. Whilst this seem enticing, it is understood that most private sector actors are reeling from the impact of the pandemic and thus sustained financing for such a strategic project may not be assured, especially as the cost of credit and cost of living seem to be rising.

- iii. **Financing from Donor Partners (IDA):** The possibility of implementing the project with new financing especially from IDA was also considered. It turned out that this option offered timely access to adequate funds. Aside from the favourable financing terms such as relative low interest rates and long maturity period without any ramification on existing Social Projects, this option allowed the assembling of critical skill sets that could manage and deliver the tenets of the project.

15. **Recommended Option:** With these options considered, *new Financing from IDA* is the most favourable and recommended option in getting the project implemented on time. it is highly concessional - long maturity period, low interest rate - guaranteed sustained financing that enables Government to meet this critical national development agenda. Any considerable delay could prove detrimental, as the impact of COVID-19 has propelled ICT to assume a central role in our socio-economic life.

INTER-MINISTRY CONSULTATIONS RECORD

16. Extensive consultations with relevant stakeholders of the project were held to inform the project design, scope and implementation arrangements. Key Ministries, Departments, and Agencies consulted include; the Ministries of Finance (MoF), Ministry of Communications and Digitalisation (MoCD), National Communication Agency (NCA), National Information Technology Agency (NITA), Cybersecurity Authority (CSA), Data Protection Commission (DPC), Ghana Investment Fund for Electronic Commission (GIFEC), Environmental Protection Agency (EPA), Office of the Head of Civil Service (OHCS), Ghana Venture Capital Trust Fund (GVCTF), Ghana Enterprises Agency (GEA), Ministry of Food and Agriculture (MoFA), Ghana-India Kofi Annan Center for Excellence in Information Communication Technology.

17. In addition, similar consultations were also held with National Council on Persons with Disability to ensure consideration and incorporation of diverse needs for digital services.

IMPLEMENTATION PLAN

18. The **implementation and institutional arrangements** of the project will remain almost same as the ongoing e-Transform project with slight changes. The existing Project Management Unit housed in MoCD will be placed under the direction and guidance of a Steering Committee to be chaired by Chief Directors of MoCD and MoF.

19. A Project Coordination Unit (PCU) will provide project oversight and day-to-day management of the project, leveraging on the experience and institutional memory accumulated from past and ongoing World Bank e-Ghana/eTransform projects. The current e-Transform PIU will be expanded into a PCU responsible for the implementation of the e-Transform Project (until it closes in October 2023) and the Ghana Digital Acceleration project. The PCU will consist of a project coordinator, a deputy project coordinator, a procurement specialist, an administrative

officer, a safeguards specialist (environmental and social), technical specialists (covering technical expertise in the project components), and specialists to cover other PCU functions such as M&E and communications.

20. In addition, the existing Inter-Ministerial Oversight committee would be maintained while a Technical Committee charged with the day-to-day management of the implementation of the project across all beneficiary agencies will be constituted.

21. The MoCD, as the executing agency, will collaborate and coordinate with other beneficiary agencies such as the National Information Technology Agency (NITA), NCA, Cyber Security for further technical support, while collaborating also with Ghana Venture Capital Trust Fund (GVCTF) and Ghana Enterprises Agency in the scaling up of the efforts of digital incubators and start-ups to enhance further job creation especially among the youth.

LEGISLATION/REGULATORY PLAN

22. Considering the strength and depth of current legislation and regulatory architecture, no change in legislation and/or regulations is envisaged. Implementation of proposed interventions will be guided by the National Information Technology Agency Act, 2008 (Act 771), National Communications Authority Act, 2008 (Act 769) Electronic Communications Act, 2008 (Act 775), as well as Ghana Integrated ICT for Accelerated Development (ICT4AD). Further, the management of the funds will be governed by the provisions of the Public Financial Management Regulations, 2019 (L.I 2378) and the Public Financial Management Act, 2016 (Act 921).

FINANCING TERMS

23. The US\$200.0 million financing will be provided as Credit on IDA blend terms as follows:

- Repayment Period - 25 years
- Grace period - 5 years
- Maximum Commitment Charge - $\frac{1}{2}$ of 1%, *waived for 2022*
- Service Charge - 1.31% (sum of three-fourths of one percent ($\frac{3}{4}$ of 1%) per annum plus the Basis Adjustment (+56bps) to the Service Charge; on the Withdrawn Credit Balance)
- The Interest Charge - 1.35% (sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge (+10bps); on the Withdrawn Credit Balance)
- Grant Element - 36.24%

COMMUNICATION PLAN

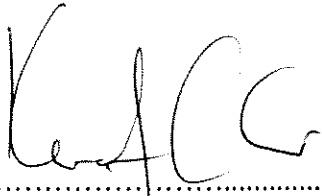
24. An effective communication strategy is crucial to the successful implementation of the project. The project has adopted critical communication channels such as electronic and print media, sensitization workshops, community durbars, and regular stakeholder meetings to reach stakeholders and the interested public. There is also a plan to address the targeted audience in a timely manner to avert potential pitfalls and ignite critical support.

CONCLUSION

25. Considering the anticipated impact of the proposed interventions of the project, especially its ability to consolidate the gains made over the years in this space with very huge potential to reposition our national ICT infrastructure and ecosystem and its regulatory framework in a post-COVID era into a better shape and form, we strongly believe it is worth considering same positively in line with the world economic order gearing towards digitization. Apart from this project helping to modernize digital government services that has a long-term goal of increasing revenue mobilization through the change management agenda of the civil and local government services, it will again contribute effectively towards the making of the digital economy agenda of government(s) a reality, as it is meant to enhance inclusion, empower the Agric sector to increase productivity and make it attractive to the youth who are expected to drive the sector going into the future. Besides, sustainable and effective employment creation models in the ICT ecosystem under this project is a key feature, hence the need to have Parliament's full support to ratify same for a better future.

26. Hon. Members of Parliament are therefore respectfully entreated to consider and approve the proposed Two Hundred Million United States Dollars (US\$200.0 million) Credit from IDA.

27. Thank you.



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KEN OFORI-ATTA
MINISTER FOR FINANCE



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HON. URSULA OWUSU-EKUFU, MP
MINISTER FOR COMMUNICATIONS

SECRET

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My Ref No. OPCA.3/3/311022
Kindly quote this number and date on all correspondence

Your Ref No. _____



REPUBLIC OF GHANA

OFFICE OF THE PRESIDENT

SECRETARY TO THE CABINET

31st October, 2022

CONFIDENTIAL

PROPOSED USD200.0 MILLION CREDIT FROM THE INTERNATIONAL
DEVELOPMENT ASSOCIATION OF THE WORLD BANK GROUP TO
FINANCE THE GHANA DIGITAL ACCELERATION PROJECT

Cabinet at its Thirty-ninth meeting held on Thursday, 27th October, 2022 considered a report of the Cabinet Committee on Economic Matters on the above-stated Memorandum submitted jointly by the Ministers for Finance, and Communications and Digitalisation.

2. The Memorandum requested Cabinet to consider, approve and recommend to Parliament, a proposed Two hundred million United States Dollars (USD200,000,000) credit from the International Development Association of the World Bank Group for the Ghana Digital Acceleration project.

3. Cabinet approved the Memorandum for the consideration of Parliament.

4. I should be grateful if you could take requisite action on the decision by Cabinet.


MERCY DEBRAH-KARIKARI
SECRETARY TO THE CABINET

THE HON. MINISTER FOR FINANCE

THE HON. MINISTER FOR COMMUNICATIONS
AND DIGITALISATION

cc: Chief of Staff
Secretary to the President
Secretary to the Vice President
Chairperson, Cabinet Committee
on Economic Matters
Hon. Minister for Parliamentary
Affairs



