

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 THIRTY MILLION UNITED STATES DOLLARS (US\$30,000,000.00) TO FINANCE THE MEDICAL EQUIPMENT PROVISION PROJECT IN RESPONSE TO COVID-19

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 **Thirty Million United States Dollars (US\$30,000,000.00)** to finance the **Medical Equipment Provision Project in response to COVID-19** was presented to the House on 22nd 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 subsequently met and considered the Agreement with the Minister for Health, Hon. Kwaku Agyeman-Manu, Deputy Minister for Finance, Hon. Dr. John Ampontuah Kumah and a team of officials from the Ministries of Health and Finance and hereby presents this report to the House.

2.0. BACKGROUND

The Government of Ghana has a policy of improving health care delivery to achieve the Universal Health Coverage goal of ensuring that all persons in Ghana have timely access to high quality health services irrespective of ability to pay at the point of use.

In the wake of the COVID-19 pandemic, there has been a decline in Ghana's Gross Domestic Product (GDP) with 2020 GDP growth rate at 1.1 percent down from the 6.1 percent GDP growth in 2019 (according to the World Bank). The key vectors for transferring the impact of the global pandemic to the domestic economy are finance, foreign direct investment, and energy prices. Lower real GDP growth is likely to cause reduced demand and production from the private sector (mainly from micro, small and medium enterprises) and job losses. The adverse impact of the emergence of any new surges is expected to be greater on the informal sector and small enterprises because these categories are more vulnerable to economic shocks.

The first two cases of COVID-19 in Ghana were recorded on March 12, 2020 and over the course of two (2) years the total number of confirmed cases was 157,751 with 1,419 deaths, 1,010 active cases and 40 new cases as at 3rd February 2022.

~~Ghana received 600,000 COVAX vaccines as part of the initial tranche of~~
deliveries of the AstraZeneca/Oxford vaccine licensed to the Serum Institute of India on 24th February 2021. Ghana was selected as one of the early recipients of the doses due to its rapid, efficient and coordinated response to the public health crisis, as well as its absorption capacity relative to peers in sub-Saharan Africa and this has culminated in the administration of 11,835,359 vaccines as at 7th February 2022.

Ghana's healthcare system has been overwhelmed by the increasing number of COVID-19 cases to the extent that temporary structures such as isolation and treatment centers were used to manage the cases during surges in infections. The non-availability of modern medical equipment to facilitate the diagnosis and care of COVID-19 related symptoms and complications also further undermined the Government's ability to readily combat the virus.

Government has however resolved to tackle the perennial healthcare challenges by investing massively in the health sector through the implementation of Agenda 111 and also providing essential medical care equipment to bridge the shortfalls in the health centers.

This project will contribute to meeting part of this health sector strategy of ensuring the availability of adequate and modern medical equipment in the various health centers to accelerate the diagnosis and treatment of patients.

3.0. PURPOSE OF THE LOAN

The purpose of the facility is to finance the Medical Equipment Provision Project in response to COVID-19.

The Project aims to upgrade the medical service quality of Ghana to respond to the pandemic by

- (i) supplying medical equipment;
- (ii) (ii) supporting the maintenance service; and
- (iii) (iii) providing the capacity building.

4.0. TERMS AND CONDITIONS

Korea Eximbank is providing the US\$30,000,000.00 concessional loan under the following terms:

Loan Amount	Thirty Million US Dollars (US\$30,000,000)
Interest Rate	0.15% per anum
Grace Period	Ten (10) years
Repayment Period	Thirty (30) years (<i>exclusive 10 year grace period</i>)
Service Charge	One-tenth of (0.1%) of the loan amount
Concessionality	66 percent

5.0. PROJECT COMPONENTS

The proposed project scope and components are summarized below:

Component	Description	
EDCF	i. Supply and Installation of medical equipment	Supply and Installation of medical equipment by supplier
	ii. Training	Training of medical and engineering personnel on O&M and repairs of medical equipment by Korean supplier
	iii. Maintenance Service	Provision of warranty with maintenance for additional two (2) years after the Manufacturer's one (1) year warranty period
	iv. Domestic Logistics	Support domestic logistics from point of entry (airport and/or harbor) to the final destination(s)
	i. Taxes, duties, and levies	Import duties and taxes

	ii. Maintenance and Quality management	<ul style="list-style-type: none"> • Inspection of medical equipment upon arrival • Preparation of medical equipment installation conditions, and remodeling of existing hospital for installation of medical equipment, if needed • Preparation of the overall operation and maintenance (O&M) plan • Employment of medical staff and securing financial resources for O&M • Supervision of project implementation. • Monitoring Inspection and taking over test of medical equipment • Submission of reports (quarterly progress reports, Project Completion Report (PCR) etc.
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The detailed project cost estimates are shown below:

Amount is shown in '000' USD

Project Scope	EDCF				GoG (Local)	Total
	Foreign Currency		Local	Sub-Total		
	Korea	3 rd Countries				
1. Medical Equipment	18,889	1,280	24	20,193	0	20,193
2. Installation	2,017	-	75	2,092	0	2,092
3. Training	1,008	-	38	1,046	0	1,046
4. Maintenance Service	2,682	-	149	2,831	0	2,831
5. Domestic logistics	1,046	-	-	1,046	0	1,046
6. Contingencies	2,534	186	42	2,762	0	2,762
7. Maintenance and Quality Management	-	-	-	0	288	288
8. Estimated Tax and Duties	-	-	-	0	3,530	3,530

9. Service charge (0.1% of EDCF Loan)	30			30	0	30
Total	28,206	1,406	328	30,000	3,818	33,818

6.0. OBSERVATIONS

6.1. Project Cost

The Committee noted that the total cost of the project is estimated at US\$33,818,000 of which US\$30,000,000 (*89% of the total project cost*) will be financed by the loan.

The Government of Ghana's portion is estimated at US\$3,818,000 (11% of total project cost) and it is to cover, i) taxes and duties imposed on the project, and ii) project management related costs. The cost of import levies and charges will, however, be borne by the Supplier.

6.2. Project Implementation Period

The project is expected to be executed within nineteen (19) months. This comprises a procurement period of three (3) months, implementation period of thirteen (13) months, and project closure activities of (3) months.

The final disbursement under the loan will be made within twenty-one (21) months after the effective date of the Loan Agreement. The implementation period may however be extended with a prior approval of Korea Eximbank.

6.3. Institutional Arrangements

The Ministry of Health (MoH) will be the Project Executing Agency (PEA) for the Project. The PEA will be responsible for the planning, implementation, management, supervision, coordination, operation and maintenance of the Project and submission of relevant reports and information to the Bank. The Government of Ghana is expected to fully support the PEA during implementation and after completion of the Project.

6.4. Procurement of Contractor/Supplier

The Committee observed that all goods and services including consulting services financed by the Loan shall be procured in accordance with the provisions of the Guidelines for Procurement under the Loan ("Procurement Guidelines").

The Contractor/Supplier shall be selected through Competitive Bidding (CB) among Korean small and medium sized companies having good reputation, reliable creditworthiness, and competent project performance capability.

The Project Executing Agency (PEA) shall include qualification criteria in the bidding documents to invite the Korean small and medium sized companies who have the sufficient capability to implement the Project.

6.5. Staff Training

The training needs of beneficiary institutions shall be determined to reflect the requirements of the users to optimally use the equipment supplied at the stage of the procurement contract. For the on-site operation and maintenance training to be provided by the relevant Korean engineers, the PEA will nominate all counterpart staff who will be trained based on a pre-approved training plan.

6.6. Government to Ensure Operation & Maintenance of Equipment

The Committee was informed that the project places emphasis on the significance of Operation & Maintenance (O&M) support to ensure long-term sustainability. To this end, the Government of Ghana will carry out the O&M of the Project including the provision of the staff, equipment and budget, and will provide necessary funds for these activities after completion of the Project.

6.7. Minority's Opposition to the Request

The Minority side of the Committee opposed the loan facility and took the view that it was not in the national interest for the country to procure the loan.

7.0. CONCLUSION

All members of the Minority side voted against approving the request while all members of the Majority side voted in favour of approving the request.

The Committee by a *Majority Decision* therefore found the terms to be favourable, and 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 **Thirty Million United States Dollars (US\$30,000,000.00)** to finance the **Medical Equipment Provision Project in response to COVID-19** 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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MRS. JOANA A.S. ADJEI
CLERK TO THE COMMITTEE

27TH JULY, 2022