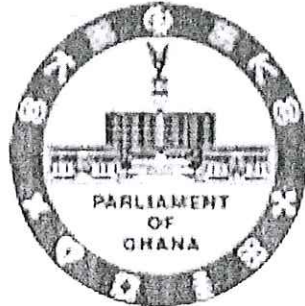


IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA



PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

REPORT OF THE FINANCE COMMITTEE ON THE MODIFICATION TO THE USE OF
PROCEEDS FOR 2 SELECTED ROAD PROJECTS UNDER THE LOAN FACILITY
AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA
(REPRESENTED BY THE MINISTRY OF FINANCE) AND AFRICAN EXPORT-IMPORT
BANK (AFREXIMBANK) FOR AN AMOUNT OF UP TO SEVEN HUNDRED AND FIFTY
MILLION UNITED STATES DOLLARS (\$750.000.000.00 TO FINANCE CAPITAL AND
GROWTH-RELATED EXPENDITURES IN THE 2022 BUDGET, I.E. (A) \$75,000,000.00
ALLOCATED FOR THE CONSTRUCTION OF THE EJISU - KONONGO ROAD
PROJECT TO BE REALLOCATED FOR THE CONSTRUCTION OF THE SUAME
INTERCHANGE AND (B) \$98.000,000.00 FOR THE CONSTRUCTION OF THE
ENKYIKROM - ADAWSO ROAD PROJECT TO BE REALLOCATED FOR THE
CONSTRUCTION OF THE BY-PASSES ON THE ACCRA - KUMASI ROAD (N6)

1.0. INTRODUCTION

The Modification to the use of Proceeds for 2 Selected Road Projects under the Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and African Export-Import Bank (Afreximbank) for an amount of up to Seven Hundred and Fifty Million United States Dollars (\$750.000.000.00 to finance Capital and Growth-related Expenditures in the 2022 Budget, i.e. (a) \$75,000,000.00 allocated for the construction of the Ejisu - Konongo road project to be reallocated for the construction of the Suame Interchange and (b) \$98.000,000.00 for the

construction of the Enkyikrom - Adawso road project to be reallocated for the construction of the by-passes on the Accra - Kumasi Road (N6) was presented to the House on Friday 17th March, 2023 by Hon. Majority Leader and Minister for Parliamentary Affairs for and on behalf of the Minister responsible for Finance in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana and Section 56 of the Public Financial Management Act, 2016, Act 921.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was referred to the Finance Committee for consideration and report.

The Committee subsequently met with the Officials of the Ministry of Finance and discussed the Agreement.

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of Parliament.

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)
- The Loan Facility Agreement Between the Government of the Republic of Ghana (Represented by the Ministry of Finance), and African Export-Import Bank (Afreximbank) for an Amount of up to Seven Hundred and Fifty Million United States Dollars (\$750,000,000.00) to Finance Capital and Growth-Related Expenditures in the 2022 Budget

- The Report of the Finance Committee on The Loan Facility Agreement Between the Government of the Republic of Ghana (Represented by the Ministry of Finance), and African Export-Import Bank (Afreximbank) for an Amount of up to Seven Hundred and Fifty Million United States Dollars (\$750,000,000.00) to Finance Capital and Growth-Related Expenditures in the 2022 Budget.

3.0. BACKGROUND

It would be recalled that the Parliament of Ghana, acting in accordance with Article 181 of the 1992 Constitution and Sections 55 and 56 of the Public Financial Management Act, 2016 (Act 921) by resolution dated 20th July 2022 approved the US\$750.0 million loan facility agreement between the Government of the Republic of Ghana, represented by the Ministry of Finance (MoF) and the African Export-Import Bank (Afreximbank) to support the implementation of some critical infrastructure projects and provide the needed foreign exchange to the Bank of Ghana (BoG) to shore up the reserve position of the bank.

The Agreement was subsequently executed between MoF, representing the Republic of Ghana and the Afreximbank on 19th August 2022. On 25th August 2022, the \$750,000,000 was disbursed by Afreximbank, of which \$716,775,844.87 was disbursed to the EURO and US Dollar segregated accounts at BoG and \$33,224,155.13 paid out as finance charges.

As part of the approval process, Parliament approved a number of projects to which the facility should be applied. However, due to some exigencies and change in government priority, the Ministry of finance intends to reallocate some of the funds to finance Construction of Suame Interchange and the construction of by-passes on the Accra-Kumasi Road.

4.0. JUSTIFICATION FOR GOVERNMENT ACTION

Government intends to reallocation part of the facility for the construction of Suame Interchange and the by-pass on the Accra-Kumasi Road:

Suame interchange project

Hon. Memnbers may recall that, Parliament on 29th July 2022 approved by resolution two (2) credit facilities and a commercial contract to finance the construction of the Suame interchange and related roads. The facilities are:

- i. Commercial Contract of €140,000,000.00 between the Republic of Ghana, represented by the Ministry of Roads and Highways and Messrs Rango Construction Company Limited/Talleres Dizmar S.L ("RANGO-DIZMAR JV") for the Design and Construction of the Suame Interchange and Ancillary Works Project, (Phase 1) Kumasi.
- ii. Export Credit Facility Agreement for up to €135,396,518.38 between the Republic of Ghana, represented by the Ministry of Finance and Deutsche Bank S.A.E (as Arranger, Structuring Bank, Mandated Lead Agent) with export credit guarantee from Compañia Española de Seguros de Crédito a la Exportación, S.A. (CESCE) for the Design and Construction of Suame Interchange and Ancillary Works Project (Phase 1), Kumasi, Ghana; and
- iii. Commercial Facility Agreement of €21,000,000.00 between the Republic of Ghana, represented by the Ministry of Finance and Deutsche Bank S.A.E (as Lender) for the Design and Construction of Suame Interchange and Ancillary Works Project (Phase 1), Kumasi, Ghana.

However, due to the ongoing debt restructuring process and government's decision to suspend debt service payments on external loans have stalled the engagements with the lenders and there is high probability that Ghana would have limited access to the loans market in the medium term. This condition has adversely affected the implementation of the Suame interchange project and others for which credit facility agreements have been approved by Parliament but not signed.

Government is, therefore, replacing the Ejisu-Konongo road project under the Afreximbank facility with the Suame Interchange project. The Suame interchange project is estimated at \$140 million. The allocation is to partially

fund the project from the Afreximbank facility while the balance is funded from subsequent national budget allocations (i.e., 2025, 2026 and 2027).

The Accra-Kumasi By-passes Project

The existing Accra - Kumasi Road (Apedwa - Ejisu Section) goes through major towns such as Osino, Anyinam, Enyiresi, Nkawkaw and Konongo. Due to the vibrant economic activities in these towns, the sections of the road within the towns are usually marked with traffic congestion causing a lot of delays, pedestrian related crashes and increased travel time. As part of the dualisation of the Accra- Kumasi Road project, four (4) by-passes are to be constructed to improve travel time and safety along the Accra-Kumasi corridor. The four (4) by-passes with total length of about 40.4km are as follows:

- Osino By-pass (11.6km)
- Anyinam By-pass (6.1km)
- Enyiresi By-pass (9.1 km)
- Konongo By-pass (13.6km)



All the by-passes will be three lanes dual carriageway with adequate drainage structures and interchanges. Due to the urgency of the project, it has been packaged into eight lots to be executed by indigenous local Contractors with experience and capacity to complete within the estimated contract period.

The selected contractors are Justmoh Construction Limited, First Sky Limited, Hardwick Limited, Nag Fairmount Co. Limited, Memphis Metropolitan Limited, Resource Access Limited, Joshob Construction Co. Limited and Kofi Job Co. Limited. The total contract price is One Billion, Nine Hundred and Sixty-Two Million, Two Hundred and Thirty-Seven Thousand, Seven Hundred and Forty-Nine Ghana Cedis and Twenty-Six Pesewas (GHS 1,962,237,749.26). Due to the urgency of the project, Government is, therefore, replacing the Enyikrom-Adawso road under the Afreximbank facility with the Accra-Kumasi by-pass project.

7.0. OBSERVATIONS

The Committee having critically examined the Agreement made the following observations:

7.1. Approval of the Facility

The Committee noted that, Parliament at its Thirty-First Sitting of the Second Meeting of the Second Session held on Wednesday, 20th July, 2022 approved by resolution the Loan Facility Agreement between the Government of the Republic of Ghana (Represented by the Ministry of Finance), and African Export-Import Bank (Afreximbank) for an Amount of up to the equivalent Seven Hundred and Fifty Million United States Dollars (\$750,000,000.00) [made up of Tranche A: €200,000,000 and US\$101,000,000 and Tranche B: US\$350,000,000]) to Finance Capital and Growth-related Expenditures in the 2022 Budget.

The Committee further noted that the proposed modification to the use of the facility does not change the terms of the Loan Facility as approved by Parliament. The change only relates to the projects to which the the Ministry intends to apply the facility.

7.2. The purpose of the Facility

The purpose of the credit facility was to provide funding to finance critical flagship projects under the 2022 Budget and to inject foreign currency to shore-up the country's reserve to enable it meet its obligations when they fall due. This arrangement became necessary following the inability of government to access the capital market and the withdrawal of non-resident investor in the domestic bond market. There was therefore the need at the time to adopt some innovative strategies to mobilise financial resources to support the implementation of the 2022 budget and finance liability management operations. To this end, the Ministry of Finance mandated the Afreximbank to support government to raise up to US\$750.00 million for the purses stated above.

During the Committee deliberations, the government provided a list of projects it intends to apply the facility to. The list was duly incorporated in the Committee Report which was adopted by the House. However, due to changing priorities, the Government intends to vary the use of the proceeds of the Afrixim facility. To this end, the facility will be reallocated to finance the following projects:

SN	Project	Estimated Allocation (US\$)	Realignment Cost (US\$)
1	Ofankor- Nsawam Road	200,000,000	200,000,000
2	Ejisu – Konongo Road	75,000,000	0.00
3	Completion of Nsawam Apedwa Road Project	10,000,000	10,000,000
4	Suame Interchange and Local Road Network Project	47,000,000	47,000,000
5	Completion of Flower Pot Interchange, Legon-Accra	35,000,000	35,000,000
6	Completion of Sofoline Interchange	35,000,000	35,000,000
7	Construction of Kwabenya – Peduase Road Project – GoG Counterpart Funding	10,000,000	10,000,000
8	Completion of Eastern Corridor Lots 5 and 6	70,000,000	70,000,000
9	<i>Completion of Enkyikrom – Adawso Road Project</i>	98,000.000	0.000
10	Purchase of Rolling Stock and Spare part	30,000,000	30,000,000
11	Construction of Stadia Infrastructure for all African Games	140,000,000	140,000,000
12	Suame Interchange	0.00	75,000,000
13	Accra-Kumasi Road (N6)	0.00	98,000,000
TOTAL		750,000,000	750,000,000

The Committee noted that, an amount of US\$75,000,000 allocated for the construction of Ejisu – Konongo Road will be reallocated to partly finance the construction of Suame Interchange in addition to about US\$266 allocation from GoG annually for three years. Additionally, an amount of US\$98,000,000 allocated for the *Completion of Enkyikrom – Adawso Road Project* would be reallocated to the Construction of the Accra Kumasi Road.

CONCLUSION

The Committee having carefully examined the referral recommends to the House to adopt its Report and approve the Modification to the use of Proceeds for 2 Selected Road Projects under the Loan Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and African Export-Import Bank (Afreximbank) for an amount of up to Seven Hundred and Fifty Million United States Dollars (\$750,000,000.00 to finance Capital and Growth-related Expenditures in the 2022 Budget, i.e. (a) \$75,000,000.00 allocated for the construction of the Ejisu - Konongo road project to be reallocated for the construction of the Suame Interchange and (b) \$98,000,000.00 for the construction of the Enkyikrom - Adawso road project to be reallocated for the construction of the by-passes on the Accra - Kumasi Road (N6).

Respectfully Submitted.



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HON. KWAKU KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)



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

6TH JUNE, 2023