IN THE THIRD SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE JOINT COMMITTEE ON FINANCE AND POVERTY REDUCTION STRATEGY

ON THE

MASTER FACILITY AGREEMENT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE CHINA DEVELOPMENT BANK (CDB) FOR A LOAN OF US$3.0 BILLION

TO FINANCE INFRASTRUCTURE DEVELOPMENT PROJECTS UNDER THE GHANA SHARED GROWTH AND DEVELOPMENT AGENDA (GSGDA)

AUGUST, 2011

1.0 INTRODUCTION

The Master Facility Agreement between the Government of the Republic of Ghana and the China Development Bank (CDB) for an amount of *three billion United States Dollars* (US$3,000,000,000.00) to finance the Infrastructure Development Projects under the Shared Growth and Development Agenda (GSGDA) was laid in the House on Thursday 25th August, 2011 by the Minister of Finance and Economic Planning, Hon. Dr. Kwabena Duffuor.

Pursuant to the Standing Orders of the House, the Agreement was referred to a Joint Committee on Finance and Poverty Reduction for consideration and report.

The Committee met and considered the Agreement with the Minister of Finance and Economic Planning, Hon. Dr. Kwabena Duffuor and his Deputies, Hon. Seth Terkper and Hon. Fifi Kwetey; Minister of Roads and Highways, Hon. Joe Kwashie Gidisu; Minister of Transport, Hon. Collins Dauda and his Deputy Hon. Aku Dzifa Attivor; Minister for Communications, Hon. Haruna Iddrisu and his Deputy Hon. Ernest Attuquaye Armah; Minister of Trade and Industry, Hon. Hannah Tetteh; Deputy Minister of Energy, Hon. Emmanuel Armah-Kofi Buah; Deputy Minister of Food and Agriculture, Hon. Nii Amasa Namoale; and officials from the Ministry of Finance and Economic Planning, Ghana Ports and Harbours Authority (GPHA), Ghana Irrigation Development Authority (GIDA), Volta Lake Transport Authority (VLTA), Ghana Railway Development Authority (GRDA), Ghana National Petroleum Company (GNPC), Ghana National Gas Company (GNGC), Bulk Oil Storage and Transportation Company (BOST) and hereby presents this report to the House pursuant to order 161(1) of the Standing Orders of the House.

1.1 APPRECIATION

The Committee wishes to express its profound gratitude to all Ministers of State, Deputy Ministers, officials and all other persons who appeared before the Committee to assist in its deliberations on the Master Facility Agreement. Their inputs were very helpful to the Committee in coming out with this report. The Committee hopes to count on their cooperation and assistance in future endeavours.

2.0 BACKGROUND

His Excellency President John Evans Atta Mills visited the Peoples Republic of China in September, 2010 at the invitation of His Excellency President Hu Jintao. During the said visit, a Framework Agreement for China Development Bank's Comprehensive Project Finance Facility for Ghana was signed to extend the coverage of bilateral economic cooperation to the mobilization of financing for Ghana's development agenda.

In April 2011, following two previous rounds of discussions with CDB in Beijing, China (January 2011) and Accra (February 2011), the Ministry of Finance and Economic Planning (MOFEP) and CDB signed an agreed "Indicative Term Sheet" subject to necessary internal approvals. This formed the substantive basis for the Master Facility Agreement. Cabinet approved the draft Term Sheet to facilitate the negotiations with CDB in April 2011. Another discussion with CDB was on a special line of credit for the development of African SMEs. With the successful negotiation and initialing in June/July 2011 of the draft Master Facility Agreement on the approved financing terms, the Agreement is now before the House for consideration and approval.

The Master Facility will involve the financing and construction, primarily of infrastructure expansion and development projects in priority sectors under the Ghana Shared Growth and Development Agenda (GSGDA).

During the negotiation sessions, the President's Task Force on the Sino-Ghana Technical and Economic Cooperation Agreements also held talks on a similar Framework Agreement signed with the China Exim Bank in September 2010, including successful discussions in April 2011 for a supplementary loan facility in the amount of US$168 million for the Bui Hydroelectric Project. Segments of the Eastern Corridor Project were also discussed.

3.0 PURPOSE OF THE LOAN

The purpose of the Facility is to obtain funds from China Development Bank (CDB) to undertake infrastructural development projects in Ghana pursuant to the Ghana Shared Growth and Development Agenda (GSGDA).

4.0 TERMS OF THE LOAN

The terms of the facility are as follows:

TOTAL FACILITY AMOUNT	:	**US$3,000,000,000.00**
TRANCHE A	:	**US$1,500,000,000.00**
Grace Period	:	**Up to 5 years**
Tenure	:	**15 years**

Interest Rate	**:**	**6 months Libor + 2.95%**
Upfront Fees	**:**	**0.25% p.a.**
Commitment Fee	**:**	**1.00% p.a.**
TRANCHE B	**:**	**US$1.5 BILLION**
Grace Period	**:**	**Up to 5 years**
Tenure	**:**	**10 years**
Interest Rate	**:**	**6 months Libor + 2.85%**
Upfront Fees	**:**	**0.25% p.a.**
Commitment Fee	**:**	**1.00% p.a.**

5.0 OBSERVATIONS AND RECOMMENDATIONS

The Committee observed that the goal of the facility is to enhance the efficiency and effectiveness of the oil and gas sector operations, value-adding industrial minerals processing ventures, and agro industrial ventures.

The Committee noted that the Master Facility will be disbursed under individual subsidiary project agreements (Subsidiary Agreements) to be signed between implementing agencies and contractors for the construction and establishment of the projects to be financed from the facility. Actual disbursements of funds will be for projects for which the Subsidiary Agreements have been approved by the Government of Ghana (GoG) through its Parliament and the China Development Bank (CDB).

It was noted that the Facility will be disbursed through two windows (i.e. Tranche A and Tranche B) and that specific disbursements under each of the Tranches will be determined project-by-project as would be spelt out in the Subsidiary Agreements.

The following projects are proposed to be financed under **Tranche A** of the Facility (Tranche A is further divided into A1 and A2):

Tranche A1: Infrastructure Renewal for Integrated Industrial Minerals Processing Ventures

(a) *Western Corridor Infrastructure Renewal Project* - Railway Components [Rehabilitation/modernization of Takoradi - Kumasi and Dunkwa - Awaso railway lines in line with Scenario 1 of EU funded feasibility study conducted by Bonifica].
Project Developer is the Ghana Railway Development Authority (GRDA). Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US$500 million)

(b) *Western Corridor Infrastructure Renewal Project* - Takoradi Port Phase 1 Retrofit/Rehabilitation.
Project Developer is the Ghana Ports and Harbours Authority (GPHA). Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US$150 million)

(c) *Sekondi Free Zone Project* – Development of onsite infrastructure and utility services for the proposed industrial minerals processing estate, including an Alumina Refinery.
Project to be implemented by a Free Zone Developer to be licensed by the Ghana Free Zone Board (GFZB) under a build-operate-transfer contract (Estimated Amount of US$100 million)

Tranche A2: Infrastructure Development for Accelerated Agricultural Modernization

(a) *Accra Plains Irrigation Project* Phase 1 covering 5000 hectares.
Project Developer is the Ghana Irrigation development Authority (GIDA). Project implementation is under a build-operate-transfer contract (Estimated Amount of US$100 million).

(b) *Coastal Fishing Harbours and Landing Sites Project* – Axim, Dixcove, Elmina, Winneba, Mumford, Senya Bereku, Jamestown, Teshie, Gomoa Fetteh, Ada, Keta, Moree.
Project Developer is the Ghana Ports and Harbours Authority (GPHA). Project implementation is under design-build contracts (Estimated Amount is US$150-250 million).

(c) Eastern Corridor Multi-modal Transportation Project – Volta Lake facilities components – upgrade of ferries/pontoons and landing sites for Kpandu/Amankwakrom, Kete Krachi-Kwadwokrom, Yeji-Makango, Tapa Abotoase, Dzemini; as well as upgrade of Akosombo and Buipe ports.

Project Developer is the Volta Lake Transport Authority (VLTA). Project implementations is under design-build-maintain contacts (Estimated Amount of US$150-500 million)

The Following projects are proposed to be financed under Tranche B (Tranche B is sub-divided into B1 and B2):

Tranche B1: Oil and Gas Sector Infrastructure Development

(a) *Western Corridor Gas Infrastructure Project* – Offshore Gathering Pipeline, Early Phase Gas Processing Plant, Onshore Trunk Pipeline including gas dispatch facility; retrofit of Tema Oil Refinery (TOR) to enable processing of natural gas liquids (NGLs); and deployment of helicopter fleet for enhanced surveillance of facilities.
Project Developer is the newly created Ghana National Gas Company Limited, and project implementation is under performance-based design-build-maintain contracts (Estimated Amount of US$850 million).

(b) *Phase 1 of the Takoradi Petroleum Terminal Project* – to be sited at Pumpuni.
Project Developer is the Bulk Oil Storage and Transportation Company Limited, with project implementation under performance-based design-build-maintain contract (Estimated Amount of US$200 million)

(c) Western Corridor "Oil Enclave" Toll Road Redevelopment Project
Project Developer is the Ghana Highways Authority. Project implementation is under a design-build-

maintain contract (Estimated Amount of US$150 million).

Tranche B2: Special Projects

(a) *Deployment of an ICT-based integrated communications platform to enhance security and surveillance* of all infrastructure and facilities in the Western Corridor "oil Enclave".
Project Developer is the National Security council. Project implementation is under a performance-based design-build-maintain contract (Estimated Amount of US$150 million)

(b) Accra Metropolitan ICT-enhanced Traffic Management Project – This includes an additional financing to enable accelerated completion of "stranded" road construction works on key congested road arteries for the metropolis, especially (i) Nsawam Road (Achimota – Ofankor segment); (ii) Dodowa Road (Tetteh Quarshie – Haatso Junction) and (iii) La Beach Road.
Project Developer is the Urban Roads Department, with project implementation under a build-operate-transfer contract. (Estimated Amount of US$150-200 million)

(c) *Small and Medium Enterprises (SMEs) Projects Incubation Facility* – Through collaboration between CDB's Special Facility for African SMEs and NTHC Ltd., a blueprint has been developed to pilot a US$100 million facility to support local capability building of Ghana SMEs involved in public-private partnerships for infrastructure development (Estimated Amount of US$100 million).

Benefits to be derived from the projects to be implemented under the facility include added value, within a relatively short period, to the nation's gas resources by harnessing and developing the resources to its fullest potential for the benefit of the country whilst avoiding the potentially damaging reinjection of gas into the Jubilee Wells beyond the beneficial phase. The Facility would also help to accelerate the implementation of projects envisaged under the Ghana Shared Growth and Development Agenda (GSGDA).

Concurrent implementation of tranches

As to whether Tranche A projects would be completed before the commencement of Tranche B, the Committee was informed that the two tranches would be implemented concurrently to ensure the desired timely impact.

Members bemoaned the history of non disbursement of approved loans on time due to project implementation difficulties and urged the Ministry of Finance and Economic Planning to put in place a feedback mechanism to periodically brief Parliament on the status of implementation of the Facility.

Repayment

Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper informed the Committee that the Facility would be repaid from petroleum revenue (ABFA) and governments own other resources. Pursuant to the repayment of the Facility, a commercial contract for the *offtake of oil* would be entered into by the national oil company (GNPC) and the Chinese Authorities.

As to whether the oil offtaker company would be separate and apart from the EPC contractors, the Committee was informed that the offtake agreement would be at the Master Facility level and would include just a few companies that are separate and apart from the EPC contractors.

Impact on Public Debt

Hon. Terkper informed the Committee that government would seek to reduce the impact of commercial projects on the public debt through an on-lending and escrow arrangement for most of the projects under the Facility. This is expected to ensure that beneficiary institutions either repay the loan or contribute to create a revolving infrastructure fund whilst government repays the loan directly from the Consolidated Fund.

Counterpart Funding

The Committee observed that the Government of Ghana (GOG's) 15% Counterpart Funding will be paid from an "Owner Contribution Account" to be established as a sub-account under a main "Collection Account" to be established at the Bank of Ghana into which GoG will deposit funds towards the repayment of the facility. It was further observed that government intends to repay the Facility from the Annual Budget Funding Amount (ABFA) in accordance with the Petroleum Revenue Management Act, 2011.

Chinese Content and Local Content

Under Clause 3 of the Master facility Agreement, a minimum of 60 percent of each of Tranche A and Tranche B facility is required to be paid to People's Republic of China (PRC) Contractors. It was explained to the Committee that this clause allows about 40% of the facility to be applied towards local content sourcing or sources other than the People's Republic of China.

Gas Infrastructure Project

Ghana discovered oil in 2007 with associated gas. According to a Deputy Minister of Energy, Hon. Armah Kofi-Buah, the gas was flared until April 2011 when an arrangement was made to reinject the gas. He revealed to the Committee that the country has an 18 month period to ensure that facilities are put in place to receive the gas.

Hon. Armah Kofi-Buah further informed the Committee that subsequent to the earlier oil discoveries, further discoveries have been made in commercial quantities of gas (non associated) in the Jubilee Field. To him, the successful utilization of the gas resources would help in cutting down the cost of powering the various thermal plants.

Activities to be undertaken under the Gas Infrastructure Project include the construction of an offshore gas gathering pipeline, early phase gas treatment plant, onshore gas trunk pipeline (Bonyere-Essiama-Takoradi-Prestea), NGLs processing retrofit of TOR and Helicopter fleet for Gas Infrastructure surveillance. The first phase of the gas infrastructure project is expected to cost between US$850 million and US$1.1 billion, out of which the Master Facility is providing US$850 million.

Additionally, the Takoradi Petroleum Terminal Project, to be sited at Pumpuni would be constructed to increase the capacity of the Bulk Oil Storage and Transportation Company (BOST) to serve the Western Corridor and to improve on the national strategic stocks.

The Committee noted the need for government to take the lead in implementing the first phase of the gas project so that the private sector could be brought on board in the second and subsequent phases. This would enable the government to be in firm control of the gas subsector and to dictate the pace of industrialization using gas.

Western Railway Line

The Western railway line begins from Takoradi – through Nsuta, Tarkwa, Dunkwa, and Bekwai – to Kumasi with a branch from Dunkwa to Awaso where bauxite is mined. It has a total length of 340 kms. The railway line is used to transport passengers and bulk cargo. The major cargo that used to be transported on the Western Railway line when the line was operational includes timber, bauxite, manganese, cocoa etc.

The Committee was informed that part of the Facility (about US$500 million) would be used to rehabilitate the railway line and the rolling stock. The Transportation Minister, Hon. Collins Dauda indicated to the Committee that the railway line would be rehabilitated in its existing narrow gauge (of 3 feet 6 inches) but with an improved speed from 56 kms/hour to 80 kms/hour and a possibility for future expansion to a standard gauge (of 4 feet 81/2 inches). Again, the wooden sleepers of the line would be replaced with concrete sleepers to ensure durability.

Some Members sought to know whether the railway line would be rehabilitated in its single-track state or would be dualised. Responding, the officials from the Ghana Railway Development Authority (GRDA) confirmed that in the short term, the line would be rehabilitated as a single-track but with improved signal and communication system.

Again, Members were concerned that even though the financial estimates of the project amounted to US$478 million, an amount of US$500 million has been allocated for the purpose. It was however clarified that the difference would be applied towards project contingencies after the actual figure is determined in the EPC Agreement.

In addition to the very important social purpose that the railway line would serve, it was noted that the project has a projected internal rate of return of 13%.

Some Members remained skeptical about the ability of the Ghana Railway Development Authority (GRDA) to negotiate acceptable commercial rates with their bulk customers since to them, the Authority has never been able to do so historically.

Takoradi Port

Activities to be undertaken at the Takoradi Port with funds from the Facility include the extension of the existing breakwaters, limited dredging from 7.5 m to 12 m and reclamation of some land from the sea. Also, a new Jetty would be constructed at a new location for bulk cargo vessels to anchor and discharge their cargo.

The Committee was assured that the port retrofitting work would be done in such a manner that it does not interfere with the normal operations of the port.

Some Hon. Members of the Committee inquired to know the status of the Boankra Inland Port and why it was not included in the projects to the funded under the Facility. To this, the Deputy Minister of Transportation, Hon. Aku Dzifa Attivor stated that the Inland Port Project is being implemented by the Ghana Shippers Authority but has not become operational because there is no functioning railway line to convey goods from the sea ports to the inland port. She revealed that a proposal for the rehabilitation of the Eastern Railway Line is currently being considered by government to help facilitate the implementation of the Boankra Inland Port.

Volta Lake Transport

The Ferries Coordinator of the Volta Lake Transport Company (VLTC) informed the Committee the VLTC currently has three long-standing ferries and three pontoons. These vessels are to be rehabilitated and provided with modern navigational systems and communication equipment. Also landing sites would be rehabilitated for Kpandu/Amankwakrom, Kete Krachi – Kwadwokrom, Yeji-Makango, Tapa Abotoase, Dzemini as well as upgrade of the Akosombo and Buipe ports.

On the status of implementation of the project to uproot tree stumps from the Volta Lake, the Committee was informed that the project commenced in earnest but had to be put on hold along the line due to lack of funds.

Communications

As part of the facility, an oil enclave monitoring and surveillance ICT platform would be established to help protect the oil and other marine resources in the enclave. All security agencies would be linked to this platform to help detect and combat crime in the oil enclave in particular and in the country generally. The project is likely to be implemented on turn-key basis by Huawei Technologies Incorporated of China.

The Minister for Communications, Hon. Haruna Iddrisu explained to the Committee that even though project would be implemented by the National Security, it will be implemented in firm collaboration with the Ministry of Communications in general and National Information Technology Authority (NITA) in particular.

The project, when implemented, would help to monitor and protect key installations, facilities and resources at the oil enclave including fibre optic facilities that are being arranged to be laid at the enclave by private sector operators from Norway.

Hon. Members of the Committee suggested to the National Security and the Ministry of Communications to seek an in-depth input of the Ghana National Petroleum Corporation (GNPC) since GNPC currently holds a lot of data on locations, facilities, potentials and other technicalities of the oil fields which would require surveillance and protection.

Roads

To ensure a speedy rehabilitation of road infrastructure for accelerated development of the country, several roads have been proposed for rehabilitation under the facility. These include *oil enclave roads*: comprising Sanko Junction – Cape Three Points; Agona Nkwanta – Dixcove; Busuta Junction – Busuta among others as well as *other roads* comprising mainly of stranded road projects such as Achimota Ofankor; Tetteh Quashie – Haatso Junction; and La-Teshie Beach Road.

Another aspect of the road infrastructure projects is the ICT for traffic management in Accra which will synchronise traffic flow and traffic information systems in the capital. The system would provide real-time information to guide drivers on the status of traffic on the various roads, especially during peak hours.

In connection with the road infrastructure projects, Deputy Minister of Finance and Economic Planning, Hon. Seth Terpker informed the Committee that an *emergency facility* is being negotiated with the World Bank group to enable critical projects such as the Sofoline project, Asankragua road, and Nsawam-Apedwa By-pass to be taken off government budget.

The Committee was further informed that the US$1.8 billion loan from CBRD is no more being pursued due to technical challenges. Therefore, some of the road projects that were slated under that facility have been included for construction under this CDB Master Facility.

Food and Agriculture Projects

Food and Agriculture projects to be undertaken under the Facility include the Accra Plains Irrigation Project, construction of landing sites and coastal fishing harbours.

Deputy Minister of Food and Agriculture, Hon. Nii Amasa Namoale informed the Committee that the amount of US$100 million earmarked for the Accra Plains Irrigation Project would be used to irrigate 11,000 hectares instead of the earlier stated 5,000 hectares due to change in technology from "pumping" to "gravity". The project which is being undertaken under a build-operate-transfer arrangement would have a lifespan of 30 years but would be transferred to government after 15 years. Thus upon the transfer, the project would still have 15 years to run.

Some Members wondered why the Asutuare Sugar Factory has not been included in the projects to be funded from the Facility. To this, Hon. Namoale informed the Committee that the factory has been transferred to the Ministry of Food and Agriculture (MOFA) and that the field of 1800 hectares is now under rice cultivation.

Another Food and Agriculture project to be undertaken under the Facility is the redevelopment of coastal landing sites and fishing harbours at Axim, Dixcove, Elmina, Winneba, Mumford, Senya Bereku, Jamestown, Teshie, Gomoa Fetteh, Ada, Keta, Moree.

As to what happened to the coastal landing sites projects that were commenced by the previous administration, the Committee was informed that these are the same projects that have been listed for funding under the Facility since hitherto funds have not been available to execute the projects.

The Committee recommended the inclusion of Abuasi in the Shama District and Ekumfi Otuam in the Mfantsiman Municipality in the landing sites redevelopment project.

Sekondi Free Zone Project

Under the Master Facility, on-site and off-site infrastructure are to be provided to implement the Sekondi Free Zone project. The Sekondi Free Zone is meant to be an industrial minerals processing estate, including an alumina refinery. Off-site infrastructure to be provided include main road, drainage, water supply systems, waste water disposal, supply and installation of electrical power transformers, telecommunication facilities and railway logistics terminal. On-site infrastructure includes main road, site drainage, water supply system, waste disposal system, supply and installation of electrical power and transformers, fencing and security systems.

The Committee noted that currently there is one free zone project which is fully developed and operational; thus the Tema Export Processing Zone. The Sekondi free zone is to be developed to host petrochemical and alumina refinery industries which would mostly export their products. In all, the zone would cover about 2,512 acres of land.

It was observed that even though the Sekondi Free Zone was gazetted about eleven years ago, it has yet to be developed due to financial constraints. Compensation payment for the land is also yet to be made.

Members advised the Ministry of Trade and Industry (MOTI) and the Free Zones Board (FZB) to hold continual dialogue with the chiefs and people of the project-affected area to ensure smooth implementation of the project.

Members of the Committee who are familiar with the project revealed that some of the lands earmarked for the project have been encroached upon by developers. They also sought to know whether there are plans to relocate communities in the project area.

The Minister for Trade and Industry, Hon. Hannah Tetteh confirmed to the Committee that indeed, some of the lands meant for the project have been encroached upon and that the encroachment has affected an estimated 200 acres. She explained that discussions between her Ministry and the Chiefs of the project area resulted in a decision to resurvey the project land with the view to taking out the parts that have already been developed by the people. She was confident that in the minimum, 2,000 acres would be available for the implementation of the project. The Minister also confirmed that there are plans to relocate the communities within the project area but added that they would be resettled not too far from the project area to ensure minimal disruption to their livelihoods.

As to whether the Shama Free Zone project has been abandoned, the Trade and Industry Minister explained that that project is still under consideration by government for future development.

The Committee recommended that the development of the Sekondi Free Zone project should take on-board lessons learnt from the Tema Zone in order to develop appropriate drainage, water supply and electricity systems to avert problems such as occasional flooding and power outages.

SME Projects Incubation Facility

A special facility of US$100 million from the Chinese Government under the management of CDB has been included in the MFA to support Small and Medium Enterprises (SMEs) in Ghana. The facility would be underwritten by the Government of Ghana and on-lent to the National Trust Holding Company (NTHC) for on-ward lending to SMEs either directly or through intermediary financial institutions such as the Micro-finance and Small Loans Center (MASLOC).

Some Members of the Committee bemoaned the poor rate of recovery of loans granted by government to businesses and individuals and wondered whether this facility would also not suffer the same fate. Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper however assured the Committee that government will explore the use of the guarantee method (collateral, insurance, and other guarantees) to ensure recovery of the funds.

Members advocated a serious and effective coordination of the various fragmented credit facilities available for lending to SMEs to ensure the desired impact and to avoid duplication of resources.

Some Members expressed grave concern about the choice of NTHC as the project implementer and requested that government takes a second look at the kind of license the company holds, its

capital base, the kind of business they are capable of doing and their track record of managing government funds.
The Committee recommended that other financial institutions be brought on board in the management of the facility.

House to approve Subsidiary Agreements

The Committee demanded that all Subsidiary Agreements emanating from the Master Facility Agreement should be brought to Parliament for consideration and approval.

Funding for BOT Projects

Some Honourable Members of the Committee expressed concern about the fact that a loan is being procured for build-operate-transfer investors to execute some of the projects. In their opinion, such investors should be applying their own funds to such projects. Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper however explained that even though government is convinced of the viability of some critical projects, investors have been reluctant to invest in those areas, and hence as a pilot, government is funding the projects with sound recovery mechanisms so as to convince and attract more investors into viable road and other infrastructure projects in the country. The Deputy Minister assured that recovery would be vigorously pursued to ensure that the impact of the projects on public debt is reduced to the barest minimum.

Approval of the Entire Amount

Some Members of the Committee were of the opinion that since each individual project would have to be approved under a separate Subsidiary Agreement, it would be more reasonable to approve those specific project agreements individually, and not the umbrella amount of US$3 billion. The Minister of Finance and Economic Planning, Hon. Dr. Kwabena Duffuor however explained that such bit-by-bit approval by the Board of CDB would delay the implementation of the projects. It would also require that the Board of CDB has to sit again and again to approve each loan, thus making the whole process unnecessarily cumbersome and fraught with uncertainty. The approval of the Master Facility Agreement would however facilitate easy access by government to the Facility.

Tax Gross-up

In accordance with Clause 12.1 of the Agreement, "all payments to be made by the Borrower to the Lender under the Finance Documents shall be made free and clear of and without any Tax Deduction unless the Borrower is required to make a Tax Deduction, in which case the sum payable by the Borrower (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that the Lender receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made."

Waiver of Stamp Duty

Clause 12.1.1 further requires the Government of Ghana (Borrower) to "pay or procure a waiver of all stamp duty, registration and other similar Taxes payable in respect of any Finance Document".

Parliamentary Decision Requested

In the Memorandum submitted by the Minister of Finance and Economic Planning to Parliament, the Minister had requested Parliament to give approval to four (4) different requests.

Firstly, the Minister had requested Parliament to consider and approve for signing by Government, the Master Facility Agreement (MFA) for a US$3.0 billion term loan facility between the Government of Ghana and the China Development Bank (paragraph 1.1 at page 2of 12 of the Minister's Memo to Parliament).

Secondly, the Minister had also requested Parliament to approve the use of relevant Annual Budget Funding Amount (ABFA) to support repayment of the Facility, under the escrow mechanism agreed with CDB (paragraph 1.2 at page 2 of12 of the Minister's Memo to Parliament).

The Minister further requested Parliament to approve government's proposal to on-lend the proceeds of the financing to relevant governmental agencies that would be responsible for implementing the projects (paragraph 1.3 at page 2 of 12 of the Minister's Memo to Parliament).

The Fourth and final request was for Parliament to approve government's proposal to earmark up to forty percent (40%) of the financing for disbursements under subsidiary project agreements (Subsidiary Agreements) to ensure that government can access the best technology and expertise available to develop the projects (paragraph 1.4 at page 2 of 12 of the Minister's Memo to Parliament).

Out of these four requests, the Committee reached consensus on three. Consensus was reached on requests 1.2, 1.3, and 1.4. On the request for Parliament to approve the use of the Annual Budget Funding Amount (ABFA), the Committee agreed that the modalities have been spelt out in the Petroleum Revenue Management Act, 2011 (Act 815) which sufficiently empowers the government to use the ABFA to support the budget. The Committee therefore agreed that such request was not necessary since Act 815 deals sufficiently with the matter. The Committee is therefore of the view that the request is not necessary and should not be considered at this time.

On request 1.3 asking Parliament to approve the on-lending of the proceeds of the Facility, the Committee agreed that even though the principle of on-lending is good, it's terms are not yet available and so the request is deemed premature. The Committee therefore recommends to the House to consider the request redundant at this time.

The request asking Parliament to approve the earmarking of forty percent (40%) of the financing for disbursements under Subsidiary Agreements (SAs) to enable government to access the best technology and expertise available was similarly deemed premature since such Subsidiary Agreements are not yet available and even when they become available later, they would still be required to be laid before Parliament for consideration and approval. The Committee therefore recommends to the House to consider the request redundant at this time.

Inability to reach consensus

Majority of the Members of the Committee agreed that request 1.1 asking the House to approve the Master Facility Agreement was in order and therefore the Committee should recommend it to the House for approval. However, the minority disagreed with that opinion.

Honourable Members of the Committee were of the opinion that the projects earmarked for funding under the Facility are critical to the nation's development, especially the gas infrastructure development.

The Majority therefore opined that approval must be given to enable the various Subsidiary Agreements to be negotiated and presented to the House for approval. Again, they suggested that since the terms of the agreement were not in question, approval should be given in accordance with article 181 of the 1992 Constitution.

The Dissenting minority however argued that since the definition of "Facility Agreement" includes Subsidiary Agreements, approval of the Facility Agreement would necessarily imply the approval of the Subsidiary Agreements which are not yet known. They were also of the opinion that the approval of the MFA is inextricably linked with the approval of the other requests and therefore it would be improper to approve the MFA without seeing the relevant Subsidiary Agreements. They suggested that the CDB should be given only a "Letter of Comfort", otherwise the Agreement should rather be treated as a Memorandum of Understanding (MOU) and be approved to give government the green light to negotiate the Subsidiary Agreements and bring them back for approval in that context so that it does not constitute a binding contract.

6.0 CONCLUSION

Upon critical examination of the Master Facility Agreement, the Committee, *by majority decision*, finds that the Facility would contribute to provide a comprehensive and accelerated infrastructural development across the country.

The Committee therefore, *by majority decision*, recommends to the House to adopt this report and approve *by resolution* for signing by Government, the **Master Facility Agreement (MFA)** for a *three billion United States Dollars* (US$3,000,000,000.00) Term Loan Facility between the **Government of the Republic of Ghana** and the **China Development Bank (CDB)** to finance agreed **Infrastructure Development Projects under the Ghana Shared Growth and Development Agenda (GSGDA)** in accordance with article 181 of the 1992 Constitution and sections 3 and 7 of the Loans Act, 1970 (Act 335).

Respectfully submitted.

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HON. JAMES KLUTSE AVEDZI	**PEACE A. FIAWOYIFE (MS.)**
CHAIRMAN	**CLERK**
FINANCE COMMITTEE	**FINANCE COMMITTEE**
....	....
HON. IMORO K. YAKUBU	**JOANA A. S. ADJEI**
VICE CHAIRMAN, COMMITTEE	**CLERK, COMMITTEE**
ON POVERTY REDUCTION	**ON POVERTY REDUCTION**
STRATEGY	**STRATEGY**

25TH AUGUST, 2011