

**REPORT OF THE JOINT COMMITTEE ON
FINANCE AND ROADS AND TRANSPORT ON
THE SUBSIDIARY AGREEMENT BETWEEN
THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND CHINA DEVELOPMENT BANK
CORPORATION FOR AN AMOUNT OF US\$100
MILLION TO FINANCE THE WESTERN
CORRIDOR OIL ENCLAVE TOLL ROADS
PROJECT**

1.0 INTRODUCTION

The Subsidiary Agreement between the Republic of Ghana and the China Development Bank Corporation for an amount of US\$100,000,000.00 to finance the Western Corridor Oil Enclave Toll Roads Project under the Master Facility Agreement between the Republic of Ghana and the China Development Bank Corporation was laid in the House on Wednesday 16th May, 2012 and referred to a Joint Committee on Finance and Roads and Transport for consideration and report in accordance with articles 103 and 181 of the Constitution and the Standing Orders of the House.

The Committee met and considered the Agreement with the Minister for Roads and Highways, Hon. Joe Gidisu, Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, and technical teams from the Ministries of Finance & Economic Planning and Roads and Highways and hereby presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

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 was presented to the House for consideration and approval.

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

Hon. Members would recall that Parliament on 26th August 2011 approved the US\$3.0 billion Master Facility Agreement (MFA) between the Government of Ghana and the China Development Bank. This Master Facility Agreement was signed by Ghana's Ambassador to the People's Republic of China with a Power of Attorney, in compliance with the provisions of Section 4 of the Loans Act, 1970 (Act 335).

The executed Master Facility Agreement necessitated some amendments in the form of an 'Addendum' which was approved by the House on 21st February, 2012.

3.0 PURPOSE OF THE AGREEMENT

The purpose of the Master Facility Agreement is to obtain funds in the sum of US\$3.0 Billion from China Development Bank (CDB) to undertake infrastructural development projects in Ghana pursuant to the Ghana Shared Growth and Development Agenda (GSGDA).

The objective of this Subsidiary Agreement is to draw-down an amount of US\$100 million from the Master Facility to implement the Western Corridor Oil Enclave Toll Roads Project.

4.0 TERMS OF THE FACILITY

The US\$100 million facility for the Western Corridor Oil Enclave Toll Roads Project is under **Tranche B** of the **Master Facility Agreement** as already approved by Parliament with the following terms:

TOTAL MASTER FACILITY AMOUNT	:	US\$3,000,000,000.00
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%
Commitment Fees	:	1% p.a. on undrawn balance

5.0 PROJECT DESCRIPTION

The Project comprises the complete reconstruction of three (3) roads in the Western Region of Ghana. The three roads to be reconstructed are as follows:

- a. Mpataba – Half Assini – New Town road (71 kms)
- b. Alabokazo – Atuabo – Tikobo No.1 road (35.7 kms)
- c. Yebikrom – Pumpuni road (6kms)

The total length of these roads is 112.7 kilometers

The **Mpataba-Half Assini-New Town Road** is situated in the coastal area of the Western Region in Ghana. The road which connects the national Route N1 of Ghana starts from Mpataba and goes through Bonyere, Ahobre, Half Assini and terminates at New Town, a town located on Ghana's border with La Cote d'Ivoire. The length of the road is approximately 71 km. This road comprises two distinct sections. The first section is the Mpataba-Ahobre-Ekpu stretch (approximately 38.2km) and the second section is the Ekpu-New Town stretch, including a branch road by name Gyawue Junction to Jewi Wharf (32.8 km). Both sections will be reconstructed as two-lane single carriageways.

The **Alabokazo-Atuabo-Tikobo No. 1 Road** is a regional road stretching on a distance of 35.7km long. It goes through a lot of towns and villages such as Bakanta, Betu, Kanga and Twenene. The road also connects the major towns on Agona Junction-Elubo road (National Route N1) to Atuabo, Tikobo No. 1 and other major settlements.

The **Yebikrom-Pumpuni Road** is approximately 6 km. It stretches from Yebikrom near Takoradi to Pumpuni where a Gas storage facility is to be built by the Ghana National Gas Company. It will be reconstructed from the current width of 5.7 meters to the standard width of 11.3 meters to accommodate increased vehicular traffic demands anticipated from the development of Gas Infrastructure at Pumpuni.

6.0 OBSERVATIONS

The Committee observed that one of the conditions of the Master Facility Agreement was that each of the emanating Subsidiary Agreements should be presented to Parliament for consideration and approval.

It was noted that the US\$3.0 billion Master Facility approved by the House would be disbursed through two windows (i.e. Tranche A and Tranche B) and that specific disbursements under each of the Tranches would be determined project-by-project as spelt out in separate Subsidiary Agreements.

The Committee also noted that the US\$100 million Subsidiary Agreement currently under consideration is a Tranche B facility.

The Committee noted that in principle, **Tranche A** of the Master Facility has a Grace Period of **indicative 5 years** whilst Tranche B has an **indicative 3 years** Grace Period.

The Committee further noted that *Finance Documents* which are required to be approved under the Master Facility Agreement include the Offtaker Agreement, the Security Document being the Charge over Accounts Agreement, the Accounts Agreement and the Five Party Agreement. These have already been approved by the Honourable House.

Activities to be undertaken under the Western Corridor Oil Enclave Toll Roads Project include

- Site clearance, including the removal of part of existing road pavement layers and drainage structures, and the clearance of roadside vegetation
- Accommodation of public traffic and pedestrian passing through or around the construction works
- Earthworks
- Construction of Box Culverts, Pipe Culverts, Concrete Channels and other roadside drainage facilities

- Construction of two (2) reinforced concrete bridges each of span between 35m and 50m
- Construction of pavement layers (gravel subbase and crushed stone base course), improved Subgrade and Asphaltic Concrete Surfacing
- Construction of roadside kerbs and footpaths
- Provision of comprehensive traffic safety improvement measures such as installation of road signs and guardrails, provision of thermoplastic road marking with acoustic edge lines, speed calming measures (rumble strips, speed humps), traffic islands, bus bays and standard and individually designed junctions.

It was observed that the reconstruction of the project roads would provide an improved, efficient and reliable connectivity between the Sea Port at Takoradi and locations designated for construction of Gas processing and storage Facilities to help facilitate the smooth transportation of equipment meant for these Facilities from the Port. The project will further enhance access to socio-economic facilities such as schools, markets, hospitals and beaches.

Some Honourable Members expressed concern about the intended use of asphaltic concrete surfacing for two (2) of the project roads near Mpataba given that the project area lies at the extreme lower course of various rivers where the underlying soil strata are generally compressible under heavy vehicular load.

They were of the opinion that the bituminous surfacing adopted should not develop cracks when the road under vehicular load responds to the settlement pattern of the underlying weak soil strata.

The Committee, in view of these sentiments, recommended to the Ghana Highway Authority (GHA) to be advised accordingly in concluding the final contract with the EPC Contractor.

Some Members were also concerned that vehicular traffic census conducted on the road and shown in the feasibility study for the project included zero (0) counts for heavy axle load vehicles. To them, this was a problematic situation since the roads being constructed are primarily to serve the oil and gas industry in the area which would necessarily come with movement of heavy axle load traffic. Again, they expressed the opinion that there would be 'induced' and 'diverted traffic' to these roads once they are completed and therefore advised that significant axle load traffic should be factored into the final designs of the roads.

The Acting Chief Executive Officer of the Ghana Highway Authority in response informed the Committee that the Design-Build Contractor would be provided with the Employer's specifications that take these factors into account to ensure that the final designs are appropriate.

The Committee noted that the Government of Ghana intends to employ Synohydro Construction Ltd as the EPC Contractor under a Design-Build arrangement. Members were emphatic that in the light of recent Supreme Court rulings, the Agreement between Government and Synohydro (and all such international agreements under the CDB Facility) should be laid before Parliament for consideration and approval in accordance with article 181(5) of the 1992 Constitution.

As to what the role of China Road and Bridge company was in the project, the Committee was informed that China Road and Bridge does not have any role in the project except that the GHA consulted some maps that had been drawn by that company in conducting the preliminary study of the project.

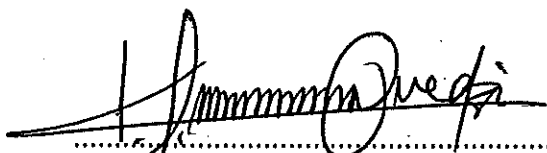
The Committee noted that the project cost estimates submitted by the Ministry of Roads and Highways included 15%

contingency and price escalation provision which erroneously shot up the estimates. The Committee therefore requested the Ministry of Roads and Highways to disaggregate the estimates and submit same to the Committee. This request has since been complied with and the resulting disaggregated estimates attached to this report as APPENDIX 1.

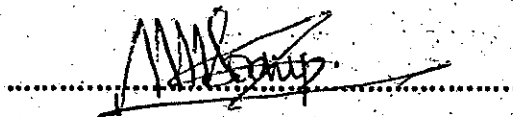
As to how long the project would take to complete, the Committee was informed that construction is scheduled to commence in September, 2012 and be completed in January 2015.

7.0 CONCLUSION

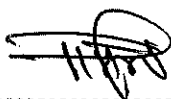
The Committee, after careful consideration, respectfully recommends to the House to approve by Resolution, the **Subsidiary Agreement** between the **Government of the Republic of Ghana** and **China Development Bank Corporation (CDB)** for an amount of *one hundred million United States Dollars (US\$100,000,000.00)* to finance the **Western Corridor Oil Enclave Toll Roads Project** under the Master Facility Agreement between the Republic of Ghana and the China Development Bank Corporation in accordance with article 181 of the Constitution, Sections 3 and 7 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House. Respectfully submitted.



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HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE



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HON. M.C. BOAMPONG
CHAIRMAN, COMMITTEE
ON ROADS & TRANSPORT



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PEACE A. FIAWOYIFE (MS.)
CLERK, FINANCE COMMITTEE



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SAMUEL D. ADDEI
CLERK, COMMITTEE
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8TH JUNE, 2012

APPENDIX 1

RECONSTRUCTION OF OIL ENCLAVE ROADS IN THE WESTERN REGION OF GHANA

SUMMARY OF PROJECT COST

Road	Cost (US\$, million)			Cost/km		Remarks
	Civil works	Contingency (15%)	Total	Total	(Civil Works only)	
Mpataba-Hali Assini-Newtown	84.79	12.71	97.50	1.37	1.19	
Alabokazo-Atuabo- Tikobo No 1	54.09	8.10	62.19	1.74	1.51	Civil works include construction of two (2) new major bridges
Yebikrom-Pumpuni	11.56	1.75	13.31	2.2	1.93	Major drainage structures to be provided in major settlements along the road
Consultancy Services for Construction supervision			3.0			
TOTAL			176.0			