

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

**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\$500
MILLION TO FINANCE THE WESTERN
CORRIDOR INFRASTRUCTURE RENEWAL –
RAILWAY LINE REDEVELOPMENT PROJECT
UNDER THE MASTER FACILITY AGREEMENT
FOR US\$3.0 BILLION BETWEEN THE
GOVERNMENT OF GHANA AND THE CHINA
DEVELOPMENT BANK CORPORATION**

1.0 INTRODUCTION

The Subsidiary Agreement between the Government of the Republic of Ghana and the China Development Bank Corporation for an amount of US\$500 million to finance the Western Corridor Infrastructure Renewal – **Railway Line Redevelopment Project** under the Master Facility Agreement between the Republic of Ghana and the China Development Bank Corporation was laid in the House on Friday 9th March, **2012** and referred to a Joint Committee on Finance and Roads and Transport for consideration and report in accordance with article 181 of the Constitution and the Standing Orders of the House.

The Committee met and considered the Agreement with the Minister of Finance and Economic Planning, Hon. Dr. Kwabena

Duffuor and his Deputy Hon. Seth Terkper, Minister of Roads and Highways, Hon. Joe Gidisu, Minister of Transport, Hon. Collins Dauda and his Deputy Hon. Aku Dzifa Attivor, Deputy Minister of Food and Agriculture, Hon. Nii Amasa Namole and technical teams from the Ministries of Finance & Economic Planning, Roads and Highways, Transport and Food and Agriculture 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 People's 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\$500 million from the Master Facility to implement the Western Corridor Infrastructure Renewal – Railway Line Redevelopment Project.

4.0 TERMS OF THE FACILITY

The US\$500 million facility for the Railway Line Redevelopment Project is under **Tranche A** 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 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% flat
Commitment Fee	:	1.00% p.a. on undrawn balance

5.0 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 would be spelt out in separate Subsidiary Agreements.

The Committee also noted that the US\$500 million Subsidiary Agreement currently under consideration is a Tranche **A** facility.

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 Railway Redevelopment Project is intended to arrest the deterioration of the Western line and enable it to operate safely, at the earliest possible time to service the needs of its main users, the bauxite and manganese mines along the route.

The Project consists of a package of measures to redevelop the line to accommodate a higher maximum speed and axle weight combination, ruling gradient of 1% average (1.25 max), new 'dual gauge' concrete sleepers to facilitate later conversion to standard gauge.

The overall objective of the Project is to develop the 340km Western Railway Line (Takoradi-Dunkwa, Dunkwa-Awaso and Dunkwa-Kumasi) to achieve a design speed of 120/80km/hr, 50kg/m rail type (to carry 21 tons axle load), comprising pre-stressed dual gauge concrete sleepers including all necessary structures, rehabilitation, strengthening and widening of existing bridges and culverts, rehabilitation/reconstruction of 38 stations, construction of new signaling system and construction of power supply systems and electrical installation.

Government of Ghana is expected to make contribution to the project to ensure a debt/equity ratio of 85:15 as envisaged under the Master Facility Agreement. The total cost of the Railway Redevelopment Project is estimated at US\$588 million, with the CDB providing US\$500 million whilst the Government of Ghana provides the remaining US\$88 million.

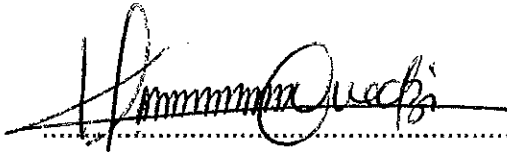
The Committee observed that as part of the repayment arrangement of the facility, a crude oil Offtake Agreement has been approved by the House to be entered between the Republic of Ghana, represented by the Ghana National Petroleum Corporation (GNPC) and an Offtaker (UNIPPEC Asia Company Limited) nominated by the Lender for the sale and purchase of Ghana's Crude oil.

6.0 CONCLUSION

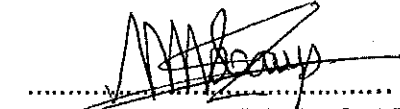
The Committee, after careful deliberation, respectfully recommends to the House to approve by Resolution, the **Subsidiary Agreement** between the **Government of the Republic of Ghana** and **China Development Bank Corporation (CDB)** for an amount of *five hundred million United States Dollars (US\$500,000,000.00)* to finance the **Western Corridor Infrastructure Renewal – Railway Line Redevelopment 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 ADDEI
CLERK, COMMITTEE
ON ROADS & TRANSPORT

19TH MARCH, 2012.

APPENDIX 'A'

Project Cost Details

Description	Unit	Unit price (US\$)	Quantities					Amount (US\$million)				
			Takoradi-Kumasi	Dunkwa-Awaso	Takoradi-Kumasi	Dunkwa-Awaso	Takoradi-Kumasi-Awaso					
RAIL EQUIPMENT – RAIL(50 UIC)	km	47,444.50	564	160	26.76	7.59	34.35					
RAIL EQUIPMENT - SLEEPERS	n.	68.50	470,000	133,333	32.20	9.13	41.33					
RAIL EQUIPMENT FASTENING	n.	16.44	1,880,000	533,333	30.91	8.77	39.68					
BALLAST	cu.m	27.40	620,400	176,000	17.00	4.82	21.82					
LAND ACQUISITION	sqkm	30,000.00	50	16.67	1.50	0.50	2.00					
EARTHWORKS – CUT (0-5m)	km	411,000.00	82	19.7	33.70	8.10	41.80					
EARTHWORKS – CUT (<5m)	km	719,250.00	33.6	7.2	24.17	5.18	29.35					
EARTHWORKS – FILL (0-3m)	km	602,800.00	124.2	39.4	74.87	23.75	98.62					
EARTHWORKS – FILL (<3m)	km	1,183,680.00	23	5.9	27.22	6.98	34.21					
TUNNELS	km	16,714,000.00	1	0.2	16.71	3.34	20.06					
BRIDGE/VIADUCT	km	7,398,000.00	2.4	0.8	17.76	5.92	23.62					
PLANT SIGNALING AND TELECOMMUNICATIONS	km	13,801.38	266.8	73.2	3.68	1.01	4.69					
MAIN RAILWAY STATION	n.	2,161,216.10	5	2	10.81	4.32	15.13					
SECONDARY RAILWAY STATION	n.	1,620,912.08	5	0	8.10	0.00	8.10					
INTERMEDIATE STATION	n.	1,080,608.05	22	4	23.77	4.32	28.10					
CULVERT	n.	16,440.00	838	180	13.78	2.96	16.74					
LEVEL CROSSING	n.	20,550.00	45	40	0.92	0.82	1.75					
NEW UNDERPASS	n.	41,100.00	24	7	0.99	0.29	1.27					

Project Cost Details

Description	Unit	Unit price (US\$)	Quantities		Amount(US\$million)		
			Takoradi-Kumasi	Dunkwa-Awaso	Takoradi-Kumasi	Dunkwa-Awaso	Takoradi-Kumasi-Dunkwa-Awaso
NEW OVERPASS	n.	164,400.00	16	5	2.63	0.82	3.45
TOTAL AMOUNT ROUTE	US\$million						466.07
REHABILITATION OF ROLLING STOCK							41.00
CONSULTANCY							45.64
CONTINGENCY							35.29
TOTAL PROJECT COST							588.00
TOTAL KILOMETER ROUTE	km				266.2	73.2	339.4
MEAN INCIDENCE PER KILOMETER	US\$million				1.37	1.34	1.37