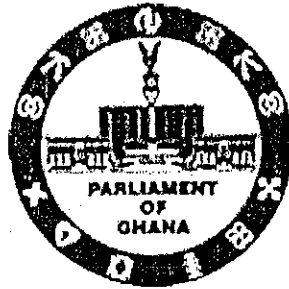


IN THE THIRD SESSION OF THE EIGHTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA



**REPORT OF THE FINANCE COMMITTEE ON THE ADDITIONAL
FINANCING AGREEMENT BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY
OF FINANCE) AND THE INTERNATIONAL DEVELOPMENT
ASSOCIATION (IDA) OF THE WORLD BANK GROUP FOR AN
AMOUNT OF ONE HUNDRED AND FIFTY MILLION UNITED
STATES DOLLARS (US\$150,000,000.00) TO FINANCE THE
ONGOING GREATER ACCRA RESILIENT AND INTEGRATED
DEVELOPMENT (GARID) PROJECT**

1.0 INTRODUCTION

The Additional Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) of the World Bank Group for an amount of One Hundred and Fifty Million United States Dollars (US\$150,000,000.00) to finance the Greater Accra Resilient and Integrated Development (GARID) Project was presented to the House on Monday 4th December, 2023 in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Pursuant to Article 103 of the Constitution and Orders 169 and 171(1) of the Standing Orders of the House, the Agreement was referred to the Finance Committee for consideration and report.

The Committee subsequently presented a report to the House pursuant to the Standing Orders of Parliament.

Following a debate on the Report, Members raised concerns about the status of the project and the utilisation of funds already approved for the project. The Second Deputy Speaker, having regards to the concerns of the House directed the Finance Committee and the Leadership of the Committee on Works and Housing to re-examine the referral and report to the House.

The Finance Committee and the Leadership of the Committee on Works and Housing subsequently met and re-considered the Agreement with the Hon. Minister for Works and Housing, Mr. Kojo Opong Nkrumah, the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare and officials from the Ministries of Finance and Works and Housing. The Committee hereby presents this report to the House pursuant to Oder 161(1) of the Standing Orders.

2.0 REFERENCES

The Committee referred to and was guided by the following documents inter alia during its deliberations on the Agreement:

- i. The 1992 Constitution of the Republic of Ghana
- ii. The Standing Orders of the Parliament of Ghana
- iii. The Public Financial Management Act, 2016 (Act 921)
- iv. Report of the Finance Committee

3.0 BACKGROUND

In the aftermath of the June 3, 2015 floods, there was renewed commitment by Government and all key Stakeholders to prioritize issues that are crucial for resilient urban development and flood mitigation. The commitment to reduce the vulnerability of people, livelihoods, property and the economy at large to flood-related risks led to the development of the Greater Accra Spatial Development Framework (2017-2037) and the City Strength Diagnosis (2017). These documents provided a clear strategic direction for resilient urban development within the Greater Accra Region (GAR).

The flooding in GAR is usually severe along the Odaw River Basin due to the impact of Climate Change, poor solid waste management, informal settlements and low income communities along the banks of the Odaw River. The flooding situation along the Odaw River Basin is further exacerbated by Weak Integrated Planning and Coordination among Metropolitan, Municipal, and District Assemblies (MMDAs) in the project area.

To address these challenges, the government of Ghana among other interventions initiated the GARID Project in 2020 with a financing of US\$200 million from the Bank. However, in the heat of the COVID-19 pandemic, an amount of US\$65 million was reallocated to finance COVID related expenses. Additionally, the original financing does not include compensation for affected persons. This additional financing has therefore become necessary to reinsure the US\$65 million and to make funds available for the payment of compensation to affected person.

4.0 JUSTIFICATION FOR GOVERNMENT'S ACTION

The GARID project is in line with Government's vision of improving flood risk and solid waste management in the GAR. The flooding events in the past decades have led to the loss of hundreds of lives and caused major damage to properties and livelihoods. The project will mitigate the impact of floods on families, businesses and offices located in flood prone areas along the Odaw channel in Accra, thereby enhancing economic and social development of the area.

The Solid waste management, which has been a major sanitation hurdle for Government, will be improved under the project. About 500,000 people from low- income communities will benefit from solid waste collection and final disposal capacity improvements.

The indiscriminate dumping of refuse and the plastic waste menace will also be controlled resulting in the reduction of solid waste that ends up in the ocean. However, following the reallocation of the part of the funds to support the management of the COVID-19 pandemic and the need to pay compensation to affected persons there is the need to reimburse the project and to make additional funds available for the payment of compensation to allow for the commencement some essential components of the project.

5.0 PROJECT OVERVIEW

5.1. Status of Original Financing

The original financing for the GARID project has been disbursed and commitments amounting to US\$177 million (including US\$65 million used for COVID-19 related expenses) made on a number of projects as at August 2023 including:

Component 1: Climate Resilient Drainage and Flood Mitigation Measures (US\$92m)

- This component is led by the Ministry of Works and Housing (MWH) and aims at developing sustainable capacity for flood risk management and mitigating the flood risk within the Odaw River Basin. Activities to be carried out include dredging and re-engineering of the Odaw channel and selected tributaries, construction of detention ponds as well as developing the capacity of agencies involved in hydro- meteorology (Ghana Hydrological Authority and the Ghana Meteorological Agency) in order to provide effective early flood warning and response in the country. The status of projects under this component include:

- i. A US\$14.2m contract for the dredging of the Odaw river was signed in September 2022. However, actual commencement of works is pending the completion and implementation of the Resettlement Action Plan (RAP) and finalization of the Environmental Social Impact Assessment (ESIA) and Environmental Social Management Plan (ESMP);
- ii. The contract for the repair works on the Achimota-Abofu damaged section of the Odaw channel has been signed for an amount of GH¢ 133.6m for completion in 12 months;
- iii. The contract for the reconstruction of the Nima-Paloma drain has been signed for an amount of GH¢110.5m for completion in 18 Months with another 12 months for defects liability period. Both contracts totaling GH¢244.02m (US\$22.18m) were expected to commence by October 2023 after the

- completion and implementation of the RAPs for the respective interventions;
- iv. The bidding for the two lots for reconstruction of Kaneshie drains are ongoing, contracts were expected to be signed by end of November 2023;
 - v. Procured and installed different types of equipment for the principal participating agencies - Ghana Meteorological Agency (GMet), Ghana Hydrological Authority (GHyA), and the National Disaster Management Organisation (NADMO). The equipment procured and installed so far amounts to a total of GH¢34.6m. They are as follows:
 - a. Procurement of Hydromet Equipment for GHyA and Automatic Weather Stations and Meteorological Equipment for GMet (GH¢1.1m);
 - b. Procurement of Ultrasonic Water Level Sensors and Hydrological Station (GH¢12m);
 - c. Procurement of Staff Gauge, Plates, Generator and Power Drill for GHyA (GH¢0.6m); and
 - d. Procurement of 4 No. computers, 4 No. Servers and a data storage for implementation of the FEWS. (GH¢20.8m).
 - vi. Received bids for the procurement of X-band radar, which are being evaluated presently.

Component 2: Solid Waste Management Capacity Improvements (US\$42.2m) - This component is led by the Ministry of Sanitation and Water Resources (MSWR) and aims at decreasing flood impacts by reducing the amount of solid waste flowing into the primary Odaw channel. Activities to be carried out comprise capping of old dumpsites at Abloragyei and other sites, construction of an engineered landfill at Ayidan in the Ga South Municipality, construction of waste transfer stations at Atomic and improving solid waste management in low-income communities. Activities undertaken under this component are:

- i. Successfully procured compactor trucks, tricycles and other waste collection equipment, cleaning and disinfection tools for all the 17 core Project beneficiary MMAs at a cost of US\$1.68m;
- ii. The detailed design for the capping of Abloragyei dumpsite has been completed;
- iii. The contract for detailed engineering design for construction of the waste transfer station was signed in October 2022, and was expected to be completed by end of November, 2023;
- iv. The detailed design for the construction of engineered landfill at Ayidan has been completed nevertheless; the World Bank has requested the suspension of the procurement of works pending the engagement of a transaction advisor to support the processes in the procurement of an operator to ensure the sustainability of the landfill.

Component 3: Participatory Upgrading of Targeted Flood Prone Low-income Communities and Local Government Support (US\$58.8m) - This component is led by the Ministry of Local Government, Decentralisation and Rural Development (MLGDRD) and the Project Coordination Unit (PCU) within Ministry of Works and Housing (MWH). The component seeks to reduce vulnerability and strengthen climate resilience to flooding, enhance public service provision in priority low-income communities; and

improve metropolitan planning and coordination, as well as operation and maintenance of drainage Infrastructure in the Odaw River Basin. Activities carried out include:

- i. Signed contract for the upgrading works in Akweteyman and Lot 1 and 2 of the upgrading works in Alogboshie. These three activities are being executed for a combined contract sum of US\$18.2m (US\$8.5m for Akweteyman, US\$8.5m for Alogboshie Lot 1 and US\$1.2m for Alogboshie Lot 2);
- ii. Submitted the bid evaluation report on the upgrading works in Nima to the World Bank for review and approval;
- iii. A total amount of US\$1.3m (GHC10.9m) was disbursed to MMAs participating in GARID as their operations and Maintenance (O&M) Grant.

Component 4: Project Management (US\$7m) - This component supports project management activities of implementing entities and preparatory studies for the subsequent phases of the project. This includes technical assistance, equipment, training and operating costs for the project coordination unit, project implementation units in implementing agencies, and Municipal Planning and Coordination Unit in MMAs.

Component 5: Contingent Emergency Response Component (CERC) (US\$0m) - The CERC, which was a no-cost Component with the aim of facilitating the swift reallocation of project funds in the case of a shock or crisis, was triggered due to the COVID- 19 pandemic. Based on a request by Government, the Bank reallocated US\$65m from Component I to Component 5 to support Ghana's response and preparedness to the pandemic, CERC resources significantly improved diagnostic capacity from 2 to 41 laboratories in all 16 regions. All of the 41 laboratories have capacity to diagnose suspected COVID-19 cases within 24 hours.

6.0 FINANCING TERMS

The total additional financing of US\$150.0 million for the Project will be provided as Credit on IDA blend terms as follows:

ITEM	TERMS
Repayment Period	25 years
Grace Period	5 years
Maximum Commitment Charge	0.5 - One-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance
Service Charge	1.34% - sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment (+59bps) to the Service Charge on the Withdrawn Credit Balance.
Interest Charge	1.39% sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge (+14bps) on the Withdrawn Credit Balance.
Grant Element	21.3%

7.0 OBSERVATION

7.1. Disbursement of the Facility.

The Committee observed that the Government of Ghana (GoG) in an attempt to reduce flooding along the Odaw River Basin procured a loan of US\$200 million from the World Bank for the implementation of the GARID Project. The objective of GARID is to improve flood risk and solid waste management in the Odaw River Basin and improve access to basic infrastructure and services in the targeted communities within the Basin.

The project became effective in February 2020 and is expected to close in December 2025. The Committee noted that in pursuit of the objectives of the project, an amount of US\$94,586,845.22 had been committed to various projects as at 15th March, 2024. An additional US\$64,999,341.80 has been transferred from the Climate Resilient Drainage and Flood Mitigation Measure for COVID-19 related expenditure leaving uncommitted funds at US\$40,413,812.98. The uncommitted amount is made up of Compensation and MMDA grant of US\$18,950,000, exchange losses of US\$5,080,000 and uncommitted project funds of US\$16,383,812.98. Details of the allocation, commitment, actual expenditure and outstanding amount of each component of the project is attached as appendix 1.

The Committee was informed that the outstanding uncommitted project funds is not sufficient to meet the project cost for key ticket contracts to be awarded for the mitigation of flood around the Kaneshie enclave. There is therefore the need for the reimbursement of the US\$64,999,341.80 which was reallocated for emergency COVID-19 response to enable the project to implement a critical component under the Climate Resilient Drainage and Flood Mitigation Measure to improve drainage system in the Kaneshie enclave.

7.2. Delay in Project Implementation

The Committee noted that the GARID project was expected to be completed in December, 2025. However, due to delays in implementation, the project deadline has been extended by two (2) additional years to December, 2027. The Committee expressed concern about the delay because it would impose additional management cost on the project. The Committee was informed that the delays are due to the inability of the project to pay compensation to affected persons to obtain the right of way for the commencement of major construction works under the project. The Committee was again, informed that, the original financing from the World Bank did not make provision for compensation.

The World Bank upon a request by the government however, has waived its rules and allocated funds for the payment of compensation as part of the request for additional financing. The Committee noted that an amount of US\$113,536,845.22 out of the original facility of US\$200 million (including the US\$64,999,341.80 reallocation for COVID related expenses) has been drawn down and committed, leaving US\$16,383,812.98 uncommitted for projects with total expenditure of US\$99,329,681.86.

7.3. Justification for Additional Financing (AF)

The Committee noted that Parliament approved the sum of US\$200 million for the implementation of the GARID project. However, the project is requesting additional funding of US\$150 million to enable the realization of the project objectives. The Hon. Deputy Minister for Finance explained to the Committee that the additional financing will be used to pay compensation for project affected persons, reimburse the project with the amount reallocated for the COVID response program, reimburse forex losses and to pay for variation in project cost. The Committee noted that the Additional Funding (AF) of US\$150.0m will finance the following GARID Projects:

- i. **The financing gap in Component 1:** The reallocation of US\$65m from Component 1 to fund the COVID - 19 Response Programme resulted in inadequate funds to support planned activities. The additional financing will reimburse the US\$65,000,000.00 make funds available to finance planned activities under the Component;
- ii. **Finance compensation to Project Affected Persons (PAPs):** The original financing did not budget for compensation for Project Affected Persons (PAPs) since it was against the Bank's policy, but Government requested a waiver to which the Bank agreed. An amount of US\$16,438,710.91 has been allocated for this purpose; and
- iii. **Cost overruns due to inflation and underestimation of costs of key infrastructure:** Cost estimates at appraisal were based on pre-feasibility studies. However, preliminary and detailed engineering designs revealed much higher construction costs than anticipated for some of the key structural interventions. The cost overrun will affect three key component of the project as follow:
 - a. Component 1 - US\$53,740,000.00
 - b. Component 2 - US\$12,821,289.09
 - c. Component 3 - US\$2,000,000.00

This brings the total additional financing required for the completion of the project to US\$150,000,000

8.0 POSITION OF THE MINORITY NDC MEMBERS

The NDC Minority expressed concerns about the application and utilization of the mother US\$200 million facility so far. They claimed that out of the US\$200m approved, only about US\$65m has been awarded on contract for works and only US\$8m disbursed in these works out of a draw Dem of US\$127m. They therefore took the position that the solution is not extra resources but the accelerated implementation of works and speeding up of disbursement of project funds that would warrant the approval of additional funds for the project.

The Minority further stated that the refund of US\$65m re-allocated from the project to support Covid-19, if refunded by government, will augment the resources to the project, and should be prioritised.

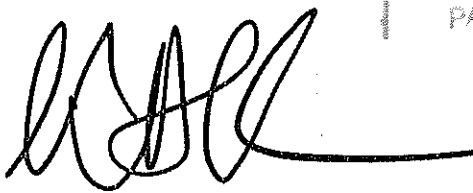
The NDC Minority further expressed their concerns about the extent of borrowing by Government and took the view that Government should rather deepen measures to maximise domestic revenue. They strongly objected to the numerous tax exemption applications currently before Parliament, which they cited as example of avenues from which domestic revenue could be mobilised.

The entire Members of the Minority therefore declined to recommend the loan agreement for Parliament's approval.

9.0 CONCLUSION

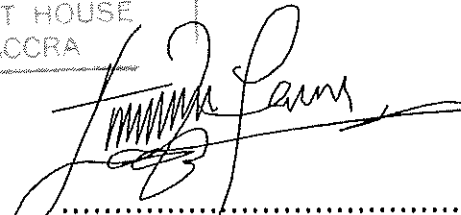
By a Majority Decision therefore, the Committee, having examined the financing agreement for the Greater Accra Resilient and Integrated Development (GARID) Project, recommends to the House to adopt its report and approve the **Additional Financing Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the International Development Association (IDA) of the World Bank Group for an amount of One Hundred and Fifty Million United States Dollars (US\$150,000,000.00) to finance the Greater Accra Resilient and Integrated Development (GARID) Project in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.**

Respectfully submitted.



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HON. KWAKU A. KWARTENG
(CHAIRMAN, FINANCE COMMITTEE)

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA



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MR. EPHRAIM AMU
(SNR. ASSISTANT CLERK)

19th March, 2024

APPENDIX 1

GREATER ACCRA RESILIENT AND INTEGRATED DEVELOPMENT PROJECT STATUS OF TOTAL COMMITMENTS TO DATE AS AT 15TH MARCH 2024

Component	Fund Allocation US\$	Outstanding Commitments (Ongoing Contracts) B	Expenditures to Date US\$ C	Total Amount Committed US\$ D=(B+C)	Uncommitted Balance US\$ E=(A-D)	Percentage of Commitment % F=(D/A)*100	Percentage of Expenditure % G=(C/A)*100
Component 1: Climate Resilient Drainage and Flood Mitigation Measures	27,350,945.49	39,845,103.22	13,319,504.89	53,164,608.11	-25,813,662.62	194.38	48.70
Component 2: Solid Waste Management Capacity Improvements	42,063,949.78	493,677.93	5,307,547.76	5,801,225.69	36,262,724.09	13.79	12.62
Component 3: Participatory Upgrading of Targeted Flood Prone Low-Income Communities and Local Government Support	58,585,762.93	19,223,791.68	9,047,492.35	28,271,284.03	30,314,478.90	48.26	15.44
Component 4: Project Management	7,000,000.00	693,932.33	6,555,795.06	7,349,727.39	-349,727.39	105.00	95.08
Component 5: Contingent Emergency Response	64,999,341.80	-	64,999,341.80	64,999,341.80	0.00	100.00	100.00
TOTAL	200,000,000.00	60,256,505.16	99,329,681.86	159,586,187.02	40,413,812.98	79.79	49.66