

IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA



REPORT OF THE
FINANCE COMMITTEE
ON THE

THE US\$88,132,722.24 FACILITY AGREEMENT
ADDENDUM TO THE ORIGINAL US\$90,472,385
FACILITY AGREEMENT DATED 28TH JUNE,
2016 BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (AS BORROWER) AND
THE INDUSTRIAL AND COMMERCIAL BANK
OF CHINA LIMITED (AS ARRANGER, AGENT,
INSURED AND ORIGINAL LENDER)

FOR
FINANCING THE SUPPLY OF ELECTRICAL
MATERIALS AND EQUIPMENT FOR THE
ELECTRIFICATION OF 1,033 COMMUNITIES
IN ASHANTI, BRONG AHAFO, EASTERN,
VOLTA AND WESTERN REGIONS, PHASE I

11TH DECEMBER, 2017

1.0 INTRODUCTION

The US\$88,132,722.24 Facility Agreement **ADDENDUM** to the original US\$90,472,385 Facility Agreement dated 28th June, 2016 between the Government of the Republic of Ghana (as Borrower) and the Industrial and Commercial Bank of China Limited (as Arranger, Agent, Insured and Original Lender) for financing the Supply of Electrical Materials and Equipment for the electrification of 495 Communities in Ashanti, Brong Ahafo, Eastern, Volta and Western Regions, Phase I was *laid* in the House on Friday 8th December, 2017 by Honourable Deputy Minister for Finance, Mrs. Abena Osei Asare on behalf of the Minister for Finance.

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 Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with the Leadership of the Committee on Mines and Energy, the Deputy Minister for Finance, Hon. Abena Osei-Asare and officials from the Ministries of Finance and Energy. The Committee hereby submits this report to the House pursuant to the Standing Orders of the House.

The Committee is grateful to the Honourable Deputy Minister for Finance and the officials from the Ministries of Finance and Energy for attending upon the Committee.

2.0 REFERENCES

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

- The 1992 Constitution of the Republic of Ghana

- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act 2016 (Act 921)

3.0 BACKGROUND

At the Thirty Third sitting of the First Meeting of the Fourth Session of the Sixth Parliament held on Friday 18th March, 2016, Parliament approved by Resolution a Credit Facility Agreement between the Government of Ghana and the Industrial and Commercial Bank of China Limited (ICBC) for an amount of Ninety Million, Four Hundred and Seventy-Two Thousand, Three Hundred and Eighty-Five United States Dollars (US\$90,472,385.00) for financing the supply of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions, Phase I.

The House at the same sitting also approved the Commercial Agreement between the Government of Ghana and China International Water and Electric Corporation for Ninety-Seven Million United States Dollars (US\$97,000,000.00) for the supply and erection of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions, Phase I.

The Credit Agreement was signed on 28th June 2016 whilst the Commercial Agreement was signed on 11th April 2016.

Upon the signing of the Credit Agreement, the China Export and Credit Insurance Corporation (Sinosure) premium was reduced from the estimated US\$8,022,385 as approved by Parliament to US\$5,682,722.24, thus bringing the entire Credit Amount down to US\$88,132,722.24 instead of the original US\$90,472,385.

The need has therefore arisen for the parties to execute an Addendum to the original Agreement to reflect the reduction in the Credit Facility amount.

3.1 PURPOSE OF THE FACILITY

The objective of the Facility is to partly finance the supply of equipment and materials for the electrification of 1,033 communities in Ashanti, Brong Ahafo, Eastern, Volta and Western Regions Phase I under the Self Help Electrification Programme.

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the Loan apart from the Sinasure Premium remain the same and are as follows::

| | | |
|--------------------------|---|--|
| Project Amount | - | US\$97,000,000.00 |
| Loan Amount | - | US\$88,132,722.24 (of which 85% of Contract – US\$82,450,000 and <i>Sinasure Premium – US\$5,682,722.24</i> |
| Grace Period | - | 4 years |
| Re-payment Period | - | 11 years |
| Maturity | - | 15 years |
| Interest Rate | - | 6M LIBOR + a margin of 0.5% p.a. |
| Management Fee | - | 1.50% flat |
| Commitment Fee | - | 1.00% flat |

5.0 OBSERVATIONS

5.1 Changes effected by the Addendum to the Facility Agreement

The Committee observed that the Addendum to the Credit Facility Agreement which is dated 30th June, 2017 effectively reduces Ghana's exposure under the original Agreement by US\$2,339,662.76, thus a saving to the Republic. Thus it is provided in *clause 1* of the ADDENDUM TO THE FACILITY AGREEMENT dated June 30, 2017 that "The definition of Total Commitments in Clause 1.1 of the Facility Agreement is amended in its entirety to read as follows:

"**Total Commitments**" means the aggregate of the Commitments, being U.S.\$88,132,722.24 at the date of this Agreement."

Again, *Clause 2* states that "All the figures of "US\$90,472,385" as written in the Facility Agreement are amended to be "US\$88,132,722.24""

Clause 3 of the ADDENDUM Agreement amends Clause 4.1(b) of the Facility Agreement in its entirety to read as follows:

"Unless otherwise agreed by the Agent (Acting on the instructions of all Lenders) in writing, if the Agent has not received all of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) in form and substance satisfactory to the Agent before **12 December 2017**, the Total Commitments shall be immediately cancelled"

Clause 4 provides that "except for the above amendments, all the other clauses of the Facility Agreement remain unchanged"

5.2 Necessity for Parliamentary Approval

As to why the Ministry of Finance was seeking Parliamentary approval for a matter that was rather a reduction in the debt obligation of the Republic under an approved Agreement, the Committee was informed that the Attorney-

General (AG) had issued a legal opinion - which was a condition precedent to the effectiveness of the Addendum Agreement – in which legal opinion the AG has advised that the Addendum Agreement receives both Cabinet and Parliamentary approvals.

5.3 Commercial Agreement Unchanged

The Committee noted that the Commercial Agreement between the Government of Ghana and China International Water and Electric Corporation for Ninety-Seven Million United States Dollars (US\$97,000,000.00) for the supply and erection of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions, **Phase I** still remains the same and unaffected by the **Addendum** to the Credit Agreement.

Eighty-five percent (85%) of the Commercial Contract Amount would be paid from the Credit facility (i.e. US\$82,450,000) whilst the remaining fifteen percent (15%) (i.e. US\$14,550,000) would be paid from GoG Budgetary sources over a period of four (4) years.

The Committee urges the Ministry of Finance and the Ministry of Energy that should there be any change in the Commercial Agreement, a new Commercial Agreement should similarly be submitted to Parliament for consideration and approval.

5.4 Actual Number of Communities to Benefit from Phase I of the Project

The Committee enquired to know the exact number of communities that would benefit from Phase I of the Project to be financed by the proceeds of the Present Facility Agreement (as amended). To this the Committee was informed by officials from the Ministry of Energy that the estimated cost of electrification of the entire 1,033 communities is US\$200 million.

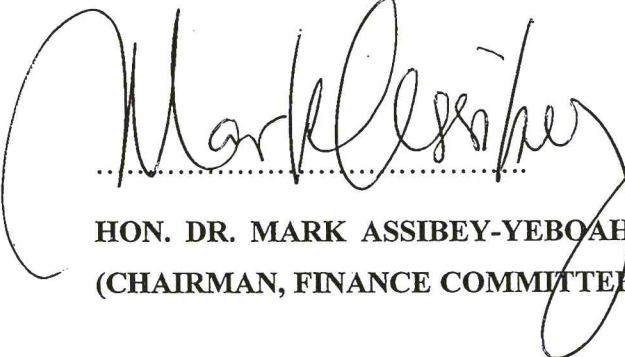
However, due to inadequacy of funds, the Project has been divided into phases and that this **Phase I** being financed by the **US\$88,132,722.24 Facility** would benefit exactly 495 Communities across the five (5) selected Regions of the country.

6.0 CONCLUSION

The Committee commends the Ministry of Finance for working to obtain the reduction in the Sinosure Insurance Premium and thereby reducing Government's financial obligation under the Facility Agreement.

The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and to approve by resolution, the **US\$88,132,722.24 Facility Agreement Addendum dated 30th June, 2017** to the original US\$90,472,385 Facility Agreement dated 28th June 2016 between the **Government of the Republic of Ghana** (as Borrower) and **Industrial and Commercial Bank of China Limited** (as Arranger, Agent, Insured and Original Lender) for the supply of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions, Phase I in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.



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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)



.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

11TH DECEMBER, 2017