

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

**REPORT OF THE
FINANCE COMMITTEE**

ON THE

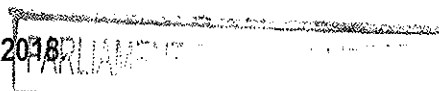
**i. FACILITY AGREEMENT IN THE AMOUNT OF UP TO EIGHTY-ONE
MILLION EUROS (€81,000,000.00) BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF GHANA REPRESENTED BY THE MINISTRY OF
FINANCE AND DEUTSCHE BANK AG LONDON BRANCH AND ITS
AFFILIATES WITH EXPORT CREDIT GUARANTEE FROM UNITED
KINGDOM EXPORT FINANCE FACILITY**

AND

**ii. TIED COMMERCIAL FACILITY AGREEMENT IN THE AMOUNT OF
TWELVE MILLION, THREE HUNDRED THOUSAND EUROS
(€12,300,000.00) BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA REPRESENTED BY THE MINISTRY OF FINANCE AND
DEUTSCHE BANK AG LONDON BRANCH AND ITS AFFILIATES**

**FOR THE REDEVELOPMENT AND MODERNISATION OF
KUMASI CENTRAL MARKET AND ITS ASSOCIATED
INFRASTRUCTURE PROJECT (PHASE 2)**

JULY, 2018



1.0 INTRODUCTION

The

- i. **Facility Agreement** in the amount of up to **Eighty-One Million Euros (€81,000,000.00)** between the **Government of the Republic of Ghana** represented by the Ministry of Finance and **Deutsche Bank AG London Branch** and its affiliates with export credit guarantee from United Kingdom Export Finance Facility for the **Redevelopment and Modernisation of Kumasi Central Market and its Associated Infrastructure** Project; AND
- ii. **Tied Commercial Facility Agreement** in the amount of **Twelve Million, Three Hundred Thousand Euros (€12,300,000.00)** between the **Government of the Republic of Ghana** represented by the Ministry of Finance and **Deutsche Bank AG London Branch** and its affiliates for the **Redevelopment and Modernisation of Kumasi Central Market and its Associated Infrastructure** Project

were presented to the House on Thursday 19th July, 2018 by the Honourable Minister responsible for Finance, Mr. Ken Ofori-Atta.

Pursuant to article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreements were *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with a Deputy Minister for Finance, Hon. Charles Adu-Boahene, a Deputy Minister for Local Government and Rural Development, Hon. Osei Bonsu Amoah, the Metropolitan Chief Executive (MCE) of the Kumasi Metropolitan Assembly (KMA), Hon. Osei Assibey Antwi as well as officials from the Ministries of Finance and Local Government and Rural Development and the Kumasi Metropolitan Assembly (KMA). The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the Hon. Deputy Minister for Finance, the Hon. Deputy Minister for Local Government and Rural Development, the MCE of KMA and the officials 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 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

The Government of the Republic of Ghana, acting through the Ministry of Local Government and Rural Development signed an EPC contract with Contracta Engenharia Ltd., Brazil in 2014 to undertake the redevelopment and modernisation of Kumasi Central Market and Kejetia Infrastructure project in three phases.

The project commenced in 2014 and was divided into three (3) phases due to the following three (3) reasons:

- To maintain business continuity and reduce the impact that the construction would have on the business community
- To reduce the financial burden and cost of borrowing; and
- To utilise revenues that would be realised from the phase 1 and phase 2 of the project to support the funding of similar infrastructural projects in Kumasi.

The first phase of the project is implemented at a cost of US\$259,425,000 and it is expected to be completed in October 2018. The utilisation of the total floor space under Phase 1 is summarised in the table below.

		Total Area	Technical Area	Rentable Area	Stores Units	Parking Area	Parking Slots	Social Services
Phase 1	L0	64,251.43	2,249.30	9,138.85	1,516.00	9,181.61	134.00	4,400.00
	L1	51,141.52	-	15,976.76	3,488.00	-	-	-
	L2	41,044.84	-	14,394.60	3,244.00	-	-	-
	TOTAL	156,437.79	2,249.30	39,510.21	8,248.00	9,181.61	134.00	4,400.00

2.5 The project deliverables upon completion will include the following, among others:

I. 8,231m² Leasable Commercial Spaces

- 6,751 Closed stores
- 1,069 Kiosks
- Counters
- 60 Restaurants
- 304 Fishmongers and butcher stores
- 47 Livestock stores
- Food courts

II. Utilities Area

- Public transport terminal
- Prayer room
- Union offices
- Police station
- Fire station
- Post offices
- Crèche
- Clinic
- Administrative offices
- Waste separation dock
- Cafeteria for staff
- Change room for staff
- Sewage treatment station
- Generators
- Fuel and gas storage tanks

PARLIAMENT OF GHANA LIBRARY

The project also aims at providing infrastructure in the surrounding Central Business Area, making important interventions in the congested road system, organizing and giving better conditions for mobility in the area, allowing traders to receive their merchandise and customers to reach the area in a safer and more organized manner.

Phase 2 of the project will be a continuation of phase 1 and will cover a total construction area of 172,197m².

The two market areas (under the two phases) when completed, would be linked by two aerial walkways, providing ideal conditions for the flow of the large number of pedestrians that move frequently between them, with no interference from the street vehicular traffic.

3.1 PROJECT OBJECTIVES

The objective for undertaking the project is to redevelop and integrate Kejetia and Kumasi Central markets, and improve on the ancillary roads, facilities and utilities in the enclave. This is to improve on the functionality of the market community and improve on doing business in the Central Business District (CBD).

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the two facilities are summarised as follows:

A. The UKEF Facility agreement

Facility Amount	: up to €81,000,000 (inclusive of estimated UKEF premium of €11,300,000)
Interest rate	: 6M Euribor + 1.90% p.a.
Grace Period	: 2 years
Tenor	: 12 years
Commitment fee	: 1.00% p.a.
Structuring fee	: 0.50% flat
Arrangement fee	: 1.50% flat

B. The Tied Commercial Facility Agreement

Facility Amount	: up to €12,300,000
Floating interest rate	: 6M Euribor + 5.00% p.a.
Risk Mitigation fee	: 0.75% p.a.

Grace Period	: 0.5 years
Tenor	: 5.0 years
Commitment fee	: 1.00% p.a.
Structuring fee	: 0.50% flat
Arrangement fee	: 1.50% flat

5.0 PROJECT DESCRIPTION

The project will be a continuation of phase 1 and will cover a total construction area of 172,197m². The main structure of the market building will be pre-manufactured steel structure and beams. The parts will be produced abroad and shipped to the site for assembling, this will allow for a very fast pace of construction. The roof will be in steel sheets with isolation to prevent heat from the sun. The central opening provides ventilation and light to the interior. Multiple skylights will allow the entrance of sunlight providing natural illumination.

4.2 The Engineering, Procurement and Construction (EPC) contract in the sum of € 248.00 million (the equivalent of US\$285.20 million) would be implemented in two tranches. The first tranche of Phase 2 is estimated at €82.00 million (the equivalent of US\$93.40 million). The total land usage under phase 2 is summarised in the table below.

		Total Area	Technical Area	Rentable Area	Stores Units	Parking	Parking Slots	Social Services
Phase 2	L-1	23,300.00	-	2,125.00	500.00	17,400.00	550.00	
	L0	52,879.00	2,699.16	13,680.00	1,750.00	27,194.00	920.00	1,500.00
	L1	49,904.00	-	12,113.00	4,373.00			
	L2	16,114.00	-	17,783.00	3,877.00			
	TOTAL	172,197.00	2,699.16	52,701.00	10,500.00	44,594.00	1,470.00	1,500.00

4.3. The following scope will be covered under the second phase of the project.

I. General Infrastructure (for decongestion of CBD)

a. Neighbouring Road Network improvements

- b. New Pedestrianised Streets
- c. New Aerial Walkways to avoid pedestrian and vehicular conflict
- d. New and enhanced Drainage System to prevent flooding
- e. New and safer Energy Distribution to prevent short-circuiting (causing fires)
- f. New and improved Sewer Collection and Waste Disposal System
- g. New and improved Water supply to create a healthy Central Market environment

II. Market Construction

- a. Steel and concrete structure
- b. Metallic Roofing
- c. Stalls and circulation areas
- d. Conveniences
- e. Administrative and Management areas
- f. Technical Areas

III. Market Infrastructure

- a) Parking Lot
- b) Transport terminal
- c) Community Facilities (partial - to augment/complement facilities provided in Kejetia Market)

6.0 OBSERVATIONS

6.1 Total cost of Phase 2 of the Project

The Committee was informed that the Engineering, Procurement and Construction (EPC) contract for the second phase is in the sum of **Two Hundred and Forty-Eight Million Euros (€248.00 million)** (the equivalent of US\$285.20 million) and would be implemented in two tranches. The first tranche is estimated at €82.00 million (the equivalent of

US\$93.40 million) and would be financed under the present Financial and Tied Commercial Agreements.

6.2 Inclusion in the IMF Programme

The Committee was further informed that the Project financing is included in the list of projects approved for non-concessional borrowing in 2018 under the International Monetary Fund (IMF) programme.

6.3 Special Purpose Vehicle

The Committee noted that the Ministry of Finance, the Kumasi Metropolitan Assembly (KMA) and the Ministry of Local Government and Rural Development (MLGRD) are working together to create a Special Purpose Vehicle (SPV) with the predefined purpose of managing and operating the market complexes profitably.

The proposed SPV will work as a fully-owned company of the Government of Ghana with the asset/liability structure and legal status that makes its obligations secure. This strategy is geared towards isolating the Government and for that matter the KMA from direct financial risks.

6.4 On-Lending

The Committee observed that proceeds of the credit facilities are to be onlent to KMA or its assignee. Revenue will be generated from rentable commercial spaces, goodwill, market tolls, advertisement and parking fees from vehicles using parking facilities. The onlending documentation are to be submitted in due course to Parliament for consideration and approval.

As to whether the earlier on-lent loan for phase 1 had been repaid, the Committee was informed that the first phase is yet to be completed and commissioned and therefore has not started making any revenue from which the on-lending facility could be serviced. It was further explained that the Special Purpose Vehicle to be created under 6.3 above would

be tasked with managing the markets on sound financial and commercial principles so as to be able to repay the on-lent facilities.


7.0 CONCLUSION

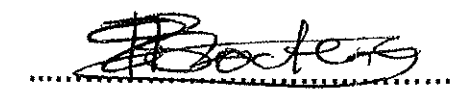
In view of the foregoing observations, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the

- i. **Facility Agreement** in the amount of up to **Eighty-One Million Euros (€81,000,000.00)** between the **Government of the Republic of Ghana** represented by the Ministry of Finance and **Deutsche Bank AG London Branch** and its affiliates with export credit guarantee from United Kingdom Export Finance Facility for the **Redevelopment and Modernisation of Kumasi Central Market and its Associated Infrastructure** Project; AND
- ii. **A Tied Commercial Facility Agreement** in the amount of **Twelve Million, Three Hundred Thousand Euros (€12,300,000.00)** between the **Government of the Republic of Ghana** represented by the Ministry of Finance and **Deutsche Bank AG London Branch** and its affiliates for the **Redevelopment and Modernisation of Kumasi Central Market and its Associated Infrastructure** Project

in accordance with article 181 of the 1992 Constitution of the Republic of Ghana and Sections 55 and 56 of the Public Financial Management Act, 2016 (Act 921).

Respectfully submitted.


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


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

23RD JULY, 2018