

US\$3 BILLION TERM LOAN FACILITY AGREEMENT BETWEEN CHINA DEVELOPMENT BANK (CDB) AND GOVERNEMENT OF GHANA (GOG) – SUMMARY

INTRODUCTION

The Master Facility Agreement (MFA) on the above referenced loan was signed by the CDB and GoG in the PRC on December 16th 2011, following the IMF Board's approval on December 14th, 2011 for increasing Ghana's commercial borrowing ceiling for 2011 from US\$800 Million to US\$3.4 Billion. The MFA was signed by Ghana's Ambassador to the PRC with a Power of Attorney from the Minister for Finance & Economic Planning.

Other Finance Documents under the MFA were submitted to Parliament in December 2011 and were under consideration by the joint Finance and Energy Committees before Parliament rose for the year on December 21st 2011. (The MFA had previously been submitted to parliament in August 2011). These included the first Subsidiary Agreement covering the Western Corridor Gas Infrastructure Project with access roads and bridges upgrades and ICT enabled Surveillance Project.

Other documents submitted:

- Offtake Agreement between GNPC and UNIPEC Asia;
- Western Corridor Gas Infrastructure Development Project contracts and documents, including upgrade of access roads and bridges in the Western Corridor oil and gas enclave ('enclave');
- ICT enabled surveillance and monitoring of enclave oil and gas infrastructure project contracts and documents.

Under the MFA and other Finance Documents, MoFEP, is the GoG's representative responsible to oversee all eligible projects under the loan and coordinate and ensure compliance by all relevant Project Sponsors with the requirements of the MFA and Finance Documents. Consequently, and in fulfilment of the Framework Agreement signed between GoG and CDB in September 2010, the joint MoFEP/CDB Project Management Office has been set up at MoFEP.

- ✓ MoFEP has commenced implementing the Conditions Precedent to effectiveness of the MFA and the first Subsidiary Agreement.
- ✓ Project Sponsors are the relevant implementing Governmental Agencies, and Eligible Projects are those projects that CDB will approve for financing following CDB Due Diligence audit on the project upon submission by MoFEP to CDB of a Subsidiary Agreement on the Project.

SUMMARY

Loan Documentation

The MFA is the umbrella loan agreement for the loan. It is supported by four **main Finance Documents**, namely:

- i. **Five Party Agreement** - among GoG, Bank of Ghana (BoG), Ghana National Petroleum Corporation (GNPC), CDB & UNIPEC Asia (the crude oil offtaker);
 - ✓ Sets out the structure of, and key contractual obligations of each party under, the transaction. In summary: GoG's obligation to open and maintain the transaction accounts; BoG's obligation to ensure timely and legal transfers of repayments to CDB accounts and to open and maintain standby letters of credit; GNPC's obligation to supply and UNIPEC's obligation to purchase crude oil to support repayments; MoFEP's obligation to oversee and manage the loan and the projects.
- ii. **Accounts Agreement** - setting up the transaction accounts, namely, Collection Account, Debt Service Account, and Owner Contribution Account in CDB's Hong Kong Branch for the operation and management of the loan;
- iii. **Charge over Accounts Agreement**, giving CDB a charge over all the repayment accounts;
- iv. **Subsidiary Agreement**: one each to be signed between GoG and CDB to cover the financing for each Eligible Project proposed for financing.

Other Finance Documents are:

- v. each Standby Letter of Credit that will be opened to support each loan repayment instalment:
 - ✓ these are required to be open by BoG whenever a repayment is due. Though they are 30 day L/Cs, it is understood that they will expire immediately all GoG's payment obligations for a repayment period are completed;
- vi. each Security Document;
- vii. Letter of Commitment from MoFEP certifying that the principal and interest of the outstanding loan will be included in each annual budget until paid of;
- viii. any other document that GoG and CDM may designate as such

In addition, an **Offtaker Agreement** will be signed between GNPC and UNIPEC Asia for the sale and purchase of crude oil to support repayment of the loan:

- ✓ The period of the Agreement will be 15 years and 6 months, as it was agreed under the MFA that the Agreement would extend beyond the repayment period of the loan to allow CDB to be fully paid if necessary;
- ✓ All payments due from UNIPEC under this Agreement will be paid directly into the Petroleum Holding Fund as required by the Petroleum Revenue Management Act for all petroleum sales receipts.

Also submitted for Parliament's information was a basic form of **On-lending Agreement**. MoFEP developed the form of on-lending agreement as a template for the onlending agreements to be signed between MoFEP and Project Sponsors. Parliament approved the proposal to onlend the loan to the Project Sponsors in August 2011.

Loan Terms / Fees

- **Facility Amount:** US\$3,000,000,000.
- **Available in two tranches:**
 - ✓ Tranche A (US\$1.5,000,000,000) with 15 years repayment period with 5 years Grace period
 - ✓ Tranche B (US\$1.5,000,000,000) with 10 years repayment period with 3 years Grace Period
- **Availability Period:** 6 years from the signing date of the Master Facility Agreement
- **Repayment:** Principal and interest in respect of the Facility shall be paid to CDB every 6 months at the end of each Interest Period.
- **Interest Periods:** 6 months.
- **Interest Rate:** 6 month LIBOR plus the applicable Margin.
- **Margin:**
 - ✓ 2.95% per annum – Tranche A loan
 - ✓ 2.85% per annum – Tranche B loan
- **Upfront Fee of zero point two five percent (0.25%) of the loan**
 - ✓ Half (0.125%) will be due on or before twenty (20) days after signing of the MFA, and
 - ✓ Half will be paid as a Condition Precedent to the first Subsidiary Agreement.
- **Commitment Fee:** one percent (1%) per annum on the undrawn and un-cancelled balance of the loan will become due no later than sixty (60) days after the signing of the MFA (i.e. by February 14th, 2012).
- **GoG 'Owner Contribution':** 15% of each Subsidiary Agreement amount
- **Debt Service Reserve Account cover:** GoG is required to maintain a cover of 1.5 times each repayment in the account at all times.

Eligible Projects

Twelve (12) eligible projects, primarily infrastructure development projects under a variety of MDAs, have been identified and confirmed for financing under the facility. They are:

1. Western Corridor Infrastructure Renewal Project – Takoradi-Kumasi; Dunkwa-Awaso Railway Line Scenario1 Retrofit;
2. Western Corridor Infrastructure Renewal Project - Takoradi Port Retrofit Phase 1;
3. Sekondi Free Zone Project – Shared Infrastructure and Utility Services;
4. Accra Plains Irrigation Project (Phase 1: 5000 ha);
5. Coastal Fishing Harbours and Landing Sites Re-development Project (Axim, Dixcove, Elmina, Winneba, Mumford, Senya-Beraku, Jamestown, Teshie, Tema, Ada, Keta);
6. Eastern Corridor Multi-modal Transportation Project – Upgrade of Volta Lake Ferries, Pontoons + Landing Sites (Kpandu-Amankwakrom; Kete Krachi-Kwadokrom; Yeji-Makongo; Tapa Aboatoase; Dzemini); Upgrade of Akosombo and Buipe Ports;

7. Western Corridor Gas Infrastructure Project
 - ✓ Offshore Gas Gathering Pipeline; Early Phase Gas Processing Plant; Onshore Gas Trunk Pipeline, including Pumpuni Dispatch Terminal; NGLs Processing Retrofit (Tema Oil Refinery); and Helicopter Surveillance Fleet;
8. Western Corridor 'Petroleum Terminal' Project;
9. Western Corridor 'Oil Enclave' Toll Road Project;
10. Accra Metropolitan Area ICT- Enhanced Traffic Management Project (including urgent road completion components) ;
11. Integrated National Security Communications Enhancement Project – Deployment of ICT Enhanced Surveillance Platform for Western Corridor “Oil Enclave”;
12. US\$ 100 million SME Projects Incubation Facility – Facility Management Contract(s) with local financial institution(s);

Subsidiary Agreements

A separate Subsidiary Agreement will be signed between MoFEP and CDB for each eligible project and will be submitted to CDB together with an Application for Subsidiary Agreement.

- The loan will be disbursed only following a successful due diligence by CDB on the eligible project.
- Once approved for disbursement, disbursements will be made upon submission to CDB by MoFEP of Utilisation Requests, of which no more than five (5) are permitted annually.
- Loan disbursements will be made directly from CDB to the accounts of project contractors.

First Subsidiary Agreement

The first Subsidiary Agreement: the Western Corridor Gas Infrastructure Development Project has been submitted to Parliament for approval and subsequent submission of an Application to CDB following approval.

Some noteworthy Conditions Precedent (CPs) to the signing of the First Subsidiary Agreement (SA) are, that MoFEP:

- has approved the terms of any Finance Documents between MoFEP and the Project Sponsor;
- certified that borrowing the loan would not result in exceeding any borrowing or similar limits binding on GoG;
- opened all the repayment accounts and that they are operational;
- paid all the upfront fees (US\$7,500,000), commitment fees due (up to US\$30,000,000,000) and transaction (legal) expenses (US\$400,000);
- has populated the Debt Service Reserve Account amounts agreed in the MFA.

MoFEP's Responsibilities

Under the Finance Documents, MoFEP is the party responsible for managing the facility on behalf of the Republic. Although MoFEP is the borrower, and it is expected that commercial agreements will be executed between Project Sponsors and project Contractors, the Finance Documents impose responsibilities on MoFEP to supervise and ensure that the projects are economically and financially viable and are executed diligently and timely, without project cost overruns.