INFRASCTRUCTURE DEVELOPMENT

Ghana Infrastructure Fund (GIF)

951. Mr. Speaker, under the able leadership of His Excellency President John Dramani Mahama, Government proposes to set up the Ghana Infrastructure Fund (GIF) to deal with the huge infrastructure deficit and to focus on strategic infrastructure that will lead to job creation and the growth of the economy.

952. **Nature of the Fund:** GIF will be a quasi-fiscal body that will be chaired by the Minister of Finance and, in due course, pursue its own ―ratings‖ on the domestic and international financial and capital markets. Indeed, independent ratings is a strategic move that Government will encourage to enable these enterprises borrow on their own balance sheets or records.

· _**Private Sector Role**: The GIF will focus on strategic infrastructure in partnership with the private sector. Currently, Ghana‗s financial and capital markets are constrained with limited availability of long term finance, both local and international, to support both the public and private sector infrastructure projects. The GIF will partner the private sector through linkages that include financing project SPVs, PPPs, mortgage finance and finance leases. Additionally, the GIF will create investment opportunities for institutional investors including pension funds.

· _**Sources of GIF funds:** The potential sources of funds for GIF includes appropriations by Parliament, including the recently increased VAT, ABFA portion for amortization and infrastructure development. Other sources include: escrowed and on-lent funds from prior investments; private or public domestic and foreign funds from multilateral institutions and development banks; the capital markets (including our stock exchange); pensions and mutual funds (including social security and insurance funds); and other funds.

· _**GIF Debt Service Account (DSA):** The GIF, with assistance of the Bank of Ghana, will set up and manage a Debt Service Account (DSA) for designated domestic and foreign Sovereign Debt.

· _**Project financing:** The Board of the GIF will advise the Minister on viable projects to be financed by GIF, including those involving special purpose vehicles (SPV) such as joint venture (JV) and public-private partnership (PPP) projects. It is envisaged that GIF will issue special bonds to finance specific commercial projects. The GIF will be empowered to set up on-lending, escrow and other mechanisms for the purposes of pursuing and ensuring the success of its investments.

· _**Guarantees and risk management:** The establishment of GIF will lead to a review of Government‗s exposure to risks from borrowing and issuing sovereign guarantees. It is our intention to minimize the use of sovereign guarantees that are currently treated, automatically, as public debt in our Debt Sustainability Analysis (DSA) band and not as contingent liabilities. We are currently in discussions with the World Bank and African Development Bank (AfDB) on the appropriate classification of SOE and other guarantees. Where guarantees are essential, we will maximize the use of third party guarantees such as MIGA guarantees and World Bank/AfDB partial and credit risk guarantees.

953. Mr. Speaker, the GIF is a response to the need to manage Ghana‗s limited but potentially expanding fiscal space; sub-optimal classification and management of public debt; and difficulties in mobilizing funds, in particular, for infrastructure projects of a commercial nature. The linkages to the private sector are crucial since, to leverage private sector investment in infrastructure projects, it is necessary to vigorously pursue long-term quasi-fiscal institutions as well as banking and/or capital market solutions.

954. Mr. Speaker, the intention of Government is to consolidate the use of such commercial financing facilities to finance projects that can repay commercial loans that the Government contracts directly or guarantees. It is also a means of freeing grants and concessional facilities for social infrastructure projects that often return benefits indirectly (e.g., through improvements in social indices) and directly over relatively longer periods.

955. The successful implementation of the GIF will therefore, provide several opportunities to apply national resources in various novel ways including long-term infrastructure bonds to accelerate the upgrading and renewal of critical national infrastructure. We are mindful of the fact that the Ministry of Finance needs to work with our infrastructure ministries, in particular, to improve executive, financial and operational management.

956. Mr. Speaker, given the importance attached to the GIF, H.E. the President will establish and inaugurate the special committee to implement it immediately after the House approves the government's financial policies. It is proposed that the GIF becomes operational during the first quarter of 2014.