

PARLIAMENT OF GHANA LIBRARY

IN THE THIRD MEETING OF THE THIRD
SESSION OF THE SEVENTH PARLIAMENT OF
THE FOURTH REPUBLIC



REPORT OF THE COMMITTEE ON MINES AND ENERGY

ON THE

COMMERCIAL CONTRACT FOR THE PROJECT, IN AN AMOUNT OF US\$103,000,000.00 (ONE HUNDRED AND THREE MILLION, UNITED STATES DOLLARS) BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA, ACTING THROUGH THE MINISTRY OF ENERGY AND CHINA INTERNATIONAL WATER AND ELECTRIC CORPORATION, TO FINANCE THE SUPPLY AND ERECTION OF ELECTRICAL MATERIALS AND EQUIPMENT FOR THE ELECTRIFICATION OF 582 COMMUNITIES IN THE ASHANTI, BRONG AHAFO, EASTERN, VOLTA AND WESTERN REGIONS (PHASE 2 OF THE INITIAL 1,033 COMMUNITIES)

20TH NOVEMBER, 2019

REPORT OF THE COMMITTEE ON MINES AND ENERGY ON THE COMMERCIAL CONTRACT FOR THE PROJECT, IN AN AMOUNT OF US\$103,000,000.00 (ONE HUNDRED AND THREE MILLION, UNITED STATES DOLLARS) BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA, ACTING THROUGH THE MINISTRY OF ENERGY AND CHINA INTERNATIONAL WATER AND ELECTRIC CORPORATION, TO FINANCE THE SUPPLY AND ERECTION OF ELECTRICAL MATERIALS AND EQUIPMENT FOR THE ELECTRIFICATION OF 582 COMMUNITIES IN THE ASHANTI, BRONG AHAFO, EASTERN, VOLTA AND WESTERN REGIONS (PHASE 2 OF THE INITIAL 1,033 COMMUNITIES)

1.0 INTRODUCTION

- 1.1 The Commercial Contract Agreement between the Government of the Republic of Ghana (represented by the Ministry of Energy) and China International Water and Electric Corporation for the supply and erection of electrical materials and equipment for the electrification of 582 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions (Phase 2 of the initial 1,033 Communities) was laid in Parliament by the Hon. Minister responsible for Planning, Professor George Yaw Gyan-Baffour on behalf of the Minister responsible for Energy pursuant to Article 181 (5) of the 1992 Constitution.
- 1.2 Subsequent to this, the Rt. Hon. Speaker referred the Agreement to the Committee on Mines and Energy for consideration and report in accordance with Order 188 of the Standing Orders of the House.

2.0 DELIBERATIONS

- 2.1 The Committee met on Thursday, 14th November, 2019 and the considered the Agreement. The Deputy Minister for Energy, Hon. William Owuraku Aidoo and a Deputy Minister for Finance, Hon. Abena Osei-Asare were present at the meeting to assist in the deliberations. Officials of the Ministries of Energy and Finance were also in attendance.

2.2 The Committee is grateful to the Hon. Deputy Ministers and their technical team for their inputs and clarifications.

3.0 REFERENCE DOCUMENTS

3.1 The Committee was guided by the following documents:

- I. The 1992 Constitution of Ghana;
- II. The Standing Orders of Parliament; and
- III. The Ministry of Energy Medium Term Policy and Expenditure Framework for 2019 -2021

4.0 BACKGROUND

4.1 In 1990, the Government of Ghana, through the Ministry of Energy, established a National Electrification Scheme (NES) to complement the Self-Help Electrification Programme (SHEP) to extend electricity supply to all parts of the country over a 30-year period. The extension of the electricity supply was to provide reliable access to power to facilitate establishment of small-to-medium- scale industries across the country particularly in the rural areas to create jobs, reduce poverty, curb rural-urban migration, increase economic activities and increase the standard of living.

4.2 The implementation of the NES and SHEP has enabled the connection of Ten Thousand, Four Hundred and Eighty-Six (10,486) communities to the national electricity grid as at March 2019. This has increased electricity access rate of the country from about 15% at the inception of the NES to current level of 84.98%.

5.0 THE SCOPE OF PROJECT

5.1 The Project represents the second phase of the total of 1,033 communities earmarked to be connected to the national grid. The first phase which was targeted at connecting 495 communities to the national grid ended up achieving 507 communities through the savings made from the value for money audit.

5.2 The scope of the second phase involves the design, manufacture, delivery, installation, testing and commissioning, and handling of the electrification project in 582 beneficiary communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions of the country. The scope of the work is summarised below:

Table 1: Scope of Works

Item No.	Description
1	582 Beneficiary Communities
2	43,451 Beneficiary Households
3	1,218 km - 33kV Transmission Lines
4	238 km - 11kV Transmission Lines
5	1,152 km - Low Voltage Transmission Lines
6	42,420 - Single-Phase Service Connections
7	1,031 - Three-phase Service Connections
8	504 - 33kV Transformers
9	150 - 11kV Transformers

5.2 The project completion date is 1,460 days from commencement date following the execution of condition precedents.

6.0 CONTRACT SUM AND TERMS OF PAYMENT

6.1 The Government of Ghana has committed to pay to the Contractor, China International Water and Electric Corporation, a total amount of One Hundred and Three Million United States Dollars (US\$103,000,000.00) for the Implementation of the project.

6.2 Fifteen percent (15%) of the contract sum shall be paid as advance payment upon satisfaction of all the conditions precedent as stated in paragraph 7.0.

6.3 Eighty five percent (85%) of the contract price shall be paid by the Government of Ghana against valid claims in respect of the supply of materials and installation.

7.0 CONDITIONS PRECEDENT

7.1 The Government of Ghana and China International Water and Electric Corporation agreed on the under-listed project preparatory deliverables as conditions precedent for commencement of the project:

- i. Approval of the Contract Agreement by relevant governmental authorities in Ghana;
- ii. Approval of the terms and conditions of the Credit Agreement by the relevant government authorities and bodies in China and Ghana;
- iii. Executed and effective Loan Agreement between the Industrial and Commercial Bank of China and the Government of Ghana represented by the Ministry of Finance;
- iv. Approval of the Agreement in accordance with Ghana's Public Procurement Act (Act 663) of 2003;
- v. That the prices band terms for the supply and installation of materials have been subjected to and passed a Value For Money (VFM) Audit and have been accepted by the relevant Government bodies as confirmed in writing by the Government of Ghana.
- vi. All other approvals and documentation deemed necessary by the Government of Ghana, other appropriate authorities of the Government of Ghana and Industrial and Commercial Bank of China;
- vii. Issuance by the Government of Ghana of Down payment and Receipt by the Government of Ghana of the Down Payment Guarantee.
- viii. Written confirmation from the Government that all conditions precedent in this Contract Agreement has been met.

8.0 OBSERVATIONS

8.1 Impact of the Project

The Committee observed that the connections of the 582 Communities earmarked under the phase 2 of the electrification project will contribute significantly towards the efforts at achieving a minimum of 90% national access to electricity by the 2020 target. Access to electricity in the beneficiary communities will go a long way to enhance their social well-being and economic activities, particularly, in the areas of agriculture, health, education and tourism. It will further provide opportunities for socio-economic development through the establishment of small to medium scale industries in rural areas; job creation in the rural areas and thus reducing the rate of rural to urban migration; and enhancement of economic activities.

8.2 Local Content

The Committee observed that China International Water and Electric Corporation is enjoined under the Agreement to utilise goods and services from Ghana. The Corporation is under obligation to spend not less than thirty percent (30%) of the Contract Price in the procurement of local goods and services. The Committee request the Ministry of Energy to ensure that the local content requirement under the Agreement is comply by the Contractor.

8.3 Electricity Access Rate

The Committee noted with concern the inequities in electricity access rate across the regions despite the high national average rate of 84.98%. The access rate in the northern regions and some regions in the Western part were found to be low as compared to the Central, Eastern and Southern part of the country (Table 2). The Committee urges the Ministry of Energy to roll out special interventions to bridge the gap.

Table 2: Regional Electricity Access Rates

Region	Access Rate (%)	Ranking
Greater Accra	96.66	1
Ashanti	91.57	2
Brong Ahafo	90.93	3
Western	90.15	4
Volta	89.02	5
Central	88.69	6
Eastern	81.60	7
Ahafo	79.62	8
Western North	77.14	9
Upper West	76.46	10
Bono East	73.61	11
Oti	70.36	12
Northern	70.21	13
Upper East	60.65	14
Northern East	59.12	15
Savannah	54.51	16
National Average of Electricity Access Rate	84.98%	

8.4 Performance Security

The Committee noted that adequate provisions have been incorporated in the Agreement to ensure that the Contractor deliver on its obligations to the State. The China International Water and Electric Corporation is required to post a performance bond in the amount equivalent to 10% of the Contract Price within 280 days after the conditions precedents are met. Delays in the execution of phases of the project attract 0.1% of the Contract Price of the phase delayed per day and the maximum amount of the delay damages shall be 10% of the Contract Price.

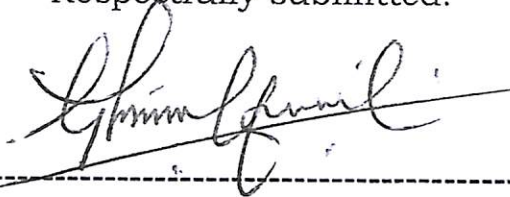
9.0 CONCLUSION AND RECOMMENDATION

9.1 The Committee has thoroughly examined the Commercial Contract Agreement and is satisfied with terms and conditions of the Agreement. The Committee is of the view that effective

implementation of the Project will support the industrialisation agenda of the State as a means to adding value to the country's primary products and improve the lot of the people.

9.2 The Committee accordingly recommends to the House to adopt its report and approve by Resolution, the Commercial Contract for the Project, in an amount of US\$103,000,000.00 (One Hundred and Three Million, United States Dollars) between the Government of the Republic Of Ghana, acting through the Ministry of Energy and China International Water and Electric Corporation, to finance the Supply and Erection of Electrical Materials and Equipment for the Electrification of 582 Communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions (Phase 2 of the initial 1,033 Communities) pursuant to Article 181 (5) of the 1992 Constitution.

Respectfully submitted.



HON. EMMANUEL AKWASI GYAMFI
CHAIRMAN, COMMITTEE ON
MINES AND ENERGY



PARLIAMENT OF GHANA LIBRARY

JOANA A. S. ADJEI (MRS)
CLERK, MINES AD ENERGY
COMMITTEE

APPENDIX

REGIONAL DISTRIBUTION OF THE PROJECT

NO.	DISTRICT	NO. OF COMMUNITIES
ASHANTI REGION		
1.	Ashanti Akim North	33
2.	Bekwai	9
3.	Adansi North	5
4.	Ejura - Sekedumase	16
5.	Atwima Mponua	39
6.	Offinso South	15
7.	Amansie West	35
8.	New Edubiase	54
9.	Atiwma Kwanwoma	6
10.	Ahafo Ano North	22
11.	Atwima Nwabiaya North	10
12.	Atwima Nwabiaya South	8
13.	Ahafo Ano South West	43
14.	Ahafo Ano South East	19
15.	Offinso North	13
16.	Sekyere Central	16
	Sub Total	343
EASTERN		
1.	Akuapim South	7
2.	Denkyembour	18
3.	Birim North	7
4.	Kwaebirirem	2
5.	Lower West Akim	20
	Sub Total	54
BRONG AHAFO		
1.	Wenchi	14
2.	Jaman North	6
3.	Tano South	8

4.	Berkum East	10
5.	Techiman North	17
6.	Nkoranza North	17
7.	Dormaa Central	10
	Sub Total	82
WESTERN		
1.	Mpohor Wassa East	15
2.	Amenfi East	8
3.	Jomoro	6
4.	Prestea	9
	Sub Total	38
VOLTA		
1.	Krachi East	24
2.	Krachi West	10
3.	Nkwanta South	10
4.	Hohoe	9
5.	Jasikan	6
6.	Krachi-Nchumuru	65
	Sub Total	65
	TOTAL COMMUNITIES	582
	TOTAL DISTRICT	38