

**REPORT OF THE FINANCE COMMITTEE ON THE
CREDIT AGREEMENT BETWEEN THE
GOVERNMENT OF GHANA AND THE INDUSTRIAL
AND COMMERCIAL BANK OF CHINA FOR AN
AMOUNT OF US\$102,000,000.00 FOR THE
FINANCING OF THE NATIONAL
ELECTRIFICATION SCHEME (NORTHERN
REGIONAL ELECTRIFICATION PROJECT)**

1.0 INTRODUCTION

The Credit Agreement between the Government of the Republic of Ghana and the Industrial and Commercial Bank of China for an amount of One Hundred and Two Million United States Dollars (US\$102 Million) for the financing of the National Electrification Scheme (Northern Regional Electrification Project) was laid in the House on Tuesday 4th May, 2010 and referred to the Finance Committee for consideration and report in accordance with article 181 of the Constitution and order no. 171(1) of the Standing Orders of the House.

The Committee met and considered the Agreement with the Minister of Finance and Economic Planning, Hon. Dr. Kwabena Duffuor, Deputy Minister of Energy, Hon. Emmanuel Armah-Kofi Buah and technical teams from the Ministry of Finance & Economic Planning and the Ministry of Energy and presents this report.

2.0 BACKGROUND

A major objective of Government's poverty reduction and growth agenda is the extension of electricity infrastructure to support the operation of productive ventures, social projects and activities, especially

in rural areas. The vehicle for attaining this objective is the National Electrification Scheme (NES).

The National Electrification Scheme commenced in 1990 with the aim of extending reliable electricity supply to all parts of the country over a 30-year period. Complementary to the NES is the Self Help Electrification Programme (SHEP) under which communities which are within 20km radius of an existing medium voltage (MV) network, which have provided the requisite Low Voltage (LV) electric poles and have wired at least one-third (1/3) of the houses are qualified to be connected to the national electricity grid. So far, about 4000 communities in Ghana have been connected to the national electricity grid under the NES and SHEP since their commencement in 1990. Consequently, the access rate to electricity in Ghana has increased from about 15% of the population at the inception of the NES to the current level of about 66.70%.

3.0 PURPOSE OF THE LOAN

The purpose of the Credit is to finance the supply of electrical materials and equipment, installation and the commissioning of electrical networks to connect about five hundred (500) beneficiary communities in the Northern Region to the national electricity grid.

TERMS AND CONDITIONS

The terms and conditions of the Agreement are as follows:

Total Contract Amount	-	US\$120 million
Ghana Government Contribution	-	US\$ 18 million
LOAN AMOUNT	-	US\$102 MILLION
Grace Period	-	3 years
Repayment Period	-	12 years
Maturity Period	-	15 years
Interest Rate	-	6 M Libor +0.3% (0.45+0.3=0.75%) p.a.

Grant Element - **36.89 %**

4.0 OBSERVATIONS

The Committee observed that the three northern regions have the lowest electricity coverage in the country, with the Northern Region, the Upper West and Upper East Regions having accessibility rates of 43.52%, 31.59% and 30.39% respectively.

Again throughout the Northern Region, only Tamale has accessibility rate that exceeds 50%.

The Committee was informed that the loan facility would help bring the accessibility rate of the Northern Region closer to the national average of 66.70% thereby ensuring equity.

It was noted that the Government of Ghana (GoG) counterpart funding of eighteen million dollars (US\$18 million) would be spread over the project execution period of three (3) years.

As to how many communities would benefit from the loan facility, the Deputy Minister of Energy, Hon. Emmanuyel Armah-Kofi Buah informed the Committee that about five hundred (500) communities in the Northern Region would benefit from the facility. However, communities in other regions could be considered alongside the 500 communities in the Northern Region.

Some Members advised the Ministry of Energy to encourage the relevant project contractors to employ good public relations mechanisms to make the local populations to understand the need for them to lose some crops and other property for the sake of the project.

As to who the contractors for the project were, the Committee was informed that the project would be executed by Hunan Construction Engineering Group Corporation of China.

The Committee noted that this project forms part of Government's efforts at achieving universal electricity access by the year 2020.

4.1 TAXES

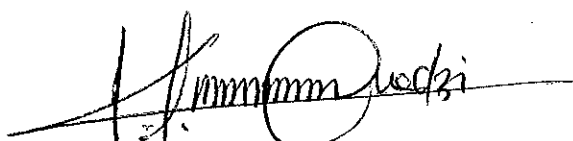
Article 11 of the Agreement requires the facility to be waived of all taxes and duties.

The Minister of Finance and Economic Planning, Hon. Dr. Kwabena Duffuor informed the Committee that a formal request for the waiver of the relevant taxes and duties associated with the project would be presented to Parliament in due course for consideration and approval.

5.0 CONCLUSION

In view of the immense contribution of the National Electrification Scheme towards the country's objectives of growth and poverty reduction, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the Credit Agreement between the **Government of the Republic of Ghana** and the **Industrial and Commercial Bank of China** for an amount of *One Hundred and Two Million United States Dollars (US\$102 Million)* for the financing of the **National Electrification Scheme (Northern Regional Electrification Project)** in accordance with article 181 of the Constitution, Sections 3 and 7 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI
CHAIRMAN**



**PEACE A. FIAWOYIFE (MS.)
CLERK**

6TH MAY, 2010.