

IN THE THIRD SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA

**REPORT OF THE JOINT COMMITTEE ON
FINANCE AND MINES AND ENERGY ON THE
SUPPLIER'S CREDIT AGREEMENT BETWEEN
THE GOVERNMENT OF GHANA AND CHINA
INTERNATIONAL WATER AND ELECTRIC
CORPORATION (CWE) FOR AN AMOUNT OF
US\$162,000,000.00 FOR THE SUPPLY AND
INSTALLATION OF MATERIALS AND EQUIPMENT
UNDER THE NATIONAL ELECTRIFICATION
SCHEME (EXTENSION OF UPPER WEST
ELECTRIFICATION PROJECT)**

1.0 INTRODUCTION

The Supplier's Credit Agreement between the Government of Ghana and the China International Water and Electric Corporation (CWE) for an amount of *one hundred and sixty-two million United States Dollars* (US\$162,000,000.00) for the supply and installation of materials and equipment under the National Electrification Scheme (Extension of Upper West Electrification Project) was laid in the House on Tuesday 29th November, 2011 and referred to the Joint Committee on Finance and Mines and Energy for consideration and report in accordance with article 181 of the Constitution and the Standing Orders of the House.

The Committee met and considered the Agreement with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, Deputy Minister of Energy, Hon. Inusah Fuseini and technical

teams from the Ministries of Finance & Economic Planning and Energy and hereby presents this report to the House.

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 72%.

3.0 PURPOSE OF THE LOAN

The purpose of the Credit is to finance the supply and installation of electrical materials and equipment under the National Electrification Scheme to extend the scope of works of the Upper West Electrification Project to cover on-going projects in the Volta and six (6) other regions.

4.0 TERMS AND CONDITIONS

The terms and conditions of the Agreement are as follows:

Total Contract Sum	-	US\$180,000,000.00
Ghana Government Contribution	-	US\$18,000,000.00
LOAN AMOUNT	-	US\$162,000,000
Grace Period	-	4 years
Repayment Period	-	11 years
Maturity Period	-	15 years
Interest Rate	-	US 6 Months Libor + 0.8%p.a.
Grant Element	-	35.90%

5.0 OBSERVATIONS

The Committee was informed 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, and that the first tranche has been included in the 2011 Budget.

As to how many communities would benefit from the loan facility, the Deputy Minister of Energy, Hon. Inusah Fuseini informed the Committee that about six hundred (600) communities in seven Regions would be connected to the national electricity grid through the facility. The number of communities to be connected in each region is as follows:

REGION	Number of Towns		
	(UPPER PROJECT)	WEST	EXTENSION
Ashanti	58		
Central	22		
Greater Accra	27		
Volta	376		
Western	24		
Brong Ahafo	66		
Northern	27		
TOTAL	600		

The Committee observed that under the SHEP 4 Phase I project, costing US\$90 million and executed by CWE, 420 communities were connected to the national electricity grid. Additionally, 531 communities were connected under SHEP 4 Phase 2 at the cost of US\$170 million.

It was noted that the additional credit of US\$162 million has become necessary because the contractor did not adhere to proper project management procedures and therefore started installation works in several communities which had not been earmarked under the US\$170 million project package. Also, Utility Companies to provide supervision under the project could not match up with the pace of work by the contractor.

To prevent further cost overruns and to ensure timely and highest standard of work, the Ministry of Energy has engaged the services of a consultant in addition to the Utility Companies to assist with the supervision of the works.

Members expressed concern about the situation where government has to make up for contractors' non-adherence to proper project management procedures and recommended that the contractor

should this time be given strict orders on which communities to work in.

It was further noted that the US\$162 million being provided by CWE to finance 90% of the Contract Price would be disbursed in two tranches of US\$81 million each, with the first tranche expected to be disbursed in the 2011 financial year and the other tranche in the 2012 financial year.

The Committee was informed that the project would be executed by China International Water and Electric Corporation (CWE) and would be completed in three (3) years from the date of commencement.

The scope of the project involves design, manufacture, delivery, installation, completion and commissioning of the electrification project in 600 beneficiary communities covering the Volta and six other Regions.

Hon. Members would recall that on Friday 7th May, 2010, Parliament approved by resolution a Supplier's Credit Facility Agreement between the Government of Ghana and the China International Water and Electric Corporation for an amount of US\$81 million for the financing of the National Electrification Scheme (Upper West Regional Electrification Project).

Deputy Minister of Energy, Hon. Inusah Fuseini explained to the Committee that the about 400 communities from the Upper West Region alone are benefiting from that facility; and therefore the current US\$162 million extension to that loan would benefit communities in other regions of the country.

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

As to whether beneficiaries of the project would be required to make financial contribution towards the project, the Committee was informed that beneficiaries would not be required to make any financial contribution, except for the maximum of *three Ghana*

Cedis, fifty Pesewas (GH¢3.50) that they would pay for allocation of service meters.

The Committee advised the Ministry of Finance and Economic Planning to ensure that projects/programs earmarked for donor funding are included in the Annual Budget and subsequently the Appropriation Act, so that the loan proceeds can be spent with the authority of the Budget and the Appropriations Act.

5.1 TAXES

Article 9 of the Supplier's Credit Agreement stipulates that "All income, withholding and other taxes, VAT, charges, stamp duties and penalties for the Contractor, Contractor's vehicles, materials and equipment, goods and expatriate personnel earnings as well as their belongings dispatched to Ghana for the execution of the Works or the contract payment or any of the foregoing levied in Ghana in relation to this Agreement or upon the operation thereof shall be borne and paid by the Borrower (i.e. GOG)"

The Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper therefore 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.

6.0 CONCLUSION

In view of the immense contribution of rural electrification to the country's socio-economic development, the Committee respectfully recommends to the House to adopt this report and approve by Resolution, the **Supplier's Credit Agreement** between the **Government of Ghana** and the **China International Water and Electric Corporation (CWE)** for an amount of *one hundred and sixty-two million United States Dollars (US\$162,000,000.00)* for the **supply and installation of materials and equipment** under the National Electrification Scheme (**Extension of Upper West**

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.

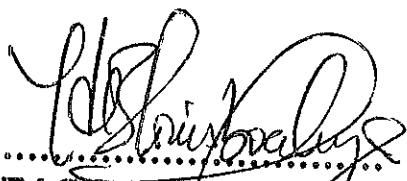
Respectfully submitted.



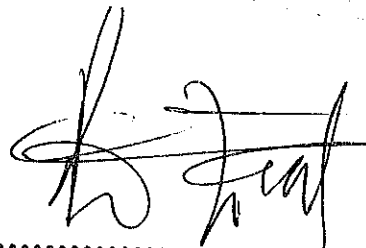
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HON. JAMES KLUTSE AVEDZI
CHAIRMAN,
FINANCE COMMITTEE



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HON. MOSES ASAGA
CHAIRMAN, COMMITTEE
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for:
PEACE A. FIAWOYIFE (MS.)
CLERK,
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CAMILLO PWAMANG
CLERK, COMMITTEE ON
MINES AND ENERGY

7TH DECEMBER, 2011.

