

SECRET

JOINT MEMORANDUM TO PARLIAMENT

SUBMITTED BY

HON. CASSIEL A. FORSON

(DEPUTY MINISTER FOR FINANCE)

AND

HON. JOHN ABDULAI JINAPOR

(DEPUTY MINISTER FOR POWER)

ON THE

**CREDIT FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF
GHANA AND INDUSTRIAL COMMERCIAL BANK OF CHINA (ICBC)
LIMITED**

FOR

**FINANCING THE SUPPLY AND ERECTION OF ELECTRICAL
MATERIALS AND EQUIPMENT FOR THE ELECTRIFICATION OF
1,033 COMMUNITIES IN THE ASHANTI, BRONG AHAFO, EASTERN,
VOLTA AND WESTERN REGIONS**

16th March, 2016

ACTION REQUIRED

- 1.0 Parliament is respectfully invited to consider and approve both the Commercial and Financing Agreements as indicated below:
- I. The Commercial Contract for the project, in an amount of US\$200,000,000.00 (Two Hundred Million, US Dollars) between the Government of the Republic of Ghana, acting through the Ministry of Power and China International Water and Electric Corporation to finance the supply and erection of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions. The commercial contract for the project is to be executed in two (2) phases. Phase-1 of this contract to be executed is US\$97,000,000.00 (Ninety-Seven Million United States Dollars).
 - II. Credit Facility Agreement between the Republic of Ghana represented by the Ministry of Finance and Industrial and Commercial Bank of China Limited (ICBC) for an amount of US\$90,472,385 (Ninety Million, Four Hundred and Seventy Two Million, Three Hundred and Eight-Five US Dollars)), for the phase-1 of the Commercial contract. The financing of the phase-2 of the Commercial contract will be forwarded to Cabinet at a later date.

BACKGROUND INFORMATION

- 2.0 A major objective of the 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 the rural areas. The vehicle for attaining this objective is the National Electrification Scheme (NES).

3.0 The NES which commenced in 1990 aims at extending the reach of 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, and 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, over 5,000 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 80.51%.

JUSTIFICATION FOR GOVERNMENT ACTION

- 4.0 We wish to indicate that the credit facility (US\$90,472,385) for which approval is being sought is for financing works in about 1,033 selected communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions.
- 5.0 As part of the Government's efforts to accelerate the pace of the NES programme in order to achieve universal access, the Ministry of Power is undertaking several electrification projects in all parts of the country.
- 6.0 This new project for which funding is being sought will significantly contribute to the achievement of universal access to electricity by the connection of 1,033 communities to the national electricity grid.

The current Electricity Accessibility Rates based on regions are as per Table 2 below.

Table 2: Current Electricity Accessibility Rates for the Regions of Ghana

Region	Access Rate
Greater Accra	96.43
Ashanti	90.48
Central	84.32
Volta	79.09
Eastern	78.56
Western	78.12
Brong Ahafo	75.77
Upper West	71.62
Northern	54.53
Upper East	51.65
National Average of Electricity Access Rate	80.51

7.0 The above results clearly show that some Regions are far below the National Average of Electricity Access Rate. The reason for this state of affairs lies in the inability of some of the communities to provide the LV poles so as to qualify for electrification under the SHEP.

8.0 Furthermore, this credit facility will cover the provision of the LV poles required for the electrification of all the beneficiary communities.

ON-GOING PROJECTS

9.0 The Ministry is currently implementing some electrification projects spread over all the ten (10) Regions of the country. It is expected that over 5,000 communities will have

access to electricity supply upon completion of the above projects. The Ministry is working persistently with the Contractors and other stakeholders to ensure that all the projects are completed within the next few years. It is anticipated that the National Average Accessibility Rate will increase upon the completion of the on-going projects. This assumes that the financial obligations of the Government will be available at the right time.

CURRENT PROJECT

10.0 The scope of the current project involves the design, manufacture, delivery, installation and completion and commissioning of the electrification project in 1,033 beneficiary communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions of the country.

11.0 The project is to be executed by China International Water & Electric Corporation (CWE).

OPTIONS AND IMPACTS CONSIDERED / BENEFITS

12.0 In view of the large disparities in Regional accessibility rates, the Ministry of Power intends to use this credit facility for the electrification projects in the selected regions to bring the accessibility rates of some of the regions closer to that of the National Average to ensure equity. As the communities are being connected to the national grid, immense benefits will accrue to the inhabitants of these beneficiary communities through the provision of reliable electricity supply to enhance their social well-being and economic activities. Other benefits include:

- Creating small-to medium-scale industries in rural areas;
- Creating jobs in the rural areas and thus reducing the rate of rural to urban migration;
- Increasing people's standard of living, especially those in the rural areas;
- Increasing the overall socio-economic development of the nation;
- Enhancing activities in other sectors of the economy, such as, Agriculture, Health, Education, Tourism, etc;

FINANCING TERMS & CONDITIONS

13.0 Eighty Five percent (85%) of the project cost is to be financed by Industrial Commercial Bank of China (ICBC) Limited. The financing terms of the credit facility are summarised below:

Facility Amount	-	US\$90,472,385 (of which 85% of contract – US\$82,450,000 and Sinasure premium - estimated at US\$8,022,385)
Repayment Period	-	10 years
Grace Period	-	5 years
Maturity	-	15 years
Interest Rate	-	6 months LIBOR + a margin of 0.5% p.a.
Management Fee	-	1.50 % flat
Commitment fee	-	1.00% p.a.

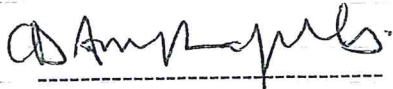
14.0 The remaining 15% of the commercial contract in the amount of US\$14,550,000.00 shall be financed under the budget over four years.

EXECUTIVE APPROVAL


15.0 By a letter referenced OP/CA.20 and dated 16th March, 2016 (copy attached), His Excellency the President granted Executive Approval for the Commercial and Financing Agreements.

CONCLUSION

16.0 In view of the immense socio-economic, environmental and financial benefits to be derived from this project, Parliament is hereby respectfully requested to consider and approve the Credit Facility and the Commercial Contract, in accordance with Article 181 of the 1992 Constitution and sections 3 and 7 of the Loans Act, 1970 (Act 335).



HON. CASSIEL A. FORSON
(DEPUTY MINISTER FOR FINANCE)
FOR: MINISTER



HON. JOHN ABDULAI JINAPOR
(DEPUTY MINISTER FOR POWER)
FOR: MINISTER

In case of reply the number and date of this letter should be quoted.

My Ref. No.....

Your Ref. No.....

OP/CA. 20

CONFIDENTIAL



FREEDOM AND JUSTICE



OFFICE OF THE PRESIDENT

P.O. BOX 1627

ACCRA

TEL 0302-201000/2

16TH MARCH, 2016

REQUEST FOR EXECUTIVE APPROVAL FOR CREDIT FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF GHANA AND INDUSTRIAL COMMERCIAL BANK OF CHINA (ICBC) LIMITED FOR FINANCING THE SUPPLY AND ERECTION OF ELECTRICAL MATERIALS AND EQUIPMENT FOR THE ELECTRIFICATION OF 1,033 COMMUNITIES IN THE ASHANTI, BRONG AHAFO, EASTERN, VOLTA AND WESTERN REGIONS

I refer to your letter No. SCR/RA40/200/01^A dated 15th March, 2016 on the above subject and convey to you as follows:


2. H.E. the President has granted you Executive Approval for Credit Facility Agreement Between the Government of Ghana and Industrial Commercial Bank of China (ICBC) Limited for Financing the Supply and Erection of Electrical materials and Equipment for the Electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions.

3. The commercial and financing Agreements are indicated below:

I. The Commercial Contract for the project, in an amount of **Two Hundred Million United States Dollars (US\$200,000,000.00)** between the Government of the Republic of Ghana, acting through the Ministry of Power and China International Water and Electric Corporation to finance the supply and erection of electrical materials and equipment for the electrification of 1,033 communities in the Ashanti, Brong Ahafo, Eastern, Volta and Western Regions. The commercial contract for the project is to be executed in two (2) phases. Phase-1 of this contract to be executed is **Ninety-Seven Million United States Dollars (US\$97,000,000.00)**.

II. Credit Facility Agreement between the Republic of Ghana represented by the Ministry of Finance and Industrial and Commercial Bank of China Limited (ICBC) for an amount of **Ninety Million, Four Hundred and Seventy Two Thousand, Three Hundred and Eight-Five United States Dollars (US\$90,472,385)**, for the phase-1 of the Commercial contract.

4. I shall be grateful if you would humbly request Parliament to consider and approve both the commercial and financing Agreements as indicated above.


ROGER K. ANGSOMWINE
SECRETARY TO THE CABINET

THE HON. MINISTER
MINISTRY OF Power
ACCRA

THE HON. MINISTER
MINISTRY OF FINANCE
ACCRA

cc: Chief of Staff
Secretary to the President
Secretary to the Vice President
Senior Policy Advisor and Head
of Presidential Delivery Unit

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