

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

REPORT OF THE FINANCE COMMITTEE ON THE LOAN
AGREEMENT BETWEEN THE GOVERNMENT OF GHANA
AND THE UNITED STATES EXIM BANK AMOUNTING
TO US\$358,933,750 FOR THE FINANCING OF THE
SELF - HELP ELECTRIFICATION PROGRAMME PHASE IV

1.0 INTRODUCTION

The Credit Agreement between the Government of Ghana and the United States Exim Bank amounting to US\$358,933,750 for the financing of the Self - Help Electrification Programme Phase IV (SHEP IV) was laid in the House on Friday 30th November 2007 by the Majority Leader and Minister for Parliamentary Affairs, Hon. Abraham Ossei Aidoo and referred to the Finance Committee for consideration and report in accordance with the Constitution and Order no. 171 (1) of the Standing Orders of the House.

To consider the Agreement, the Committee met with the Minister of State at the Ministry of Finance and Economic Planning, Hon. Dr. Anthony Akoto Osei, the Deputy Minister for Finance and Economic Planning, Hon. Prof. George Gyan Baffour, the Deputy Minister of Energy, Hon. Kwame Amporfo Twumasi, officials from the Ministry of Finance & Economic Planning and the Ministry of Energy and reports as follows:

2.0 BACKGROUND

The Self -Help Electrification Programme (SHEP) is a complementary activity to Government's National Electrification Scheme (NES) under the Growth and Poverty Reduction Strategy aimed at providing electricity to all communities in the country over a 30 year period.

Under the SHEP, communities which are within 20km of an existing 33kV/11kV network and meet other criteria are eligible to be connected to the national electricity grid.

Currently, it is estimated that a total of 3,300 communities have been connected under the NES. It is also estimated that about 54% of Ghanaians have access to electricity.

In order to sustain the momentum of the SHEP, the Ministry of Energy requested the Volta River Authority (VRA) and Electricity Company of Ghana (ECG) in September 2001 to undertake a national survey and feasibility studies of all communities that qualify to be connected to the national grid.

From the Studies carried out by the VRA and ECG, about 2,500 communities were identified as having qualified and these communities would be aimed at under the SHEP IV programme.

The scope of the project under this credit facility, involves the extension of electricity supply to an estimated 250 rural communities in the country. This is mainly to help finance the supply of the necessary electrical materials, equipment and commissioning of networks needed to connect beneficiary communities.

3.0 PURPOSE OF THE LOAN

The purpose of the loan is to finance the supply of electrical materials, equipment, installation and the commissioning of electrical networks to connect beneficiary communities under the Government's Self - Help Electrification Programme (SHEP IV)

4.0 TERMS OF THE LOAN

Loan Amount	-	US\$358, 933, 750
Interest Rate	-	2 % p. a.
Grace Period	-	5.5 years
Repayment Period	-	10years
Maturity Period	-	15.5 years
Commitment Fee	-	0.195% p.a.
Arrangement Fe	-	0.25% flat
Grant Element	-	35.21%

4.1 TAX WAIVER

The Credit Agreement is to be waived of all taxes, duties, license fees, stamp fees and other applicable charges relating to the execution of this programme.

5.0 OBSERVATIONS

The Committee was informed by the Minister of State at the Ministry of Finance and Economic Planning that the loan has a grant element of 35.21% and thus meets the Country's concessionality requirement..

The Committee was further informed that the scope of the programme involves the extension of electricity supply to a number of rural communities within the country.

The Committee noted that under this facility, Government will provide a counterpart funding of US\$57million. This he said has been taken care of in the 2008 budget of the Ministry of Energy.

It was also noted that this project is part of the Government's programme to extend electricity to at least 5 communities in each District in the year 2008.

As to when the programme is likely to be actually executed, the Committee was informed that it will take off by March 2008.


The Committee noted that the Credit Agreement is to be waived of taxes, fees and duties payable relating to the execution of this programme. The Minister of State at the Ministry of Finance and Economic Planning assured the Committee that the appropriate request for tax waiver would soon be laid in the House for consideration and approval.

6.0 RECOMMENDATION AND CONCLUSION

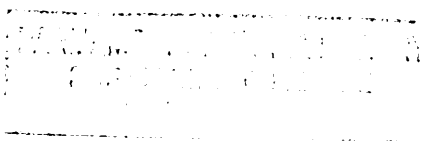
The Committee has considered the Agreement and is of the view that the loan is very important for the successful implementation of the SHEP IV programme.


The Committee therefore recommends to the House to adopt this report and to approve by RESOLUTION, the Credit Agreement between Government of Ghana and US Exim Bank for an amount of US\$358,933,750 for the financing of the Self-help Electrification Programme (SHEP) IV in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970 (Act 335.)

Respectfully submitted.


HON. ~~NII ADU DAKU MANTE~~

CHAIRMAN




LOUIS YIADOM BOAKYE

FOR CLERK, FINANCE COMMITTEE

6TH DECEMBER, 2007