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Your Ref.....

Tel No: 0302 747197



REPUBLIC OF GHANA

MINISTRY OF FINANCE

P. O. BOX MB 40

ACCRA

*gub*  
February, 2018

**REQUEST FOR WAIVER OF TAX LIABILITY AMOUNTING TO US\$66,681,968 ON EQUIPMENT AND MATERIALS TO BE IMPORTED BY MINISTRY OF ENERGY/WELDY LAMONT ASSOCIATES INC. OF ILLINOIS FOR THE RURAL ELECTRIFICATION PROJECT IN SELECTED COMMUNITIES IN GHANA UNDER THE NATIONAL ELECTRIFICATION SCHEME (NES) AND THE SELF HELP ELECTRIFICATION PROGRAMME (SHEP-IV)**

Parliament is kindly requested to consider and approve the request for waiver of tax liability amounting to US\$66,681,968 on equipment and materials to be imported by Ministry of Energy/Weldy Lamont Associates Inc. of Illinois for the rural electrification project in selected communities in Ghana under the National Electrification Scheme (NES) and the Self Help Electrification Programme (SHEP-IV).

2. At its Twenty-fifth meeting held on Thursday, 25<sup>th</sup> January, 2018, Cabinet considered and approved the request for tax exemptions as indicated above for consideration of Parliament.

3. To ensure exemption of duties and clearance of materials and equipment for the above mentioned projects, it has become necessary to seek approval from Parliament under Article 174 (2) of the Constitution.

4. We would be grateful if you could lay same for Parliament consideration and approval. We have attached 300 copies of the Memoranda for distribution to Members of Parliament.

  
KEN OFORI-ATTA  
MINISTER

CLERK OF PARLIAMENT  
PARLIAMENT HOUSE  
ACCRA

CC: Speaker of Parliament  
Majority Leader of Parliament  
Minority Leader of Parliament  
Chief of Staff, flagstaff House  
Hon. Minister, MoEn  
Hon. Deputy Ministers, MoF

MEMORANDUM TO PARLIAMENT

BY

THE MINISTER FOR FINANCE

ON

THE WAIVER OF IMPORT DUTIES AND APPLICABLE TAXES ON THE PURCHASE OF  
MATERIALS AND EQUIPMENT FOR THE IMPLEMENTATION OF THE NATIONAL  
ELECTRIFICATION SCHEME (NES) AND THE SELF HELP ELECTRIFICATION  
PROGRAMME (SHEP-IV) BY MINISTRY OF ENERGY/ WELDY/LAMONT ASSOCIATES  
INC. OF ILLINOIS

GOG CONTRACT

..........FEBRUARY, 2018

## **1.0. ACTION REQUIRED**

1.1. Parliament is respectfully invited to consider and approve the waiver of tax liability amounting to US\$66,681,968 (equivalent of GH¢295,114,387.96) on equipment and materials to be imported by Ministry of Energy/Weldy/Lamont Associates Inc. of Illinois for the Rural Electrification project in selected communities in Ghana under the National Electrification Scheme (NES) and the Self Help Electrification Programme (SHEP-IV).

1.2. At its Twenty-fifth meeting held on Thursday, 25<sup>th</sup> January, 2018, Cabinet considered and approved the request for tax exemptions as indicated above for consideration of Parliament.

## **2.0. BACKGROUND TO THE PROJECT**

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

2.2. 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.

2.3. 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 84.1%

2.4. At its Thirty-Third Meeting held on Friday, 12<sup>th</sup> August, 2008, Parliament approved by Resolution the Credit Facility Agreement between the Republic of Ghana and the American Exim Bank for an amount of **US\$357,773,500** for the financing of portion of Self Help Electrification Programme (SHEP-4).

2.5. To ensure prompt clearance of electrical materials and equipment for the above mentioned project, it has become necessary to seek approval as required under Article 174 (2) of the 1992 Constitution.

### 3.0. TAX ASSESSMENT

3.1. The Ghana Revenue Authority has assessed the applicable taxes, duties and levies to be waived on the project. Gross taxes and duties on materials and equipment was estimated at US\$66,681,968 (equivalent of GH¢295,114,387.96). The breakdown is shown in the table below.

TAX EXEMPTION						
MINISTRY OF ENERGY/MESSRS WELDY/LAMONT						
No	Description of Items	CIF (USD)	Import Duty	Import VAT	Import NHIL	TOTAL (USD)
	Project materials and equipment	237,208,358	29,552,500	30,973,729	6,155,740	66,681,968

### 4.0 JUSTIFICATION FOR TAX EXEMPTION

4.1. From the policy perspective of Banks, and other bilateral and Multilateral Institutions, it does not use its loans to finance taxes. Recipient countries therefore have a choice. They can provide exemption for goods and services procured under Bank-financed projects or they can provide budgetary funds to pay for the portion of the project costs representing tax.

4.2. Under the provisions of the facility Agreement Article 6.2 states that all equipment and materials required for the project shall be exempt from payment of all taxes and duties that are due in accordance with the laws of Ghana. This means that the contract price for the project was designed and concluded on the basis that the project items shall be tax free or exempted.

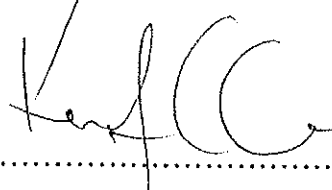
4.3. We wish to inform the Honourable Members, that if the project was not exempt, the total project cost would have been higher by the tax element which by GRA computation was estimated at US\$66,681,968. This would have brought the project cost to US\$424,455,468. As indicated the additional cost would have to be financed through budgetary allocation to cover the tax liabilities for such project, and the other option is exemption.

4.4. Government therefore settled on exemption of which Parliament has approved the financing and commercial Agreements.

4.5. Accordingly, per Article 174(2) of the 1992 Constitution the Tax Liabilities on equipment and materials has to be submitted to Parliament for consideration and approval.

## 5.0 CONCLUSION

To ensure that the Government's objective of universal access to reliable electricity is achieved by the year 2020, Parliament is respectfully requested to consider and approve the waiver of the tax liabilities amounting to **US\$66,681,968** on equipment and materials being imported for the implementation of SHEP-IV and National Electrification Scheme (NES) project.



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KEN OFORI-ATTA

(MINISTER FOR FINANCE)

**ATTACHMENTS:**

1. Forwarding letter, folio 1
2. Parliamentary Memo, folio 2
3. Cabinet approval, folio 3
4. Relevant sessions of Commercial Contract Agreement, folio 4
5. Parliamentary Approval for the Credit Agreement, folio 5
6. Tax Assessment, folio 6
7. Public Procurement Authority letter, folio 7
8. Beneficiary communities, folio 8

# SHEP IV TURNKEY RURAL ELECTRIFICATION PROJECT



2/9/2018

DECEMBER, 2017

## **PROGRESS REPORT AS @ DECEMBER, 2017**

- A total of 108 work packages awarded under various work orders covering the three regions, viz:- Western, Central and Brong-Ahafo.
- A total of 2,286 communities awarded on the packages but currently, TMG is working in 2,191 communities whilst 95 communities have already been done under various ECG and GEDAP projects.



# BREAKDOWN OF REGIONAL PACKAGES

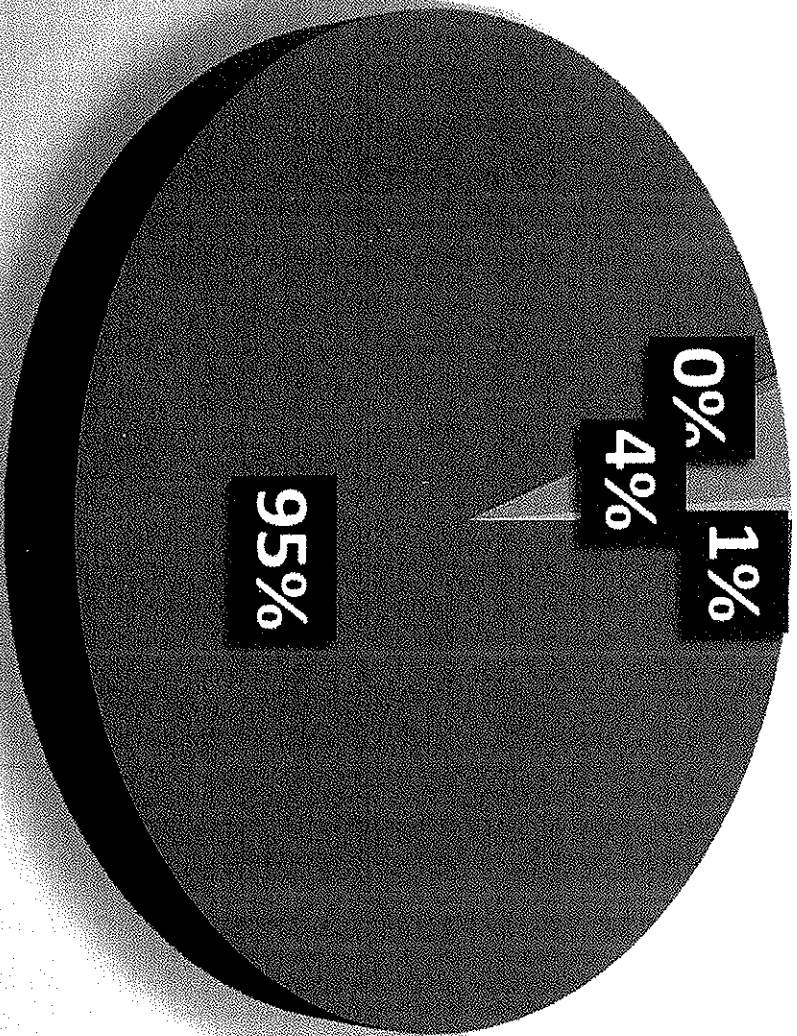
Region	No. of Package	No. of Communities
Western	54	1,219
Central	19	396
Brong-Ahafo	35	576
<b>TOTAL</b>	<b>108</b>	<b>2,191</b>

- Above breakdowns are at various stages of completion.
- Estimated completion target date for all outstanding works is December 2017.
- New completion target dates to be set pending release of locked-up materials at the harbour/extension of project duration.

# PROJECT STATUS - CENTRAL REGION

CONSTRUCTION ACTIVITIES/STATUS REPORT, DECEMBER 2017 - CENTRAL REGION									
WORK ORDER	PACKAGES	TOTAL COMMUNITIES AWARDED	Total Communities Under Construction by TMG	PERFORMANCE				Communities Already done under other projects	
				Completed & Energized	Awaiting Energization	On-going	No Access, Obstructions, City Relocations etc.		
WO 2	CR-KEEA_CC-01	22	22	21	0	0	1	0	
	CR-Ajumako-01	15	14	14	0	0	0	1	
	CR-Twifo_HLD-01	10	7	7	0	0	0	3	
	CR-ABURA_AK-01	33	33	33	0	0	0	0	
WO 4	EWUTU_GOMOA_MFAN-01	12	12	11	0	1	0	0	
	CR-TWIFO_HLD-03	11	11	11	0	0	0	0	
	CR-AOB-01	20	19	19	0	0	0	1	
	CR-Assin(N)-02	34	33	33	0	0	0	1	
WO 5	CR-U_Denkyira(E)-01_F	22	22	22	0	0	0	0	
	CR-Ewutu_Mfantsiman-02_F	42	42	42	0	0	0	0	
	CR-Assin (N)_01_F	36	36	36	0	0	0	0	
	CR-U_Denkyira (W)-01_F	9	9	9	0	0	0	0	
WO 7A	CR-AAK-02	14	14	14	0	0	0	0	
	CR-KEEA-02	11	11	10	0	0	1	0	
	CR-THLD-02	41	40	31	0	8	1	1	
WO 7B	CR-GOMOA(E)-02	24	22	19	0	3	0	2	
	CR-AOB-02	18	18	18	0	0	0	0	
	CR-ASSIN (N)-03	13	12	12	0	0	0	1	
WO 7C	UPPER DENKYIRA EAST-02	23	19	16	0	3	0	4	
<b>TOTALS</b>		<b>410</b>	<b>396</b>	<b>378</b>	<b>0</b>	<b>15</b>	<b>3</b>	<b>14</b>	

## PERFORMANCE CHART - CENTRAL REGION



- Completed & Energised
- Awaiting Energization
- On-going
- No Accesses, Obstructions, etc

# PROJECT STATUS - WESTERN REGION

CONSTRUCTION ACTIVITIES/STATUS REPORT, DECEMBER 2017 - WESTERN REGION								
WORK ORDER	PACKAGES	TOTAL COMMUNITIES AWARDED	Total Communities Under Construction by TMG	PERFORMANCE				Communities Already done under other projects
				Completed & Energized	Awaiting Energization	On-going	No Access, Obstructions, etc.	
WO 1	WR-Shama-01	12	10	10	0	0	0	2
	WR-TAR-NSUAEM-01	11	10	10	0	0	0	1
	WR-PHV-02	12	12	12	0	0	0	0
	WR-PHV-05	19	17	17	0	0	0	2
	WR-AMENFI(W)-01	14	14	14	0	0	0	0
	WR-AMENFI(W)-04	22	17	17	0	0	0	5
	WR-S_WIAWSO-01	17	17	17	0	0	0	0
	WR-S_WIAWSO-02	10	10	10	0	0	0	0
	WR-S_AKONTOMBRA-01	9	9	9	0	0	0	0
	WR-S_AKONTOMBRA-02	19	19	19	0	0	0	0
	WR-BIA-02	25	25	25	0	0	0	0
	WR-BIA-07	35	35	24	2	9	0	0
	WR-IJABOSO-02	22	22	22	0	0	0	0
	WR-IJABOSO-04	25	25	25	0	0	0	0
WO 2	WR-Amenfi(C)-01	11	11	11	0	0	0	0
	WR-AMENFI(C)-02	14	13	13	0	0	0	1
	WR-AMENFI(E)-01	10	10	10	0	0	0	0
	WR-AMENFI(E)-03	21	21	21	0	0	0	0
	WR-BIBIANI-01	6	6	6	0	0	0	0

2/9/2018

# PROJECT STATUS - WESTERN REGION cont.

CONSTRUCTION ACTIVITIES/STATUS REPORT - WESTERN REGION cont.									
WORK ORDER	PACKAGES	TOTAL COMMUNITIES AWARDED	Total Communities Under Construction by TMG	PERFORMANCE					Communities Already done under other projects
				Completed & Energized	Awaiting Energization	On-going	No Access, Obstructions, etc.		
WO 3	WR-BIA-04	29	29	28	0	1	0	0	
	WR-JOMORO-01 & 02	8	8	8	0	0	0	0	
	WR-ELEM/BELLE-01	20	20	20	0	0	0	0	
	WR-ELEM/BELLE-02	7	7	1	0	6	0	0	
	WR-ELEM/BELLE-03	17	17	12	0	5	0	0	
	WR-ELEM/BELLE-04	14	14	14	0	0	0	0	
WO 4	WR-AOWIN-01	14	14	12	0	2	0	0	
	WR-AOWIN-06	23	21	20	0	1	0	2	
	WR-SUAMAN-03	17	17	17	0	0	0	0	
	WR-SUAMAN-04	14	14	14	0	0	0	0	
	WR-TAR-NSUAEM-02	16	16	16	0	0	0	0	
	WR-AHANITA(W)-01	22	19	19	0	0	0	3	
WO 5	WR-NZEMA(E)-01	19	19	19	0	0	0	0	
	WR-MPOHOR(E)-01	24	22	21	0	1	0	2	
	WR-Mporhor(E)-02_F	34	33	33	0	0	0	1	
	WR-S_Akontombra-05_F	32	29	29	0	0	0	3	
	WR-S_Akontombra-03_F	25	25	25	0	0	0	0	
	WR-AMENFI(W)-03_F	26	19	19	0	0	0	7	
PHV-04	WR-S_Wiawso-03_F	32	25	25	0	0	0	7	
	PHV-04	13	13	13	0	0	0	0	

# PROJECT STATUS - WESTERN REGION cont.

CONSTRUCTION ACTIVITIES/STATUS REPORT - WESTERN REGION cont.								
WORK ORDER	PACKAGES	TOTAL COMMUNITIES AWARDED	Total Communities Under Construction by TMG	PERFORMANCE				Communities Already done under other projects
				Completed & Energized	Awaiting Energization	Ongoing	No Access, Obstructions, etc.	
WO 6	WR-NZEMA(E)-02	13	13	7	1	5	0	0
	BIBIANI-02	12	11	11	0	0	0	1
WO7B	WR-AOWIN-ph01	65	65	61	3	0	1	0
	WR-SUAMAN-ph01	29	29	20	3	6	0	0
	WR-BIA-PH01	65	63	43	0	20	0	2
	WR-JUABOSO-01	82	77	34	3	40	0	5
	WR-MPOHOR(E)-03	48	48	35	0	13	0	0
	AMENFI WEST-ph01	39	39	15	0	24	0	0
WO 7C	AMENFI CENTRAL-ph01	30	29	9	1	19	0	1
	AMENFI EAST-ph01	37	37	16	0	21	0	0
	SUAMAN-ph02	14	11	0	5	4	2	3
	WR-AOWIN-ph02	20	17	15	0	1	1	3
	SEFWI BIA-ph02	56	55	34	4	17	0	1
	AHANTA WEST-02	23	23	23	0	0	0	0
	Prestea Humi Valley	20	18	8	0	8	2	2
<b>TOTALS</b>		<b>1273</b>	<b>1219</b>	<b>988</b>	<b>22</b>	<b>203</b>	<b>6</b>	<b>54</b>