

***IN THE SECOND SESSION OF THE SEVENTH PARLIAMENT
OF THE FOURTH REPUBLIC OF GHANA***

REPORT OF THE FINANCE COMMITTEE

ON THE

**ON-LENDING AGREEMENT BETWEEN THE GOVERNMENT OF
THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY
OF FINANCE) AND THE VOLTA RIVER AUTHORITY (VRA) FOR
AN AMOUNT NOT EXCEEDING TWENTY-TWO MILLION, EIGHT
HUNDRED AND SIXTEEN THOUSAND, SIX HUNDRED AND
SIXTY-SIX EUROS (€22,816,666.67) TO FINANCE THE
EXECUTION OF THE RENEWABLE ENERGY PROGRAMME:
PILOT PHOTOVOLTAIC SYSTEM**

DECEMBER 2018

1.0 INTRODUCTION

The **On-Lending Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and the Volta River Authority (VRA) for an amount not exceeding Twenty-Two Million, Eight Hundred and Sixteen Thousand, Six Hundred and Sixty-Six Euros and Sixty-Seven Cents (€22,816,666.67) to finance the execution of the Renewable Energy Programme: Pilot Photovoltaic System** was presented to the House on Wednesday 28th November, 2018 by the Hon. Deputy Minister for Finance, Mr. Kwaku Agyeman Kwarteng on behalf of the Minister responsible for Finance.

Pursuant to article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Request was *referred* the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with a Deputy Minister for Finance, Hon. Abena Osei-Asare, a Deputy Minister for Energy Hon. William Owuraku Aidoo as well as officials from the Ministries of Finance and Energy and VRA and hereby submits this report to the House.

The Committee is grateful to the above-named Deputy Ministers and the officials from the Ministries of Finance and Energy and the Volta River Authority (VA) for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Request:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)
- The Concessional Loan Agreement between the Government of the Republic of Ghana and Kreditanstalt für Wiederaufbau (KfW) Frankfurt am Main, Germany for an amount not exceeding *Twenty –Two Million, Eight Hundred and Sixteen Thousand, six- hundred and Sixty –Six Euros, Sixty –Seven Cents (Euros 22,816,666.67)* to finance the execution of the Renewable Energy Programme: Pilot 12MW Photovoltaic System Project in Ghana

3.0 BACKGROUND

In line with the renewable energy policy objective, the VRA, through the Ministry of Energy, sought approval to develop a 12MW Solar Farm at Lawra and Kaleo in the Upper West Region. The implementation of this project will help improve the national power generation mix and reduce electricity tariffs.

On 1st September 2016, Cabinet approved a Concessional Loan Agreement between the Government of the Republic of Ghana and Kreditanstalt für Wiederaufbau (KfW) Frankfurt am Main, Germany for an amount not exceeding *Twenty –Two Million, Eight Hundred and Sixteen Thousand, six-hundred and Sixty –Six Euros, Sixty –Seven Cents (Euros 22,816,666.67)* to finance the execution of the Renewable Energy Programme: Pilot 12MW Photovoltaic System Project in Ghana.

Honourable Members will recall that Parliament on 1st November 2016 approved by resolution the loan agreement under reference.

Pursuant to Section 2.7(1) of the Agreement, the Government of Ghana is required to enter into an On-Lending Agreement with the Volta River Authority as a condition precedent to the disbursement of the facility by KfW.

4.0 PROJECT SCOPE

The project scope includes the following:

- Construction of a 12MW Solar Photovoltaic Power Plant at Kaleo (8MW) and Lawra (4MW) in the Upper West Region of Ghana;
- Construction of Medium Voltage Transmission Line to designated feed-points;
- Implementation of SCADA systems of the individual power plants as well as the setting up of a renewable energy remote control center;
- Meeting any future Renewable Energy Power Purchase Obligation of NEDCO; and

- Developing the requisite skills and technical expertise of VRA staff in solar plant development and design, operation and maintenance for deployment of renewable based electricity generation.

5.0 PURPOSE OF THE ON-LENDING AGREEMENT

The purpose of the Agreement is to on-lend the amount of Twenty-Two Million, Eight Hundred and Sixteen Thousand, Six Hundred and Sixty-Six Euros, Sixty-Seven Cents (€22,816,666.67) secured from Kreditanstalt für Wiederaufbau (KfW) Frankfurt am Main, Germany to the Volta River Authority (VRA) to enable the Authority to implement the Pilot 12MW Photovoltaic System Project in Ghana.

6.0 TERMS OF THE FACILITY

The terms of the On-Lending Facility are as follows:

- | | | |
|--------------------|---|---------------------|
| ▪ Loan amount | - | Euros 22,816,666.67 |
| ▪ Commitment fee | - | 0.25% p.a. |
| ▪ Interest Rate | - | 0.75% p.a. |
| ▪ Grace Period | - | 10 years |
| ▪ Repayment Period | - | 30 years |
| ▪ Tenor | - | 40 years |
| ▪ Grant Element | - | 54.45% |

7.0 OBSERVATIONS

7.1 VRA Indebtedness

The Committee enquired to know of the current level of VRA's indebtedness. To this, the Deputy Chief Executive Officer of VRA in charge of Finance informed the Committee that the Authority's indebtedness presently stood at about US\$1.2 Billion.

7.2 VRA's Ability to Repay the Facility

As to whether the VRA was in a position to repay the facility if approved, the Committee was informed that VRA has previously successfully liquidated their credit facilities, including those contracted for the construction of some of the generation facilities.

Officials of the Authority however conceded that for the past 4-5 years, the VRA has been having liquidity challenges and hence having difficulties in the repayment of some facilities. They were also of the opinion that with the creation of GRIDCo out of VRA, some of the prior debts that were contracted to undertake transmission projects should rather be considered as debts of GRIDCo and not VRA since the resulting assets had been transferred to GRIDCo.

Asked if the facility could not have been given to VRA without it being on-lent, the Committee was informed that pursuant to Section 2.7(1) of the KfW Agreement, the facility is required to be on-lent to VRA. Indeed, the execution of an On-Lending Agreement with VRA was made a condition precedent to the disbursement of the loan.

7.3 On-Lending on Same Terms

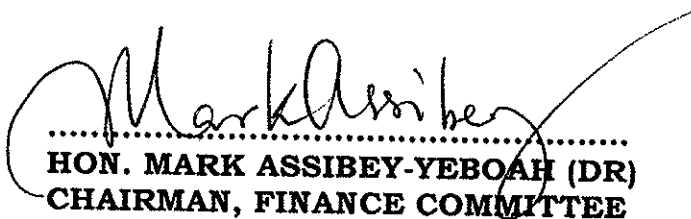
The Committee noted that upon a credit risk assessment undertaken by the Ministry of Finance on VRA in accordance with Section 67 of the Public Financial Management Act, 2016 (Act 921), the Ministry decided to on-lend the facility to VRA on the same terms as the KfW Loan. The Ministry decided not to add any margin or premium so as to ensure that the Authority is not overburdened.

8.0 CONCLUSION

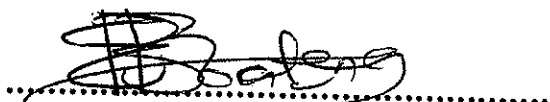
The Committee, having carefully scrutinised the Request, respectfully recommends to the House to adopt this report and approve by resolution, the **On-Lending Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **Volta River Authority (VRA)** for an amount not exceeding **Twenty-Two Million, Eight Hundred and Sixteen Thousand, Six Hundred and Sixty-Six Euros and Sixty-Seven Cents (€22,816,666.67)** to finance the execution of the **Renewable Energy Programme: Pilot Photovoltaic System** in accordance with article 181 of the 1992 Constitution of the Republic of

Ghana and the Public Financial Management Act, 2016 (Act 921).

Respectfully submitted.



.....
HON. MARK ASSIBEY-YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE



.....
EVELYN BREFO-BOATENG (MS)
CLERK TO THE COMMITTEE

6TH DECEMBER, 2018

