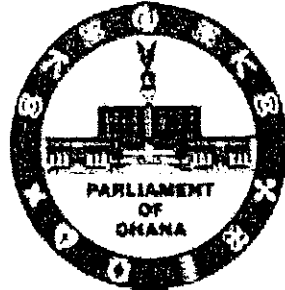


IN THE SECOND SESSION OF THE EIGHTH PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA



REPORT OF THE FINANCE COMMITTEE ON THE LOAN FACILITY AGREEMENT  
BETWEEN THE GOVERNMENT OF GHANA (REPRESENTED BY THE MINISTRY OF  
FINANCE), AND KREDITANSTALT FÜR WIEDERAUFBAU (KfW), FRANKFURT AM  
MAIN, GERMANY FOR AN AMOUNT OF ONE HUNDRED AND SIXTEEN  
MILLION, SIX HUNDRED THOUSAND EUROS (€116,600,000.00) TO FINANCE A  
330KV ACCRA-KUMASI TRANSMISSION LINE

1.0. INTRODUCTION

The Loan Facility Agreement between the Government of the Republic of Ghana (Represented by the Ministry of Finance), and Kreditanstalt Für Wiederaufbau (KfW), Frankfurt Am Main, Germany for an amount of One Hundred and Sixteen Million, Six Hundred Thousand Euros (€116,600,000.00) to finance a 330kV Accra-Kumasi Transmission Line was presented to the House on Wednesday, 16<sup>th</sup> November, 2022 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana and Section 56 of the Public Financial Management Act, 2016, Act 921.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was referred to the Finance Committee for Consideration and report.

The Committee subsequently met and considered the Agreement. In attendance to assist the Committee were the Minister for Energy, Dr. Mathew Opuku Prempeh, the Hon. Deputy Ministers for Finance and Energy, Mrs. Abena Osei Asare, Dr. John A. Kumah and Mr. Andrew Egyapa Mercer and Officials from the Ministry of Finance, Ministry of Energy and Ghana Grid Company Limited (GRIDCo). The Committee is grateful to these officials for their inputs.

The Committee hereby presents this Report to the House as follows:

## **2.0. REFERENCES**

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

1. The 1992 Constitution of the Republic of Ghana;
2. The Standing Orders of the Parliament of Ghana; and
3. The Public Financial Management Act, 2016 (Act 921).

## **3.0. BACKGROUND**

Ghana's power system was designed in the 1960s to predominantly serve the Volta Aluminum Company (VALCO), mining and industrial customers in the west and domestic consumers in the southern to middle portions of the country. In the 1980s, the power system was extended to meet the power needs of the northern parts of Ghana.

For a very long period of time, the power System in Ghana have been mainly supported by the Akosombo & Kpong Hydroelectric dams and Aboadze Thermal plant.

To augment power supply from these traditional sources and to ensure energy security, Ghana embarked on a Power Sector Reform process in 1996 having approved a policy in 1994. Principal among the reforms was the unbundling of the sector into generation, transmission and distribution as well as the establishment of independent

regulatory authorities to oversee the operations of the utilities. The reform led to the expansion of generation capacity to about 5,231MW.

Despite the considerable expansion of generation capacity, Ghana has repeatedly experienced supply bottlenecks in recent years, which have impaired economic development.

In view of Ghana's ambitious industrialization plans and rapid population growth energy demand is expected further to rise significantly. However, the National Interconnected Transmission System (NITS) is fragile and is evident in challenges with power delivery to consumers, inability to meet all customer demand, high transmission losses and frequent power system disturbances. These effects are caused by weak and obsolete transmission infrastructure, inadequate redundancies, poor power factor, and inadequate reactive power support.

To be able to transform the grid into a robust network to support Government's industrialization agenda there is the need to replace the weak and obsolete transmission infrastructure and provide adequate redundancies in the system to serve the industrial and domestic customers in the identified regions.

In this regard, and to meet the increasing load at the main load centers in Kumasi and beyond the government intends to develop 330 kV Accra-Kumasi Transmission Line as a strong connection between the two cities. This will create the required 330 kV grid loop linking Accra, Kumasi and Aboadze for improved power delivery quality and reliability.

#### **4.0. PROJECT OBJECTIVES**

The overall objective of the project is to improve and upgrade Accra-Kumasi transmission line to improve power supply and reduce transmission losses in the Distribution network. The project involves the development of an interconnection

330/161kV Substation at Nkawkaw to improve voltage stability and power quality in the Nkawkaw area. This will support the 161kV network from Akosombo through Nkawkaw to Kumasi.

The Project would also reduce overall transmission losses significantly and increase transmissible power to consumers in Kumasi and the northern parts of Ghana. The project will improve revenue generation of the Ghana Grid Company. It will also improve Ghana's position as a net exporter of power to Burkina and later to Mali. The proposed 330 kV transmission line will add to the regional West African Power Pool (WAPP) interconnection which would ensure that countries in the Sahelian Region have a more secure and reliable network for import of electricity from their southern neighbours.

#### **5.0. JUSTIFICATION**

The energy sector is currently confronted with challenges in the National Interconnected Transmission System (NITS) mainly as a result of the inability to serve increasing demand, high transmission losses and unreliable power delivery. To resolve these challenges, the Government in recent years has invested heavily in a bid to increase power production and distribution to increase access to electricity to propel economic growth.

Notwithstanding these investments, the power distribution by the distribution company, GRIDCo, continues to experience unreliable power delivery to its customers especially in the Eastern, Ashanti and Northern regions of Ghana with high transmission losses. Unreliable power supply has slowed down provision of power to rural communities. The result is slow economic growth, which will culminate in Gross Domestic Product (GDP) decline in Ghana.

To address these challenges, the government intends to develop a strategic transmission line to connect Accra to the middle Zones of the country. The proposed 330 kV Accra-Kumasi Transmission Line would create the required 330 kV grid loop

linking Accra, Kumasi and Aboadze for improved power delivery quality and reliability to meet the increasing load at the main load centers in Kumasi and beyond.

#### **6.0. TERMS AND CONDITIONS OF THE LOAN**

The Loan Facility Agreement between the Government of the Republic of Ghana (Represented by the Ministry of Finance), and Kreditanstalt Für Wiederaufbau (KfW), Frankfurt Am Main, Germany for an amount of One Hundred and Sixteen Million, Six Hundred Thousand Euros (€116,600,000.00) to finance a 330kV Accra-Kumasi Transmission Line would be sourced from KfW under the following concessional terms:

Facility amount	:	€116.6million
Grace period	:	6 years
Repayment period	:	32 years
Tenor	:	38 years
Interest rate	:	0.75%% p.a.
Commitment fee	:	0.25%
<b>Grant element</b>	:	<b>53.26%</b>

#### **7.0 PROJECT SCOPE**

The project seeks to expand access to Energy in Ghana and contribute to reducing the transmission losses in power distribution by replacing obsolete equipment. The project will be undertaken in two (2) lots as below:

##### **Lot 1: Construction of a new 330/161/34.5kV Nkawkaw Substation and expansion of 330kV Pokuase (A4BSP) and Anwomaso (K2BSP) Substations.**

The starting point of the new connection is the A4BSP (Pokuase) substation in Accra, which was commissioned in 2021. The substation site offers sufficient space to integrate the new 330 kV transmission lines. The works will require the expansion of the existing busbars and balance of plant.

A new substation is proposed along the line near Nkawkaw at the intersection with an existing 161kV Nkawkaw-New Abirem line. The substation design is similar to the Pokuase and Anwomaso Substations.

The project will expand the Anwomaso (K2BSP) substation to accommodate the new 330kV lines from Accra (Pokuase) substation. The works will require extension of the existing busbars and balance of plant.

**Lot 2: Construction of a 330kV Double Circuit Overhead Line between A4BSP Substation and K2BSP Substation via New Nkawkaw Substation**

This Lot will construct a transmission line and double circuit self-supporting lattice towers, which will be equipped with Aluminium Conductor Steel Reinforced (ACSR) twin-bundle conductors and optical ground wires. The length of the line route up to the Anwomaso (K2BSP) substation is about 217 km, made up of 128km from Pokuase to Nkawkaw and 89km from Nkawkaw to Anwomaso.

**8.0. OBSERVATIONS**

The Committee having carefully examined the Loan Agreement made the following observations:

**8.1. On-lending to GRIDCO**

The Committee noted that the credit facility would be invested in the operations of Gridco to improve its revenue position and profitability. The Committee however noted that, there is no arrangement in place to ensure that the facility does not become a liability on the tax payer as GRIDCO makes profit from the facility. There is therefore the need for the Ministry of Finance to enter into an on-lending arrangement for GRIDCO to repay the facility from its cash flows.

The Minister explained to the Committee that, discussions are underway to on-lend the facility to GRIDCO to be responsible for the repayment. The Hon. Minister informed the Committee that, the Ministry intends to on lend the facility to GRIDCO to be responsible for the repayment. The Deputy Minister indicated that as part of conditions precedent for disbursement of the facility, the Government is required under Clause 2.2 of the facility agreement to indicate whether the facility would be on-lending to the beneficiary institution or given to them as a grant.

## **8.2. Ability of GRIDCO to Service the Facility**

The Committee expressed concerns about the ability of GRIDCO to service the loan amount of €116.6million on its cash flows after it has failed to finance similar facilities in the past. The Minister for Energy assured the Committee that the financial position of GRIDCO has improved significantly following the review of the tariffs and the restoration the Transmission Service Charges. He was confident that, if the Company continues on the trajectory its going presently, it should be in position to finance the credit facility on its balance sheet without difficulty.

## **9.0. CONCLUSION**

The Committee noted that the facility is a concessional one with favorable terms and condition. The Committee after a careful examination of the Agreement is convinced that the approval of the facility will improve power distribution, reduce system losses and contribute to the overall objective of Ghana to become a net exporter of power.

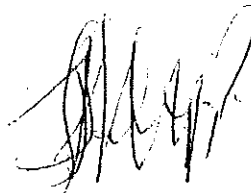
The Committee therefore recommends to the House to adopt this Report and approve the Loan Facility Agreement between the Government of the republic of Ghana (represented by the Ministry of Finance), and Kreditanstalt Für Wiederaufbau (KfW), Frankfurt Am Main, Germany for an amount of One Hundred and Sixteen Million, Six Hundred Thousand Euros (€116,600,000.00) to finance a 330kV Accra-Kumasi Transmission Line in accordance with Article 181 of the Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.

PARLIAMENT OF GHANA LIBRARY  
PARLIAMENT HOUSE  
OSU - ACCRA



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HON. KWAKU KWARTENG  
CHAIRMAN, FINANCE COMMITTEE



.....  
MRS. JOANA S.A. ADJEI  
CLERK TO THE COMMITTEE

14<sup>TH</sup> DECEMBER, 2022