



REPORT OF THE FINANCE COMMITTEE ON CONCESSIONAL
LOAN AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF
FINANCE) AND KREDITANSTALT FUR WIEDERAUFBAU (KfW)
FRANKFRURT AM MAIN, GERMANY FOR AN AMOUNT OF THIRTY
MILLION EUROS (€30,000,000.00) TO FINANCE GOVERNMENT
GOES SOLAR PROJECT

1.0. INTRODUCTION

The Loan Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Kreditanstalt fur Wiederaufbau (KfW) Frankfurt am Main, Germany for an amount of *Thirty Million Euros (€30,000,000.00)* to finance the Government Goes Solar Project was presented to the House on Wednesday, 16th 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.

Pursuant to Article 103 and Order 171(1) of the Standing Orders of the House, the Agreement was referred to the Finance Committee for consideration and report.

The Committee is grateful to 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 other Officials from the Ministry of Finance, Ministry of Energy and Ghana Grid Company Limited (GRIDCo) for attending upon the Committee to deliberate on the Agreement. The Committee hereby presents this Report to the House.

2.0. BACKGROUND

The indebtedness of Ghana's public utilities is a contributing factor to the fiscal problems of the energy sector. One of the main reasons for the indebtedness is the fact that some public institutions such as Ministries, Departments, Agencies (MDAs) including schools, hospitals, and security services are often unable to settle their electricity bills due to budgetary constraints and high tariffs as a result of their energy consumption brackets, resulting in huge revenue shortfalls for the power service providers.

The Government of Ghana (GoG) therefore attaches top priority to addressing the fiscal imbalance of the energy sector through strategic programmes including the Energy Sector Recovery Programme (ESRP), the Programme for Results (PforR), the Energy Sector Levy Bond and the promotion of pre-payment metering of some of the public institutions.

However, the implementation of these programs had not resolved the challenges of the power sector service providers largely due to the indebtedness of public institutions.

The Government Goes Solar (GGS) Initiative was therefore approved as part of the Reform and investment Partnership between the Government of Ghana and Germany with funding support from the German side for solar energy use in public facilities to reduce the public sector electricity bills.

Subsequently, the Ministries of Finance and Energy contracted the Economic Consulting Associates (ECA) with funding support from KfW to undertake the feasibility study of the project with some selected public institutions for grid-tied solar

PV systems. The study covered Ministries, Departments and Agencies including some public universities and hospitals. A total of 36 public institutions have been prioritized as high consumers of electricity and earmarked for the GGS project.

3.0. PROJECT OBJECTIVES

The overall objective of the project is to reduce the contribution of Government to indebtedness of the Energy Sector Utility Service Providers. The project also aims to reduce greenhouse emissions and to increase the proportion of renewable Energy in the Energy mix. Specifically, the project will contribute to meeting governments target of reducing greenhouse gas emissions by 15% by 2030 and achieving a renewable energy (RE) share of 10% of the total energy matrix (excluding large hydroelectric power plants).

4.0. JUSTIFICATION

Ghana and Germany signed a Joint Declaration of Intent on the design of a reform and investment partnership to promote private investment and sustainable economic development in the field of renewable energy (RE) and energy efficiency (EE).

The partnership is anchored on the G20 Compact with Africa (CwA) which brings together reform-minded African countries, international organisations and bilateral partners from the G20 and beyond to coordinate country-specific reform agenda, support policy measures and advertise investment opportunities to private investors. As part of the partnership, Germany is providing funding for the implementation of the Government Goes Solar project in Ghana. The implementation of the project will help Ghana meet its target of reducing greenhouse gas emissions by 15% by 2030 (base year 2012) and achieving a renewable energy (RE) share of 10% of the total energy matrix and reducing the indebtedness of power sector utilities.

5.0. TERMS AND CONDITIONS OF THE LOAN

The Government Goes Solar Project is to be funded with a credit facility from Kreditanstalt fur Wiederaufbau (KfW) Frankfurt am Main, Germany for an amount of **Thirty Million Euros (€30,000,000.00)** under the following concessional terms:

Facility amount	:	€30.00 million
Grace period	:	6 years
Repayment period	:	32 years
Tenor	:	38 years
Interest rate	:	0.75%% p.a.
Commitment fee	:	0.25%
Grant element	:	53.26%

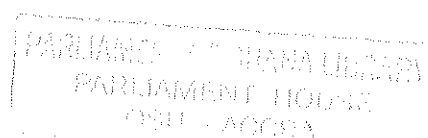
6.0. PROJECT SCOPE

The Government Goes Solar project involves the installation of grid-tied decentralized solar photovoltaic (PV) rooftop systems for 36 public institutions with an estimated total generation capacity of 22MW.

The purpose of the Project is to provide climate-friendly and cost-effective coverage of the electricity demand of the selected Ministries, Departments and Agencies (MDAs). This is to contribute to the achievement of Ghana's climate goals, the financial recovery of the energy sector and sustainable and inclusive economic development.

The project involves the Design, installation and connection to Ghana's national grid of decentralised solar PV rooftop systems on up to 36 public facilities, including the installation of a digital monitoring system and related meteorological stations to allow for remote monitoring of the systems. In accordance with the project framework, any excess electricity generated by the solar PV rooftop systems would be fed into the national grid and the institutions remunerated under the yet to be implemented Net Metering Scheme by the Government of Ghana.

7.0. OBSERVATIONS



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

7.1. Financial Impact

The Committee noted that the facility is a concessionary facility with favourable terms and grant element of 53.26%. The Committee noted that the potential benefits of the project outweigh the cost concerns. The Committee was informed that the excess power generated from the solar system would be fed into the grid to generate income for the institutions involved.

The Committee noted that the project will save electricity for the beneficiary public facilities and by extension GoG to the sum of up to GH¢23.5 million per year in addition to an additional revenue of GH¢4.3 million per year from export of electricity into the grid

7.2. Benefit of The Project

The Committee noted that the implementation of the project will help government meet some of its commitments to reduce greenhouse emission, improve the power sector financial challenges by reducing the level of indebtedness of public institutions to power sector service providers. The project will also increase the contribution of renewable energy in the energy mix by producing 22MW of solar power to power state intuitions.

The Hon. Minister explained to the Committee that the GGS project aligns with Government's goal to increase the contribution of renewable energy in the generation mix to 10% by 2030, achieve emission reduction targets in the Nationally Determined Contributions and transition the energy sector to support low carbon socio-economic development of the country. A total of 22MW of solar electricity generation capacity would be added to the national installed renewable energy capacity by 2025.

The project also seeks to support reduction of the public debt to the Utilities through grid-tied decentralized rooftop mounted solar PV schemes for public facilities to improve energy security and increase productivity and profitability. The GGS project

will also contribute Renewable Electricity generation of 32.03 GWh/year and emission reductions of 18,269.59 tCO₂eq per year.

7.3. Expansion of the Project

The Committee having satisfied itself with the numerous potential benefits of the project, urged the Ministry of Energy to expand the project to cover all public institutions including public basic schools to facilitate teaching and learning especially in rural areas.

The Hon. Minister assured the Committee that, if the project is successful, it would be extended to cover all public institutions across country.

8.0. CONCLUSION

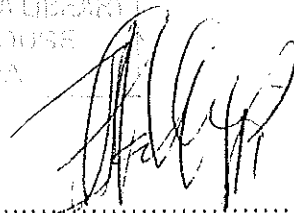
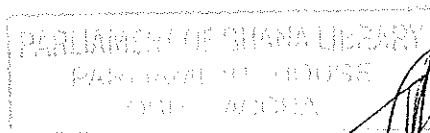
The Committee after a careful examination of the Agreement is convinced that the implementation of the project would lead to a reduction in the indebtedness of the State to power utility service providers and help the country meet its commitments in reducing carbon emission and increasing the percentage of renewable energy in the energy mix.

The Committee therefore recommends to the House to adopt this report and approve the **loan 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 Thirty Million Euros (€30,000,000.00) to finance the Government Goes Solar Project** 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.



HON. KWAKU AGYEMAN KWARTENG
CHAIRMAN, FINANCE COMMITTEE



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

14TH DECEMBER, 2022