

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

**REPORT OF THE JOINT COMMITTEE ON FINANCE AND
MINES AND ENERGY ON THE CREDIT AGREEMENT
BETWEEN THE REPUBLIC OF GHANA AND
EXPORT-IMPORT BANK OF INDIA FOR AN AMOUNT OF
US\$15.0 MILLION FOR THE SUPPLY OF ELECTRICAL
MATERIALS AND ACCESSORIES FOR RURAL
ELECTRIFICATION UNDER THE SHEP-4 PROJECT**

1.0 INTRODUCTION

The above Credit Agreement was laid in the House on Friday, 18th June 2004 in accordance with Article 181 of the Constitution and referred to the Joint Committee on Finance and Mines and Energy for consideration and report pursuant to Article 171(1) of the Standing Orders.

The Committee met with, the Deputy Minister of Finance & Economic Planning, Dr. A. Akoto Osei, Chief Director, Ministry of Energy, Mr. S.Q. Barnor, and technical teams from Ministries of Finance and Economic Planning and Energy and reports as follows:

2.0 BACKGROUND

The National Electrification Scheme (NES) is one of the fundamental policies the Government is pursuing in order to reduce poverty and create wealth in the country.

The National Electrification Scheme aims at providing electricity to all communities in the country over a 30-year period.

The implementation plan of the National Electrification Scheme comprises six 5-year phases from 1990-2020.

2.1 A complementary activity to the NES is the Self-Help Electrification Programme (SHEP), under which the electrification of communities, which are within 20km of an existing 33kV/11kV network are connected to the national electricity grid. Such communities are required to purchase and erect their own Low Voltage poles.

In order to sustain the momentum of the Self-Help spirit of various communities, the Ministry of Energy, in September 2001 requested the Volta River Authority (VRA); and the Electricity Company of Ghana (ECG) to undertake a national survey and feasibility studies of all communities that qualify to be connected to the national grid under the SHEP-4 project. In all about 2,500 communities were identified as having qualified for the SHEP-4 project.

The Funding from the Export-Import (EX-IMP) Bank of India for the SHEP-4 project covers an amount of US\$15.0 million. The facility would be utilized for the procurement of offshore electrical materials for the SHEP-4 project.

3.0 TERMS AND CONDITIONS

Credit Amount	-	US\$15.0
Interest Rate	-	6 months US libor+0.50% per annum
Commitment Fee	-	0.25% p.a.
Repayment	-	Principal amount shall be paid in tranches half yearly not exceeding seven (7) years

4.0 OBSERVATIONS

From the studies carried out by the VRA and ECG, it is estimated that an amount of **US\$350 million** would be required to implement the total electrification project for the country.

The Committee observed that the Self Help Electrification Project- Four (SHEP 4) is to benefit Two Thousand Five Hundred (2,500) communities all over the country.

The Committee was further informed that the total cost of the SHEP 4 project is **Three Hundred and Fifty Million Dollars (US\$350,000,000)** and that the **US\$15 Million** from the Export and Import Bank of India would be used to commence the SHEP 4 project.

The Committee was informed by the officials of the Ministry of Finance and Economic Planning that they have analysed the terms and conditions of the credit facility and have confirmed its concessionality.

Members expressed concern about the outstanding work on SHEP 3 and therefore requested the Ministries of Finance and Economic Planning and Energy to find some funds to complete the outstanding work on SHEP 3.

On the Value for Money assessment for the project which some members insisted on, the officials of the Ministry of Energy promised to make it available to the Committee. The Committee therefore recommended that the document be provided before the final approval by the House.

The Committee observed that the repayment of the principal amount of the credit shall be made at the end of one year from the date of the advance.

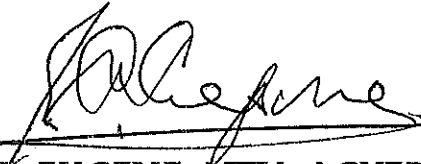
The Committee further observed that the Advance can, at the option of the Borrower, be rolled over at the end of the first year for a period of one year and again at the end of the second year for one more year.

5.0 RECOMMENDATION AND CONCLUSION

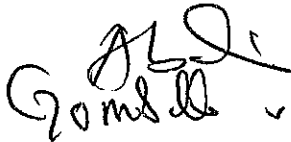
In view of the importance of the National Electrification Scheme (NES) and in order not to delay the electrification of the communities that have qualified under the SHEP-4, the Committee recommends for the approval by resolution the Credit Agreement of **US\$15.0 million for the supply of electrical materials and accessories for rural electrification**

under the Shep-4 project in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.



**HON. EUGENE ATTA AGYEPONG
CHAIRMAN, FINANCE COMMITTEE**



**ALHAJI IBRAHIM GOMBILLA
CLERK, FINANCE COMMITTEE**



**HON. A.B. BOADI MENSAH
CHAIRMAN, COMMITTEE ON
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CLERK, COMMITTEE ON
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25TH JUNE 2004