

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

**REPORT OF THE FINANCE COMMITTEE ON THE FINANCING  
AGREEMENT BETWEEN THE REPUBLIC OF GHANA AND THE  
INTERNATIONAL DEVELOPMENT ASSOCIATION FOR AN  
AMOUNT EQUIVALENT TO THIRTY MILLION, EIGHT HUNDRED  
THOUSAND SPECIAL DRAWING RIGHTS (SDR30,800,000)(US\$  
FOR FINANCING THE SECOND PHASE OF THE COASTAL  
TRANSMISSION BACKBONE PROJECT**

**1.0 INTRODUCTION**

The Financing Agreement between the Republic of Ghana and the International Development Association was laid in the House on Wednesday, 31<sup>st</sup> January 2007 and referred to the Finance Committee for consideration and report.

To consider the Agreement, the Committee met with the Deputy Minister for Finance and Economic Planning, Hon. Prof. George G. Baffour and officials from the Ministry of Finance & Economic Planning and Volta River Authority and reports as follows:

**2.0 BACKGROUND**

Hon. Members may recall that in June 2004 the House approved the ECOWAS Energy Protocol (EEP) which was adopted by the authority of Heads of State and Government of ECOWAS under Decision A/DEC dated January 17, 2003 to serve as a framework for policy reform.

In this regard, there is the need for improvements in the institutional capacity of the country and increase investments in

the energy sector in order to effectively implement the ECOWAS Energy Protocol.

### **3.0 TERMS AND CONDITIONS OF THE CREDIT**

The terms and conditions of the project are as follows:

- **Amount** - **SDR30.8 million (US\$45 million equivalent)**
- **Term of Credit** - **30 years**
- **Moratorium** - **10 years**
- **Service Charge** - **three-fourth of one percent ( $\frac{3}{4}$  of 1%) per annum is payable on the principal amount of the Credit withdrawn and outstanding from time to time**
- **Repayment** - **semi-annual installments shall commence on September 15 2016 and end on March 15 2046**

### **4.0 OBSERVATIONS**

The Committee observed that the project (which is the second phase of the Coastal transmission Backbone Project), is aimed at assisting the country to develop a more stable and reliable exchange of electricity among the national power systems of the WAPP 'Zone A' Coastal States.

The Committee was informed that the WAPP is a regional infrastructure development program of ECOWAS fully aligned

with the goals of the NEPAD. It is to ensure the interconnection of power and to allow the trading of energy through all the ECOWAS countries thereby leading to the optimization and the effective use of energy in the participating countries.

The Committee further observed that the project would also lead to an increase in the access to stable and reliable electricity at affordable prices to citizens in participating countries.

The Committee noted that this project when completed would go a long way to reduce the nation's over reliance on the Akosombo Dam and also avoiding situations where the country has to resort to load sharing (which has led to loss in revenue and unemployment).

The Committee was informed that other expected benefits that the country would derive from the project include:

- increase cross-border electricity trade between West Africa Power Pool (WAPP) member countries and
- the reduction in the power transfer losses in the principal transmission networks.

The Committee was further informed that the project is made up of a number of components. These include the:

- **Transmission infrastructure development** and this involves the upgrading of the Akosombo, Volta sub stations and switchgear at the Kpong generation station, and the construction of the third bulk supply point for the Accra/ Tema load centres.
- **Upgrading of strategic power generation stations' operation** which involves the upgrading of the supervisory control and data acquisition telecommunication systems and metering equipment of sub stations in the country.

- **Upgrading of strategic power generation stations' operation** in the country and this includes the rehabilitation of cranes and penstocks
- **Implementation of measures under the WAPP Action Plan** and this would include the upgrading of the VRA's Akuse training centre. This involves the acquisition of a power system stimulator, installation of a 330 kV transmission line training field and proving capacity building support.

The technical team informed the Committee that under the WAPP a number of transmission lines and power related works would be constructed in the country to form the back bone for the trading and exchange of power within the sub region. This method would help to maintain the supply of power in the country. These works to be undertaken include:

- Aboadze – Tema 330kV transmission line;
- Kpong hydropower plant rehabilitation project;
- Bolgatanga – Ouagadougou transmission line project;
- Aboadze – Prestea transmission line project; and
- Upgrading of the VRA system Control Center project.

The Committee was informed that the credit amount would be on-lend by the Government to the VRA under a Subsidiary Loan Agreement (SLA) at an interest rate of 4.5% per annum (at par with the IBRD lending rate derived from Libor) to be paid in 20yrs. However the Government would exercise its rights under the SLA to protect its interests and to accomplish the purpose of the credit.

The Committee noted that given Ghana's extensive electricity infrastructure and its competitive generation base, WAPP will further offer the nation's energy sector access to the sub-regional power market. The country would also have access to relatively cheaper sources of electricity and this will assist in making our industries competitive in the sub-region and on the international market.

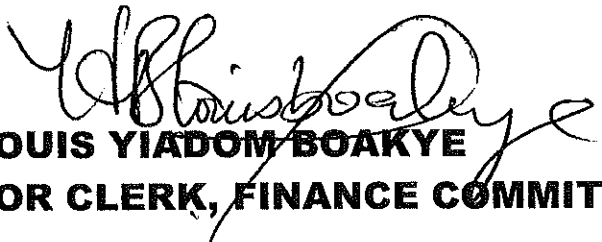
## **5.0 CONCLUSION**

The Committee, after careful considering the benefits to be derived from the project, recommends to the House to adopt its report and approve by Resolution the Financing Credit Agreement between the Republic of Ghana and the International Development Association (IDA) for an amount equivalent to **Thirty Million, Eight Hundred Thousand Special Drawing Rights (US\$45.0 million equivalent)** for financing the Second Phase of the Coastal Transmission Backbone project in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1979, Act 335.

Respectfully submitted.



**HON. NII ADU DAKU MANTE**  
**CHAIRMAN**



**LOUIS YIADOM BOAKYE**  
**FOR CLERK, FINANCE COMMITTEE**

**26<sup>TH</sup> FEBRUARY 2007**