

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

**REPORT OF THE FINANCE COMMITTEE ON THE
ADDITIONAL FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF GHANA AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION (IDA) FOR AN
AMOUNT OF SDR46.2 MILLION (US\$70.0 MILLION
EQUIVALENT) FOR THE GHANA ENERGY
DEVELOPMENT AND ACCESS PROJECT (GEDAP)**

1.0 INTRODUCTION

The Credit Agreement between the Government of Ghana and the International Development Association (IDA) for an amount of *Forty-six million two hundred thousand Special Drawing Rights (SDR46.2million)* [equivalent US\$70.0 million] for the Ghana Energy Development and Access Project (GEDAP) on behalf of the Electricity Company of Ghana (ECG) was laid in the House on Monday, 26th July, 2010 in accordance with article 181 of the 1992 Constitution.

Pursuant to Order no. 171(1) 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 with the Deputy Minister of Energy, Hon. Inusah A. B. Fuseini, the Deputy Minister of Finance and Economic Planning, Hon. Seth

Terkper, and officials from Ministries of Energy and Finance and Economic Planning, and hereby presents this report.

2.0 BACKGROUND

The additional financing of US\$70million for the Ghana Energy Development and Access Project (GEDAP) was approved by the Board of the World Bank on 26th July, 2007 and was confirmed effective on 6th December 2007 with a closing date of 30th November 2012 and the Financing Agreement between the IDA and the GOG also signed on 7th August 2007.

GEDAP's development objective is to improve the operational efficiency of electricity distribution system and increase the population's access to electricity, and also to help the country transit to a low-carbon economy through the reduction of greenhouse gas emissions.

The project has four components:

- Sector and Institutional capacity strengthening
- Electricity Distribution improvement
- Electricity Access and Renewable Energy
- Expanded Capacity for Electricity Distribution.

The total cost of the Project is estimated at US\$ 210.6 million.

3.0 PURPOSE OF THE LOAN

The purpose of the loan is to obtain additional financing for the implementation of the expanded activities under the Ghana Energy Developing and Access Project (GEDAP) in order to scale up the project's impact and effectiveness.

4.0 TERMS AND CONDITIONS OF CREDIT

The terms and condition of the credit are as follows:

Credit Amount	:	SDR46.2 million [US\$70.00 million equivalent]
Interest Rate	:	Nil
Grace Period	:	10 years
Repayment Period	:	25years
Maturity	:	35years
Service Charge	:	0.75% p.a. on the withdrawn Credit amount
Commitment Fee	:	0.5% on unwithdrawn balance

4.1 JUSTIFICATION

Scaling up the reinforcement of the medium voltage sub-transmission network (supported by the grid-extension, and ongoing intensification activities under GEDAP) will enable ECG to increase its efficiency and

effectiveness in delivering electricity to its residential, commercial and public customers in project areas.

It will enable ECG to achieve significant loss reduction and revenue collection improvements in a comprehensive manner within a well-defined operational area (Kumasi and its environs)

It is anticipated that the investment in the project will help improve the financial viability of ECG, which in turn minimize the Sector's fiscal burden on the economy.

5.0 ECONOMIC BENEFITS

Improvements in reliability of grid electricity would reduce load shedding and use of emergency generators, which cost Ghana about 1.9 percent of GDP annually. The Additional financing is expected to yield significant access to reliable electricity and to result in economic and social benefits, including improved health, education, productive use of electricity, and general well being of the people. It will further give value to customers of more reliable supply of electricity.

6.0 OBSERVATIONS

The Committee observed that the activities highlighted by the Ministry will pursue strategies which will safeguard future growth, provide social protection and thereby limit the impact of the global financial crisis. The support is further expected to help vulnerable

groups from sliding deeper into poverty, which could further threaten the progress that Ghana has made towards achieving the Millennium Development Goals (MDGs).

The Committee further observed that the additional financing of USD 70million is for the implementation of expanded activities to scale up the project's impact and effectiveness.

The Committee observed that the proposed Additional Financing would scale up and expand the activities under the Electricity Distribution Improvement component of GEDAP.

The Committee noted that the bulk of the activities would be focused on improving electricity distribution network and service delivery in the Ashanti region, where ECGs losses are high, and the demand growth is the fastest. An integrated approach will be adopted in order to address the region's distribution and commercial challenges to:

- Reinforce and complement the sub-transmission network improvements that have been supported under the on-going GEDAP to develop a sound backbone for electricity supply;
- Upgrade and extend the distribution network for a better end user voltage quality and to provide access to new customers;

- Roll-out installation of split type prepaid meters for better collection and loss reduction;
- Construct additional district offices and Customer Service Centres to enhance customer service coverage;
- Provide adequate training, logistics, business administration and management tools, staffing and new policy for the success of the project.

The Committee was informed that the funds would be on-lent to ECG by the Government of Ghana on the same terms and conditions as those in the original GEDAP Financing Agreement. ECG will be solely responsible for implementation of the proposed scaled-up activities under the additional financing.

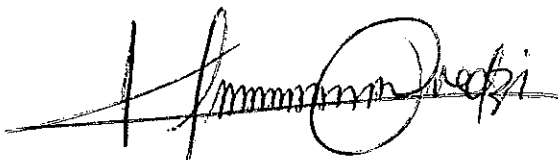
The description of the projects to be covered under this additional financing and their respective costs are included in a table and **attached to this report as ANNEX A.**

7.0 CONCLUSION

The Committee has critically examined the Agreement and found the terms to be highly concessional. The programme for which the loan is being contracted was also found to be very beneficial to the nation's power supply needs.

The Committee accordingly recommends to the House to adopt this report and approve by *Resolution*, the **Additional Credit Agreement** between the Government of Ghana and the **International Development Association (IDA)** for an amount of ***forty-six million two hundred thousand Special Drawing Rights (SDR46.2million) [equivalent US\$70.0 million]*** for the *Ghana Energy Development and Access Project (GEDAP)* on behalf of the Electricity Company of Ghana (ECG) in accordance with article 181 of the Constitution, Sections 3 and 7 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN



PEACE A. FIAWOYIFE (MS.)
CLERK

2ND AUGUST, 2010

ANNEX A

PROPOSED SUPPLEMENTARY FINANCING - GEDAP 2		
SCHEDULE OF PROJECTS		
ITEM	DESCRIPTION	COST US\$
Capacity Expansion Projects		
A1	Procurement of Distribution Materials	15,000,000
A2	Construction of One (1) Primary Substation	2,500,000
A3	Construction of 33 kV and 11kV Feeders to connect and offload the sub station and various 33kV upgrades	7,883,531
A4	Construction of SMELTER II BSP and connecting feeders	3,180,000
A5	Construction of BSP at Nungua and connecting feeders	8,600,000
Institutional Development		
B1	Replacement of Credit Meters with Split-Type Pre-paid Merers in Ashanti Region	27,720,000
B2	Construction of Two (2) No. District Offices and five (5) Customer Service Centres in Ashanti Region	3,590,000
B3	Mapping of HV feeders in Ashanti Region using GIS	500,000
B4	Training (general)	200,000
B4a	Training specific to loss Control activities such as monitoring and inspection for by passes, tampering etc	200,000
B5	Project Vehicles	540,000
	Provisional Total	69,913,531.00
	Physical Contingency (5%)	3,495,676.55
	Price Contingency (5%)	3,495,676.55
	Total	76,904,884.10