

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

**REPORT OF THE FINANCE COMMITTEE ON THE
COFACE BUYER CREDIT AGREEMENT BETWEEN GHANA
GRID COMPANY LIMITED WITH GOVERNMENT OF THE
REPUBLIC OF GHANA AS GUARANTOR AND SOCIETE
GENERALE FOR AN AMOUNT OF €48,148,370.02 FOR
THE FINANCING OF THE TUMU-HAN-WA PROJECT**

1.0. INTRODUCTION

The COFACE Buyer Credit Agreement between Ghana Grid Company Limited with Government of the Republic of Ghana as guarantor and Societe Generale for an amount of Forty-eight million, one hundred and forty-eight thousand, three hundred and seventy Euros and two cents (€48,148,370.02) for the financing of the Tumu-Han-Wa Transmission Project was laid in the House on 9th March, 2012 and referred to the Finance Committee for consideration and report in accordance with Article 181 of the Constitution and Order no. 171 of the Standing Orders of the Parliament.

The Committee met and considered the loan facility with the Hon. Deputy Minister of Finance and Economic Planning, Mr. Fiifi Kwetey and the Hon. Deputy Minister for Energy, Alhaji Inusah Abdulai B. Fuseini, and officials from the Ministry of Finance and Economic Planning and the Ministry of Energy and hereby presents this Report to the House in accordance with Order 161 (1) of the Standing Orders of the House.

2.0. BACKGROUND

With increasing demand for electricity at a rate of about 10% per annum, Ghana's power system requires massive investment in generation, transmission and distribution infrastructure to reliably meet the demand requirements and to achieve this, the Government has adopted a major policy objective to increase the installed capacity of Ghana's electricity generation from the current level of about 2,000MW to about 5,000MW and develop a non-congested transmission system by 2015. This requires accelerated efforts to reinforce and expand the electric transmission grid to ensure reliable and secure evacuation of all the power that would be generated to meet the ever-increasing customer demand.

Another policy objective is to make Ghana a net exporter of electric power to its neighbouring countries including Togo, Benin, Cote'd Ivoire, Burkina Faso and Nigeria. This export-driven policy also requires the strengthening of the existing institutional capacity in electric power dispatch and control, market operations, engineering and project management functions of the power system. Considering the current state of the National Interconnected Transmission System (NITS) of Ghana which is saddled with overloads, high losses, low voltages and evacuation constraints among others, achieving this objective would require systematic, aggressive and orderly development and expansion of the transmission infrastructure including transmission lines and substations, control and dispatch facilities.

The current transmission system for Northern Ghana suffers from a major deficiency in terms of electricity supply reliability and security due the open nature of the 161kV loop between Tumu and Wa. The Ministry of Energy

through its Agency; the Ghana Grid Company Limited (GRIDCo) now intends to improve the current state of the northern portion of the NITS through closure of the 161 kV loop to improve upon overall network performance. This is especially so with the impending production of power from the Bui Hydroelectric Power project.

3.0 SCOPE OF THE PROJECT AND BENEFITS

The scope of the project for which the financing is required includes the construction of the following:

- a) 130km of 161kV transmission line between Wa and Tumu;
- b) 29km of 161 kV transmission line between Bolgatanga and Navrongo;
- c) Extension of works at Bolgatanga and Sawla 161 kV substations; and
- d) 161/34.5KV substations at Wa and Tumu.

The Project is expected to take 18months to complete.

The benefits of the projects include among others the following:

- Improve supply security and reliability in the north to close the much needed "161 kV loop";
- Create the needed network to ensure that power generated from the Bui Hydroelectric Plant could be realizably evacuated to load centres in the northern parts of Ghana;

- Improve quality of supply to northern Ghana and allow more communities to be connected to the National Grid in line with the Government's objective of achieving 100% access to electricity by 2020;
- Provide the bedrock for increasing economic actions including SADA in the northern sector of Ghana; and
- Provide the impetus through increased transmission of power to the proposed high voltage interconnection between Burkina Faso and Mali via the implementation of the proposed 225 kV Bolgatanga (Ghana) - Ougadougou (Burkina Faso) and Han (Ghana) - Bobo Dioulasso (Burkina Faso) - Sikasso - Bamako (Mali) interconnections.

4.0 PURPOSE OF THE CREDIT

The purpose of the Credit is to obtain funds from Societe Generale Bank/COFACE of France, to finance Tumu-Han-Wa Project.

5.0 TERMS AND CONDITIONS OF THE LOAN

The terms and condition of the financing package are as follows:

- **Contract Amount** - **Eur 51,801,683.77**
- **Loan Amount** - **Eur 48,148,370.02**
85% contract value (Eur 44,031,431.20) plus COFACE Premium (€ 4, 116,938.82)
- **GRIDCo Counterpart** - **15% (Eur 7,770,252.57)**
- **Grace Period** - **2 years**

- **Repayment Period** - **10 years**
- **Maturity Period** - **12 years**
- **Interest Rate** - **6 months Euribor + 1.75%p.a**
- **Arrangement Fee** - **1.00% flat**
- **Commitment Fee** - **1.00%p.a**

6.0 OBSERVATION

6.1 The Committee noted that the current transmission system for northern Ghana suffers from a major deficiency in terms of electricity supply reliability and security due to the open nature of the 161KV loop between Tumu and Wa. The Ministry of Energy through its Agency; the Ghana Grid Company Limited (GRIDCo) now intends to improve the current state of the northern portion of the NITS through closure of the 161KV loop to improve upon overall network performance. With the impending production of power from the Bui Hydroelectric Power project. It would also boost economic growth in northern Ghana; making quality electricity secure and readily available and thereby facilitating the setting of significant agro-based industries and enhancing the activities of SADA.

6.2 The Committee observed that one major policy objective of Government is to make the country a net exporter of electric power to its neighboring countries This export-driven policy also requires the strengthening of the

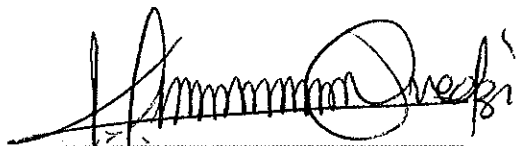
existing institutional capacity in electric power production and control, market operations, engineering and project management functions of the power system, having considered the current state of the National Interconnected Transmission System (NITS) of Ghana which is saddled with overloads, high losses, low voltages and evacuation constraints.

6.4 The Committee requested for a detailed breakdown of facility amount which was provided by the Chief Executive Officer of GRIDCo which is attached as "**Appendix A**".

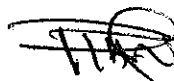
7.0. RECOMMENDATION & CONCLUSION

The Committee, having carefully examined the foregoing, recommends to the House to adopt the Report of the Finance Committee and approve by Resolution, the Buyer Credit Agreement between GRID Company Limited with Government of Ghana as the guarantor and for an amount of Societe Generale **Forty-eight million, one hundred and forty-eight thousand, three hundred and seventy Euros and two cents (€48,148,370.02)** for the financing of the Tumu-Han-Wa Transmission Project in accordance with article 181 of the Constitution, Section 10 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE



PEACE A. FLAWOYIFE (MS.)
CLERK, FINANCE COMMITTEE

Ghana Grid Company Limited - GRIDCo
Tumu-Han-Wa Transmission Project
Project Cost Details

item	Description	Amount-Euros
A	130km of 161kV Transmission Line between Wa-Tumu	16,642,202.60
B	29km of 161kV Transmission Line between Bolgatanga-Navrongo	5,552,714.02
C	Extension of works at Bolgatanga and Sawla 161kV Substations	6,684,908.81
D	161/34.5kV Substations at Wa and Tumu	18,212,614.36
	Sub total	47,092,439.79
	Contingency - 10% of sub total	4,709,243.98
	Total Project/ Contract Amount	51,801,683.77
	GRIDCo Cost Component (15% of Contract Amount)	7,770,252.57
	Loan Component(85% of Contract Amount)	44,031,431.20
	COFACE Premium	4,116,938.82
	TOTAL LOAN AMOUNT	48,148,370.02