

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

**REPORT OF JOINT COMMITTEE ON FINANCE AND
MINES AND ENERGY ON THE CREDIT AGREEMENT
BETWEEN THE GOVERNMENT OF GHANA AND THE
KBC BANK N.V., BELGIUM FOR AN AMOUNT OF
€11,933,885.00 FOR THE DESIGN, MANUFACTURE,
SUPPLY, INSTALLATION AND EXECUTION OF ALL
GOODS AND SERVICES FOR A 161 KV TRANSMISSION
AND ASSOCIATED SUBSTATIONS AND LINES TO BE
CONSTRUCTED UNDER THE KPANDO-KADJEBI POWER
PROJECT AND THE REQUEST FOR EXEMPTION OF
TAXES, DUTIES, LEVIES, FEES AND OTHER CHARGES
RELATING TO THE EXECUTION OF THE PROJECT**

1.0 INTRODUCTION

The Credit Agreement between Government of Ghana and the KBC Bank NV, Belgium for an amount of *eleven million, nine hundred and thirty-three thousand, eight hundred and eighty-five Euros* (€11,933,885.00) for the design, manufacture, supply, installation and execution of all Goods and Services for 161 KV transmission and associated substations and lines to be constructed under the Kpando-Kadjebi Power Project as well as the Request for the waiver of taxes, duties, fees and other charges relating to the execution of the Project was laid in the House on Friday 8th June, 2012 and referred to a Joint Committee on Finance and Mines and Energy for consideration and report.

The Committee met and considered the Agreement and the Request with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, Deputy Minister of Energy, Hon. Alhaji Inusah Fuseini and officials from the Ministries of Finance & Economic Planning and Energy and hereby presents this Report to the House in accordance with Order no. 161 (1) of the Standing Orders of the House.

2.0 BACKGROUND

The overwhelming majority of Ghana's power generation and transmission assets, as well as its largest consumer base remain concentrated in the south of Ghana. Transmission of power northward is often hindered by inadequate power transmission infrastructure, making power unstable and unreliable. The transmission network consistently runs at well above its rated capacity, whilst redundancies which can provide alternative delivery in case of a fault are often non-existent. A fault at just one station at Techiman in central Ghana for instance can shut down power transmission to all points in northern Ghana and beyond.

The Ghana Grid Company (GRIDCo) intends to improve the reliability of power supply to the Electricity Company of Ghana (ECG) and the Northern Electricity Distribution Company Limited (NEDCo) by extending the 69kV supply from existing Kpando Substation to Kadjebi and the construction of a 69/34.5kV substation at Kadjebi for supply to Kadjebi Township and environs.

The Kpando – Kadjebi Power Project (KKPP) will ultimately form part of the 161kV line from the south to the north of Ghana through the eastern corridor.

3.0 PURPOSE OF THE AGREEMENT

The purpose of the Agreement is to obtain funds for the construction of a 161 kV transmission line and associated substations under the Kpando – Kadjebi Power Project.

4.0 TERMS OF THE CREDIT

The terms of the Credit Facility are as follows:

Contract Amount	-	€13,541,684.00
Grant Amount	-	€2,700,000.00
LOAN AMOUNT	-	€11,933,885 (including ONDD* premium of €1,092,201)
Grace Period	-	2 years
Repayment Period	-	7.5 years
Maturity Period	-	9.5 years
Interest Rate	-	0.00% p.a.
Liquidity Fee	-	0.30% p.a. on outstanding balance
Commitment Fee	-	0.25% p.a. on unwithdrawn balance of the credit
Arrangement Fee	-	0.15% flat
Facility Fee	-	0.35% flat
Grant Element	-	35.65%

ONDD* (OFFICE NATIONAL DU DUCROIRE)

5.0 OBSERVATIONS

The Committee observed that the scope of works under the project would include the following:

Transmission Line Component

- Design, manufacture, supply and installation and commissioning of telecontrol (Supervisory control and Data Acquisition), teleprotection and telephone facilities using the Overhead Power Ground Wire (OPGW) to be consistent with existing VRA communications systems.
- Design, manufacture supply, installation and commissioning of an 80km 161kV insulated Transmission Line between Kpando and Kadjebi to be initially operated at 69kV at the termination of the line at both Kpando and Kadjebi substations.

Substations Component

- Kpando – Expansion of the existing Kpando substation to install terminal equipment for the existing Kpando Incomer and also to install terminal equipment for the new Kadjebi outgoing feeder complete.
 - Supply and/or installation and commissioning of 1No. 69/34.5/11.5kV, 15MVA power transformer complete with its balance of plant at the existing Kpando Substation
- Kadjebi – Turn-key construction of a new 69/34.5kV substation at Kadjebi to be known as Kadjebi Substation.
 - Supply and/or installation and commissioning of 1No. 69/34.5MVA power transformer for the Kadjebi Substation and bringing into service the whole Kadjebi Substation

The project will also carry out all civil works associated with the above works including site survey, substation site clearing, leveling,

filling and compaction, substation control building, security gatehouse, drainage and septic tank, fencing with gates, driveways, equipment plinths, tower foundations and Engineer's Representative's office.

The Committee was informed that the Kpando-Kadjebi Power Project (KKPP) is ultimately intended to form part of a 161kV transmission line from the south to the north of the country through the eastern corridor. To achieve this however, a new 161kV line would have to be constructed to continue from Kadjebi (where this project ends) to Yendi in addition to the Asiekpe to Kpando

Benefits to be derived from the project include among others the following:

- Increase the reliability of power supply to the Volta Region and Northern Ghana
- Provide an alternative supply source to the north when the eastern corridor power supply is completed
- Improve the supply quality to existing consumers being supplied by ECG and NEDCo
- Improvement in security of power supply
- Promote small and medium scale industry
- Creation of jobs to improve standard of living and reduce poverty

As to how long the project would take to complete, the Committee was informed that the Project would be completed in a period of 18 months after commencement.

5.1 TAXES

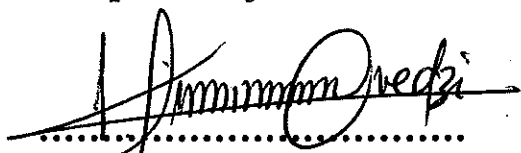
In accordance with article 14 of the Loan Agreement, the project is required to be waived of any duties, taxes of any kind, stamp charges, present or future.

The Committee recommends to the Minister of Finance and Economic Planning to endeavour to bring a formal request for the waiver of the relevant taxes to the House for consideration and approval.

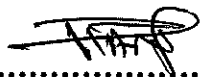
6.0 CONCLUSION

The Committee, in view of the immense benefits to be derived by the Country from the Project and the concessional nature of the Facility, recommends to the House to adopt this report and approve by resolution, the **Credit Agreement** between **Government of Ghana** and the **KBC Bank NV, Belgium** for an amount of *eleven million, nine hundred and thirty-three thousand, eight hundred and eighty-five Euros* (€11,933,885.00) for the design, manufacture, supply, installation and execution of all Goods and Services for **161 KV transmission and associated substations and lines** to be constructed under the **Kpando-Kadjebi Power Project** in accordance with article 181 of the Constitution and Sections 3 and 7 of the Loans Act, 1970 (Act 553).

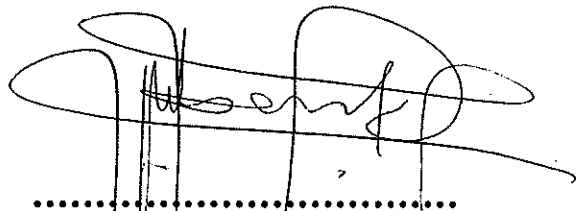
Respectfully submitted.



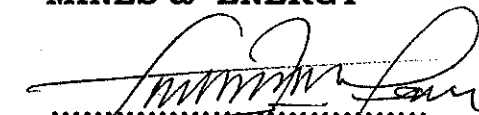
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HON. JAMES KLUTSE AVEDZI
CHAIRMAN,
FINANCE COMMITTEE



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PEACE A. FIAWOYIFE
CLERK,
FINANCE COMMITTEE



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HON. MOHAMMED-M MUNTAKA
for CHAIRMAN, COMMITTEE ON
MINES & ENERGY



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EPHRAIM AMU
ASST. CLERK, COMMITTEE
ON MINES & ENERGY

14TH JUNE, 2012.