

South African export guarantee enables rural electrification in Ghana

The Government of Ghana, Ministry of Finance and Economic Planning to install electricity transmission lines to the Upper East Region of Ghana

Case Study

The Challenge	<p>The Government of Ghana (GoG) wanted to procure, supply and install electricity transmission lines to reach 532 towns in the Upper East Region of Ghana and improve the citizens' lives. The project is the fourth phase of the Self Help Electrification Programme (SHEP), which was introduced to complement the GoG's National Electrification Programme. The project required financing in connection with an export contract signed between the Ministry of Energy and project contractor Thengashep Ghana (part of the South African engineering firm Thengashep) for the supply and installation of the electrical equipment.</p>
The Solution	<p>The project was financed with a 15-year, \$101.3 million term facility, 100%-guaranteed by the Export Credit Insurance Corporation of South Africa (ECIC). Citi acted as mandated lead arranger, structuring bank, facility agent and account bank. ABSA is also a mandate lead arranger.</p> <p>The deal was the first ECIC-backed financing in the Ghanaian power sector and used an innovative structure that meets the IMF's concessionality criteria. The lender secured an attractive Interest Make-Up, which is payable by ECIC under its 2009 IMU scheme, and facilitates competitive pricing for the borrower.</p> <p>The deal was possible because of Citi's long-standing relationships with importers, exporters, agencies and governments across Africa. It encourages inter-Africa trade by supporting a South African exporter through the provision of access to GoG, and by using ECIC support to allow the borrower to benefit from a competitive financing structure in terms of pricing and tenor.</p>
The Result	<p>The financing was successfully completed enabling the electrification program to go ahead. The extension of SHEP to the Upper East Region of Ghana will reduce poverty and increase citizens' standard of living. It will facilitate the creation of small- and medium-sized industries in rural areas and therefore has the potential to reduce the rate of rural to urban migration, helping to reduce pressure on urban infrastructure. The export contract is expected to create 46 new jobs in South Africa in the manufacturing and services sectors, while in Ghana, 216 new jobs will be created in the manufacturing sector.</p>