

House approves close to half a billion dollar loan agreements

By Pawlos Belete

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The House of Peoples Representatives approved two loan agreements, jointly adding up to more than USD 479 million, before closing its doors for a month-long recess last Thursday. The loans are meant to be used for regional infrastructural development.

The house approved the loans, secured from the International Development Association (IDA), amounting to USD 242.9 million for developing the East African power regional transmission line, and from the African Development Fund (ADF) amounting to USD 236.4 million in a bid to realize the Ethio- Kenya High Voltage Transmission line. The loan provided by IDA covers 49 percent of the cost required to carry out the project while the one provided by ADF covers 47 percent of the cost required to accomplish the Ethio-Kenya transmission line.

Including the grace period, the soft loans, that bear zero interest rate, will be paid over a period of over 40 years.

It is believed that the loans secured from the two sources will further Ethiopia's goal of providing power to East African neighboring countries.

Five East African countries, Kenya, Burundi, Tanzania, Uganda and Rwanda, are expected to become beneficiaries of the Eastern Africa electricity Highway project.

The second phase of the power-purchase agreements with other regional countries is expected to be sealed in the near future with Tanzanian authorities reportedly approached by their Ethiopian counterparts. Djibouti and Sudan are already connected to the Ethiopian National Power Grid.

The project is also expected to enable electric power sharing between the countries so as to reduce energy costs, promote sustainable and renewable power generation, as well as paving the way for more dynamic regional cooperation between the countries of East Africa.

The World Bank (WB) said on December 14 2012, that the new project marks the first phase of the regional East Africa power integration program which is likely to cost USD 1.3 billion at completion. When completed, it will eventually pave the way to benefit more than 212 million people living in the five countries of the region, which currently have a combined Gross Domestic Product of USD 107 billion.

This particular project has two components; the first being the construction of a high-voltage direct current transmission line between Ethiopia and Kenya while the second one is project management and administrative capacity building.

There is also a plan to connect the East African electric grid with the South African electric grid and the North African electric grid so that excess power supply in one part of the continent can be transferred and traded to power deficient parts of the continent.

For instance, Ethiopia's biggest hydro electric power project, the 6000 MW Grand Renaissance Dam (GRD), when completed, is going to link to a transmission line that stretches from Khartoum, Sudan to the Egyptian capital, Cairo. The study and design to do so have already

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been accomplished, according to officials of the Ethiopian Electric Power Corporation (EEPCo). All the electric power projects currently under construction and those that are producing power and connected to the national grid, including the controversial 1870 MW Gibe III hydro electric power project, are expected to contribute to the Ethio-Kenya power transmission project. The IDA had provided Kenya with USD 441 million through its fund for the world's poorest countries. The 500 Kilo volt Ethio-Kenya Transmission Line is expected to be about 1200km long and cost an extra USD 200 million.