

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

**REPORT OF THE JOINT COMMITTEE ON FINANCE
AND WORKS AND HOUSING ON THE CREDIT
AGREEMENT BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA AND RAIFFEISEN BANK
INTERNATIONAL AG, VIENNA, AUSTRIA FOR AN
AMOUNT OF €8,000,000.00 TO FINANCE THE
WATER SUPPLY SCHEME FOR THE ADAKLU
ANYIGBE AND NORTH TONGU DISTRICTS AND THE
HO MUNICIPALITY (PHASE in**

1.0 INTRODUCTION

The Credit Facility Agreement between the Government of the Republic of Ghana and Raiffeisen Bank International AG, Vienna, Austria for an amount of *eight million Euros* (€8,000,000.00) to finance the Water Supply Scheme for the Adaklu Anyigbe and North Tongu Districts and the Ho Municipality in the Volta Region (Phase II) was laid in the House on Monday 23rd July 2012 and referred to a Joint Committee on Finance and Works and Housing for consideration and report.

The Committee met and considered the Agreement with the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, Deputy Minister for Water Resources, Works and Housing, Hon. Nii Nortey Dua and officials from the Ministries of Finance and Economic Planning (MOFEP) and Water Resources, Works and Housing (MWRW&H) as well as the Community Water and Sanitation Agency (CWSA) and hereby presents this

report to the House pursuant to order 161(1) of the Standing Orders of the House.

2.0 BACKGROUND

The Districts and Municipality Water Supply Scheme is a novel proposal presented by Messrs. STRABAG AG of Vienna, Austria to the Community Water and Sanitation Agency (CWSA) in November 2010 to construct a water treatment plant at Mafi Adidome to supply potable water to serve communities in the North Tongu and Adaklu Anyigbe Districts and the Ho Municipality. The proposal is to utilize a concessional credit facility to build the facility and distribute water to the beneficiary communities in the Districts and Municipality.

The communities in the North Tongu and Adaklu Anyigbe Districts have existing isolated piped water supply systems which have inadequate sources. The Communities therefore rely mainly on seasonal ponds, dug-outs, small earth dams, and household rain water catchments for their water needs. Most of these sources have low water yields, poor water quality and prone to depletion or drying up in the dry seasons.

To alleviate the suffering of the people, Messrs. STRABAG AG of Vienna, Austria presented a proposal to the CWSA to construct and deliver potable water to the communities in the proposed project area.

Due to financial difficulties, the project has been split into three phases. Funding for the first phase was approved by Parliament at its Thirty-Fifth Sitting held on Tuesday 20th March, 2012.

3.0 PURPOSE OF THE LOAN

The purpose of the facility is to obtain funds to implement the **second phase** of the Water Supply Scheme for the Adaklu Anyigbe and North Tongu Districts and the Ho Municipality in the Volta Region. The Loan facility of €8,000,000.00 would fund the second phase of the project which would benefit communities in the Adaklu Anyigbe and North Tongu Districts.

4.0 TERMS OF THE CREDIT

The terms of the facility are as follows:

LOAN AMOUNT	:	€8,000,000.00
Grace Period	:	7.5 years
Repayment Period	:	9.5 years
Maturity Period	:	17 years
Interest Rate	:	0.00% p.a.
Commitment Fee	:	0.375% p.a.
Management Fee	:	0.60% flat
Insurance Margin	:	0.90% p.a.

Handling Fee : €1,440 flat

Grant Element : 40.36%

5.0 OBSERVATIONS

The Committee was informed of the scope of works of the Project as follows:

- i. Expansion of the water treatment plant at Adidome from 2,500m³/day to 5,000m³/day
- ii. Connecting the transmission main to the following distribution networks:
 - Zone A1: Extension of transmission main from Awitor Junction to Avedo
 - Zone A2: Extension of transmission main from Awitor Junction to Adudornu
 - Zone A3: Extension of transmission main from Mafi Kumasi to Kanikope
 - Zone 4: Extension of transmission main from Mafi Kutime to Adaklu Anyigbe District
- iii. Distribution Networks for the following zones Zone A7: Mafi Kutime Area Zone A4: Maweoekpor-Kpedzeglo Area Zone A5: Adudornu-Atiteti Area
- iv. Storage tanks according to CWSA design

- v. Additional Chlorination at the Booster station
- vi. Supply and installation of distribution network
- vii. Spare parts for three (3) years operation
- viii. Testing and commissioning
- ix. Technical Assistance by local consultant for a period of 12 months and Capacity Training for communities and system operators during construction period
- x. Transport facilities for Project Management Unit (PMU)
- xi. Operational support to CWSA under Project Management Budget
- xii. Water operations office

Beneficiary communities of the Water Supply Scheme include Mafi Adidome, Yorkutikpo, Atiteti, Adudornu, Tedeapenui, Mawoekpor, Kpedzeglo, Mafi Zongo, Avedo Bakpa, Kpoviadzi, Mafi Kumasi, Asiekpe, Mafi, and Kutime ail in the North Tongu District. Others include Adakiu Kpeleho, Avedzi, Ablornu, Sofa, Kanikope, Kpatove, Ziope, Alavanyo, Waya, Anfoe, Abuad , Akpokope, Aootime, and Akuete all in the Adakiu Anyigbe District.

The Committee was informed that the phase II is essentially an *add-on* to the phase I to ensure that the benefits of the project are fully realized by the beneficiary communities.

Both Phases I and II are under Lot A of the Project whilst Phase III is under the Lot B.

ATTACHMENT: Please find attached a map showing the two lots of the project.

Benefits to be derived from the project include improved access to potable water for the beneficiary communities, improved level of service by increased coverage in the project area, reduction in the level of non-revenue water, growth in productivity of the inhabitants leading to economic development and reduction in poverty, boosting of business opportunities and the maximization of social and health benefits of safe and reliable drinking water.

In order to ensure sustainability in the operations and management of the Scheme, the project will offer technical support in the areas of technical operations, finance, Water Board performance and District Assembly oversight.

As to how long the project would take to complete, the Committee was informed that the Project would be completed in 18 months after commencement of works. There will also be a post construction warranty period of 12 months.

Under article 18.1.1. of the Agreement, the Government of Ghana's obligations under the Agreement shall rank at least *pari passu* and equally with all of its other outstanding external indebtedness.

Some Honourable Members of the Committee expressed concern about the fact that the North Tongu Constituency of the North Tongu District has been entirely left out of the project. They appealed to the Ministry of Water Resources, Works and Housing (MWRW&H) and the Community Water and Sanitation Agency (CWSA) to consider revising the list of project beneficiaries to include some communities in the North Tongu Constituency of the District.

Officials of the Community Water and Sanitation Agency (CWSA) however explained to the Committee that a third phase of the project is being developed to draw water from the Volta River for treatment and supply to communities in the North Tongu and Ho West Districts. Funding for the third phase would be concluded within two months after Parliamentary approval of the second phase.

5.1 TAXES

In accordance with article 13 of the Credit Agreement, the Borrower declares that "all payments and activities in connection with this Agreement and all payments and activities in connection with the implementation of the concerned Contract shall be exempted from any and all kind of taxes and duties (such as but not limited to the following: customs duties, value added tax, withholding tax) imposed by the Republic of Ghana"

The Agreement further obliges the Government of Ghana (Borrower) to reimburse the Lender in respect of all taxes and stamp, registration or similar taxes which may be payable on or in connection with the Agreement (Article 13.3).

6.0 CONCLUSION

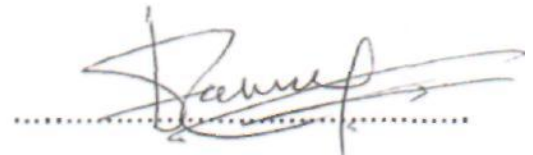
The Committee has critically examined the Facility and found that the terms satisfy the Government of Ghana's requirement for concessionary borrowing. The project was also found to be critical towards improving access to potable water in the beneficiary communities and further contributing to the achievement of the Millennium Development Goal of at least 76% potable water coverage by 2015.

The Committee therefore recommends to the House to adopt this report and approve by resolution, the **Credit Agreement** between the Government of the **Republic of Ghana** and the **Raiffeisen Bank International AG, Vienna, Austria** for an amount of *eight million Euros* (€8,000,000.00) to finance the **Water Supply Scheme** for the **Adaklu Anyigbe and North Tongu Districts and the Ho Municipality** (Phase II) in accordance with article 181 of the 1992 Constitution and sections 3 and 7 of the Loans Act, 1970 (Act 335).


Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN, FINANCE COMMITTEE



HON. DAVID TETTEH ASUMENG
CHAIRMAN, COMMITTEE ON
WORKS AND HOUSING



JANET FRIMPONG (MS.) CLERK,
COMMITTEE ON WORKS AND
HOUSING

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

3^{KU} AUGUST. 2012.