

IN THE THIRD SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

REPORT OF THE FINANCE COMMITTEE

ON

**CREDIT FACILITY AGREEMENT BETWEEN THE
GOVERNMENT OF GHANA AND THE KBC BANK OF
BRUSSELS, BELGIUM FOR AN AMOUNT OF THREE
MILLION, FOUR HUNDRED AND FIFTY-SEVEN
THOUSAND, TWO HUNDRED AND FIFTY-THREE
EUROS, FORTY-SEVEN CENTS (€3,457,253.47) AS
SUPPLEMENTARY FUNDING FOR THE ESSAKYIR
WATER SUPPLY SYSTEM IN THE CENTRAL REGION.**

THE BOARD OF DIRECTORS OF THE COMPANY HAS REVIEWED THE REPORT OF THE FINANCIAL COMMITTEE AND HAS APPROVED THE SAME.

RESOLVED, THAT THE BOARD OF DIRECTORS OF THE COMPANY DOES HEREBY APPROVE THE REPORT OF THE FINANCIAL COMMITTEE AND THE SAME BE FORWARDED TO THE SHAREHOLDERS OF THE COMPANY FOR THEIR INFORMATION.

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REPORT OF THE JOINT COMMITTEE ON FINANCE AND WORKS AND HOUSING ON THE CREDIT FACILITY AGREEMENT AMONG THE GOVERNMENT OF THE REPUBLIC OF GHANA AND THE KBC BANK OF BRUSSELS, BELGIUM FOR AN AMOUNT OF THREE MILLION, FOUR HUNDRED AND FIFTY-SEVEN THOUSAND, TWO HUNDRED AND FIFTY-THREE EUROS, FORTY-SEVEN CENTS (€3,457,253.47) AS SUPPLEMENTARY FUNDING FOR THE ESSAKYIR WATER SUPPLY SYSTEM IN THE CENTRAL REGION

1.0 INTRODUCTION

The request for approval of the Credit Facility Agreement between the Government of the Republic of Ghana and the KBC Bank of Brussels, Belgium for an amount of **Three Million, Four Hundred And Fifty-Seven Thousand, Two Hundred and Fifty-Three Euros, Forty-Seven Cents (€3,457,253.47)** as supplementary funding for the Essakyir Water Supply System in the Central Region was presented to the House by the Hon. Deputy Minister of Finance Mr. Cassiel Ato Baah Forson on Behalf of the Finance Minister on Wednesday, 1st October, 2014 in accordance with Article 181 of the 1992 Constitution. The Rt. Hon. Speaker referred the request to the Joint Committee on Finance and Works and Housing for consideration and report in accordance with Order 169 and 180 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the former Hon. Minister for Water Resources Works and Housing, Mr. Collins Dauda, Hon. Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson, the Managing Director of Ghana Water Company and officials from the Ministries of Finance and Water Resources Works and Housing in the consideration of the referral. The Committee is grateful to them for their assistance

2.0 REFERENCE

The Committee referred to the following documents at its deliberations:

- The 1992 Constitution of Ghana;
 - The Standing Orders of the Parliament of Ghana; and
 - The Loans Act 1970 (Act 335)
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3.0 BACKGROUND

Potable water supply for Essakyir and its surrounding areas was from a package treatment plant which went out of operation in 1980 and thus needed replacement. Upon the breakdown of the package treatment plant, water supply to the area depended on the Kwanyako and Baifikrom water treatment plants situated several kilometers North-East and West respectively of the Essakyir area with several challenges. As a result, the water supply situations in the Essakyir Area faced severe challenges for most part of the year.

A water supply master plan for the Central Region prepared by DHV Consultants of the Netherlands in 2004 recommended the construction of a new treatment plant on the Ochi-Nakwa River in addition to water transmission and distribution pipelines to deliver potable water to the area. This was accepted by agreement for implementation and has come to be known as the Essakyir Water Supply Project.

4.0 SCOPE OF WORKS FOR THE ADDITIONAL FUNDING

The scope of works to be carried out under the Phase II of the Esakyir Project are the following:

- i). Construction of 3.1km HDPE transmission pipelines from Water Treatment Plant (WTP) to Gomoamaim (North of WTP);
- ii). Replacement of 9km Asbestos Concrete transmission pipeline;
- iii). Construction of additional 11km HDPE distribution pipe and
- iv). Provision of Standpipes at Esuehyia, Otuam, Mumford, Mbroboto, Kokodo, Muna, Aboano and Serafa.

5.0 TERMS AND CONDITIONS OF THE CREDIT FACILITY

5.1 The terms and conditions of the credit facility between the Government of Ghana and the Government of Belgium are as follows:

Loan Amount	-	€2,438,400.00
Grace Period	-	10 years
Repayment Period	-	20 years
Maturity Period	-	30 years
Interest Rate	-	Nil
Service Fee	-	Nil
Commitment Fee	-	0%

5.2 The terms and conditions of the credit facility between the Government of Ghana and KBC Bank are as follows:

Loan amount	-	€1,170, 159.99 made up of the following:
Project Cost	-	€1,018,853.47
Interest Rate	-	Euribor +2.15% p. a.
Facility Fee	-	€10,000 (one off payment)
Arrangement Fee	-	€10,000
Commitment Fee	-	€5,000 (one off payment)
Insurance	-	UP to 100% Of the estimated credit insurance premium of €126,306.52
Repayment Period	-	10 years
Grace Period	-	1 years
Maturity	-	11 year
Service Fee	-	Nil

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6.0 PROJECT DURATION

The project completion period for the additional works is estimated to be 6 months from the commencement date.

7.0 OBSERVATIONS

Justification

Justifying the need for the additional funding for the additional works, the Minister for Water Resources, Works and Housing indicated that the findings from the needs assessment on the distribution network carried out in the course of the project implementation indicated that the Asbestos Concrete pipes laid over forty years ago have passed their useful life span and as a result, pressure from the new Water Treatment Plant will be too severe for the old pipes to hold. Further, the distribution pipelines from the Reservoirs to some of the beneficiary communities were not considered under the original project and there is the need to embark on a phase II of the project to guarantee reliable flow of water to unserved communities within the Gomoa Antseadze and Esakyir project area.

The Minister also stated that the new transmission pipelines would increase coverage in the project area which would intend improve access to potable water and also reduce the level of non-revenue water. The Minister further indicated that implementation of the Phase II of the project would also cause growth in productivity of the inhabitants leading to economic development and reduction in poverty.

Though the Committee appreciates the importance of the Phase II of the project, it is of the view that if proper feasibility had been carried out and consultations held with the communities, the above mentioned implementation challenges could have been identified and factored in the original project. The Committee therefore urges the Ministry of Water Resources, Works and Housing to be more diligent and ensure that proper feasibility is carried out and more consultation held on future projects to prevent such avoidable requests.

Status of Implementation

Briefing the Committee on the current status of implementation of the Phase I of the project, the Minister for water Resources, Works and Housing stated that a total amount of €18,080,463.45 representing 90% has been disbursed out of the total budget of €20,040,603.00. The overall

project implementation status according to the Minister, stands at 93%. Breakdown of completed works were given as follows:

Works	Percentage Completed
➤ Building of water treatment plant With high-lift pumping station, an Intake and Weir	90%
➤ Laying of 42km HDPE Transmission Pipeline of different diameters	100%
➤ Building of 4 Water Reservoirs	75%
➤ Laying of 10km HDPE DN110 Distribution Pipeline	75%

Terms and Conditions of the Facility

Commenting on the financing, the Deputy Minister of Finance stated that the credit terms are highly concessional with an estimated grant element of 35%. This, the Deputy Minister explained satisfies all the Government of Ghana conditions for concessionary borrowing.

Financing detail Error

The Committee noted during its deliberations that the actual loan amount should have been €3,608,559.99 instead of €3,457,253.47 which was stated in the joint Cabinet Memorandum to Parliament. The details as contained in the contract document are that on July 2nd 2013, the Buyer (GoG) entered into Amendment contract with the Supplier (Belgian Government) for a supplementary funding amount of €3,457,253.47 to which the Belgian Government agreed to finance up to 70.53% (€2,438,400) through State to State loan on concessional conditions. The funding gap of €1,018,853.47 was to be provided by KBC Bank with additional terms which were not captured in the Joint Cabinet Memo.

The additional terms and conditions of the credit facility which was not captured are Facility Fee of €10,000 (one off payment), Amendment Fee of €10,000, Commitment Fee of €5,000 (one off payment) and an Insurance of up to 100% of the estimated credit insurance premium of €126,306.52

Reacting to the Committee's observations, the Minister admitted it was an error and the Committee requested Cabinet to correct the error and the Committee accordingly notified. A copy of the Cabinet letter and the relevant page of the contract where the error was detected are attached for the information of the House.

The Committee therefore accepted the amended figure of €3,608,559.99. This amended figure was reviewed by the Committee in arriving at its conclusion and recommendation.

Tax Exemptions

The Committee also observed that Parliament was also requested to exempt the loan from taxes in line with general tax exemptions policies. This request the Committee further observed, was in accordance with Article 5 of the Agreement which states that payments effected in accordance with this Agreement shall be free of all existing or future charges whatsoever for which such payments could be liable under any legal provisions or regulations whatsoever of the Kingdom of Belgium and the Republic of Ghana.

The Committee took note of the request but realised that assessed values, by the Custom Division of the Ghana Revenue Authority was not attached. The Committee therefore recommends to the Ministry of Finance to present the required waiver to Parliament for consideration.

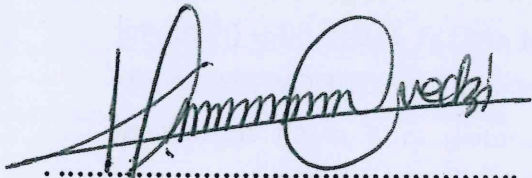
8.0 CONCLUSION AND RECOMMENDATION

The Committee having carefully examined the referral is of the view that Essakyir Water Supply Project supplementary funding is to enable the Ghana Water Company Limited (GWCL) construct new transmission pipelines, replace existing distribution pipelines and construct stand pipes for the Essakyir Water Supply System to improve the supply of water to the beneficiary communities.

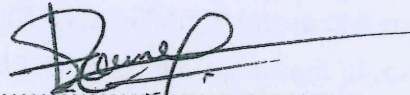
The Committee therefore recommends to the House to adopt its report and approve the Supplementary Loan Agreement between the Government of the Republic of Ghana and the Government of Belgium and the KBC Bank of Belgium for a total amount of **Three Million,**

Six Hundred and Eight Thousand, Five Hundred and Fifty-nine Euros, ninety-nine Cents (€3,608,559.99) to further support the construction and expansion of the Essakyir Water Supply project in the Central Region.

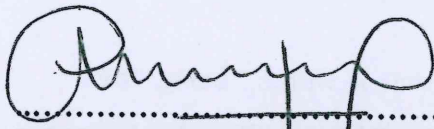
Respectfully submitted.



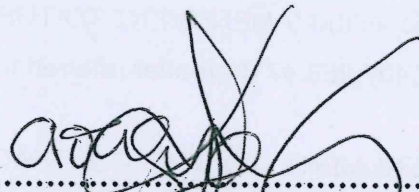
.....
HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



.....
HON. DAVID TETTEH ASSUMENG
(CHAIRMAN, WORKS & HOUSING COMMITTEE)



.....
ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)



.....
AKUA DUROWAA OWUSU AGYEKUM (MRS)
(CLERK, WORKS & HOUSING COMMITTEE)

July 2015

WHEREAS:

On March 15th 2010, the Ghana Water Company Ltd., P.O. Box MB 194, Accra, Republic of Ghana (hereafter referred to as the "BUYER"), entered into a contract (hereafter referred to as the "CONTRACT") with Denys NV, Industrieweg 124, 9032 Wondelgem, Belgium (hereafter referred to as the "SUPPLIER") for a total amount of EUR 20,040,603- (hereafter referred to as the "CONTRACT PRICE"). The LENDER granted to the BORROWER a credit up to a maximum amount of EUR 10,993,448.52- according to a credit agreement concluded between the BORROWER and the LENDER dated February 28th 2011.

On July 2nd 2013, the BUYER entered into an amendment to the CONTRACT (hereafter referred to as the "AMENDMENT TO THE CONTRACT") with the SUPPLIER for an amount of EUR 3,457,253.47 (hereafter referred to as the "CONTRACT PRICE AMENDMENT").

The AMENDMENT TO THE CONTRACT consists of the additional works, being the construction of the first part of the transmission pipeline to the North, the replacement of old asbestos pipelines in Apam, the construction of an additional distribution pipeline and standpipes in the Republic of Ghana.

The Belgian Government has agreed to finance 70.53% of the CONTRACT PRICE AMENDMENT through a State to State loan on concessional conditions up to a maximum of EUR 2,438,400.

In connection with the AMENDMENT TO THE CONTRACT, the Republic of Ghana, acting through its Ministry of Finance (hereafter referred to as the "BORROWER"), wishes to obtain additional funding facilities for the financing of:

- the balance of the CONTRACT PRICE AMENDMENT, being a maximum amount of EUR 1,018,853.47-; and
- the amendment fee amounting to EUR 10,000- and
- the facility fee amounting to EUR 10,000- and
- the commitment fee amounting to EUR 5,000- and
- 100% of the credit insurance premium due to DELCREDERE | DUCROIRE (former ONDD), estimated at EUR 126,306.52-

In case of reply the number and date of this letter should be quoted.

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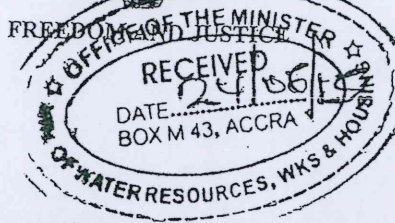
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18TH JUNE, 2015

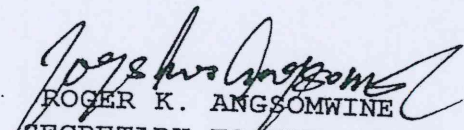
REQUEST FOR EXECUTIVE APPROVAL FOR SUPPLEMENTARY FUNDING OF EUR3,608,559.99 BETWEEN THE GOVERNMENT OF THE KINGDOM OF BELGIUM, KBC BANK NV OF BELGIUM AND THE REPUBLIC OF GHANA

Your request to the above subject matter dated 18th June, 2015, refers.

2. H.E. the President has granted approval for you to incur an amount of One Hundred and Fifty One Thousand Three Hundred and Six Euros Fifty-Two Cents (EUR151,306.52) as supplementary funding for the Essakyir Water Supply Project.

3. The amount is the difference between the initial approval by Cabinet on 21st August, 2014 of Three Million Four Hundred and Fifty-Seven Thousand, Two Hundred and Fifty-Three Euros, Forty-Seven Cents (EUR3,457,253.47) and Three Million Six Hundred and Eight Thousand, Five Hundred and Fifty-Nine Euros, Ninety Cents (EUR3,608,559.99) which has been attributed to an error.

4. I am to request you to take requisite action on the Executive Approval.


ROGER K. ANGSOMWINE
SECRETARY TO THE CABINET

THE MINISTER FOR WATER
RESOURCES, WORKS AND HOUSING

THE MINISTER FOR FINANCE

cc: Chief of Staff
Secretary to the President
Secretary to the Vice President
Senior Policy Adviser/Head of
Policy Delivery Unit



REPUBLIC OF POLAND

MINISTRY OF THE INTERIOR

SECRET

THE MINISTER FOR WATER
AND FORESTRY

SECRETARY TO THE CABINET

THE MINISTER FOR WATER

AND FORESTRY

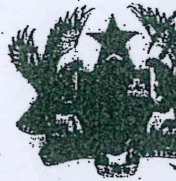
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My Ref. No. OP/CA 13/v2

Your Ref. No.



FREEDOM AND JUSTICE



OFFICE OF THE PRESIDENT
P.O. BOX 1627
ACCRA
21ST AUGUST, 2014

SUPPLEMENTARY FUNDING OF THREE MILLION, FOUR HUNDRED AND FIFTY-SEVEN THOUSAND, TWO HUNDRED AND FIFTY-THREE EUROS, FORTY-SEVEN CENTS (€3,457,253.47) FOR THE ESSAKYIR WATER SUPPLY PROJECT

At its Twenty-Third Meeting held on Thursday, 21st August, 2014, Cabinet considered a Memorandum on the above-mentioned subject jointly submitted by the Minister for Water Resources, Works and Housing and the Minister for Finance.

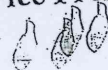
2. The Memorandum requested Cabinet to consider, approve and recommend same to Parliament:
 - (a) a supplementary concessional loan in the amount of Three Million, Four Hundred and Fifty-seven Thousand, Two Hundred and Fifty-three Euros, Forty-seven cents (€3,457,253.47) between the Government of Ghana and KBC Bank of Belgium; and
 - (b) exemption from the payments of taxes to support the construction and expansion of the Essakyir Water Supply System in the Central Region.
3. After discussion, Cabinet approved the Memorandum.
4. I shall be grateful if you could take requisite action on the decision by Cabinet.

DR. RAYMOND ATUGUBA
EXECUTIVE SECRETARY TO THE PRESIDENT
FOR: SECRETARY TO CABINET

THE MINISTER FOR WATER RESOURCES,
WORKS AND HOUSING

THE MINISTER FOR FINANCE

cc: The Chief of Staff
Executive Secretary to H.E. the President
Secretary to H.E. the Vice President





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THE MINISTER FOR WATER RESOURCES

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