

**IN THE THIRD SESSION OF THE SEVENTH
PARLIAMENT OF THE FOURTH REPUBLIC
OF GHANA**

**REPORT OF THE COMMITTEE ON WORKS
AND HOUSING**

**ON THE SUPPLY CONTRACT AGREEMENT
BETWEEN THE GOVERNMENT OF THE
REPUBLIC OF GHANA (REPRESENTED BY
THE MINISTRY OF SANITATION AND WATER
RESOURCES) AND AQUA AFRICA LIMITED
FOR AN AMOUNT OF THIRTY MILLION
EUROS (€30,000,000.00) RELATING TO
THE RURAL AND PERI-URBAN NANO-
FILTRATION WATER PROJECTS IN GHANA
UNDER THE RURAL COMMUNITIES AND
SMALL TOWNS WATER SUPPLY PROJECT**

JULY, 2019

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CONTRACT AGREEMENT BETWEEN THE GOVERNMENT OF THE
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AND PERI-URBAN NANO-FILTRATION WATER PROJECT IN GHANA
UNDER THE RURAL COMMUNITIES AND SMALL TOWNS WATER SUPPLY
PROJECT**

1.0 INTRODUCTION

The request for approval of the Supply Contract Agreement between the Government of the Republic of Ghana (represented by the Ministry of Sanitation and Water Resources) and Aqua Africa Limited for an amount of **Thirty Million Euros (€30,000,000.00)** relating to the Rural and Peri-Urban Nano-Filtration Water Projects in Ghana under the Rural Communities and Small Towns Water Supply Project was presented to the House by the Hon. Deputy Minister of Sanitation and Water Resources, Mr. Patrick Yaw Boamah on behalf of the Hon. Minister for Sanitation and Water Resources on Wednesday, 12th June 2019 in accordance with Article 181 (5) of the 1992 Constitution.

In accordance with Order 180 of the Standing Orders of the House, the Hon First Deputy Speaker referred the request to the Committee on Works and Housing for consideration and report.

2.0 DELIBERATIONS

The Committee was assisted in its deliberations by the Hon. Minister for Sanitation and Water Resources, Ms. Cecilia Abena Dapaah, her two (2) Hon. Deputies, Messrs. Patrick Yaw Boamah and Michael Yaw Gyato, Board Chairman of the Community Water and Sanitation Agency (CWSA), Mr. Paa Kwesi Yankey, the Chief Executive Officer of CWSA, Ing. Kwadjo Siabi Worlanyo and other officials from the Ministry and CWSA.

The Committee is grateful to the Hon. Minister and her Deputies, the Board Chairman, the CEO and the other officials from the Ministry and CWSA for their cooperation and assistance.

3.0 REFERENCE

The Committee relied on the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana;
- Community Water and Sanitation Agency Regulations 2011, LI 2007; and
- The Supply Contract Agreement between the Government of the Republic of Ghana (represented by the Ministry of Sanitation and Water Resources) and Aqua Africa Limited for an amount of **Thirty Million Euros (€30,000,000.00)** relating to the Rural and Peri-Urban Nano-Filtration Water Projects in Ghana under the Rural Communities and Small Towns Water Supply Project

4.0 BACKGROUND

To enhance the delivery of WASH facilities to about 38% of the unserved rural population and to also facilitate the attainment of the Sustainable Development Goals (SDGs), the Ministry of Sanitation and Water Resources (MSWR) and the Community Water and Sanitation Agency (CWSA) have been embarking on a number of strategies.

In line with the policy direction of the Ministry and the strategic direction of CWSA in the provision of safe water to rural communities and small towns, the Ministry in conjunction with CWSA and a UK private sector entity, Aqua Africa Limited (AA) have agreed to work together on a market-based approach to provide sustainable safe drinking water to rural communities and small towns in five regions in Ghana.

The concept of this transformation is to consider innovative technology and financing methods to generate revenue to take care of maintenance and future expansion programmes and improve mechanisms to hold all actors to their roles and responsibilities in the WASH

sector. It is against this background that Cabinet and Parliament respectively approved the Export Credit and the Tied Commercial Agreements of this project. The purpose of this request, therefore, is to obtain Parliament's approval for the supply contract to enable the Ministry operationalise the Facility Agreement for works to commence.

5.0 OBJECTIVE

The project is ultimately intended to improve the health status of Ghanaians, particularly those in the beneficiary communities. The purpose of this project is to support the MSWR and CWSA to install and maintain point and piped water systems in rural communities and small towns, in line with the new policy direction of CWSA and the "Water for All" Agenda of Government of Ghana.

6.0 PROJECT DESCRIPTION

Aqua Africa will work in partnership with CWSA to provide water systems to Rural Communities and Small Towns and also secure revenue from the sale of the water using smart metering or cashless payment systems. The project will use advanced Nano-technology filtration or other appropriate technologies to treat unsafe water sources, and to as well provide solar-powered pumping mechanisms for the systems. The treated water will be piped either directly to households or community standpipes.

The implementation will be structured in two main phases;

Phase 1 which spans about 3-months involves designing, resourcing and procurement planning. Phase 2 involves the actual project implementation and delivery would be undertaken within 18 months. The project also has an additional 6-months liability ascertain damages period for unforeseen circumstances and correction of any defects.

7.0 PROJECT SCOPE

The project shall have four main components, namely:

i) Point Source Nano-Filtration System

This component will provide point source of Nano-filtration systems to 150 communities in areas where the water source is contaminated. The systems will

comprise photo-voltaic power supplies and solar pumps, Nano-filters in antibacterial tanks, and a revenue capture system (either through mobile money or smartcards) at the source.

ii) **Piped Water to Households and Public Standpipes**

This component will provide piped water to households, and public standpipes, in 12 small towns. Each system will comprise photovoltaic power for the pumping system, which will take water from the water source into anti-bacterial storage tanks. Pipes will transport water from the central system to households, with each household having a smart meter or to public standpipe locations, where water will be sold either through mobile money or through a smartcard revenue capture system. Each system will cost approximately €1.75 million for each location, including revenue capture and /or smart metering and operational and maintenance planning at €109 per capita, and will serve a small town with an average population of 16,000. In total 192,000 people in twelve small towns will be served under this component.

iii) **Environmental, Social Safeguards and Community Engagement**

This component will cover environmental and social safeguard interventions, selection of communities, community engagements and sensitisation, and training of Water System Management Staff.

iv) **Project Management**

This component refers to the overall planning management and oversight of the project design development, data research review, logistics, distribution, implementation and maintenance on behalf of the Government of Ghana by CWSA's internal project team and Aqua Africa's external team.

8.0 **OBSERVATIONS**

Beneficiary Regions

The Committee was informed that though the Supply Contract Agreement inadvertently indicates that the project would provide sustainable safe drinking water to rural communities and small towns in four regions (Ashanti, Eastern, Volta, and Greater Accra) in Ghana, the potential locations would actually cover 5 regions. The explanation is that the project conceptualization and planning period occurred during the era when the now

Oti Region was part of the Volta Region. Therefore, by necessary implication, identified communities which now fall under the Oti Region are considered part of the potential locations of the project.

Corporate social responsibility

The Committee was informed that though the Ministry and CWSA believe that the project upon completion would be beneficial to the communities in the project area, they are likely to be inconvenienced in one way or the other during the construction period. The Ministry together with CWSA and Aqua Africa have programmed, though not explicitly stated in the Contract, to provide some social interventions that would mitigate the negative effects likely to be associated with the implementation of the project. This, the Committee was informed, would be in the form of provision of sanitation facilities.

Expected benefits

The Committee noted that the completion of the project would increase the reliability of quality water supply to the beneficiary communities in within project areas. Further, since water is key in the nation's development agenda and major contributor to a healthy population, the project is likely to immensely improve the health status of the beneficiary communities. That is, the increase in water supply would lead to a reduction in the prevalence of common water-borne diseases and to as well reduce the stress of having to travel long distances in search for water. This will accordingly improve the living conditions of the people in the beneficiary communities, aside of helping to achieve the goal of MSWR's Water Sector Strategic Development Plan, which is "Sustainable Water and Basic Sanitation for all by the Year 2025".

Besides, economic activities within the catchment areas of the project are expected to improve, since the time, which would have otherwise been used in search of water would be put into more productive use. Jobs will be created during the construction period since more local consultants and contractors would be engaged. It is envisaged that approximately 600 direct and indirect jobs will be created.

Introduction of Smart Meters and Cashless Payment Systems

The Committee noted that to be able to generate revenue for the repayment of the loan facility, there would be an introduction of smart meters and a cashless tariff payment

system. Though the Committee agrees that revenue needs to be generated to maintain the water systems and to also pay for the facility, the introduction of the smart meters and the cashless tariff system may pose a challenge to the rural households and eventually deny them access to the potable water supply because of their low levels income. It was, however, explained that the system would not deviate much from the current “*pay as you fetch*” system. The only difference would be that, instead of paying at the point of the standpipe or the borehole, one would buy a coupon, card or voucher from a vendor before going to the point for supply for the water. The new system thus has flexibility in the sense that the users would not have to go and wait at the standpipe locations till the taps are opened at the vendor's convenience but would instead go and fetch the water at their convenience once they purchase the coupons or vouchers. It was also emphasised that currently, tariffs in the rural areas are higher than that of the urban centres and CWSA does not intend to charge anything above the current levels. Moreover, CWSA recognizes the plight of the rural poor and the Board of CWSA has accordingly approved a pro-poor billing/payment programme to cater for the needs of the very poor in the beneficiary communities.

Tariff Determination

Regarding tariff determination, the Committee was informed that, though CWSA would have wished Public Utility Regulatory Commission (PURC) sets the tariffs, the current law does not permit PURC to set tariffs for rural water. The tariffs, therefore, would be set by the District Assemblies on the recommendation of CWSA as set out in Regulations 4 (1), (2) and (3) of the Community Water and Sanitation Agency Regulations 2011, LI 2007.

Improve Water Quality

The Committee was informed that though there has been a lot of discussions on water pollution, much of the discourse has been on surface water. However, recent research has shown that the quality of underground water has also been deteriorating. The project, therefore, among other things, seeks to ensure that the quality of water that would be produced remains high throughout the production cycle. This would be done by the installation of water treatment plants on the systems so that whatever variations that occur within the year could be taken care of. The technology, the Nano Filtration system will comprise photo-voltaic power supplies and solar pumps, Nano-filters in antibacterial tanks

which would treat contamination and other infiltration. It is envisaged that the project when completed, would increase the production of safely managed potable water to the beneficiary communities.

Provision of Insurance

The Committee noted that the contract, among other things, provides for insurance to be taken prior to the commencement of the works. The insurance which is to be in the joint names of the Parties is to cover:

- a. loss and damage to works, materials, and the Contractor's Equipment;
- b. Liability of the Contractor and the Employer for the loss, damage, death or injury to third parties or their property arising out of the Contractor's performance of the Contract, including the Contractor's liability for damage to property of the Employer other than the Works; and
- c. Liability of the Contractor, the Employer and employee, officer or representatives of the Employer for death or injury to the Contractor's personnel except to the extent that liability arises from the gross negligence of the Employer, and employees, officers or representatives of the Employer.

Advance Payment Bond and Guarantee

The Committee noted that though, 28.75% of the contract sum in the amount of €8,625,000 has been earmarked for advance payment, there is no insurance cover for this payment. Neither is there any provision in respect of advance payment bond to secure the interest of the Employer against non-performance by the Contractor. The Committee held the view that the Contract should be reviewed to provide for a guarantee or bond to cover the advance payment.

The Committee is, however, pleased to inform the House that the Ministry agreed and adopted the Committee's proposal and subsequently reviewed the contract to cater for the omission.

The Committee accordingly recommends to the House to direct the Ministry to strictly adhere to the reviewed Agreement and in due course furnish the House with a report on the Ministry's compliance with the House directive in this regard.

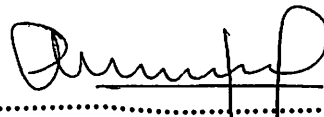
8.0 **CONCLUSION AND RECOMMENDATION**

Having regards to the enormous benefits likely to be derived from the implementation of the project, particularly, increased reliability of supply of potable water to the people in the project area, the Committee recommends to the House to adopt its report and approve by resolution, the Supply Contract Agreement between the Government of the Republic of Ghana (represented by the Ministry of Sanitation and Water Resources) and Aqua Africa Limited for an amount of **Thirty Million Euros (€30,000,000.00)** relating to the Rural and Peri-Urban Nano-Filtration Water Projects in Ghana under the Rural Communities and Small Towns Water Supply Project in accordance with Article 181 (5) of the 1992 Constitution of the Republic of Ghana.

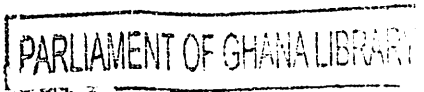
Respectfully submitted.



HON. NANA AMOAKOH
CHAIRMAN, COMMITTEE ON
WORKS & HOUSING



ROSEMARY ARTHUR SARKODIE (MRS.)
CLERK, COMMITTEE ON WORKS & HOUSING



JUNE, 2019