

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



**REPORT OF THE FINANCE COMMITTEE ON THE
TERM LOAN FACILITY AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA
(REPRESENTED BY THE MINISTRY OF FINANCE)
AND BELFIUS BANK SA/NV OF BELGIUM FOR AN
AGGREGATE AMOUNT OF THIRTY-TWO MILLION,
SEVEN HUNDRED THOUSAND EUROS
(€32,700,000.00) [€2,700,000.00 BEING
CREDENDO/ECA PREMIUM]) TO FINANCE THE
WENCHI WATER SUPPLY PROJECT**

1.0 INTRODUCTION

The **Term Loan Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **Belfius Bank SA/NV of Belgium** for an aggregate amount of ***Thirty-Two Million, Seven Hundred Thousand Euros (€32,700,000.00)*** [€2,700,000.00 being Credendo/ECA Premium]) to finance the **Wenchi Water Supply Project** was *presented to* the House on Wednesday 11th December, 2019 by a Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng on behalf of the Minister responsible for Finance.

Pursuant to Orders 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Finance Committee for consideration and report.

The Committee subsequently met and considered the Agreement with a Deputy Minister for Finance, Hon. Kwaku Agyeman Kwarteng, Deputy Minister for Sanitation and Water Resources, Hon. Patrick Yaw Boamah and a team of officials from the Ghana Water Company Limited (GWCL) and the Ministries of Finance and Sanitation and Water Resources.

The Committee hereby presents this report to the House pursuant to order 161(1) of the Standing Orders of the House.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreements:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)

3.0 BACKGROUND

The Wenchi Water Supply System was constructed in 2002 with funding from the Government of Ghana and the European Union as part of the Small-Town Water Supply Schemes commenced by the Government of Ghana in the early 1990s.

The water supply system is based on ground water obtained from mechanized boreholes and supplies water to the Wenchi Municipality.

The existing Wenchi Water System is made up of four main components:

- a. Eight (8) mechanized boreholes with only three (3) operational.
- b. Water transmission and distribution pipes of various sizes.
- c. An 870m³ ground level reservoir.
- d. 64No. public standpipes.

As a result of population and economic growth in the Wenchi Municipality over the past years, it has become necessary to rehabilitate and expand the existing water supply system to meet the water demand of Wenchi and some identified beneficiary towns.

Furthermore, majority of the inhabitants are compelled to resort to private water tankers and other water vendors for their water needs due to the current water situation. These alternative water sources are expensive and may have negative health effects.

Additionally, an assessment carried out by Messrs. ASPAC International of Belgium indicated the poor state of the existing water supply system and recommended major rehabilitation and expansion works to ensure continuity of water supply to meet increasing demand.

It is therefore proposed to construct a new water treatment facility with a capacity of 11,100m³/day to meet the current and future water requirements of the people of Wenchi and its environs up to the year 2040.

4.0 PROJECT OBJECTIVE

The object of the project is to undertake the design, construction and commissioning of a new potable water infrastructure for Wenchi in the Bono Region of the Republic of Ghana.

5.0 TERMS AND CONDITIONS OF THE FACILITY

The Project is financed through an Export Credit Facility from Belfius Bank of Belgium. The terms of the financing are as follows:

Loan Amount	-	€32,700,000 (o/w:EPC contract amount is €30,000,000.00 and 50.14% of the ECA Premium of €2,700,000)
Grace period	-	3.5 years
Repayment period	-	13 years
Maturity Period	-	16.5 years
Interest Rate	-	CIRR + 1.50% p.a.
Commitment Fee	-	0.30% p.a.
Structuring Fee	-	0.75% flat

6.0 PROJECT DESCRIPTION AND SCOPE

The scope of activities/works of the project includes but not limited to the following:

- Construction of a concrete weir on the Tain River to increase raw water impoundment.
- Construction of an intake facility with a capacity of 11,100m³/day.
- Construction of 1km OD400mm raw water transmission pipeline.
- Construction of a 11,100m³/day conventional water treatment plant.
- Construction of 13km OD450/ OD400mm treated water transmission pipeline.
- Rehabilitation and extension of distribution network, approximately 30km of pipes with varying sizes complete with District Metered Area regulation.
- Supply of 3,000No. private connections with smart meters.
- Construction of 1,800m³ elevated storage reservoir and the rehabilitation of the existing 870m³ storage reservoir.

The table below shows a summary of the cost of various components of the Project.

Description	Amount (Euro)
Financial cost	1,806,125.6
Engineering Studies & Design	1,471,817.3

River Development Works	3,296,100.3
Construction of a 11,100m ³ /day intake facility	431,551.2
Construction of a 11,100m ³ /day conventional water treatment plant	7,912,252.5
Construction of 13 km OD450 / OD400 mm treated water transmission main	5,415,178.5
Construction of 43km distribution pipelines complete with DMA regulation and 3,000No. private connections with smart meters.	6,353,645.1
Construction of new storage reservoirs (1,800m ³) and rehabilitation of existing 870m ³ reservoir	1,270,436.7
Power Supply Cost	277,936.2
Testing, Start up, Commissioning and Technical Assistance.	864,956.6
Contingency	900,000.0
Total	30,000,000.00

7.0 OBSERVATIONS

7.1 Increasing Water Demand in the Catchment Area

It is projected that the water demand within Wenchi Municipality and its environs will increase to 8,900m³/day at year 2040. Currently, water supply is 1,332m³/day while demand is 4,500m³/day thus, creating a demand-supply gap of about 3,200m³/day.

The project on completion would provide reliable access to potable water to over 92,425 people in the Wenchi Municipality and its environs. This project will be a giant step towards achieving government's policy to ensure that by the year 2030 all people living in Ghana will have access to safe potable water.

7.2 Contribution to Agriculture

The Wenchi Municipality and its environs contribute significantly to the agricultural fortunes of our country. As high as 65.2% and 84.4% of households in the Municipality and Rural Communities respectively are engaged in producing food crops such as maize, vegetables, cashew and mangoes on a large scale.

7.3 Job Creation

The Committee was informed that a number of jobs are being created for the youth of the project catchment area as a result of the huge deposit of granite which is currently being mined by quarry companies. It is therefore appropriate to provide Wenchi

and its environs with the supply of potable water to act as an impetus to boost the industrial potential of the area.

7.4 Beneficiary Communities

As to which particular communities would benefit from the project, the Committee was informed that beneficiary communities of the project would include *but not limited to* the following:

Nkonsia, Droboso, Asuano, Yoyoano, Beposo, Wurompo, Awisa and Koase.

7.5 Project Duration

The Committee sought to know how long the project will take to be completed. To this the Committee was informed that other things being equal, the project will be completed within thirty (30) months from the date of commencement.

7.6 Expected benefits

The rehabilitation and expansion of the water supply system would improve and ensure reliable access to potable water supply within the Wenchi Municipality and its environs.

It would also lead to a reduction in the use of private water tankers thus, improving savings for use on other domestic activities. The prevalence of common water-borne disease would also be reduced.

The services of the health facilities would be greatly improved. Thus the health and social benefits of clean, safe and reliable drinking water will be maximized.

Additionally, the provision of the water supply system would help improve economic activities creating direct and indirect jobs, while boosting business opportunities mainly industrial and commercial enterprise.

7.7 Water Subsidy

The Committee sought to know if the Ghana Water Company Limited (GWCL) had a subsidy programme in place to assist needy communities to benefit from water supply projects in their catchment area. To this, officials of the GWCL informed the Committee that the GWCL subsidizes water supply to low income and needy communities. They explained however that a thorough needs assessment would have to be carried out to determine the level of subsidy appropriate to the circumstances of each community.

7.8 Contingency Vote

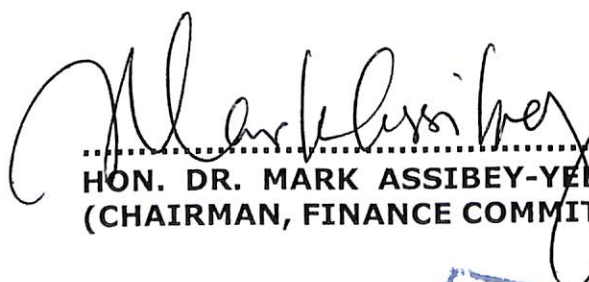
The Committee noted that an amount of €900,000.00 has been set aside as provision for contingency and requested to know how this amount will be utilized. Officials of the GWCL explained to the Committee that the amount has been provided to take care of unforeseen additions and extensions to the scope of works beyond the original designs. Such expansion of the scope of works was said to usually arise from urgent pleas from

communities and nearby areas who were not originally included in the project but who make a compelling case for their inclusion. In the absence of such special demands, the money would be returned to Government chest.

8.0 CONCLUSION

Considering the immense health and other socio-economic benefits to be derived from the Project and in view of the favourable terms of the Facility, the Committee respectfully recommends to the House to adopt this report and approve by resolution, the **Term Loan Facility Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and **Belfius Bank SA/NV of Belgium** for an aggregate amount of **Thirty-Two Million, Seven Hundred Thousand Euros (€32,700,000.00)** [€2,700,000.00 being Credendo/ECA Premium]) to finance the **Wenchi Water Supply Project** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.


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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)


.....
MS. EVELYN BREFO-BOATENG
(CLERK, FINANCE COMMITTEE)

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14TH DECEMBER, 2019.