

**REPORT OF THE FINANCE COMMITTEE
ON THE**

I. BUYER CREDIT FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND DEUTSCHE BANK S.P.A (AS ARRANGER, AGENT AND ORIGINAL LENDERS) [SUPPORTED BY THE ITALIAN EXPORT CREDIT AGENCY, SACE S.p.A.] FOR AN AMOUNT OF EIGHTY-FOUR MILLION, FOUR HUNDRED AND SEVENTEEN THOUSAND, SIX HUNDRED AND FORTY-NINE EUROS AND EIGHTY-TWO CENTS (€84,417,649.82) TO FINANCE THE EXPANSION AND REHABILITATION OF THE KETA WATER SUPPLY SYSTEM

AND

II. COMMERCIAL FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND DEUTSCHE BANK S.p.A (AS ARRANGER, AGENT AND ORIGINAL LENDERS) FOR AN AMOUNT OF TWELVE MILLION, SEVEN HUNDRED AND SIXTY-SIX THOUSAND, NINE HUNDRED AND TWENTY-EIGHT EUROS AND TEN CENTS (€12,766,928.10) TO FINANCE THE EXPANSION AND REHABILITATION OF THE KETA WATER SUPPLY SYSTEM

24th February, 2020

1.0 INTRODUCTION

The request for approval of the:

- i. Buyer Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank S.p.A (as Arranger, Agent and Original Lenders) [supported by the Italian export credit agency, SACE S.p.A.] for an amount of Eighty-Four Million, Four Hundred and Seventeen Thousand, Six Hundred and Forty-Nine Euros and Eighty-Two Cents (€84,417,649.82) to finance the Expansion and Rehabilitation of the Keta Water Supply System, and
- ii. Commercial Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank S.p.A (as Arranger, Agent and Original Lenders) for an amount of Twelve Million, Seven Hundred and Sixty-Six Thousand, Nine Hundred and Twenty-Eight Euros and Ten Cents (€12,766,928.10) to finance the Expansion and Rehabilitation of the Keta Water Supply System,

were laid in the House by the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare on behalf of the Minister for Finance on 14th February, 2020 in accordance with Article 181 of the 1992 Constitution.

Rt. Hon Speaker referred the Agreements to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the House.

The Committee was assisted in its deliberations by the Minister for Sanitation and Water Resources, Hon. Cecilia Obeng Dapaah, Two (2) Deputy Ministers for Sanitation and Water Resources, Hon. Michael Gyato and Hon. Patrick Boamah, a Deputy Minister for Finance, Hon. Abena Osei Asare, and officials from the Ministry of Finance, the Ministry of Sanitation and Water Resources and Ghana Water Company Limited (GWCL).

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents during its deliberations:

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

3.0 BACKGROUND

The Agordome-Sogakope water supply system supplies water to Sogakope, Keta and other surrounding towns and villages. The water supply system which was built in 1998 takes its raw water from the Lake Volta.

The existing water system has five main components namely:

- i. Intake facility to abstract raw water from the Lake Volta
- ii. Water treatment facilities with a nominal capacity of 7,200 m³/day.
- iii. Conveyance and Distribution Systems-160 km of pipes of various sizes,
- iv. Three (3) elevated water tanks (EWTs) and two (2) ground level reservoirs (GLRs)
- v. Two (2) booster pumping stations (BPSs).

As a result of population and economic growth in the Southern part of the Volta Region over the past years, the current water supply system to these areas is inadequate. The situation has compelled majority of the inhabitants to resort to ground water and private water tankers for their water needs, options that are more expensive and sometimes have negative health effects, if not handled properly.

In order to address these concerns, the Ministry contracted Messrs Lesico Infrastructures S.R.L. to carry out an assessment on the Keta Water Supply systems. The assessment indicated the poor and deteriorating state of the Water Supply System and recommended the need for major rehabilitation and expansion works to be carried out timely in order to ensure continuity of water supply to meet growing demand up to the year 2030 and beyond.

As part of the recommendations, it was proposed that there was the need to rehabilitate the existing plant to restore it to its installed capacity of 7,200m³/ day and expand the installed capacity to meet the current and future water requirements of the people up to the year 2030.

In accordance with its vision, the Government of Ghana has agreed for the Deutsche Bank S.p.A to provide a total amount of Ninety-Seven Million, One Hundred and Eighty-Four thousand, Five Hundred and Seventy-Seven Euros and Ninety-Two Cents (€97,184,577.92) to finance the Expansion and Rehabilitation of the Keta Water Supply System. It is this agreement that is before the House for approval.

4.0 OBJECT OF THE PROJECT

The object of the project is to rehabilitate and expand the Keta Water Supply System

5.0 PROJECT COMPONENTS

The major components of the project include:

- Construction of an intake facility of capacity 42,053m³/ day (9.3MGD);
- Construction of a 35,000m³/ day (7.7MGD) conventional water treatment plant;
- Construction of 62km transmission pipeline from Agordome to Keta via Anloga;
- Construction of a Booster Station (i.e. 359m³/ hr capacity);
- Construction of Storage tanks;
- Rehabilitation and extension of distribution network, approximately 80km of pipes varying from 100mm to 450mm;
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- Supply of 8,000Nr. Domestic meters and spare parts; and

- Rehabilitation of existing water treatment plant to its installed capacity of 78,200m³/ day.

6.0 TERMS AND CONDITIONS

The credit facility of €97,184,577.92 is made up of a Buyer Credit (SACE) Facility amounting to **€84,417,649.82** and a commercial facility of **€12,766,928.10**.

The terms and conditions of the Two (2) facilities are as follows:

A. SACE Facility

Facility Amount	€84,417,649.82 (including SACE premium of €12,071,723.92)
Grace Period	3years
Repayment period	10years
Tenor	13years
Interest rate	6M Euribor + 2.00% p.a
Commitment fee	0.75% p.a
Structuring fee	0.50% flat
Arrangement fee	1.00% flat

B. Commercial Facility

Facility Amount	€12,766,928.10
Grace Period	1year
Repayment period	4years
Tenor	5years
Interest rate	6M Euribor + 4.90% p.a
Commitment fee	1.00% p.a
Structuring fee	0.50% flat
Arrangement fee	1.00% flat

7.0 OBSERVATIONS

7.1 Rationale for the Project

The Committee was informed that the Keta Water Supply System of Agordome-Sogakope is old and cannot meet the current water demand of about 190,000 people within its catchment area.

The Committee learnt that the Ministry of Sanitation and Water Resources caused an assessment of the Keta Water Supply System. As part of the recommendations, it was suggested that there was the need for a major rehabilitation and expansion works to be carried out. This would include rehabilitating the existing water system to its installed capacity and constructing new water systems to help expand the production of water to meet growing demand of the catchment area up to the year 2030 and beyond.

It is in pursuit of the recommendations that the Government of Ghana is undertaking this project to rehabilitate and expand the capacity of the Keta Water Supply System to be able to supply water to over 422,160 people.

7.2 Fiscal Impact Assessment

The Committee noted that a Debt Sustainability Analysis (DSA) was conducted for this project and it is part of the overall assessment which informs Government's Medium Term Debt Strategy (MTDS) that consequently determines Government's borrowing plans for the medium term as published at Appendix 10c of the 2020 Budget.

The loan also forms part of the estimated project loan disbursement of GH¢4,345.40 Million in 2020. The related estimated debt service cost for the project also forms part of the estimated debt service payments of GH¢13,916.8 Million for 2020 fiscal year.

7.3 Project Duration

The project duration is expected to be Thirty (30) months from the date of commencement.

7.4 Communities to be served under the Project

The Committee noted that the Keta Water Supply System provides water to Agordome-Sogakope, Keta, Anloga and their surrounding communities. When complete, these towns would have access to regular supply of water. Other communities that would benefit from the project include Kpodze, Kpotame, Vume, Tefle, Sokpoe, Dabala Junction, Tregui, Badadzi, Havedzi, Adzato, Tegbi, Hovi-Aferdome, Kedzi and Nukpesekepe, among others.

7.5 Expected Benefits

The Committee observed that the benefits to accrue from the project include:

- Improved access to potable water supply to the supply areas;
- Improved level of service by increased coverage in projected area;
- Growth in productivity of the inhabitants leading to economic development and growth;
- Improved business opportunities mainly industrial and commercial enterprises; and
- Improved, clean, safe and reliable drinking water leading to improvement in health of the people in the catchment area.

8.0 CONCLUSION

In view of the immense benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of the:


- i. Buyer Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank S.p.A (as Arranger, Agent and Original Lenders) (Supported by the Italian

export credit agency, SACE S.p.A.) for an amount of Eighty-Four Million, Four Hundred and Seventeen Thousand, Six Hundred and Forty-Nine Euros and Eighty-Two Cents (€84,417,649.82) to finance the Expansion and Rehabilitation of the Keta Water Supply System, and

- ii. Commercial Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and Deutsche Bank S.p.A (as Arranger, Agent and Original Lenders) for an amount of Twelve Million, Seven Hundred and Sixty-Six Thousand, Nine Hundred and Twenty-Eight Euros and Ten Cents (€12,766,928.10) to finance the Expansion and Rehabilitation of the Keta Water Supply System

in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



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



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

24th February, 2020