

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

REPORT OF THE FINANCE COMMITTEE

ON THE

**FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF
GHANA (REPRESENTED BY THE MINISTRY OF
FINANCE) AND THE INTERNATIONAL
DEVELOPMENT ASSOCIATION (IDA) FOR
AN AMOUNT EQUIVALENT TO *ONE HUNDRED
AND TWENTY FIVE MILLION UNITED STATES
DOLLARS (US\$125,000,000.00)* AS
ADDITIONAL FINANCING FOR THE
**GREATER ACCRA METROPOLITAN AREA
SANITATION AND WATER PROJECT
(GSWP)****

October 2020

1.0 INTRODUCTION

The **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Development Association (IDA)** for an amount equivalent to *One Hundred and Twenty Five Million United States Dollars (US\$125,000,000.00)* as additional financing for the **Greater Accra Metropolitan Area Sanitation and water Project (GSWP)** was *presented* to the House on Friday 16th October, 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with a Deputy Minister for Sanitation and Water Resources, Hon. Patrick Yaw Boamah, a Deputy Minister for Finance, Hon. Mrs. Abena Osei-Asare and a team of officials from the Ministry of Finance (MoF), Ministry of Sanitation and Water Resources (MS&WR) and the Ghana Water Company Limited (GWCL).

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

The Committee is grateful to the above-mentioned Hon. Deputy Ministers and the team of officials for attending upon the Committee.

2.0 REFERENCES

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

- 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

Ghana has recorded commendable high growth over the past two decades despite increasing intermittent global economic challenges. Ghana's economic growth increased from 3.7% in 2000 to 6.5% in 2019 driven largely by a competitive business environment, fast growing private sector, strong commodity price increases and the start of commercial oil production in 2011 resulting in a lower-middle-income status.

The growth has been accompanied by rapid urbanisation with associated challenges such as the emergence of slums. These developments are occurring at a rate that outpaces the capacity of Central and Local Governments to provide basic services such as adequate water and sanitation. The level of urbanisation rose from 32% in 1984 to about 44% in 2000 then to 56.7% in 2019.

The Greater Accra and Greater Kumasi Metropolitan areas account for 17.5% of the country's projected 31 million population and are the most affected.

To address the challenges, Government over the past few decades implemented various interventions in the sanitation and water sector to enhance access to Water, Sanitation and Hygiene (WASH) services for the population in line with national development priorities. Notable among the interventions are:

- (i) establishment of the Community Water and Sanitation Agency (CWSA) by an Act of Parliament 1998, Act 564 to facilitate the provision of water and sanitation services to rural communities and small towns across the country;
- (ii) the Environmental Sanitation Policy of 1999 revised in 2010;
- (iii) the National Water Policy of 2007; and
- (iv) creation of the Ministry of Sanitation and Water Resources in 2017 to prioritize the water and sanitation sector and the investment it deserves.

In addition to the aforementioned initiatives, some key strategic WASH projects have been implemented by Government with support from development partners. These include the Accra Waste Project (1996-2002), the Korle Lagoon Environmental Restoration Project (1995-2005), the Urban Environmental Sanitation Project (1996-2001), the Accra Sewerage

Improvement Project (2006-2016) and Sustainable Rural Water and Sanitation Project (2010-2020) among others.

Even though the interventions yielded significant progress in the delivery of potable water, the same cannot be said of urban drainage, hygiene and sanitation services. Access to potable drinking water in Ghana is estimated at 79%; with 93% urban coverage and 68% rural coverage. This achievement is however eclipsed by the low performance of the sanitation sector. According to the World Health Organisation (WHO)/United Nations Children's Fund (UNICEF) Joint Monitoring Programme Report 2017, the proportion of people in Ghana using improved sanitation facilities is only 15%, making the country one of the lowest-performing countries in the world.

To provide a comprehensive solution to the sanitation and water situation, Government among other interventions initiated the GAMA Sanitation and Water Project valued at US\$150 Million. The project, which is funded by the World Bank Group, is aimed at providing improved sanitation and water facilities with focus on low-income communities of the Metropolis. The project became effective in 2014 and is expected to close in December, 2020.

3.1 PURPOSE OF THE LOAN

The objective of the Credit Facility is to secure additional financing for the implementation of the **Greater Accra Metropolitan Area Sanitation and water Project (GSWP)**.

4.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the facility are as presented in the table below:

Facility Amount	US\$125.00 Million
Grace Period	5 years
Repayment Period	25 years
Tenor	30 years
Maximum Commitment Charge	0.50% p.a. on the Unwithdrawn Financing Balance
Service Charge	1.30% - i.e. sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment (+55bps) to the Service Charge on the Withdrawn Credit Balance
Interest Charge	1.33% - i.e. sum of one and a quarter percent (1.25%) per annum plus the Basis Adjustment to the Interest Charge (+8bps) on the Withdrawn Credit Balance

5.0 PROJECT INTERVENTIONS

The major interventions being provided under the project include Household Toilets and School Sanitation Facilities, Improvement and Expansion of the Water Distribution Network, improvement and expansion of Wastewater and Faecal Sludge Collection, Transportation and Treatment; and Institutional Strengthening.

6.0 OBSERVATIONS

6.1 Alignment of Project with Government Policy

The Committee observed that the project is consistent with the **Coordinated Programme of Economic and Social Development Policies (CPESDP) 2017 -2024**. The proposed interventions are fully aligned with Government's objective of improving access to water and sanitation services for all through improved water production and distribution, scaling up investments in the sanitation sector, establishing a National Sanitation Fund and implementing the "Toilet For All " and "Water For All" programmes under the Infrastructure for Poverty Eradication Programme (IPEP) among other interventions, all in line with Sustainable Development Goal 6.

6.2 Key Achievements

Key achievements of the original project as of July 2020 include the following:

- **Inclusive and affordable household toilets:** Provision of over 27,000 household toilets exceeding the target of 19,100, benefiting about 218,000 people.
- **Provision of Water Supply to low-income communities:** The project laid about 281 km of water pipelines, 10,200 new connections and 114 standpipes providing access to water supply to 367,000 people in low income urban communities exceeding the targeted 250,000 people.

- **Inclusive and gender conscious school sanitation facilities:** Implemented disability friendly school toilets with separate blocks for boys and girls; 386 of the targeted 406 units were completed and handed over.
- **Flood protection and mitigation facilities:** Constructed drainage structures at critical junctions that substantially reduced the destructive impact of recurring floods in the city.
- **Strategic plan:** The project supported the development of manuals and urban water supply master plan; calibrated hydraulic network model, established a Low Income Customer Support Unit (LICSU) in Ghana Water Company Limited (GWCL), development of integrated urban environmental sanitation master plan, and a biodigester toilet construction and installation manual.
- **Simplified monitoring tools:** The ESICOME mobile application (ESICApps) for data collection for environmental health activities has been developed and rolled out in selected Metropolitan and Municipal Assemblies in GAMA.
- **Affordability:** A subsidy strategy combined with the participatory approach, use of local capacity, and introduction of mobile aided saving made the household latrine provision affordable to the targeted low-income urban community.
- **Sanitation hackathon:** A sanitation hackathon was organized to encourage innovation. Prizes were awarded to

the top three most innovative teams out of the 35 participating teams. The Project worked with the winners and other innovators to ensure their innovative ideas were harnessed.

6.3 Backlog of Applicants

Despite this significant progress, about 8,000 households who registered for toilets, 7,500 applicants for water supply services and 150 targeted schools could not be served due to budgetary constraints on the parent project. It is in this respect that Government is securing this additional funding to extend and expand the project to ensure that the outstanding beneficiaries are served.

6.4 Scale-Up of Project Interventions

The parent project provided improved Water, Sanitation and Hygiene (WASH) facilities in schools with handwashing facilities, separate toilets for boys and girls, and changing rooms for girls. Evaluation of these interventions indicated that a great relief has been provided to the female students particularly during their menstrual cycles giving them the opportunity to reach their full potential through uninterrupted education.

The water interventions also provide relief to women and children who normally walk long distances in search of water, thus enabling them engage in more productive and economic activities.

The Committee noted that the additional financing will enable the project interventions to be scaled-up in GAMA to cover more low income communities and to replicate the gains of the project in the Greater Kumasi Metropolitan Area (GKMA) which is the Second most populated city in the country, as well as close the financing gap of the project resulting from exchange rate losses between the Special Drawing Rights (SDRs) and the United States Dollars.

6.5 Activities to be Financed Under the Additional Financing

The Committee was informed that the Additional Financing is expected to provide access to improved sanitation to about 252,000 residents of GAMA and GKMA through support for the construction of 42,000 household toilets (30,000 in GKMA and 12,000 in GAMA). Each eligible low-income household will be provided with 70% support up to a maximum of US\$600 to make the capital costs of the toilets affordable to them.

In addition, an estimated 150 sanitation facility units will be provided to selected schools and healthcare facilities. The project will improve and expand the water distribution network in GAMA and GKMA and provide piped water to a projected 300,000 people living in low income communities. About 120km of pipeline will be laid and 10,000 new households will be connected to the water system.

The project is also expected to improve the financial status of the GWCL to reduce non-revenue water (NRW) in a selected area of GAMA from its current level of 54% to 40% by the end of the project period.

6.6 Project Duration

As to how long the project would take to be completed, the Committee was informed that other things being equal, the project to be implemented under the instant Additional Financing is expected to be completed within 4 years after commencement.

6.7 Promoting the Fight Against COVID-19

The provision of safe water, sanitation and waste management as well as hygienic conditions have been identified by the World Health Organisation (WHO) as essential for preventing and protecting lives during infectious disease outbreaks, including coronavirus disease 2019 (COVID-19).

The Committee thus observed that improved access to Water, Sanitation and Hygiene (WASH) and waste management facilities and services in communities, homes, schools, marketplaces, and healthcare facilities will help prevent human-to-human transmission of pathogens including SARS-CoV-2, the virus that causes COVID-19.

The proposed project interventions therefore support the fight against the COVID-19 pandemic and boost resilience against future disease outbreaks.

6.8 Job creation

The Committee was informed that as part of efforts to address the growing unemployment and economic hardship triggered by the COVID-19 pandemic, especially on the urban poor, the project will adopt labour intensive construction methods for all project-related activities to support job creation and improvement of livelihoods.

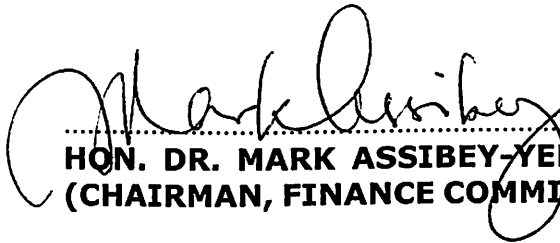
As to how many jobs would be created under the project, the Committee was informed by the Deputy Minister for Sanitation and Water Resources, Hon. Patrick Yaw Boamah that about 2,000 jobs are expected to be created under the project.

7.0 CONCLUSION

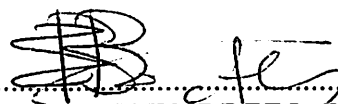
The Committee, in view of the foregoing, respectfully recommends to the House to adopt this report and approve by Resolution, the **Financing Agreement** between the **Government of the Republic of Ghana** (represented by the Ministry of Finance) and the **International Development Association (IDA)** for an amount equivalent to *One Hundred and Twenty Five Million United States Dollars (US\$125,000,000.00)* as **Additional Financing** for the **Greater Accra Metropolitan Area Sanitation and water Project**

(GSWP) 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)



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

21ST OCTOBER, 2020