

**IN THE SECOND SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH
REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE CREDIT
AGREEMENT BETWEEN THE GOVERNMENT OF GHANA
AND THE INTERNATIONAL DEVELOPMENT
ASSOCIATION (IDA) FOR AN AMOUNT OF SDR 49.7
MILLION (US\$75.0 MILLION EQUIVALENT) FOR THE
FINANCING OF SUSTAINABLE RURAL WATER &
SANITATION PROJECT**

1.0 INTRODUCTION

The Credit Agreement between the Government of Ghana and the International Development Association (IDA) for an amount of *forty-nine million, seven hundred thousand Special Drawing Rights (SDR49.7million) [US\$75.0 million equivalent]* for the financing of Sustainable Rural Water and Sanitation Project (SRWSP) was laid in the House on Monday, 26th July, 2010 in accordance with article 181 of the 1992 Constitution of the Republic of Ghana.

Pursuant to Order no. 171(1) 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 the Minister of Water Resources, Works and Housing, Hon. Alban S. K. Bagbin, the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, and officials from the Ministries of Finance and Economic

Planning and Water Resources, Works and Housing respectively and hereby presents this report.

2.0 BACKGROUND

About 41% of Ghana's rural population and small towns have no access to clean water and two-thirds do not have access to adequate sanitation. Water-related diseases, such as guinea-worm infections resulting from inadequate water supply and sanitation continue to plague the rural population. With the implementation of the National Community Water and Sanitation Program (NCWSP), access to water supply in small towns and rural communities in Ghana increased from 27% in 1990 to 59% by the end of 2009. District Assemblies (DAs) have also been given control over all Water Supply and Sanitation services at the local level.

Although the increase in access to rural water supply has been remarkable, Ghana needs to continue the current efforts in order to remain on track to achieve the 2015 Millennium Development Goals (MDGs) target of rural population coverage of 76% for water and 63% for sanitation. Thus, the project is a follow-up of the Small Towns Water Supply and Sanitation Project (STWSSP).

3.0 PURPOSE OF THE LOAN

The purpose of the loan is to provide funding to:

- i. Expand access to potable drinking water and improve sanitation in small towns and rural areas; and
- ii. Strengthen the DAs and sector institutions to improve the Implementation of sub-projects and ensure the long term sustainability of water supply and sanitation services.

4.0 PROJECT COMPONENTS

The Project has three components, namely:

- i. Rural and Small Towns Water Supply (US\$47.6million);
- ii. Rural and Small Town Integrated Sanitation and Hygiene Promotion (US\$18.6million); and
- iii. Institutional Strengthening and Project Management (US\$11.1million).

5.0 TERMS AND CONDITIONS

The terms of the facility are as follows:

| | | |
|-------------------------|----------|--|
| Credit Amount | : | SDR49.7 million [US\$75 million equivalent] |
| Interest Rate | : | Nil |
| Grace Period | : | 10 years |
| Repayment Period | : | 25 years |

Maturity Period : 35 years

Service Charge : 0.75% p.a. on withdrawn credit amount

Commitment Fee : 0.5% p.a. on the unwithdrawn balance

6.0 JUSTIFICATION FOR GOVERNMENT ACTION

At the strategic policy level, the Second Ghana Growth and Poverty Reduction Strategy (GPRS II) and the Millennium Development Goals (MDGs) identified rural water supply and sanitation as priority areas. The SRWSP is intended to be one of the water sector operations contributing to the overall water sector effort to accelerate access to water and sanitation services; keeping in view, the need to achieve the MDGs.

Moreover, the project will support the continued implementation of the National Community Water and Sanitation Program (NCWSP), which aims at providing safe water, improved sanitation and hygiene services to rural communities and small towns. Thus, the Government's priority of providing safe and potable drinking water for about 60% rural communities as indicated in the 2010 budget statement would be realized.

Socio-economically, the project would contribute towards covering the financial gap of US\$330million identified by the Community Water and

Sanitation Agency (CWSA) in its 2008-2015 Strategic Investment Plan (SIP). The SRWSP would also support scaling up project activities in additional towns, where access to clean water supply remains low, compared to the national average for rural areas and small towns and in districts with high incidence of water-borne diseases (e.g. guinea-worm infections).

Additionally, it is intended to improve, deepen and sustain the achievement chalked during the implementation of the Small Town Water Supply and Sanitation Project; by strengthening the capacity of public sector institutions at the national, regional, district and community levels in policy making, planning, implementation, coordination, monitoring, supervision and reporting of activities.

6.0 OBSERVATIONS

The Committee observed that the project will concentrate on six (6) regions, namely; Central, Western, Brong Ahafo, Northern, Upper East and Upper West. The six regions were selected using a criterion developed by CWSA in the implementation of the NCWSP. Within those regions, the investments will prioritize the districts with the lowest coverage, high incidence of water borne diseases, and proven capacity by District Assemblies to implement and monitor sub-projects.

The Committee noted that Counterpart Fund of five percent (5%) was capital cost of sub-project aimed at ensuring commitment to ownership and sustainability of sub-projects

The Committee also observed that the scope of the Project fits easily and effectively within the structure of the existing government's priorities as outlined in the 2010 Budget (paragraph 336). Alternative options for supporting the same activities were considered and rejected on the grounds that similar support could not be provided in as timely or cost effective approach.

7.0 CONCLUSION

The importance and timeliness of the project to the overall objectives of growth and poverty reduction cannot be overemphasized as some MDG targets such as reduction in infant and under-five mortality rates, the enrollment rate of girls in basic school and improved maternal health are directly linked to improved water supply and sanitation.


The project when implemented would create capabilities in the small town communities and DAs to manage and implement community driven projects.

It is also expected to provide access to potable water supply to about 600,000 of the rural population and improve hygiene in beneficiary communities. The use of the DAs structures for implementation will deepen the decentralization process by way of improved service delivery thus enhancing good governance.


The Committee therefore recommends to the House to adopt this report and approve by Resolution the Credit Agreement between the

Government of Ghana and the International Development Association (IDA) for an amount of ***Forty-nine million Seven hundred thousand Special Drawing Rights (SDR49.7million)*** [equivalent **US\$75.0 million**] for the **Sustainable Rural Water and Sanitation Project** in accordance with article 181 of the Constitution and Sections 3 and 7 of the Loans Act, (1970) Act 335 and Standing Orders of the House.

Respectfully submitted.



HON. JAMES KLUTSE AVEDZI
CHAIRMAN



PEACE A. FIAWOYIFE (MS.)
CLERK

2ND AUGUST, 2010