

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

REPORT OF THE FINANCE COMMITTEE
ON THE DEVELOPMENT CREDIT AGREEMENT
OF US\$25.0 MILLION (18.7 MILLION SDR EQUIVALENT)
BETWEEN THE REPUBLIC OF GHANA AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)
OF THE WORLD BANK TO FINANCE THE SECOND
COMMUNITY WATER AND SANITATION PROJECT
(CWSP II)

1.0 INTRODUCTION

The above Credit Agreement and Project Agreement were laid in the House on 9th December, 1999 in accordance with Article 181 of the Constitution and referred to the Finance Committee for consideration and report pursuant to Order No. 171 of the Standing Orders.

The Committee met to consider the Agreements with the Deputy Minister of Works and Housing Hon. Seidu Amadu and his technical staff and hereby reports:

2.0 BACKGROUND

In 1994 the Government of Ghana launched the National Community Water and Sanitation Programme (NCWSP) with the aim of increasing access to potable water and related sanitation services to rural communities and small towns. In order to attain the objectives of the new policy, the Community Water and Sanitation Division now Community Water and Sanitation Agency (CWSA) was created as a specialized division within the Ghana Water and Sewerage Corporation now Ghana Water Company Limited to be the main public institution charged to facilitate community water and sanitation delivery in the country.

Also in 1994, the Government launched a large-scale demonstration project (CWSP 1) which was financed with an IDA credit totalling SDR 15,700 (equivalent US\$22.0 million). In 1997 the CWSP 1 was reviewed and the Community Water and Sanitation Project (CWSP II) was launched as a follow-up project to ensure the programme's sustainability

3.0 PURPOSE

The purpose of the Development Credit Agreement under consideration is to support the Second community Water and Sanitation Project (CWSP II) through a new arrangement devised in the World

Bank, called Adaptive Programme Lending (APL). The APL is estimated to cost US\$90 million over three phases. This credit facility is meant to fund the first phase of the programme.

4.0 OBJECTIVES

The development objective of CWSP II is to increase coverage and achieve effective and sustained use of improved community water and sanitation services in villages and small towns.

It is also aimed at extending the coverage of sustainable water and sanitation facilities to eighty-five percent (85%) of the rural population by the year 2009 and establish sustainable operations and maintenance systems in rural communities.

5.0 PROGRAMME SCHEDULE

The programme on (APL) would be implemented in three phases, of three years each. The first phase, the purpose of this credit agreement, would concentrate on:

- (a) Testing and refining a more decentralized implementation strategy for the Community Water and Sanitation Agency in four (4) regions namely, Ashanti, Brong Ahafo, Upper East and Upper West;

(b) Building capacity of district assemblies, private sector especially small scale contractors, and NGO's in the four (4) regions; and

(b) Supporting as well as promoting higher cost-recovery.

6.0 TERMS AND CONDITIONS OF THE CREDIT

The terms of the credit under consideration are as follows:

- Project Cost (1st phase only) - SDR18,700,000
(US\$25 million)
- Grace Period - 10 years
- Repayment Period - 40 years(including grace period)
- Commitment Fee - % standard IDA but not exceeding 0.5%
- Service Charge - 0.75% per annum on the principal amount of the credit withdrawn and outstanding from time to time.
- Project implementation period (Phase I) - 3 years
- Expected effective date - 01/01/2000
- Expected closing date - June 30, 2003

- Repayment schedule - The principal amount of the credit shall be repaid in semi-annual installments payable on each May 1 and November 1 commencing May 1, 2010 and ending November 1, 2039.

- Interest - Each installment to and including the installment payable on November 1, 2019, shall be 1% of such principal amount, and each installment thereafter shall be 2% of such principal amount.

7.0 OBSERVATIONS

The Committee noted that the Government, district assemblies and beneficiary communities would contribute US\$10.0 million, whilst IDA would provide US\$80 million during the ten-year project period.

The contribution of the district assemblies / beneficiary communities will be 5% each for sub - project (hardware) cost.

The Committee also noted that the Credit Agreement meets the government of Ghana concessionality target of 35% as required by the Ministry of Finance.

8.0 RECOMMENDATION

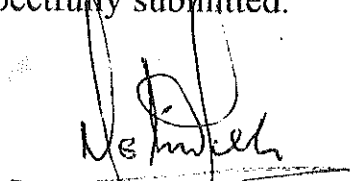
It is the view of the Committee that the programme if well implemented would go a long way to improve upon the standards of living of the beneficiary communities in terms of:

- (i) Reducing the drudgery of women who are traditionally responsible for the household chores and thereby make time available for them to earn extra incomes by engaging in income-generating activities;
- (ii) Improving on the general health status through the prevention of water related / borne diseases; and
- (iii) Generally contributing to improving rural incomes and consequently reducing rural poverty.

The Committee therefore recommends for approval by resolution, the Development Credit Agreement of **US\$25.0 Million (18.7 Million SDR equivalent)** between the Republic of Ghana and IDA of the World

Bank to finance the Second Community Water and Sanitation Project
(CWSP II) in accordance with Article 181 of the Constitution and Section
7 of the Loans Act, 1970, Act 335.

Respectfully submitted.



HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN



ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE

13th DECEMBER, 1999