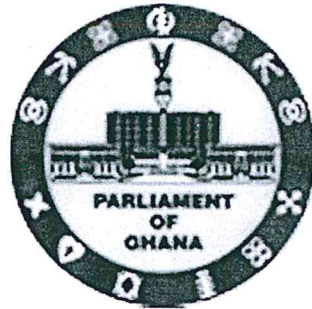


**IN THE FIRST SESSION OF THE SEVENTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**



REPORT OF THE

**JOINT COMMITTEE ON FINANCE AND
WORKS AND HOUSING**

ON THE

**CREDENDO-BACKED EXPORT CREDIT FACILITY AGREEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF GHANA
AND THE ING BANK OF BELGIUM SA/NV FOR AN AMOUNT OF
TWENTY-FIVE MILLION, THREE HUNDRED AND FORTY-ONE
THOUSAND, NINE HUNDRED AND FIFTY-EIGHT EUROS
(€25,341,958.00) BEING LOAN COMPONENT OF THE TOTAL
PROJECT COST OF THIRTY-SEVEN MILLION, SIX HUNDRED
AND EIGHTY-THREE THOUSAND, TWO HUNDRED AND SIXTY-
SIX EUROS (€37,683,266.00) TO FINANCE THE NAVRONGO
(UPPER EAST) WATER SUPPLY PROJECT**

10TH NOVEMBER 2017

PARLIAMENT OF GHANA LIBRAR
PARLIAMENT HOUSE
OSU - ACCRA

1.0 INTRODUCTION

The Credendo-Backed Export Credit Facility Agreement between the Government of the Republic of Ghana and the ING Bank of Belgium SA/NV for an amount of Twenty-Five Million, Three Hundred and Forty-One Thousand, Nine Hundred and Fifty-Eight Euros (€25,341,958.00) being loan component of the total project cost of Thirty-Seven Million, Six Hundred and Eighty-Three Thousand, Two Hundred and Sixty-Six Euros (€37,683,266.00) to finance the Navrongo (Upper East) Water Supply Project was laid in the House on Tuesday 31st October, 2017 .

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 180 of the Standing Orders of the House, the Agreement was referred to a Joint Committee on Finance and Works and Housing for consideration and report.

The Joint Committee subsequently met and considered the Agreement with the Minister for Sanitation and Water Resources, Hon. Kofi Adda, Deputy Minister for Finance, Hon. Abena Osei-Asare as well as officials from the two Ministries and the Ghana Water Company Limited (GWCL). The Committee appreciates their immense contributions and hereby submits this report to the House.

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 Finance Management Act, 2016 (Act 921)

3.0 BACKGROUND

The Upper East Region and the Navrongo area in particular have over the years faced perennial water challenges. The major cities of the Region which include Bolgatanga, Navrongo, Paga and Bongo have been identified by the Ghana Water Company Limited (GWCL) as deprived in terms of their access to potable drinking water supply system.

The main surface water supply system in the region is the Veia Dam which is located between Bolgatanga and Bongo. That Dam however has inadequate capacity to meet the raw water demands of the fast growing cities. The Veia reservoir is the only source of fresh water supply and is being used conjunctively with the Ghana Irrigation Development Authority, thus exploiting the reservoir to its limits.

To address the water supply challenges facing Bolgatanga, Navrongo, Paga and Bongo and their surrounding communities, there is the need for a new raw water source and a new treatment plant. The Tono irrigation reservoir which is close to Navrongo and has surplus capacity to meet the water supply needs of the project area has been identified as the new source of raw water. This reservoir also has enough capacity to accommodate further extensions in the future.

3.1 PROJECT OBJECTIVES

The main objective of the project is to produce and supply potable water to adequately cater for the needs of Bolgatanga, Navrongo, Bongo and Paga and their environs up to the year 2030. The project is expected to culminate in:

- i. Provision of essential basic water supply infrastructure
- ii. Improving the health of the inhabitants in the project area

- iii. Economic stimulus for existing companies and industries and new companies
- iv. Improving the standard of living of women and children in the Region.

4.0 TERMS AND CONDITIONS

The terms and conditions of the Facility are as follows:

Facility Amount	-	EUR37,683,266.00
ORIO Grant Amount	-	EUR12,341,308.00
Loan Amount	-	EUR25,341,958.00
Interest Rate	-	1.95% p.a.+ 6 months Eurobor
Commitment Fee	-	0.80% p.a. on the projected Available Facility for the Availability Period
Management Fee	-	0.85% Upfront
Grace Period	-	3.0 years
Repayment Period	-	10 years (exclusive of grace period)
Tenor	-	13 years
Grant Element	-	42.43%

5.0 OBSERVATIONS

5.1 Financing Details

The Committee noted that the total cost of the project is Thirty-Seven Million, Six Hundred and Eighty-Three Thousand, Two Hundred and Sixty-Six Euros (EUR37,683,266.00). This is being financed with the loan

of EUR25,341,958.00 from the ING Bank N.V. of Belgium and a Grant amount of EUR12,341,308.00 from the Government of Netherlands through ORIO.

Deputy Minister for Finance, Mrs. Abena Osei-Asare assured the Committee that the Grant Agreement has already been signed between the Government of Ghana represented by the Ministry of Finance and ORIO of Netherlands, the Grantor.

5.2 Project Description

The Committee was informed that the project involves the design and construction of a new water supply system including intake, water treatment plant, transmission pipelines and distribution pipe network. Particularly, the scope of works on the project would include the following:

- a) New raw water intake at the Tono reservoir (436m³/h, raw water capacity), including pumping station and raw water transmission pipeline. Raw water to be treated at the new Tono water treatment plant will be supplied from the Tono reservoir from an intake tower which is provided with raw water pumps.
- b) Design and construction of a new water treatment plant located at Navrongo (412m³/h clear water capacity)
- c) Rehabilitation of the existing Veia water treatment (approximately 38m³/h clear water capacity for an improved water transmission and distribution to Bongo and its environs
- d) Design and construction of 67km of new transmission pipelines to transport drinking water from the Tono water treatment plant to the supply areas in Navrongo, Bolgatanga and Paga
- e) Design and construction of 50km new distribution network to transport drinking water to consumers in Navrongo, Bolgatanga and Paga
- f) Design and construction of 3 new elevated reservoirs, and

g) Provision of 400 standpipes.

The Committee was delighted to note that unlike some previous projects where transmission and distribution networks are left out, this particular project includes transmission and distribution networks. The Committee, therefore, urges the Ministry of Sanitation and Water resources to ensure that these components are implemented to forestall the current situation where beneficiary communities are unable to access the water upon completion.

5.3 Expected Benefits

The provision of potable water to the people of Bolgatanga, Navrongo, Bongo and Paga and their environs will lead to a reduction in the prevalence of common water-borne diseases as well as reduce the stress of having to trek long distances in search of water. It would also help reduce the pressure on health facilities in the Region as a result of a reduction in water-related diseases.

5.4 On-Lending

The Committee noted from paragraph 8.0 of the Joint Ministerial Memo to Parliament that the Ministry of Finance intends to on-lend the facility to Ghana Water Company Limited in accordance with the Public Financial Management Act, 2016 (Act 921). Deputy Minister for Finance, Hon. Abena Osei Asare informed the Committee the Ministry of Finance will engage the Ministry of Sanitation and Water Resources to do the relevant assessment for the possibility of on-lending the loan. The final Agreement would, therefore, be submitted to Parliament for approval.



The Committee, however, expressed concern about GWCL's ability to service the loan. Deputy Minister for Finance explained that Government policy to on-lend facilities to agencies is to ensure that these agencies run efficiently to be able to borrow on their own balance sheets. The Committee, therefore, urges the Ministry of Sanitation and Water resources to ensure that GWCL runs efficiently in order to service the loan.

5.5 Fees

In accordance with clauses 11.1 and 11.2 of the Facility Agreement, the Borrower (Government of Ghana) is required to pay to the Lender a **commitment fee** in euro, computed at the rate of 0.80 percent per annum on the projected Available Facility for the Availability Period. The Borrower shall also pay to the Lender an upfront **Management Fee** in euro, computed in an amount equal to 0.85 percent of the Facility.

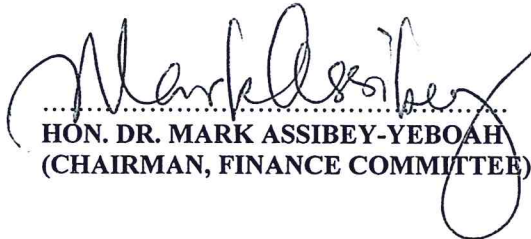
In all, 32.75% of the aggregate amount of the Commitment and Management fees shall be paid through the Grant Amount whilst the remaining 67.25% would be financed from the Loan.

6.0 CONCLUSION

The Committee, having carefully scrutinised the Agreement and considering the associated grant amount of **€12,341,308.00** and the immense benefits to be derived from the project, respectfully recommends to the House to adopt this report and approve by resolution, the **Loan Agreement** between the **Government of the Republic of Ghana** and the **ING Bank of Belgium** for an amount of *Twenty-five million, Three Hundred and Forty-One Thousand, Nine Hundred and Fifty-Eight Euros (€25,341,958.00)* for part-financing of the Navrongo (Upper East) Water Supply Project in accordance with article 181 of the 1992

Constitution of the Republic of Ghana and section 56 (1) of the Public Procurement Act, 2016 (Act 921).

Respectfully submitted.



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

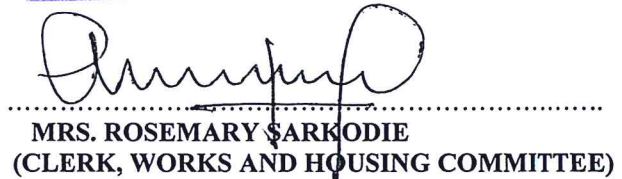


.....
HON. NANA AMOAKO
(CHAIRMAN, WORKS AND HOUSING COMMITTEE)

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA



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



.....
MRS. ROSEMARY SARKODIE
(CLERK, WORKS AND HOUSING COMMITTEE)

