

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

**REPORT OF THE FINANCE COMMITTEE ON THE
REQUEST FOR TAX, DUTIES AND LEVIES EXEMPTIONS
ON THE GRANT PROTOCOL AGREEMENT BETWEEN
THE REPUBLIC OF GHANA AND THE AFRICAN
DEVELOPMENT FUND (ADF) TO FINANCE THE
ASHANTI REGION RURAL WATER SUPPLY AND
SANITATION PROJECT (ARRWSSP)**

1.0 INTRODUCTION

The above document was laid in the House on Thursday, 8th July 2004 in accordance with Article 174(2) of the Constitution, and referred to the Finance Committee for consideration and report pursuant to the Standing Orders of the House.

The Committee met with the Deputy Minister for Finance and Economic Planning, Mr. Kwaku Agyeman-Manu and a technical team from the Ministry of Finance and Economic Planning and reports as follows:

2.0 BACKGROUND

The African Development group has developed the Rural Water Supply and Sanitation Initiative (RWSSI) to address the challenge of providing accelerated access to safe drinking water supply and sanitation to the rural population in Africa. The initiative is one of the Bank Group's contributions to achieving the Millennium Development Goals (MDG) for water supply and sanitation facilities delivery within the African Water Vision.

Ghana has been selected as one of the five (5) countries ready to participate in the implementation of Phase I of the Bank's Rural Water Supply and Sanitation Initiative (RWSSI). The selection of Ghana is based on the existence of a governing sector policy, a national programme and institutional framework. A recent review of Ghana's water and sanitation sector has shown that low water supply coverage and poor health are well spread through rural areas in the country.

2.0 PROJECT DESCRIPTION

This grant shall be used to finance part of the foreign exchange cost and part of the local currency cost of the initiative, which consists of the following main components:

- Infrastructure Provision
- Community Development
- Sector Capacity Building Support
- Management and Technical Assistance

4.0 TERMS AND CONDITIONS

Grant Amount - UA12,800,000

Closing Date - 30th June 2009

The schedule of the project cost components and tax, duties and levies is attached as Appendix I.

4.0 OBSERVATIONS

The committee observed that the total amount of **US\$4,411,305.89** sought to be exempted is made up of the following:

VAT	-	US\$2,163,679.75
Total Estimated Indirect Tax Assessment	-	US\$1,728,943.00
Total Levy including Inspection Fee, ECOWAS Levy and Export Development and Investment Fund	-	US\$518,683.14

It was observed that should these exemptions not be granted, any duties and taxes paid by the contractors would have to be refunded by the Government of Ghana including any interest, penalties and exemptions payable or incurred in connection therewith.

Therefore, in order to avoid the Government incurring more debts as a result of the interest that is likely to accrue on the taxes, it has become necessary to seek approval from the House to waive the payment of the required duties and taxes on the specified equipment and materials being used for the execution of the project as provided for under the contract agreement.

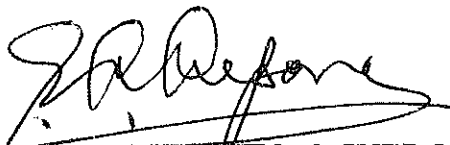
The Committee noted that the aim of the project is at improving the water supply situation in these areas, which will reduce the incidence of water borne diseases greatly when the project is completed.

1.0 CONCLUSION

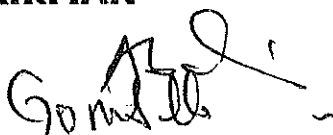
In view of the above, the Committee recommends to the House the adoption of its report on the request by the Minister for Finance and Economic Planning for the approval of the exercise by him of the power to waive taxes, duties and levies on goods and services or to exempt such

duties, taxes and levies totalling **US\$4,411,305.89** in accordance with Article 174(2) of the Constitution.

Respectfully submitted.



**HON. EUGENE ATTA AGYEPONG
CHAIRMAN**



**ALHAJI IBRAHIM GOMBILLA
CLERK**

14TH JULY 2004

VAT SERVICE

APPENDIX 1

In case of reply the
number and date of this
letter should be quoted

Our Ref: **OPS-TRD-040709**

Your Ref:.....



REPUBLIC OF GHANA

HEAD OFFICE
Near IRS Head Office
Ministries Area
P. O. Box GP17177, Accra
Tel: 661525 / 661526 / 674187
Fax: 674186

9TH JULY, 2004

**THE CHIEF EXECUTIVE
C. W. S.A.
ACCRA**

Dear Sir,

RE: REQUEST FOR CERTIFICATION OF VAT SERVICE TAX
RE: AFRICA DEVELOPMENT BANK GRANT OF US\$ 17.2 MILLION TO THE
COMMUNITY WATER AND SANITATION AGENCY (CWSA) FOR A RURAL WATER
AND SANITATION PROJECT IN THE ASHANTI REGION

This has reference to your letter referenced as CWSA/AR.1/31/v.1123, dated 7th July, 2004 and titled as above.

After careful review of the tax schedule, we wish to confirm the estimated tax exemption for the Ashanti Region Rural Water Supply and Sanitation Project (ARRWSSP) as **Two Million, one hundred and sixty three thousand, six hundred and seventy nine US Dollars, seventy five cents (US \$ 2,163,679.75).**

Please find attached a detailed schedule of the estimated tax exemption.

Yours faithfully,


J. Obeng-Yeboah
Assistant Commissioner (FC)
for: Commissioner



**ASHANTI REGION RURAL WATER SUPPLY AND
SANITATION PROJECT (ARRWSSP)**

**SCHEDULE OF PROJECT COST COMPONENTS AND TAX SCHEDULES
FOR VAT RELIEF**

Item	ACTIVITY	QNT	ESTIMATED COST (in US\$)	ESTIMATED TAX EXEMPTION (in US\$)
1	Borehole drilling and pump supply: - diesel fuel, cement, pipes, hand pumps, etc	805	7,428,028	928,503.50
2	Rain Harvesting System installation: - cement, fuel, aggregates, iron rods, pipes, storage tanks, etc	16	100,000	12,500.00
3	Small Towns Pipe System installation: - cement, iron rods, fuel, aggregates, pipes, electrical installations, water treatment parts, etc.	2	510,000	63,750.00
4	Hand dug Well and Hand pump installation: - cement, fuel, aggregates, hand pumps,	33	163,350	20,418.75
5	Household latrines construction: - cement, vent pipes, aggregates, iron rods	20,000	2,442,560	305,320.00
6	Institutional latrines construction: - cement, vent pipes, aggregates, iron rods	213	745,500	93,187.5
7	Shared Septic Tank construction: - cement, vent pipes, aggregates, iron rods	100	350,000	43,750.00
8	Logistics: - trucks, cars, construction site machinery, equipment, fuel, etc		1,120,000	140,000.00
9	Contingencies -		1,650,000	206,250.00
10	Consultancy Services: -cars, fuel, personal effects, office equipment, etc		2,800,000	350,000.00
	TOTAL		17,289,438	2,163,671.75

*of reply the
and date of this
should be quoted*

APPENDIX II



REPUBLIC OF GHANA

Customs, Excise & Preventive Service Form No. 80

THE COMMISSIONER
P. O. BOX 68
ACCRA

FAX: 233-21-660019

9th July, 2004

Ref: ..H//VAL/I.....

Year Ref:

THE CHIEF DIRECTOR,
CWSA (ARRWSSP),
PMB,
KIA, ACCRA.

RE : REQUEST FOR CERTIFICATION OF IMPORT TAX
EXEMPTION LEVELS

Re : AFRICAN DEVELOPMENT BANK GRANT OF US\$17.2 MILLION
TO THE COMMUNITY WATER AND SANITATION AGENCY (CWSA)
FOR A RURAL WATER AND SANITATION PROJECT IN THE ASHANTI REGION

Application letter reference CWSA/AR.1/31/V.1/22 of 7th July, 2004 refers.

The total estimated Tax assessment of the attached list for the Ashanti Region
Rural Water Supply and Sanitation Project (ARRWSSP) project is
\$1,728,943.00.

Total levies that is including Inspection fee, Ecowas Levy and Export Development
and Investment Fund is \$518,683.14.

Be guided accordingly.

for : COMMISSIONER
(OSMAN AWUDU)
CHIEF COLLECTOR/CUSTOMS

cc : Commissioner

Dep. Commissioner, RM&P

**ASHANTI REGION RURAL WATER SUPPLY AND
SANITATION PROJECT (ARRWSSP)**

**SCHEDULE OF PROJECT COST COMPONENTS AND TAX SCHEDULES
FOR IMPORT DUTY RELIEF**

Item	ACTIVITY	QUANTITY	ESTIMATED COST (in US\$)	ESTIMATED TAX EXEMPTION (in US\$)
1	Borehole drilling and pump supply: - drilling rig, hand pump, etc	805	7,428,028	742,802.80
2	Rain Harvesting System installation: - construction equipment, etc	16	100,000	10,000.00
3	Small Towns Pipe System installation: - pipes, electrical parts, water treatment parts, etc.	2	510,000	51,000.00
4	Hand dug Well and Hand pump installation: - hand pumps.	33	163,350	16,335.00
5	Household latrines construction -	20,000	2,442,560	244,256.00
6	Institutional latrines construction: -	213	745,500	74,500.00
7	Shared Septic Tank construction: -	100	350,000	35,000.00
8	Logistics: - trucks, cars, construction site machinery, equipment, fuel, etc		1,120,000	112,000.00
9	Contingencies -		1,650,000	16,500.00
10	Consultancy Services: -cars, fuel, personal effects, office equipment, etc		2,800,000	28,000.00
	TOTAL		17,289,438	1,728,943.80