

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

**REPORT OF THE JOINT COMMITTEE ON FINANCE,  
ENVIRONMENT, SCIENCE & TECHNOLOGY, LOCAL  
GOVERNMENT AND RURAL DEVELOPMENT ON THE  
DEVELOPMENT CREDIT AGREEMENT BETWEEN THE  
REPUBLIC OF GHANA AND THE INTERNATIONAL  
DEVELOPMENT ASSOCIATION (IDA) FOR AN AMOUNT OF  
SDR41.6 MILLION (US\$62.0 MILLION EQUIVALENT) TO  
FINANCE THE SECOND URBAN ENVIRONMENT AND  
SANITATION PROJECT (UESP II)**

**1.0 INTRODUCTION**

The above Credit Facility was laid in the House on Wednesday, 23<sup>rd</sup> June 2004 in accordance with Article 181 of the Constitution, and referred to the Joint Committee on Finance, Environment Science and Technology and Local Government and Rural Development pursuant to the Standing Orders of the House.

The Committee met with Mr. K. Agyeman-Manu Deputy Minister of Finance and Economic Planning, and technical teams from the Ministry of Finance & Economic Planning, as well as Ministries of Environment, Science & Technology and Local Government and Rural Development and reports as follows:

**2.0 BACKGROUND**

The Government of Ghana, through the Ministry of Local Government and Rural Development, completed the implementation of the Urban Environmental and Sanitation Project (UESP I) in five (5) major cities in Accra, Kumasi, Sekondi-Takoradi, Tema and Tamale between September 1996 and December 2003.

The successful implementation of all key components of the project, and the positive impact it has in our urban towns, particularly the deprived areas, contributed to International Development Association's (IDA's) approval of the Ministry's request for the Second Urban Environmental and Sanitation Project (UESP II)

This project would further deepen the gains made in addressing environmental sanitation issues in the five (5) beneficiary cities.

The Government of Ghana, through the Ministry of Local Government and Rural Development and Ministry of Finance and Economic Planning, is seeking additional IDA funding to undertake further investments in the areas of storm drainage, household sanitation, solid waste collection and disposal and community infrastructure upgrading, as well as institutional strengthening in the five-project cities.

## **2.1 PROJECT OBJECTIVES**

The project aims at further enhancement of environmental sanitation in the major urban settlements in Ghana.

These included the following:

- To improve the urban environment through improved sanitation, solid waste management, drainage, vehicular access in selected communities;
- To continue to support the establishment of better institutional and financing mechanisms and more effective policy frameworks;
- To build up the capacity of the Metropolitan and Municipal Assemblies to manage environmental sanitation services.

## **2.2 PROJECT COMPONENTS**

The Second Urban Environmental and Sanitation Project (UESP II) has the following components:

- (i) **Storm Drainage** - lining of primary and secondary drains, construction of small bridges and erosion control. Target group is urban population living or working in the five towns, i.e. Accra, Kumasi, Sekondi-Takoradi and Tamale and Tema. The outcome is to reduce frequency, severity and flooding in low-lying areas;

- (ii) **Sanitation** - constructing of household latrines, establishment of domestic latrine delivery programmes, rehabilitation and construction of public latrines, school latrines combined with hygiene education and the provision of water supply, seepage treatment facilities and improved sewerage management in Tema. Target group is population living in low-income neighbourhoods. This will increase coverage with latrines for greater convenience and reduce the incidence of infectious diseases
- (iii) **Solid Waste Management** - construction of new sanitary landfills for Accra and Tema, completion of the one in Sekondi-Takoradi. Equipment for sanitary landfills, closure and rehabilitation of existing refuse dumps, private solid waste collection and supply of household bins, skips and skip pad. The target group is urban population of the five towns - Accra, Kumasi, Sekondi-Takoradi, Tema and Tamale. The outcome is to increase the amount and regularity of refuse collected and disposed of in a technically, financially and environmentally sustainable manner;
- (iv) **Community Infrastructure Upgrading** - Construction access roads, roadside drains, street lighting, water supply and sanitation. The target group is population living or working in selected low-income communities. The outcome is better access to high-density neighbourhoods, less flooding, erosion and dust, better neighbourhood safety at night and less water pipe breakage.

### **3.0 TERMS AND CONDITIONS**

<b>Credit Amount</b>	-	<b>SDR41.6 million (US\$62.0 million equivalent)</b>
<b>Term of Credit</b>	-	<b>30 years</b>
<b>Moratorium</b>	-	<b>10 years</b>
<b>Commitment Fee</b>	-	<b>not exceeding the rate of one-half of one percent (½ of 1%) per annum may be waived at the discretion of the IDA Board of Executive Directors</b>

<b>Service Charge</b>	-	<b>three-fourth of one percent (¾ of 1%) per annum is payable on the principal amount of the credit withdrawn.</b>
<b>Repayment</b>	-	<b>semi-annual installments shall commence on September 1, 2014 and end on March 1, 2044.</b>

#### **4.0 OBSERVATIONS**

The Committee observed that the First Phase of the project has been successfully completed. Some projects under the First Phase included the **Alajo Drains Project, the Odaw Bridge and Sekondi Market Circle Phase I project.**

The Committee further noted that the Government hoped to complete the Kwabenya landfill site project within the Second Phase of the project.

On the issue of what is in store for constituencies that would not benefit from this project, the Committee was informed that a Community-based Rural Development Project (CBRDP) is available for all constituencies within the country.

The Committee was informed that International Development Association (IDA) is providing **SDR41.6 million (US\$62.0 million equivalent)** and Government of Ghana (GOG) contribution is **US\$7.925 million.** The other funding agency, which would enter into a different agreement with government, is the **Nordic Development Fund (US\$10.185 million).**

The Committee observed further that this loan amount will be used to extend the project to different areas of the five (5) urban cities, which benefited from the First phase.

The Committee noted that this facility will be used to construct a new landfill for Accra-Tema and the completion of Sekondi-Takoradi landfill. Members noted with satisfaction that the serious problem of waste management in the cities, especially in Accra will be solved if the Kwabenya landfill project is completed under this facility.

The Committee observed that it is expected that at the end of the project, the communities in the project areas will have the following benefits:

- reduce flooding in project areas because drains would be properly constructed;
- at least 100,000 people in the beneficiary project communities and about 20,000 school children gaining access to latrines;
- access roads will be constructed in project areas and about 60% of the waste management equipment in the five project cities will be serviceable.

Mr. Speaker, the Committee was informed by the Deputy Minister of Finance & Economic Planning that the overall responsibility for managing the project falls with the Ministry of Local Government and Rural Development, viz the Metropolitan and Municipal Assemblies of Accra, Tema, Sekondi-Takoradi, Kumasi and Tamale will implement the project components.

The Committee observed that with regards to the Government of Ghana's (GOG) contribution of **US\$7.925 million** to the project, the Ministry of Local Government and Rural Development had already made provision for part of the Government of Ghana's contribution in its **2004 budget** and that the balance would be catered for in its **2005 budget**.

The Committee noted that the Grace period of ten (10) years is not inclusive of the 30 years term of Credit.

The Committee was informed by the Deputy Minister of Finance and Economic Planning, Mr. Kwaku Agyeman Manu that the figure of **US\$200,000 million** stated in the Minister's Memo to Parliament as the request for tax and duty exemptions was a mistake and that the correct figure for the request for tax and duty exemptions is **US\$563,566.25**.

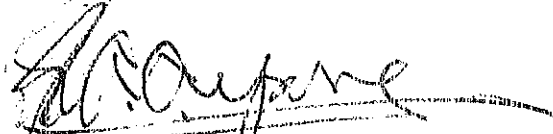
The Deputy Minister submitted a new schedule of the request to the Committee which is attached as Appendix I.

## **5.0 CONCLUSION**

In view of the fact that the terms and conditions of the Credit are favourable and the fact that the project will help improve environmental and sanitation problems to enhance the status of the beneficiary communities, the Committee recommends to the House to adopt and approve by Resolution the Development Credit Agreement between the Republic of Ghana and the International Development Association (IDA)

for an amount of SDR41.6 million (US\$62.0 million equivalent) to finance the Second Urban Environmental and Sanitation Project (UESP II) in accordance with Article 181 of the Constitution and Section 7 of the Loans Act, 1970, Act 335.

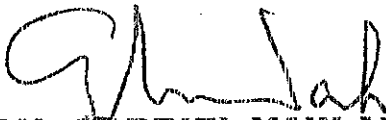
Respectfully submitted.



**HON. EUGENE ATTA AGYEPONG  
CHAIRMAN, FINANCE COMMITTEE**



**HON. DR. EDWARD BAFFOE-BONNIE  
CHAIRMAN, COMMITTEE ON ENVIRONMENT,  
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**HON. GABRIEL YAW AMOAH  
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**ALHAJI IBRAHIM GOMBILLA  
CLERK, FINANCE COMMITTEE**



**MS. AKUA DUROWAA KWARTENG  
CLERK, COMMITTEE ON ENVIRONMENT,  
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**MS. ANITA QUARTEY-PAPAFIO  
CLERK, COMMITTEE ON LOCAL GOVERNMENT & RURAL  
DEVELOPMENT**

12TH JULY 2004

APPENDIX 1

UESP II ESTIMATED TAX EXEMPTION REQUIREMENTS

COMPONENT	ESTIMATED COST OF EQUIPMENT (\$)	VAT (12.5%)	IMPORT EXEMPTION DUTY (5%)	EDIF LEVY (0.5%)	ECOWAS LEVY (0.5%)	DESTINATION INSPECTION FEES (0.25%)	PROCESSING FEES (1.0%)	TOTAL (\$)
1 Equipment for storm drainage	820,000.00	102,500.00	41,000.00	4,100.00	4,100.00	2,050.00	8,200.00	161,950.00
2 Equipment for the construction of Sanitary Landfill	1,222,500.00	152,812.50	61,125.00	6,112.50	6,112.50	3,056.25	12,225.00	241,443.75
3 Sanitary Landfill Equipment	245,000.00	30,625.00	12,250.00	1,225.00	1,225.00	612.50	2,450.00	48,387.50
4 Spare parts for reconditioning Waste Management Equipment	170,000.00	21,250.00	8,500.00	850.00	850.00	425.00	1,700.00	33,575.00
5 Vehicles for MLGRD and Project Cities	246,000.00	30,750.00	12,300.00	1,230.00	1,230.00	615.00	2,460.00	48,585.00
6 Computers and other equipment for MLGRD and Project Cities	150,000.00	18,750.00	7,500.00	750.00	750.00	375.00	1,500.00	29,625.00
<b>TOTAL</b>	<b>2,853,500.00</b>	<b>356,687.50</b>	<b>142,675.00</b>	<b>14,267.50</b>	<b>14,267.50</b>	<b>7,133.75</b>	<b>28,535.00</b>	<b>563,566.25</b>

MLGRD PSJ			
ACTION	INFO	DATE	
ESS	X	28/12	
GE	X	20/12	
KEH	X	20/12	
LA	X	4/12	
PW			

STAFF	NOTIFY	DATE
MD		
V1		
HEX		
SO		
SBI		

UESP - 2

SSW