

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

REPORT OF THE FINANCE COMMITTEE
ON THE LOAN AGREEMENT OF NLG 31,255,724
EQUIVALENT (US\$14,474,263) BETWEEN THE REPUBLIC OF
GHANA AND ABN-AMBRO BANK NV NETHERLANDS
FOR THE REHABILITATION OF THE
ACCRA-TEMA WATER SUPPLY PROJECT

1.0 INTRODUCTION

The above-mentioned agreement was laid in the House on Friday 2nd July, 1999 in accordance with Article 181 of the Constitution and referred to the Finance Committee pursuant to Order 171-(1) of the Standing Orders for consideration and report.

- The Committee met with the Deputy Minister of Works and Housing Hon. Alhaji Amadu Seidu, his technical staff and officers of the MOF, GWSC and members of the Select Committee on Works and Housing to consider the contract documents and reports as follows:

2.0 BACKGROUND INFORMATION

Accra-Tema Water Supply Rehabilitation and Expansion Project

- The Accra-Tema water supply (Weija) serves Accra Central to the Donkonaa Housing Estates and beyond Kasoa. Currently the Weija water works, with its three treatment plants, produce a total output of 21 million gallons per day (mgd). That is:
 - The Candy Plant produces 8 mgd of potable water.
 - The Adam Clark Plant produces only 7 mgd though it has a design capacity of 15 mgd.
 - Bamag produces 6 mgd.

Notwithstanding the production capacity of the Weija water works, various parts of the service area are still facing problems of acute water shortages. Currently the Accra-Tema water supply is experiencing a shortfall of about 25 million gallons a day (mgd). This situation is expected to increase to 43 mgd in the year 2000 and 97 mgd in 2015 if no action is taken to address the situation.

3.0 PURPOSE OF THE AGREEMENT

- The Loan under consideration would be used exclusively to finance 65% of the total cost of the Rehabilitation and Expansion of the Adam Clark Water Treatment Plant at Weija by increasing its output level to its design capacity of 15 mgd; and another 15 mgd output

added to its production capacity. It is also envisaged the project would improve the distribution of water in the western Accra area.

4.0 TERMS AND CONDITIONS

- Loan Amount** - **NLG31,255,724 (US\$14,474.263)**
- Interest Rate** - **5.8% per annum (i.e. applicable to all Loan portions with NCM insurance cover)**
EURIBOR plus 4% per annum (i.e. applicable to NLG 8.1 million of loan component (ii) without NCM cover)
- Payment Period** - **8.5 years in seventeen (17) equal Conservative semi-annual installments**
- First Payment** - **Six (6) months after completion of project**
- Management Fee** - **0.375% flat calculated on the loan amount and payable within Thirty (30) days from the date the loan agreement was signed.**

Commitment Fee: 0.5% per annum to be calculated from day to day on the withdrawn amount of the loan and payable quarterly in arrears from the date of acceptance of this offer

5.0 OBSERVATIONS

The Committee noted that an amount of NLG 31,255,724 (US\$ 14,474,263) and NLG 16,930,005 (US\$7,840,143.00) representing 65% and 35% respectively of the Loan and Grant is to be ~~on-lend~~ to the Ghana Water and Sewerage Corporation (GWSC) for the project at Weija.

The GWSC is therefore expected to meet the repayment terms.

- The Committee noted that under the contract agreement the Government is expected to exempt the exporters (i.e. Vermeer BV and Haskoning BV from all Taxes, Licenses, Harbour Dues Import and Export Duties as and Other Public Charges as well as Fees and Materials to be supplied for the project are to be cleared without delay.
- The Committee further noted that in 1996 Vermeer BV executed a Dutch Government financed project of NLG 29.9 million by supplying and installing pipelines to improve the Accra-Tema water supply that was completed in 1999.

- The Committee was informed that three separate technical and commercial contracts namely Rehabilitation (Phase 1A) Expansion (Phase 1B) and consultancy contracts have been signed. These are:

	<u>Item</u>	<u>NLG</u>	<u>US\$</u>
1	(Phase 1A)	10,464,085	4,844,484
2	(Phase 1B) Part 1	10,000,000	4,629,630
3	(Phase 1B) Part II	808,353	374,238
4	Consultancy	2,696,286	1,248,281

Furthermore the Committee noted that the Loan for Phase 1B had to be broken down into two parts because the Netherlands Credit Insurance Company (NCM) could only provide a cover up to about NLG 10,000,000 (US\$4,629,630) necessitating four separate loan agreements signed.

- **Financing Plan of the Project Components**
- The Committee observed that the remaining 35% of the project cost would be met through the Dutch Government non-repayable (ORET) Grant of NLG 16,930,005 (US\$7,840,143.00)
- The Committee observed that as much as there has been rampant water shortages in Accra, the situation has been compounded by laxity

in payment for and management of water resources; poor monitoring of unaccounted water due to illegal connections; leakages and poor revenue collection mainly caused by under-billing and the refusal of some consumers to pay water bills.

- The Committee was also informed that the GWSC has imported about 20,000 water meters to help bring the situation under check with respect to customers who are not metered.
- The Committee was informed that the rate of unaccounted water in the country is between 41-50% in the country and efforts were being made to reduce this and also encourage private participation in water management. This would undoubtedly enhance revenue collection and improve the ability of the GWSC to settle its indebtedness.
- The Committee also noted that the loan agreement under consideration is to be **on lent** to the Ghana Water and Sewerage Corporation who is therefore expected to meet the repayment schedule.
- The Committee also noted that the total contract sum of NLG48,185,729 (US\$22,314,406) is being funded with a Dutch Government Grant equal to 35% of the contract price (including provisional sum) and 65% commercial loan (also including provisional sum) It is a “Turnkey” contract with Messrs Vemeer Ghana BV as supervising Engineers. The project duration is two years.

6.0 RECOMMENDATION AND CONCLUSION

- The Committee urged the MDA's to settle their indebtedness to the GWSC since under the MTEF all MDAs have made provisions for the costs of their water and other utility requirements to enable GWSC meet the loan repayment terms. The successful completion of the water project at Weija is of vital importance to the general scheme of the Government's developmental efforts. The Committee noted that the project when completed would improve the water supply situation in the western part of Accra whose water supply has been suppressed due to rapid population growth in the city. Both economic and social activities are also expected to register a high level of improvement.
- Under the terms of the contract, the House is to exempt the contractor and sub-contractors from the payment of taxes and other fiscal levies prescribed in the loan agreement and the contract document in respect of materials, equipment and plant. The Committee however submits that this should be subject to the submission of the following:
 - **An itemised list of all materials, equipment and plant to be exempted.**
 - **The total value of the taxes to be exempted**
 - **The total tax exemption of expatriate staff .**
- **Reasons for the exemptions:**

The Committee would like to state that at the time of the consideration of the loan agreement, the On-lending Agreement between the Government of Ghana and the GWSC was being finalised, to be submitted to the Committee in due course for examination.

It was agreed that in view of this assurance (i.e. submission of the On-lending Agreement) and the immense benefit to be derived from the project and in order not to delay the implementation of the project, the Committee plead with the House to give its approval to the loan agreements while awaiting the submission of the On-lending agreement. The Committee therefore recommends to the House the approval of **NGL31,255,724 (US\$14,474,263)** between the Republic of Ghana and ABN-AMBRO Bank N.V of the Netherlands for the rehabilitation of the Accra-Tema Water Supply Project (Weija) in accordance with Article 181 of the 1992 Constitution and Section 7 (Act 335) of the Loan Act 1970.

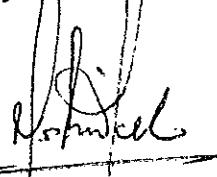
PARLIAMENT OF GHANA LIBRARY
ASSEMBLY HOUSE
CCU - ACCRA



**ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE**

14TH JULY, 1999

Respectfully submitted.



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