

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

**REPORT OF THE FINANCE COMMITTEE ON THE SHORT
TERM COMMERCIAL LOAN AGREEMENT BETWEEN THE
GOVERNMENT OF GHANA AND STANBIC BANK, GHANA
LIMITED FOR AN AMOUNT OF FIFTEEN MILLION UNITED
STATES DOLLARS (US\$15,000,000.00) TO FINANCE THE
CONSTRUCTION AND REHABILITATION OF FLAG STAFF
HOUSE**

1.0 INTRODUCTION

The above commercial Loan agreement between the Government of Ghana and the Stanbic Bank, Ghana Limited to finance the construction and rehabilitation of Flag Staff House was laid in the House on Thursday, 13th March 2007 and referred to the Finance Committee for consideration and report in accordance with the 1992 Constitution and the Standing Orders of the House.

To consider the agreement, the Committee met with the Chief of Staff, Hon. Kwadwo Mpiani, the Deputy Minister for Finance and Economic Planning, Hon. Dr. A. Akoto Osei and officials from the Ministry of Finance & Economic Planning as well as the Office of the President and reports as follows:

2.0 PURPOSE OF THE CREDIT

The purpose of the loan is to seek additional funds to supplement the rehabilitation and construction of the Flag Staff House.

3.0 TERMS AND CONDITIONS OF THE CREDIT

The terms and conditions of the Credit are as follows:

- Loan Amount** - **US\$15 Million (Cedi equivalent)**
- Charges and Fees** - **0.75% flat on the Loan Amount**
- Management Fee** - **0.5% flat on the Facility Amount payable to the Arranger on the signing date and on residual balance daily.**
- Interest Rate** - **3months Libor plus a margin of 2.7% per annum**
- Repayment Period** - **36 months from the date of each draw down**

4.0 OBSERVATIONS

The Committee recalled that the House had earlier approved a loan facility from the Indian Government amounting to US\$ 30 million to finance the construction and rehabilitation of the Flag Staff House in December 2005. Furthermore Government of Ghana also provided US\$ 6.9 million to help finance the same Project.

The Minister for Presidential Affairs however informed the Committee that these finances are not enough to complete the project. He explained that during the project implementation, there was the need to undertake some additional constructional and rehabilitation works on the site. These additional works include:

- Constructing of Fence wall and Biogas Sewage treatment Plant
- Landscaping, including Garden Furniture and computerized irrigation system
- IT/ PABX System
- Rehabilitation of the Old Villa (Residence of the first President of Ghana)
- Demolition of a number of semi-detached buildings to give way for Block 'B' of Office Complex

These works were necessary for the successful implementation of the project. The Demolition of the buildings was needed to prepare the site for construction. The rehabilitation of the Old Villa was to preserve the Old Villa as monument. Unfortunately, these costs were not taken into account during the preparation of the budgeted estimates of the project. This thus led to a variation between the actual costs and the budgeted estimates hence the need for this credit facility.

Members further asked the Minister for Presidential Affairs how much the rehabilitation works currently going on would cost.

The Minister informed the Committee that the project was initially estimated at the cost of US\$ 36.9 million. He explained that this was the figure used at the time of signing the contract. However when he was asked the cost of the project when he appeared on the floor of the House, he indicated that some variations have been identified and did not know the cost off hand. However, there was the need to incorporate these additional costs into the projected cost of US\$ 36.9million. He consequently informed the Committee that the variations have been estimated at an amount of US\$14, 979,713.44 and this loan facility is to be used exclusively to finance this variance.

The Committee noted that there is a difference of US\$20,286.56 between the cost of the variations and the loan amount.

Members recommended that this difference should be added to the contingencies estimates of the variation costs.

In considering this agreement, the Committee, jointly with leadership of the House, undertook a site inspection to examine and ascertain the extent of works currently going on at the project site. Members were shown some of the areas that have necessitated these variations in the project. Some members expressed satisfaction on the progress of work at the project site.

The Site engineers informed the Committee that the project is likely to be completion by the 31st December 2007.

5.0 CONCLUSION

In view of the foregoing and the benefits to be derived from the project, the Committee respectfully invites the House to adopt this report and approve by Resolution the Financing Agreement between the Government of the Republic of Ghana and the Stanbic Bank, Ghana Limited for an amount of **Fifteen million United States dollars (US\$15 million)** to finance the construction and rehabilitation of Flag Staff House in accordance with Article 181 of the Constitution and Section 7 of the Loans Act 1970, Act 335.

Respectfully submitted.


HON. NII ADU DAKU MANTE
CHAIRMAN


LOUIS YIADOM BOAKYE
FOR CLERK, FINANCE COMMITTEE

20TH JULY 2007

**TAHAL CONSULTING ENGINEERS
 ATMA RURALS WATER SUPPLY SYSTEM
 NORTH OF KPONG REHABILITATION /EXPANSION OF THE SYSTEM
 SCHEDULE OF TAX EXEMPTION**

TIN NO:

1 JANUARY TO 31 DECEMBER 2009

TAX TYPE	Corporate Tax (US\$)	Cedi Exchange Rate	Corporate (GH¢)
Estimated Earned Revenue	6,500,000	1.148	7,462,650
Less Estimated Project Cost	6,005,040	1.148	6,894,388
Estimated Profit	494,960		568,264
Tax rate	25%		25%
PROJECTED TAX PAYABLE	123,740		142,066

Assumptions

1. Based on 2008 corporate tax rate of 25%. It is assumed that corporate tax rate of 25% will remain unchanged for the duration of the project (i.e 2009 to 2011).
2. Exchange rate: GH¢ / USD is mid rate of 1.1481 as at 22 October 2008 (Source: www.bog.gov.gh).

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TAHAL CONSULTING ENGINEERS EXPATRIATES TAXES

Positions	Basic Salary (US\$)	Non job related Airfares (1 per year)	Total Cash Emolument (TCE) in US\$	GHC Exchange Rate	Total Cash Emolument (TCE) in GHC	Rent Element (10% of TCE)	Car Element (Ghc 300/month)	Taxable Pay (PAYE) Ghc	Tax Payable (PAYE) per year
Expatriate 1	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 2	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 3	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 4	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 5	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 6	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 7	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 8	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 9	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Expatriate 10	108,000.00	800.00	108,800	1.1481	124,913.28	12,491.33	3,600.00	141,005	34,369.15
Total	1,080,000.00	8,000.00	1,088,000		1,249,133	124,913.28	36,000.00	1,410,046	343,691.52

Assumptions

The following assumptions have been made in computing expatriate taxes:

1. Each expatriate will earn on average a basic salary of US\$ 9,000 per month.
2. Each expatriate will be given non job related return airfare of 1 trip each year. An estimate of US\$ 800 is being made.
3. Each expatriate staff will be provided accommodation with furnishing.
4. Expatriate staff would have the use of vehicle with fuel for both official and private use.
5. Expected number of employees is 10.
6. Duration of the project is 36 months.