

**REPORT OF THE FINANCE COMMITTEE ON
THE CONVENTION ON THE CONSTITUENT
CHARTER OF SHELTER AFRIQUE AND THE
REQUEST FOR GHANA TO JOIN THE
MEMBERSHIP AND SUBSCRIBE TO SHARES
IN SHELTER-AFRIQUE FOR A MINIMUM
AMOUNT OF TEN MILLION UNITED STATES
DOLLARS (US\$10,000,000.00)**

1.0 INTRODUCTION

The Convention on the Constituent Charter of Shelter-Afrique and the Request for Ghana to join the membership and subscribe to shares in Shelter-Afrique for a minimum amount of ten million United States Dollars (US\$10,000,000.00) were laid in the House on Friday 3rd June, 2011 and *referred* to the Committee on Finance for consideration and report in accordance with the 1992 Constitution of Ghana and Standing Orders of the House.

The Committee met and discussed the Convention on the Constituent Charter and the Request with the Minister of Finance and Economic Planning, Hon. Kwabena Duffuor, Deputy Minister of Water Resources, Works and Housing, Hon. Dr. Mustapha Ahmed and a technical team from the Ministries of Finance and Economic Planning (MOFEP) and Water Resources, Works and Housing (MWRW&H) and hereby presents this report to the House pursuant to Order no. 161 (1) of the Standing Orders of the House.

BACKGROUND

On the initiative of the African Development Bank (AfDB), Shelter Afrique was established in 1982 by the Constituent Charter of Shelter Africa as a Pan-African and supranational housing finance and development institution to address the need for an innovative and sustainable housing delivery system in Africa.

Shelter Afrique is headquartered in Nairobi, Kenya with 42 African Governments, African Development Bank and African Reinsurance Corporation currently holding shares in it.

Currently, Shelter-Afrique is the second largest regional institution by membership of countries, after the African Development Bank (AfDB). Its target is that all African countries will become members. The highest decision making organ of Shelter Afrique is the General Meeting of shareholders which meets annually to approve accounts and appoint auditors and directors.

The organization has an authorized share capital of US\$300 million. As at 31st December 2009, total issued and called up capital was US\$100 million, of which US\$46.31 million was fully paid up. Class A shareholders – i.e. African Member Countries hold 71.70% of the issued and paid up capital, with Class B Shareholders i.e. African Development Bank and Africa Reinsurance Corporation, holding the balance of 28.30%.

2.0 VISION AND MISSION OF SHELTER AFRIQUE

The **Vision** of Shelter Afrique is to be the leading player in strategic partnership among key stakeholders for the efficient delivery of real estate and other related services in Africa.

The Company's **Mission** is to assist private and public sector institutions in Africa in identifying, financing and implementing housing and related infrastructure projects that will facilitate the achievement of the goal of housing for all.

It achieves this mission through

- Provision and expansion of affordable and sustainable financial resources for housing programmes
- Collaboration/partnerships with all actors in the shelter delivery process
- Adoption of sound management practices that emphasize superior performance, teamwork and continuous improvement in the company's services
- Sharing information on the best means of providing quality shelter.

5.0 OBSERVATIONS

The Committee observed that any Shelter Afrique shareholder with a paid up capital amounting to 10% of the issued and called up capital is entitled to a seat on the Board.

In order to deliver a consistent superior performance and returns to shareholders and clients, Shelter Afrique subscribes to the following values and principles to ensure the delivery of high quality services to all stakeholders:

- Effective corporate governance with the management working closely and under the direction of the Board of Directors
- Strong client focus and provision of excellent services to all partners and stakeholders
- Transparent and open communication with staff and partners
- Confidence in the ability of the company's people to deliver quality services and meet the organization's objectives
- Teamwork as a forceful instrument for solving problems, delivering quality services and harnessing the best that each staff can offer
- Efficient administrative and risk management systems that protect the rights of stakeholders and assets of the Company
- High ethical standards that must make the company's transactions above board
- Corporate social responsibility to the community and environment, especially the most vulnerable members of society, which makes the company to pursue ways of improving their living conditions
- Total commitment to the ideals of Shelter Afrique and regional integration.

The Committee noted that Shelter Afrique is dedicated solely for the development of the real estate sector in Africa and has the potential to attract both public and private sector support and funds for its activities. Although it is a public institution, Shelter Afrique operates on commercial principles, works with mainly the private sector, and participates actively in both local and international financial markets.

Shelter Afrique's strategic agenda, objectives and activities stem from its understanding of the markets and environment in which it operates, the nature of the institution and above all its vision and mission set for it by its shareholders. All these are designed to make the company a bigger and stronger institution able to increase its market share, ensure growth and meet the unmet demand for housing with a view to creating value for its shareholders.

The Committee was informed that Shelter Afrique offers a wide range of services and products that enable it to address the housing needs in different member countries. These products and services include:

- Residential real estate development
- Commercial real estate development
- Land and infrastructure development
- Mortgage financing
- Building materials financing
- Social housing, including urban improvement and special housing programmes that target the poor
- Contractor support services that promote small and medium-sized construction companies
- Research and development, including training and information exchange

Shelter Afrique provides debt, quasi equity and debt financing products that are innovatively packaged to make housing affordable. In doing so, however, the company adopts sound lending policies and practices that ensure proper project evaluation, due diligence, credit analysis and risks management with necessary limits.

It was noted that since its inception, Shelter Afrique has committed over US\$350 million to some 300 different projects with total project cost of about US\$1 billion in about 30 African countries.

The company's sources of finance for its activities include its own capital and accumulated reserves, issuance of corporate bonds and loans in Kenya and the CFA Zone as well as lines of Credit from development finance institutions such as AfDB, AFD and FMO.

The Committee further noted that Shelter Afrique has been paying dividend to its shareholders since 2004 and that the company plans to continue to do so as a way of ensuring that it returns value to its shareholders.

The Deputy Minister of Water Resources, Works and Housing (MWRW&H) Hon. Dr. Mustapha Ahmed informed the Committee that subscribing to a 10% shareholding would entitle Ghana to a permanent seat on the Board. Benefits to be derived by Ghana from her membership of the organization include:

- Access to huge housing and construction markets in 42 African countries
- Ability of Ghanaian companies to invest in the housing sector working with partners that are quite knowledgeable of the markets
- Ability of Ghanaian financial institutions to use Shelter Afrique's platform to invest in mortgage products across Africa
- Ghana government can provide assistance to other deserving African countries in the area of housing and urban development for the poor
- Opportunity to share information and experiences on best practices in housing development and delivery
- Promotion of intra-African trade in building materials and financial services
- Support for the provision of low to medium cost housing in Ghana.

Again, the Committee was informed that as Ghana seeks to introduce new incentives to direct Public Private Partnerships (PPP) in the provision of housing facilities in line with its Medium Term Development Framework (2010-2013), it would require institutions like Shelter Afrique to assist it to develop a platform that will help the private sector financially in the provision of housing in Ghana and that without Ghana's membership, access to financing from this institution may not be possible.

Furthermore, Ghana requires Shelter Afrique's financing to develop high profile structures to accommodate the many international institutions that are coming into the country for businesses and also take advantage of Ghana's new found wealth – oil and gas.

The Minister for Finance and Economic Planning, Hon. Dr. Kwabena Duffuor corroborated this and informed the Committee of instances where two Ghanaian companies failed in their bid to secure financing from Shelter Afrique because of Ghana's non-membership.

The Minister of Finance and Economic Planning further explained that with the *issued and called capital* of the Shelter Afrique currently standing at US\$100 million, Ghana needs to subscribe to a minimum shares of US\$10 million to meet the 10% threshold required to hold a permanent seat on the Board.

In accordance with article 2 of the Constituent Charter of Shelter Afrique, Shelter Afrique "shall have full juridical personality and full legal capacity to, in particular

- (a) Acquire and dispose of immovable and movable property
- (b) Enter into contracts; and
- (c) To sue and be sued in its own name.

5.1 TAX EXEMPTION

Pursuant to article 6 of the Constituent Charter, Kenya is required to ensure that "all loans, shares and other investments and all interest, dividends, profits, gains, proceeds of realizations, income, fees and moneys of any kind whatsoever (including participation in and capitalization of profits or reserves) owned by or accruing to or payable to Shelter Afrique in Kenya or remitted to Shelter Afrique from outside Kenya will be exempt from all taxes, levies and other imposts of any kind whatsoever now or at any time hereafter imposed in Kenya"

Again, "in any transaction to which Shelter Afrique is a party, Shelter Afrique shall be exempt from all stamp duty and other documentary taxes."

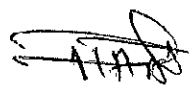
4.0 CONCLUSION

The Committee respectfully recommends to the House to adopt this report and **ratify** by Resolution, the Convention on the Constituent Charter of Shelter-Afrique in accordance with article 75 of the 1992 Constitution of the Republic of Ghana.

Pursuant to article 181 of the Constitution, the Committee further recommends to the House to **approve** by Resolution, the Request for Ghana to join and subscribe to shares in Shelter-Afrique for a minimum amount of *ten million United States Dollars* (US\$10,000,000.00).

Respectfully submitted.


HON. JAMES KLUTSE AVEDZI
CHAIRMAN


PEACE A. FIAWOYIFE (MS)
CLERK

9TH JUNE, 2011.