

REPORT OF THE JOINT COMMITTEE ON FINANCE AND WORKS
AND HOUSING ON THE SUPPLIERS CREDIT FINANCING
AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND STX ENGINEERING AND CONSTRUCTION GHANA
LIMITED FOR AN AMOUNT OF US \$1,525.443.468.00 FOR THE
CONSTRUCTION OF 30,000 UNITS OF HOUSES UNDER THE
SECURITY SERVICES HOUSING PROJECT

1.0 INTRODUCTION

The Supplier's Credit Financing Agreement between the Government of the Republic of Ghana and STX Engineering and Construction Ghana Limited (STX Ghana) for an amount of ***One Billion, Five Hundred and Twenty-Five Million, Four Hundred and Forty-Three Thousand, Four Hundred and Sixty-Eight United States Dollars (US \$1,525,443,468.00)*** for the construction of thirty thousand (30,000) Units of Houses under the Security Services Housing Project was first laid and referred to the committee on 4th May 2010. This current agreement was however laid in the House on Wednesday 28th July 2010 after the withdrawal of the one laid earlier. Pursuant to Article 181 of the Constitution and Order Nos. 171 (1) and 180 of the Standing Orders of the House, the Supplier's Credit Agreement was referred to the Joint Committee on Finance and Works and Housing for consideration and report.

The Committee met and considered the Agreement with the Minister of Water Resources, Works and Housing, Hon. Alban Sumana Kingsford Bagbin, his Deputy Hon. Dr. Major. Mustapha Ahmed (Rtd.), the Deputy Minister of Finance and Economic Planning, Hon. Seth Terkper, and

technical teams from the Ministries of Finance and Economic Planning and Water Resources, Works and Housing and hereby present this report.2.0

DOCUMENTS

The Committee in its deliberations made reference to the following documents;

- i. The 1992 Constitution of the Republic of Ghana.
- ii. The Standing Orders of the House.
- Hi. The Restated and Amended Off-Taker Agreement between the Government of Ghana acting through the Ministry of Water Resources, Works and Housing and STX Engineering and Construction Ghana Limited relating to the Ghana Housing Project.
- iv. The Restated and Amended Joint Venture Agreement between the Government of Ghana acting through the Ministry of Water Resources, Works and Housing, STX Engineering and Construction Ghana Limited and HFC Bank (Ghana) Limited relating to the Ghana Housing Project.
- v. Loans Act 1970 (Act 335).

3.0 BACKGROUNDThe Government on 9th December, 2009 entered into an off-taker agreement with STX Engineering and Construction Ghana Limited, which was later revised and entered into on 23rd July, 2010. The Ministry of Water Resource, Work and Housing entered into this agreement to develop 200,000 units of houses (Ghana Housing Project) in all the ten regional capitals over the next five years on the basis of Public Private Partnership.

Pursuance to the Off-taker Agreement, the Government of Ghana agreed to acquire ninety thousand (90,000) units of houses representing 45% of the housing project; thirty thousand (30,000) units out of the total 90,000 units to be duty post accommodation for Security Agencies.

4.0 PURPOSE OF THE AGREEMENT

The purpose of the supplier's credit agreement is to provide funding for the construction of 30,000 housing units for the Security Agencies over a period of five years.

TERMS AND CONDITIONS

The terms and conditions of the Agreement are as follows:

Total Credit Amount -	US \$1,525,443,468 (Including insurance premium)
Grace Period	5 years
Repayment Period	15 years (semi-annual payments)
Maturity Period	20 years
Interest Rate	2% fixed per annum
Arrangement Fee	0.75% flat
Management Fee	0.50% flat
Grant Element	36.93%

The Committee noted that with a Grace Period of five (5) years, a repayment period of fifteen (15) years and a maturity period of twenty (20) years, the debt sustainability ratio will not be substantially impacted.

5.0 OBSERVATIONS AND RECOMMENDATIONS

- 5.1 The Committee noted that STX Engineering and Construction Ghana Limited is the supplier of the credit facility. Further enquiries by the Committee confirmed that STX Business Group of Korea which owns 90% of STX Ghana will make available the financing to STX Engineering and Construction Ghana Limited to execute the project.
- 5.2 The Committee was informed that Ghanaian contractors would be engaged in the construction of the housing units in all the ten regional capitals. In addition to the transfer of technology and skills that Ghanaians would acquire from their involvement in the project, it will also contribute to the creation of jobs, improve income and reduce poverty. It is estimated that 75,000 direct and indirect jobs will be created as it will ensure a minimum of 30% local participation.
- 5.3 The Committee noted that in addition to the construction of 30,000 housing units, on-site infrastructure such as roads, water, electricity, sewerage, drainage, schools, malls and parks will be provided by the contractors. Government will be expected to provide the off-site infrastructure.
- 5.4 The Committee observed that the Insurance Premium of 17.34% is to cover political and other related risk which is customary for transactions of this nature. It further observed that clause 14.3 of the Supplier's Credit Agreement made reference to the Insurance Premium of 17.34% on the facility

Instead of the Engineering Procurement and Construction (EPC) Contract Amount. The Committee recommends that clause 14.3 of the Supplier's Credit Agreement should be changed to read "The Government shall pay to the Supplier 17.34% of the EPC Contract Amount of US\$ 1,300,000,000 for the purpose of arranging political risk insurance cover for the facility (the "Insurance Premium").

5.5 The Committee noted that the actual and final price per unit of the houses to be acquired by Government under the Housing Project shall be agreed between the Government of Ghana and STX Engineering and Construction Ghana Limited within the framework of Value for Money (VFM) negotiations. The Committee was informed that the College of Architecture and Planning of the Kwame Nkrumah University of Science and Technology have submitted cost projections for the houses based on drawings and plans provided by the security agencies **(copy attached)**. It is however important to note that the final price of the houses may vary after the value for money negotiations have been concluded.

The Committee further noted that lands owned by the security agencies have been identified for the construction of the houses.

5.6 Finally, the Committee recommends that details of the repayment schedule which was provided to the Committee be captured in schedule 2 of the agreement.

5.7 Taxes

Under Article 12.2 (c) of the Suppliers Credit Financing Agreement, "Government undertakes that during the facility period it shall, unless the supplier otherwise agrees in writing, apply for exemption for:

- i. the EPC Contractor in relation to cooperate tax obligations;
- ii. the importation of the contract equipment; and
- iii. expatriate employees of the EPC, Contractor in respect of income earned in relation to the project.

The Committee advised the Ministry of Finance and Economic planning to come back to the House with the specifics for consideration and approval.

CONCLUSION

The project which will provide 20,000 units of houses to the Police Service and 10,000 units to the Military and other Security agencies across the country will go a long way to solve the housing problem of the security agencies and therefore boost the moral of the personnel.

At the end of the Committee's deliberations, a Member from the Majority moved the motion and was seconded by a Member from the Minority for the Committee to recommend the approval of the facility to the House. After raising some outstanding issues to be provided by the Minister for Water Resources, Works and Housing, those issues had since been provided by the Minister. Kindly also find attached the Minority's position on the credit facility.

The motion was carried and the Committee by a majority decision hereby recommends to the House to adopt and approve by resolution the Supplier's Credit Financing Agreement between the Government of the Republic of Ghana and STX Engineering and Construction Ghana Limited for an amount of **One Billion, Five Hundred and Twenty-Five Million, Four Hundred and Forty-Three Thousand, Four Hundred and Sixty-Eight United State Dollars**

US\$ 1,525,443,468.00) for the construction of thirty thousand (30,000) housing units for the Security agencies in accordance with Article 181 of the Constitution,

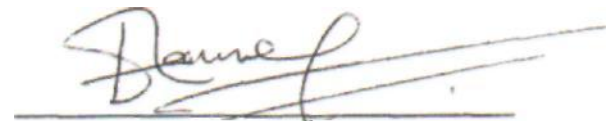
Sections 3 and 7 of the Loans Act 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



**HON. JAMES K. AVEDZI
CHAIRMAN FINANCE
COMMITTEE**

**HON. DAVID T. ASSUMENG
CHAIRMAN, COMMITTEE
WORKS AND HOUSING**



PEACE A. FIAWOYIFE (MS.)



**JANE FRIMPONG (MS.)
CLERK**

