



**IN THE SECOND SESSION OF THE SIXTH PARLIAMENT OF THE
FOURTH REPUBLIC OF GHANA**

REPORT OF THE FINANCE COMMITTEE

ON THE

**SUPPLIERS CREDIT AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA AND
LIAONING HUANGHAI AUTOMOBILE IMP/EXP
COMPANY LIMITED FOR AN AMOUNT OF FORTY
MILLION, THIRTY THOUSAND, FOUR HUNDRED AND
SIXTY-THREE UNITED STATES DOLLARS
(US\$40,030,463.00) FOR THE ACQUISITION OF TWO
HUNDRED (200) HUANGHAI COMPLETE BUILT-UP
(CBU) MASS RAPID TRANSIT (MRT) CITY BUSES FOR
USE BY MASS TRANSIT LIMITED.**

JULY, 2014

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HUNDRED HUANGHAI (200) COMPLETE BUILT-UP (CBU)
MASS RAPID TRANSIT (MRT) CITY BUSES FOR USE BY
METRO MASS TRANSIT LIMITED (MMT)**

1.0 INTRODUCTION

The Supplier's Credit Agreement between the Government of the Republic of Ghana and Liaoning Huanghai Automobile IMP/EXP Company Limited for an amount of Forty Million, Thirty Thousand, Four Hundred and Sixty-three United States dollars (US\$40,030,463.00) for the acquisition of two hundred Huanghai (200) complete built-up (CBU) Mass Rapid Transit (MRT) city buses for use by metro mass transit limited (MMT) was presented to the House by the Hon. Minister of Finance Mr. Seth E. Terkper on Thursday, 17th July 2014 in accordance with Article 181 of the 1992 Constitution.

The Rt. Hon Speaker referred the agreement to the Committee on Finance for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by the Hon. Ministers of Finance, Mr. Seth E. Terkper and Transport, Mrs. Dzifa A. Attivor, Hon. Deputy Minister of Finance, Mr. Ricketts Kweku Hagan and Mr. Cassiel Ato Baah Forson, Officials from the Ministries of Finance and Transport and Metro Mass Transport Ltd.. The Committee is grateful to the Hon. Ministers and Officials for the assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Standing Orders of the Parliament of Ghana; and
- Loans Act, 1970, Act 335

3.0 BACKGROUND

The Metro Mass Transit (MMT) was set up principally to provide intra-city transport services in the urban areas of the country. However, with time, the Company realizing the need basically borne out of the necessity to provide services to other vulnerable groups in the country and also, at least break-even, introduced rural-urban and intercity transport services. Currently, the Company operates with over eight hundred road worthy vehicles throughout the country and their services are highly patronised.

While the rural-urban and inter-city services have made significant impact, there is the need to strengthen the intra-city operations to be able to realise the original objective for the setting up of the MMT. The inability of the MMT to adequately serve the needs of most city dwellers could be seen in the long queues by commuters waiting to access transport service to within the cities.

It is to help address the challenges face by commuters in the cities, that the 200 MRT Buses are being acquired to support the MMT to carry out its intra-city operation in the country in line with its original mandate.

4.0 TERMS AND CONDITIONS OF THE FACILITY

The terms and Conditions of the Suppliers Credit Agreement are as follows:

Type of Facility	:	Supplier's Credit
Borrower	:	Government of Ghana Represented by the Ministry of Finance
Supplier	:	Liaoning Huanghai Automobile Export / Import Co. Ltd.
Customer/Buyer	:	Government of Ghana Represented by the Ministry of Transport
Description of Goods	:	Two Hundred (200) MRT Buses, Spare Parts
Total Value of Good	:	US\$40,030,463.00
Interest Rate	:	Zero (0)
Repayment Instrument	:	Two Irrevocable and confirmed Sights Letters of Credit shall be established by the Ministry of Finance as follows: a) The First Letter of Credit shall be for the full value of the first batch of 116 buses b) The Second letter of credit shall be for the full value of the Second batch of 84 buses and full value of spare parts
Deposit Required	:	Zero (0)
L/C Validity Period	:	180 days

First Shipment Date (116 Buses)	:	No later than 45 days of receipt of Irrevocable Confirmed Sight Letter of Credit by Supplier
Second Shipment Date (84 buses)		No later than 90 days after the receipt of the second credit by supplier
L/C Expires	:	In China
Documents Required	:	1. Three Copies of Original Bill of Lading 2. Three Copies of Packing List 3. Three Copies of Original Commercial Invoice

5.0 OBSERVATION

Value for Money Audit

The Committee observed that in its quest to ensure value for money in the acquisition of the 200 buses, the Ministry of Transport in collaboration with the Ministry of Finance commissioned Crown Agents, a private Audit firm to undertake a value for money audit, the result of which led to the original contract which was presented to Parliament on December, 2013 being revised. In addition the Minister of Finance informed the Committee that his Ministry and the Ministry of transport are collaborating to implement some of the recommendations made by Crown Agents.

The Committee lauds this initiative and urges both Ministries to ensure that all the recommendations are fully implemented.

Justification for the Agreement

Commenting on the importance of the facility, the Minister of Transport stated that the growing traffic congestion in the cities demands the use of high occupancy and good quality buses that are capable of attracting different categories of commuters. Further, there is also the need to continually support the MMT to enable it to provide affordable transport services throughout the country in line with the Government's commitment to provide social services to the vulnerable in the society.

5.2 *Tax Exception*

The Committee noted that, among the request in the memorandum submitted to Parliament is the request the waiver of VAT, NHIL and customs duties on all the busses and spare parts imported under the project and on expatriate remuneration for a quota of ten expatriates. The details of the exemption were however, not presented to the Committee during the deliberation. The Committee was accordingly unable to consider the request and recommends that the Minister of Finance present to the House for consideration, a separate request for the waiver and exemptions when the details are ready.

6.0 CONCLUSION

The Committee having carefully examined the request is of the view that the supply of the buses will significantly enhance the quality, reliability and accessibility of the intra-city mass transit services. The Committee therefore respectfully recommends to the House to adopt its report and approve the Supplier's Credit Agreement between the Government of the Republic of Ghana and Liaoning Huanghai Automobile IMP/EXP Company Limited for an amount of *Forty Million and Thirty Thousand, Four Hundred and Sixty-three United States dollars (US\$40,030,463.00)* for the acquisition of two hundred Huanghai (200) complete built-up (CBU) mass rapid transit (MRT) city buses for use by Metro Mass Transit Limited (MMT) in accordance with Article 181 of the 1992 Constitution, Section 7 of the Loans Act, 1970, Act 335 and Order 171 of the Standing Orders of the House.

Respectfully Submitted.

A handwritten signature in black ink, appearing to read 'James Klutse Avedzi'. The signature is stylized with a large initial 'J' and a prominent 'A'.

**HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)**

A handwritten signature in black ink, appearing to read 'Rosemary Arthur Sarkordie'. The signature is highly stylized and cursive.

**ROSEMARY ARTHUR SARKORDIE (MRS)
(CLERK, FINANCE COMMITTEE)**