

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



REPORT OF THE FINANCE COMMITTEE

ON THE

REQUEST FOR WAIVER OF CUSTOMS DUTY, VAT, ECOWAS LEVY, EDAIF LEVY, DESTINATION INSPECTION FEES, WITHHOLDING TAX AND OTHER IMPOST AMOUNTING TO SIXTEEN MILLION, NINE HUNDRED AND TWELVE THOUSAND, SIX HUNDRED AND EIGHTY-FOUR UNITED STATE DOLLARS (US\$16,912,684.00) ON PLANTS, MATERIALS AND EQUIPMENT TO BE PROCURED IN RESPECT OF THE DESIGN, CONSTRUCTION, AND EQUIPPING OF THE UNIVERSITY HOSPITAL IN LEGON AND ADDITIONAL WORKS ON THE HO REGIONAL AND HOHOE DISTRICT HOSPITAL

December, 2014

REPORT OF THE FINANCE COMMITTEE ON THE REQUEST FOR WAIVER OF CUSTOM DUTY, VALUE ADDED TAX (VAT), ECOWAS LEVY, EDAIF LEVY, DESTINATION INSPECTION FEES, WITHHOLDING TAXES AND OTHER IMPOSTS AMOUNTING TO THE CEDI EQUIVALENT OF SIXTEEN MILLION, NINE HUNDRED AND TWELVE THOUSAND, SIX HUNDRED AND EIGHTY-FOUR UNITED STATES DOLLARS (US\$16,912,684.00) ON PLANTS MATERIALS AND EQUIPMENT TO BE PROCURED IN RESPECT OF THE DESIGN, CONSTRUCTION AND EQUIPPING OF THE UNIVERSITY HOSPITAL IN LEGON AND ADDITIONAL WORKS ON THE HO REGIONAL AND HOHOE DISTRICT HOSPITALS.

1.0 INTRODUCTION

The request for waiver of Custom Duty, Value Added Tax (VAT), ECOWAS Levy, EDAIF Levy, Destination Inspection Fees, Withholding Taxes And Other imposts amounting to the Cedi equivalent of Sixteen Million, Nine Hundred and Twelve Thousand, Six Hundred and Eighty-Four United States Dollars (US\$16,912,684.00) on plants, materials and equipment to be procured in respect of the design, construction and equipping of the University Hospital in Legon and additional works on the Ho Regional and Hohoe District Hospitals was presented to Parliament on behalf of the Hon. Minister for Finance by the Hon. Deputy Minister for Finance, Mr. Cassiel Ato Baah Forson on Thursday 18th December, 2014. The Rt. Hon Speaker referred the request to the Finance Committee for consideration and report in accordance with Article 174(2) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

The Committee was assisted in its deliberations by Hon. Deputy Minister of Finance, Mr. Cassiel Ato Baah Forson and officials from the Ministry of Finance and Ghana Revenue Authority (GRA). The Committee is grateful to the Hon. Deputy Minister and officials for their 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
- The Loan Agreement between the Government of the Republic of Ghana and the Bank Hapoalim of Israel for the construction and equipping of the University of Ghana Teaching Hospital and additional works on Ho and Hohoe district hospitals.

3.0 BACKGROUND

As part of Government's commitment to provide quality education and health care delivery for Ghanaians, Government has secured funding to build a new Teaching Hospital for the College of Health Sciences at University of Ghana, Legon and also to support the establishment of the University of Health and Allied Sciences in the Volta Region by providing additional facilities at the Ho Regional and Hohoe District Hospitals to support the teaching function to produce graduates who are versatile to academia, the healthcare industry and medical practice.

As part of the first phase of the project, new Teaching Hospital with state-of-the-art facilities for trauma and emergency, internal medicine, surgery, obstetrics and gynecology, pediatrics, intensive care, medical imaging, cardiology, and a skills training centre are being built with funding from Bank Hapoalim, Israel as approved by Cabinet and Parliament in 2011.

After several deliberations on the technical details of the project, including obtaining Public Procurement Approval as well as Value for Money Audit, the construction of the University of Ghana Teaching hospital begun in April 2013.

The contract for the project was signed on 25th October 2012 between the Employer represented by the Ministry of Health, Ghana and the Contractor represented by

Engineering & Development Consultants Limited of Israel, for a total contract amount of One Hundred and Eighty-four Million, Seven Hundred and Forty Thousand and One US Dollars (\$184,740,001.00) for the turnkey Construction of the 617-Bed University of Ghana Teaching Hospital and Additional Works for Ho Regional and Hohoe District Hospitals. The loan was declared effective in November 2012.

4.0 APPROVAL OF THE LOAN AGREEMENT

The Loan Agreement between the Government of the Republic of Ghana and the Bank Hapoalim of Israel for the construction and equipping of the University of Ghana Teaching Hospital and additional works on Ho and Hohoe district hospitals was approved by Parliament at its Thirty-ninth Sitting held on Friday, 22nd July, 2011.

5.0 REQUIRED WAIVER

The waiver of taxes, import duties and other related charges being sought amounts to the Cedi equivalent of *Sixteen Million, Nene Hundred and Twelve Thousand, Six Hundred and Eighty-four United States Dollars (US\$16,912,684.00)*.

6.0 OBSERVATIONS

Legal Bases for the Tax Waiver

The Committee noted that under the Peculiar Conditions of clause 1.13a of the Contract Agreement, the Government of Ghana (the employer) represented by the Ministry of Health shall be responsible for obtaining Ghanaian VAT, import duties and levies exemptions for the Contractor and its subsidiaries for all sums payable in relation to carrying out the works of this Contract. The tax exemptions provision accordingly enjoins Government to be solely and fully responsible for the component of the Project financing cost covering taxes and other fiscal levies which may be imposed in the Republic of Ghana with respect to the supply of plant, materials, services and equipment for the execution of the Contract.

To ensure that the full amount of the credit facility is used on the project, the Ministry of Health through the Ministry of Finance is seeking for tax exemption amounting to the Cedi equivalent of *Sixteen Million, Nine Hundred and Twelve Thousand, Six Hundred and Eighty-four United States Dollars (US\$16,912,684.00)* on project materials and equipment procured domestically or imported for use in the China-Aided Project for the University of Health and Allied Sciences at Ho in the Volta Region by China Yanjian Group Company Limited for International Economic and Technical Co-operation has been presented to Parliament for approval.

Assessment of duties, taxes and levies to be exempted

The Committee noted that GRA has assessed the applicable taxes, duties and levies for which exemptions are being sought and has granted an interim waiver amounting to the Cedi equivalent of *Sixteen Million, Nine Hundred and Twelve Thousand, Six Hundred and Eighty-four United States Dollars (US\$16,912,684.00)* pending Parliamentary approval. A copy of the details of the assessment was attached as appendix for the consideration of the Committee.

However, since the values for the assessment was based on the invoices submitted by the supplier, the Committee recommends to the Ministry of Finance to ensure that the final waiver would be reassessed and verified by the Destination Inspection Companies (DICs) upon arrival of the items in the country. Further, the Monitoring Unit of the Tax Policy Unit of the Ministry of Finance should conduct an audit of the items that would be imported or purchased locally to ensure that there is value for money and the items for which the exemption is being given are not diverted.

7.0 CONCLUSION

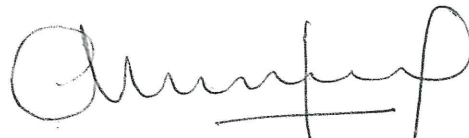
The Committee has carefully examined the referral and recommends to the House to adopt its report and approve by resolution, the request for waiver of Custom Duty, Value Added Tax (VAT), ECOWAS Levy, EDAIF Levy, Destination Inspection Fees, Withholding Taxes And Other imposts amounting to the Cedi equivalent of Sixteen Million, Nine Hundred and Twelve Thousand, Six Hundred and Eighty-Four United States Dollars

(US\$16,912,684.00) on plants, materials and equipment to be procured in respect of the design, construction and equipping of the University Hospital in Legon and additional works on the Ho Regional and Hohoe District Hospitals in accordance with Article 174 of the 1992 constitution of the Republic of Ghana.

Respectfully Submitted.

A handwritten signature in black ink, appearing to read 'Hon. James Klutse Avedzi', written in a cursive style.

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

A handwritten signature in black ink, appearing to read 'Rosemary Arthur Sarkodie (Mrs)', written in a cursive style.

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

