

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

REPORT OF THE
FINANCE COMMITTEE
*Acting together with the Leadership of the
Committee on Defence and Interior*

ON THE

**SELLER'S CREDIT/FINANCING AGREEMENT BETWEEN THE
GOVERNMENT OF THE REPUBLIC OF GHANA AND POLY
CHANGDA OVERSEAS ENGINEERING COMPANY LIMITED OF
THE PEOPLE'S REPUBLIC OF CHINA FOR AN AGGREGATE
AMOUNT OF ONE HUNDRED MILLION UNITED STATES
DOLLARS (US\$100,000,000.00) TO FINANCE THE EXECUTION
AND COMPLETION OF THE MILITARY HOUSING PROJECT FOR
THE MINISTRY OF DEFENCE**

1.0 INTRODUCTION

The **Seller's Credit/Financing Agreement** between the **Government of the Republic of Ghana** and **Poly Changda Overseas Engineering Company Limited of the People's Republic of China** for an aggregate amount of *One Hundred Million United States Dollars (US\$100,000,000.00)* to finance the execution and completion of the **Military Housing Project** for the Ministry of Defence was *presented* to the House on Thursday 21st March 2019 by the Honourable Minister responsible for Defence, Mr. Dominic Bingab Aduna Nitiwul on behalf of the Minister for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 158, 169 and 171 of the Standing Orders of the House, the Agreement was *referred* to the Finance Committee and the Leadership of the Committee on Defence and Interior for consideration and report.

The Finance Committee and the Leadership of the Committee on Defence and Interior (hereinafter jointly referred to as "the Committee") subsequently met and discussed the Agreement with the Minister for Defence, Hon. Dominic Bingab Aduna Nitiwul, Deputy Minister for Finance, Hon. Abena Osei-Asare as well as officials from the Ministries of Finance and Defence and the Ghana Armed Forces.

The Committee hereby submits this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

The Committee is grateful to the Honourable Minister for Defence, the Deputy Minister for Finance and the officials for attending upon the Committee.

2.0 REFERENCES

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the Agreement:

- The 1992 Constitution of the Republic of Ghana

- The Standing Orders of the Parliament of Ghana
- The Public Financial Management Act, 2016 (Act 921)

3.0 BACKGROUND

Currently, the Ghana Armed Forces (GAF) are facing an acute problem with respect to accommodation for its men, women and Service Officers. The Government has as part of its programme, a plan to ensure that the Forces are provided with newly constructed accommodation and also to rehabilitate the existing dilapidated ones.

In June 2017, His Excellency the President cut the sod for the construction of four (4) Housing Units for the GAF, whilst twenty (20) blocks commenced in Tamale from the Internally Generated Funds (IGF) of the GAF.

From year to year, new Officers are being enlisted and Other Ranks recruited. There is now a situation where Senior Officers including Majors and Lieutenant Colonels are living in single rooms originally designed for young and unmarried officers for a period before they are reassigned fresh accommodation.

In the light of the accommodation challenges facing the Forces, the Project has been formulated by the Government to help ameliorate the situation.

The Consortium of Poly Technologies Inc. and Poly Changda Overseas Engineering Company Limited Group has been working with the GAF for the past fifteen (15) years and has successfully undertaken various projects such as the following:

- a. The construction of Aircraft Hangers at the Tamale and Takoradi Air Force Bases;
- b. The construction of the Ghana Armed Forces Integrity Savings and Loans Company Office;

- c. The construction of accommodation for troops; and
- d. The construction of the new Military Cemetery at Burma Camp among others.

4.0 PROJECT OBJECTIVE

The objective of the Project is to help provide the GAF with decent and modern accommodation to enable them perform their core function of defending the territorial integrity of Ghana.

5.0 TERMS AND CONDITIONS OF THE FACILITY

The terms and conditions of the Seller's Credit Facility are as follows:

Facility Amount	:	US\$100.00 Million.
Grace Period	:	0.5 years.
Repayment Period	:	7 years.
Repayment Frequency:		Semi-annual frequency.
Interest Rate	:	US Libor+ a margin of 4.0%.
Management Fee	:	0.50% flat of the facility amount.
Sinosure Premium	:	5.5% flat of the facility amount and the total interest payable.

6.0 OBSERVATIONS AND RECOMMENDATIONS

6.1 Poor Conditions at the Barracks

The Committee observed that over the years, the issue of lack of accommodation for service personnel continues to be key among the various challenges facing the Ghana Armed Forces (GAF). Government recognises that the living conditions of the majority of the country's security services personnel have become unacceptable. The barracks mostly suffer from

inadequate spaces, poor sanitation and have not seen any upgrades for decades. There is therefore the need to put urgent measures in place to improve and expand on the accommodation facilities of the Forces and hence this Project is very important in that regard.

6.2 Facilities to be Constructed Under the Project

Specific facilities to be provided under the Agreement include:

- i. 160 Soldiers' Dormitories,
- ii. 176 two bed flats,
- iii. 1 two-storey building Military Academy Classroom Block,
- iv. 1 Military Academy Administration Office Block with 48 offices and conference rooms,
- v. 1 Military Academy Hostel with 240 Self-Contained Rooms,
- vi. 1 Military Academy Auditorium seating 640 people
- vii. 1 Platoon Commanders Block containing 4 two-bed flats per floor, and
- viii. A Fence Wall around the entire perimeter of the Ghana military Academy at Teshie in Accra.

ATTACHMENT: Please find attached as an APPENDIX, a detailed breakdown and the summary price for the project.

6.3 Value for Money Audit

The Committee noted from a letter issued by the Public Procurement Authority (PPA) dated 24th January 2019 that the facility is approved as sole-sourced. The Committee thus requested to know if the required Value for Money (VFM) audit had been done.

To this, officials from the Ministry of Finance explained to the Committee that the Ministry has submitted the Contract documents to Crown Agents for the Value for Money audit and that the results would be received in due course.

The Committee expressed concern about the over-reliance on Crown Agents by Government for VFM, a situation which was said to often delay the implementation of Government projects.

The Committee recommends to the Ministry of Finance to open the sphere and recruit competent local agencies for VFM purposes since there are firms in Ghana that are capable of performing such tasks for Government even at a cheaper rate and greater speed.

6.4 Local Experience of the Poly Group

As to whether Poly Technologies in particular or the Poly Group in general have had any experience in executing projects in the country, the Committee was informed that the Poly Group has indeed executed projects successfully for the Government of Ghana over a period of about fifteen (15) years.

6.5 Source of the Funds

Given that the "Seller" is not a financial institution, the Committee enquired to know the source of the funds that the Contractor would be using to execute the project, especially where the Government of Ghana is not required by the Agreement to make any upfront payment.

It was intimated to the Committee that the funds for the project would be sourced by the Contractor from Guangzhou Branch of the China Construction Bank.

The Committee was then provided with the All-In-Coast of the Facility as 8.28% per annum which was found by the Committee to be satisfactory given the military character of the Facility.

6.6 Local Content

The Committee observed that per clause 4.1 of the Agreement, at least 20% of the project is required to be given to local sub-contractors. The said clause

stipulates that *“the Contractor shall subcontract up to 20 Million US Dollars of contract works to qualified subcontractors to be nominated by the Employer and certified by the Contractor”*.

The Minister for Defence, Hon. Nitiwul assured the Committee that Cabinet has directed that this 20% should be strictly complied with as the minimum local content level and that where there are opportunities for further local participation, the contractor should be encouraged to explore same.

6.7 Waiver of Taxes and Duties

The Committee noted that Clause 14.1 of the Agreement provides that *“the Contract Price is One Hundred Million United States Dollars Only (US\$100,000,000.00) excluding taxes and duties. The Contract Price shall remain fixed for the Construction Period.”* [Emphasis added].

Officials from the Ministry of Finance agreed with the Committee that this provision requires the Project to be waived of the taxes and duties that would otherwise be applicable.

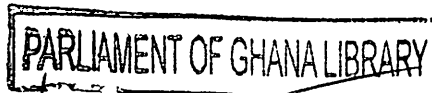
The Committee advises the Ministry of Finance to endeavour to bring a formal request for the waiver of the necessary taxes and duties to Parliament for consideration and approval in time to enable the Project to be executed without delay.

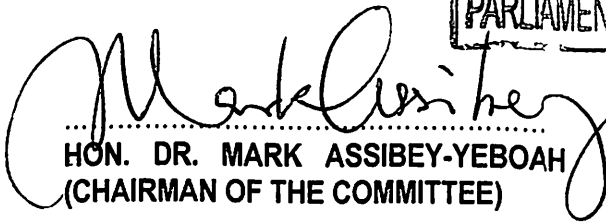
7.0 CONCLUSION


The Committee has thoroughly considered the Agreement and finds that its approval will help ensure that the gallant military personnel are adequately and decently housed to enable them carry out their duties in an efficient and effective manner.

The Committee therefore respectfully recommends to the House to adopt this report and approve by resolution, the **Seller's Credit/Financing Agreement** between the **Government of the Republic of Ghana** and **Poly Changda Overseas Engineering Company Limited of the People's Republic of China** for an aggregate amount of *One Hundred Million United States Dollars (US\$100,000,000.00)* to finance the execution and completion of the **Military Housing Project** for the Ministry of Defence in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana.

Respectfully submitted.




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HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN OF THE COMMITTEE)


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MS. EVELYN BREFO-BOATENG
(CLERK TO THE COMMITTEE)

27TH MARCH, 2019

APPENDIX

SUMMARY PRICE FOR MILITARY HOUSING PROJECT						
NO.	DESCRIPTION	UNIT	QTY	RATE (USD)	AMOUNT (USD)	LOCATION
1	SOLDIERS' DORM (4 HOUSES /BLOCK)	BLOCK	160	217,204	34,752,571	TAMALE/SUNYANI
2	FOUR-STOREY BLOCK OF 16 FLATS(FOUR TWO BED FLAT/FLOOR)	BLOCK	11	2,019,883	22,218,718	ACCRA/TAKORADI
3	MILITARY ACADEMY CLASSROOM (TWO STOREY BUILDING)	BLOCK	1	1,134,846	1,134,846	GMA/TESHIE
4	MILITARY ACADEMY ADMIN OFFICE(48OFFICES AND CONFERENCE ROOMS)	BLOCK	1	3,731,693	3,731,693	GMA/TESHIE
5	MILITARY ACADEMY HOSTEL (THREE STOREY BUILDING WITH 240 SELF-CONTAINED ROOMS)	BLOCK	1	7,304,100	7,304,100	GMA/TESHIE
6	MILITARY ACADEMY AUDITORIUM(TWO STOREY BUILDING SEATING 640)	BLOCK	1	2,235,105	2,235,105	GMA/TESHIE
7	PLATOON COMMANDERS FLAT((FOUR TWO BED FLAT/FLOOR)	BLOCK	1	2,019,883	2,019,883	GMA/TESHIE
8	FENCE WALL(AROUND ENTIRE PERIMETER)	KM	3.5	89,000	311,500	GMA/TESHIE
9	SITE PREPARATION AND DEPLOYMENT OF PROJECT CONSTRUCTION MATERIALS				3,900,000	
10	EXTERNAL WORKS (PROVISIONAL SUM FOR ALL SITES IN VARIOUS LOCATIONS)				9,391,584	
11	FURNITURE COST (PROVISIONAL SUM)				4,000,000	
12	SURVEY & DESIGN FEE				2,000,000	
13	CONTRACTOR'S CONSULTANCY FEE				4,000,000	
14	CONTINGENCY FEE				3,000,000	
TOTAL AMOUNT					100,000,000	