

MEMORANDUM TO PARLIAMENT

BY

THE MINISTER OF FINANCE

ON

**THE WAIVER OF IMPORT DUTIES AND TAXES ON MATERIALS AND
EQUIPMENT INCLUDING OTHER RELATED TAXES FOR
PHASE II OF THE DEDICATED SECURED
COMMUNICATIONS SYSTEMS
FOR GHANA'S PUBLIC**

ADMINISTRATION AND EMERGENCY SERVICES

17th

.....DECEMBER, 2013

1.0 ACTION REQUIRED

Hon. Members of Parliament are kindly requested to consider and approve the waiver of Customs Duties, VAT, EDIF, ECOWAS Levy, Destination Inspection Fees, Withholding Tax Liabilities on Suppliers and Special Import Levy for the implementation of the phase II of the dedicated Secured Communications Systems for Ghana's Public Administration and Emergency Services (the "project") amounting to *circa* **Thirty Five Million, Seven Hundred and Ninety Four Thousand, Five Hundred and Three United States Dollars (US\$35,794,503.00)**.

It may be recalled that Cabinet at its Seventh Meeting held on Thursday 11th July, 2013 approved by Resolution a joint Memorandum by the Ministers of Finance and Communications on the said Credit Facility for US\$123,409,273.10 (One Hundred and Twenty-Three Million, Four Hundred and Nine Thousand, Two Hundred and Seventy-Three United States Dollars and Ten Cents) from the Government of the People's Republic of China through a Preferential Buyer's Credit of the Export Import Bank of China to implement Phase II of the Project to be executed by ZTE Corporation of China.

In a letter dated 27th November, 2013, Executive approval has been obtained for the said waivers to be laid before Parliament.

It is worth noting that the span of work under the Phase II of the Global Open Trunking Architecture (GOTA) Communication Network covers the extension of the GOTA services to the rest of the country to enhance the coverage performance of the existing areas and also provide a seamless service all over the country.

2.0 BACKGROUND TO THE PROJECT

The GOTA Phase I network has been deployed since 2007, and running well. The Phase I of the Project covered mainly the Southern sector of the country (Greater Accra, Central, Western, Eastern, Volta, and Ashanti). The Phase I of the Project has a capacity of 50,000 lines with 72 Base Transceiver Stations (BTS) for the wireless coverage. Phase I of the Project was funded through a credit facility from the China EXIM Bank. It has been successfully completed and the services are functioning. GOTA Communication Network Phase II of the Project is outstanding.

Under Phase II of the Project 270 BTS would be deployed as part of the expansion of the project to cover the Northern part of the country (Upper East, Upper West, Brong Ahafo and Northern Regions). Additionally, the coverage in the Southern part of the country undertaken during the Phase I will be enhanced.

All the BTS provide Evolution-Data-Only (EVDO) Rev. B (the most advanced technology) service, and will also upgrade the BTS of Phase I to support EVDO Rev. B. Considering the disaster redundancy, one set of new Core Network (CN) will be deployed in Kumasi for the Phase II network expansion.

Based on the Phase II network, the total capacity will be 200,000 lines, and the system can be expanded to provide services for 3,000,000 users.

3.0 TECHNOLOGY VERSATILITY

The GOTA system is a trunking system based on Code Division Multiple Access (CDMA) 2000 technology. The system provides high-speed wireless data service, in compliance with the International Telecommunication Union (ITU) standard (ITU M.2014). The GOTA solution can accommodate many applications that cannot be achieved by other system, including visible dispatching (select members from GIS map), dispatching all members for both wired and wireless, capture and upload picture/video to command centre, Chip Scan, Finger Scan, Two-dimensional Code Scan, GPS, mobile office, etc. These applications can be used by officers in the Police, Army and related department at big events such as sports, large gathering and at customs, airports, hospitals, fire brigade, clubs and so on.

The GOTA system, as a leading trunking technology, support smooth evolution to Long Term Evolution (LTE) based trunking system named GOTA 4G. With GOTA LTE, broadband (100Mbps) can be generated to enhance the introduction of more applications such as mobile video monitor for traffic policing, accident/disaster rescue, HD picture/video transfer, remote education, remote healthcare, etc.

4.0 REGIONAL COVERAGE AND EQUIPMENT NUMBERS (PHASE I AND II)

Region	Deployed in Phase I		Expansion for Phase II	
	BTS	Microwave Repeater	BTS	Microwave Repeater
Greater Accra	16	1	8	1
Central	9	3	19	5
Western	19	3	43	8
Eastern	12	4	34	7
Volta	4	1	27	5
Upper East	0	-	10	2
Upper West	0	-	25	4
Ashanti	12	2	17	3
Brong Ahafo	0	-	31	4
Northern	0	-	56	13
Total	72	14	270	52

Source: MoC

5.0 ATTRIBUTION OF THE PROJECT/SYSTEM

The GOTA System when fully functional will have countrywide coverage with the following attributes:

- ✓ Serving the individual and separate communication needs of the administration and service delivery requirements of Government, including MDAs.
- ✓ Providing a common communication platform for all MDAs down to the District Level.
- ✓ The Project will enhance countrywide reaction time to emergencies drastically.
- ✓ The Network is scalable and capable of being expanded to the capacity of 200,000 subscribers or more, depending on demand.
- ✓ With the completion of the project, the cost of Government communication will be cut down considerably.
- ✓ The project will also improve the efficiency of the user agencies through End-to-End encryption technology, high speed data and voice communication.

6.0 FINANCING DETAILS

The purchase and installation of the Dedicated Secured Communication System for Ghana's Public Administration Emergency Services will be financed with a Preferential Buyer's Credit from the Government of the People's Republic of China through the Export Import Bank of China.

6.2 The terms of the credit facility are summarized as follows:-

- | | | | |
|------|------------------|---|--|
| i. | Loan Amount | - | USD123,409,273.10 |
| ii. | Interest Rate | - | 2% per annum |
| iii. | Repayment Period | - | Twenty (20) years |
| iv. | Grace Period | - | Five years from the effective date of the Loan years |
| v. | Management Fee | - | 1% |
| vi. | Commitment Fee | - | 0.75% per annum |

7.0 DURATION

The Project (Phase II) is expected to be completed in 12 months after commencement of the work.

8.0 OBLIGATION OF THE GOVERNMENT OF GHANA

Under Article 7 of the Supply Contract Agreement dated October, 2011 which was entered into between the Government of Ghana (represented by the National Security Council) and the ZTE Corporation, China, the Government of Ghana shall be responsible for taxes that are applicable within the shores of Ghana.

Consequently, the Ministry of Communications through the Ministry of Finance is seeking for tax exemptions on supplies under the contract Agreement as provided for under Article 174 (2) of the Constitution to enable the full amount of the facility to be committed to the project.

9. TAX ASSESSMENT BY THE GHANA REVENUE AUTHORITY

On the request of the Ministry of Finance in a letter dated 16th September, 2013, the Ghana Revenue Authority has assessed the tax liability on supplies under the project amounting to *circa* US\$35,794,503. This amount constitutes 29% of the Facility amount.

10. CONCLUSION

In view of the requirement of the Contract Agreement and under Article 174 (2) of the Constitution, Hon. Members of Parliament are kindly requested to consider and approve the request for the waiver of the tax liability on the Supply Contract for the implementation of the phase II of the Dedicated Secured Communications Systems for Ghana's Public Administration and Emergency Services (the "project") amounting to *circa* **Thirty Five Million, Seven Hundred and Ninety Four Thousand, Five Hundred and Three United States Dollars (US\$35,794,503.00)**.



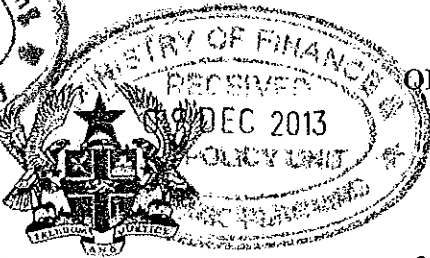
HON. SETH E. TERKPER
MINISTER OF FINANCE

ATTACHMENTS

- i. Executive Approval for Tax Exemptions on equipment & Materials for the Project
- ii. GRA Tax Liability Assessment on the Supply Contract
- iii. Relevant Section(s) of the Contract Agreement
- iv. Parliamentary Approval for the Credit Facility
- v. Application Letter from the Ministry of Communications

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In case of reply the number and date of this letter should be quoted.



OFFICE OF THE PRESIDENT
P.O. BOX 1627
ACCRA

My Ref. No
Your Ref. No

OP/CA 12/12

CONFIDENTIAL

FREEDOM AND JUSTICE

27TH NOVEMBER, 2013

THE WAIVER OF IMPORT DUTIES AND TAXES ON MATERIALS AND EQUIPMENT INCLUDING OTHER RELATED TAXES FOR PHASE II OF THE DEDICATED SECURED COMMUNICATIONS SYSTEMS FOR GHANA'S PUBLIC

I refer to your letter dated 5th November, 2013 on the above subject.

2. H.E. The President has granted Executive Approval for the waiver of Customs Duties, VAT, EDIF, ECOWAS Levy, Destination Inspection Fees, Withholding Tax Liabilities on Local and Foreign suppliers and other project related imposts for the implementation of the phase II of the dedicated Secured Communications Systems for Ghana's Public Administration and Emergency Services(the "project") amounting to **Thirty Five Million, Seven Hundred and Ninety Four Thousand, Five Hundred and Three United States Dollars (US\$35,794,503.00)**

3. I would be grateful if you could take requisite action on the decision.

*JM(F)/ES
fse fpa
27/11/13*

Roger K. Angsomwine
ROGER K. ANGSOMWINE
SECRETARY TO THE CABINET

HON. MINISTER FOR COMMUNICATIONS
HON. MINISTER FOR FINANCE

*Phenop
fse
2/12/13
fcs*

Cc: Chief of Staff
Secretary to the President
Secretary to the Vice President

Heed TPU / Dr. L.S

*Pse fpa - admin AR
10/12/13*

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In case of reply the number and date of this letter should be quoted

MINISTRY OF FINANCE
P. O. BOX MB 40
ACCRA

Our Ref. TPU/GRA-EXEMPT/015

Your Ref.

Tel No: 0302661616/ 686101-5



REPUBLIC OF GHANA

16th September, 2013

REQUEST FOR TAX ASSESSMENT

PHASE II OF THE DEDICATED SECURED COMMUNICATIONS SYSTEMS FOR GHANA'S PUBLIC ADMINISTRATION AND EMERGENCY SERVICES

Cabinet at its Meeting held on 11th July, 2013, approved for the Sourcing of a Credit facility of USD 123,409,273.10 from the Government of the People's Republic of China through a Preferential Buyer Credit of Export Import Bank of China to implement Phase II of the Dedicated Secured Communications System for Ghana's Public Administration and Emergency Services.

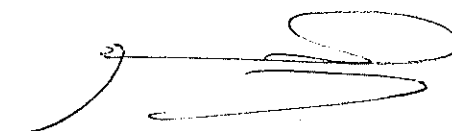
2. The Project is to be executed by ZTE Corporation of China. The Ministry of Communication *has formally applied to the Ministry of Finance to Parliament* for waiver of Customs Duties, fees and other applicable charges and fees. Finance Committee sits on the request tomorrow.

3. The Contractor through the Ministry of Communication has submitted the master list of equipment and items to be imported under the Agreement for which the tax assessment is required.

4. Following the above, I am directed by the Hon. Minister of Finance to forward the *attached Master List for the project* to the GRA (Customs Div.) for computation of the tax liability position of the project.

5. *We also wish to request the GRA to nominate an Officer with expertise in tax computation to be present at Parliament tomorrow, Tuesday, 17th September, 2013 at 11.0 am to answer questions that may arise on similar GRA assessment for the REP project by the Ministry of Trade.*

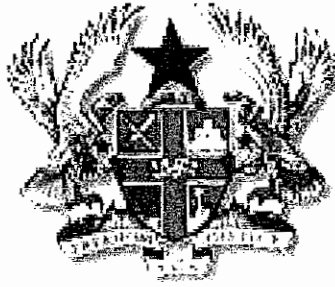
6. Please treat as urgent.


DR. EDWARD LARBI-SIAW
TAX POLICY ADVISOR
for: MINISTER

**THE COMMISSIONER-GENERAL
GHANA REVENUE AUTHORITY, ACCRA**

(ATTN. Commissioner, customs)

CC: Hon. Minister, MoF
Hon. Minister Ministry of Communication
Chief Director, MoF
Chief Director, Ministry of Communication, Accra



SUPPLY CONTRACT
FOR
Dedicated Security Information System

BETWEEN

The Government of Ghana
(Represented By Ministry of Communications)

AND

ZTE Corporation, China

CONTRACT NO.

2013



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(d) Full set insurance certificate;

Each letter of credit shall be established by the Purchaser through a bank acceptable to the Contractor, subject to Uniform Customs and Practice for Documentary Credits, No. 500(ver.1993) established by the International Chamber of Commerce.

ARTICLE 7: TECHNICAL DUE DILIGENCE

Both parties agree that the Purchaser shall conduct a technical due diligence to appraise the Contractor's proposal agreed to before implementation of same.

ARTICLE 8: VALUE FOR MONEY AUDIT

- 8.1 The Contractor has agreed to cooperate closely with the Purchaser on a value for money audit.
- 8.2 The Contractor agrees that if any savings accrue from the value for money audit, the Purchaser reserves the right to determine how the savings will be applied.

ARTICLE 9: INDEPENDENT ENGINEER(S)

- 9.1 Both parties agree to the engagement of an independent engineer(s) (a third party firm) to validate what has been agreed by the parties during implementation of the project. The terms of reference for the independent engineer(s) will be agreed by both parties and cost borne under this Project.
- 9.2 If equipment, services or components are delivered the independent engineer will from the commencement of the project certify the said equipment, services or components in accordance with this Agreement.

ARTICLE 10: TAXES

The Contractor shall undertake to pay the taxes, customs duties, harbor charges, and other expenses related to this Contract inside the mainland of China except as otherwise agreed elsewhere in this Contract. The Purchaser shall undertake to pay all taxes, customs duties, and other expenses related to this Contract except as otherwise agreed elsewhere in this Contract outside the mainland of China.

ARTICLE 11: DELIVERY

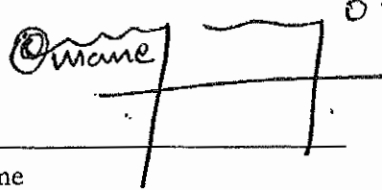
- 11.1 The Contractor shall ship the equipment and related material within one hundred and eighty (180) Days after receipt of advance payment by the Purchaser as specified in Article 6 of this Contract.
- 11.2 The Contractor shall mark on each package with fadeless paint the Contract number, gross weight, measurement, serial number of package, port of destination and the necessary cautions such as the words: "KEEP AWAY FROM MOISTURE", "HANDLE WITH CARE", "THIS SIDE UP", or similar indicative marks or expressions.
- 11.3 The Property and risk in the equipment shall reside in the Contractor until they are finally delivered and handed over to the Purchaser.

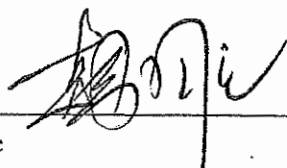


IN WITNESS WHEREOF, the Parties hereto have executed this Contract as of the day and year herein above set forth.

For and on behalf of:
The Government of Ghana

For and on behalf of:
ZTE CORPORATION

By 
Name


By 
Name

DR EDWARD KOFI OMANE BOAMAH
Title

HAN GUOQIANG
Title

MINISTER
MINISTRY OF COMMUNICATIONS
P. O. BOX M 38
ACCRA


V.P

Witness 

Witness 

Name: ISSAH YAHAYA
Title: DIRECTOR/PPMG
Date: 15/11/2013

Name: WEI XIANQIANG
Title: Regional M.D
Date: 2013.11.15

Witness 

Name: ACHAAH YAHAYA MATTAMA
Title: DIRECTOR
Date: 15/11/2013

EMOB