

**JOINT MEMORANDUM TO PARLIAMENT**

**SUBMITTED BY**

**THE HON. MINISTER FOR FINANCE AND ECONOMIC PLANNING**

**AND**

**THE HON. MINISTER FOR LOCAL GOVERNMENT AND RURAL  
DEVELOPMENT**

**AND**

**THE HON. MINISTER FOR FOOD AND AGRICULTURE**

**FOR THE**

**CREDIT AGREEMENT BETWEEN THE ACCRA COMPOST PLANT**

**GHANA LIMITED**

**AND STANDARD CHARTERED BANK**

**DATE**.....14/12/2011.....



## **1. Purpose**

Honourable Members of Parliament are hereby humbly invited to consider and approve for Government to provide security guarantee for a medium term loan facility totalling **GH¢80.00 million** from Standard Chartered Bank Ghana Limited to Accra Compost Plant Ghana Limited. This amount is required to complete the construction of two compost plants in Accra, which will utilise solid waste materials and human waste sludge from Accra and Tema Metropolitan areas and parts of the Eastern and Central regions.

## **2. Background information**

At its thirtieth meeting, held on Wednesday 9<sup>th</sup> November, 2011, Cabinet considered a memorandum jointly submitted by the Ministers for Finance and Economic Planning, Local Government and Rural Development and Food and Agriculture. The memorandum invited Cabinet to grant security and sovereign guarantee for a medium term loan facility for the construction of two compost plants in Accra, which will utilise solid waste material and human waste sludge from Accra and Tema Metropolitan areas, and parts of the Eastern and Central regions.

The compost plant, considered as an ultimate solution to waste management problems in the country will replace the use of landfills and significantly reduce the cost of transporting solid waste and human waste sludge to landfills. The facility is valued at GH¢80 million and will be provided by the Standard Chartered Bank Ghana Limited.



Over the years the country has depended on landfills for final disposal of waste. Currently, many landfills have been decommissioned while the remaining few have exhausted their capacity. This situation is further aggravated by rigid environmental restrictions, zoning laws, and rapid expansion of human settlements. As a result very few landfills are now available to contain the enormous refuse/waste generated by the ever increasing spate of human activity and urbanization. Indeed, municipal waste, including organic solid waste and human waste sludge, continue to flow in greater volumes.

Handling waste streams have become a major problem for most MMDAs. With more waste created daily, landfills nationwide are rapidly facing capacity crisis. Thus, in the not too distant future, existing landfills will no longer be able to accept it. Additionally, it will be very impractical, and cost prohibitive, to transport solid waste to the few working landfills. Therefore, options and avenues for disposing of municipal solid waste and human waste sludge will inevitably become very limited, which means disposal will become significantly much more costly.

### **3. Ownership and Management Structure**

The Accra Compost Plant Ghana Limited have been designed in line with the principles of Public Private Partnership Arrangement. This arrangement is predicated on international best practices where compost plants are usually owned and operated by municipal authorities and government waste management agencies. In our case, for some time now, efforts to establish compost plant has met a lot of challenges, particularly where private companies have not been successful in providing the needed finance and capital to partner Government.



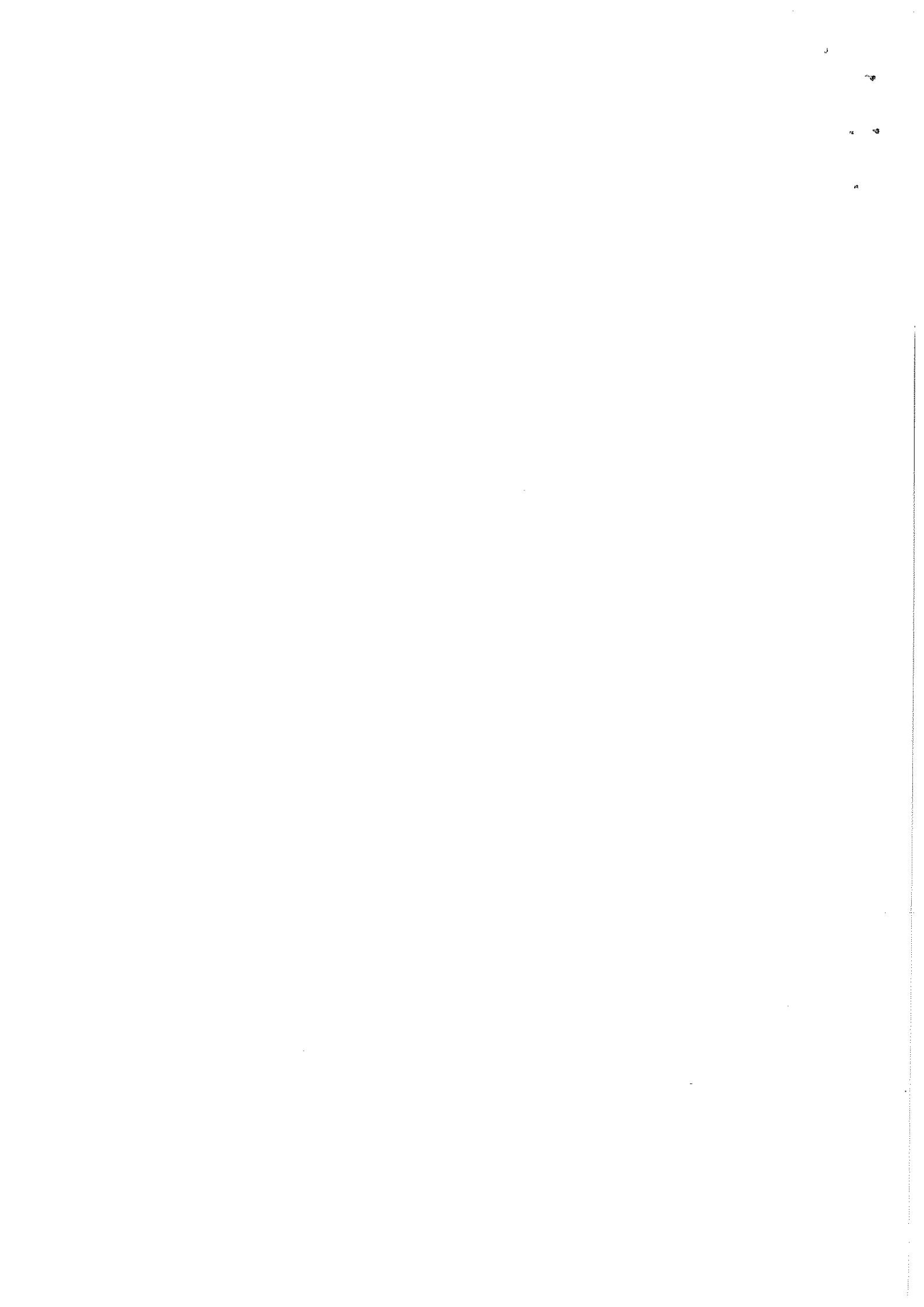
It is against this backdrop that the Ministry of Local Government and Rural Development (MLGRD) is partnering the private sector to establish the first compost plant in Ghana. In this arrangement, the private sector has secured lease of land (Adjen Kotoku) as well as procured part of the machinery and the infrastructure for the compost plant. Government on the other hand through the MLGRD's contribution is to make the compost plant fully operational by providing the raw materials through the solid/liquid waste generated by both household and industrial activities.

It is important to note that by law, it is only MMDAs who have legal authority to manage the collection and disposal of waste in this country and therefore Government will use this provision of waste as its contribution to feed the compost plant. With the provision of sovereign guarantee for the GH¢80.00 million loan facility, Government is set to have a leading ownership role of the compost plant. The MLGRD will have full oversight responsibility for the operations and management of the compost plant.

A Memorandum of Understanding (MoU) to this effect has been developed.

#### **4. Scope of Financing and Implementation**

Discussions have already been held with the management of Standard Chartered Bank and have agreed to provide financing to cover the construction, equipment and working capital for the Plant.





## **5. Justification of project financing**

In recent times the state of waste management and environmental sanitation in the country has become very precarious and is partly due to poor management and lack of sustainable final disposal sites. Indeed, the present use of the landfill system as the only way of waste disposal has proved very unsustainable and this is clearly manifested in the exhaustion of such facilities in almost all the big metropolis in the country.

This present situation has compounded the problems faced by waste collecting companies, especially regarding disposal of solid waste and human waste sludge. Added to this is the alarming cost of waste disposal and the associated effect on Government budget. Also, the impact of landfills on the health of local residents has led to resistance against sitting of landfills in most communities. The recent leaching issues around the Sabah landfill area are still very fresh in our minds.

It is also disheartening to note that the country has fared abysmally in our quest towards achieving the Millennium Development Goals (MDGs) on waste management and sanitation due to these lingering issues.

The Accra Compost Plant Ghana Limited will therefore solve these problems and offer the needed waste management solutions to MMDAs within the Greater Accra, Eastern and parts of the Central region by accepting the waste at a nominal charge and recycling them into useful products.



## 6. Benefits of the Compost Plant

The Accra Compost Plant will process more than 900 tonnes of solid waste in an eight-hour two shift system per day in the first two years and thereafter between 900 to 1200 tons per day.

Indeed, the project serves as a key component of the “Better Ghana Agenda” and in consonance with the NDC’s manifesto of eliminating the filth and stench in our entire metropolis.

Key benefits of the project include following:

- Effective waste conveyance through railway system
- Eventual elimination of landfill dump sites
- Compost/Eco-fertilizer production for supply to farmers and for other purposes
- Recycling of waste materials for re-use in other sectors of the economy
- Waste-to-energy technology
- Sludge treatment and dewatering
- Training of technocrats in waste management
- Employment generation (about 1,000 hands at the start of operations), Etc.

The Accra Compost Plant Ghana Limited will enter into an Off-Take Agreement with the Government of Ghana, represented by the Ministries of Local Government and Rural Development and the Ministry for Food and Agriculture (MOFA).

The MLGRD will undertake to guarantee the payment of fees for accepting all the solid wastes and human waste sludge accepted by the Accra Compost Plant.



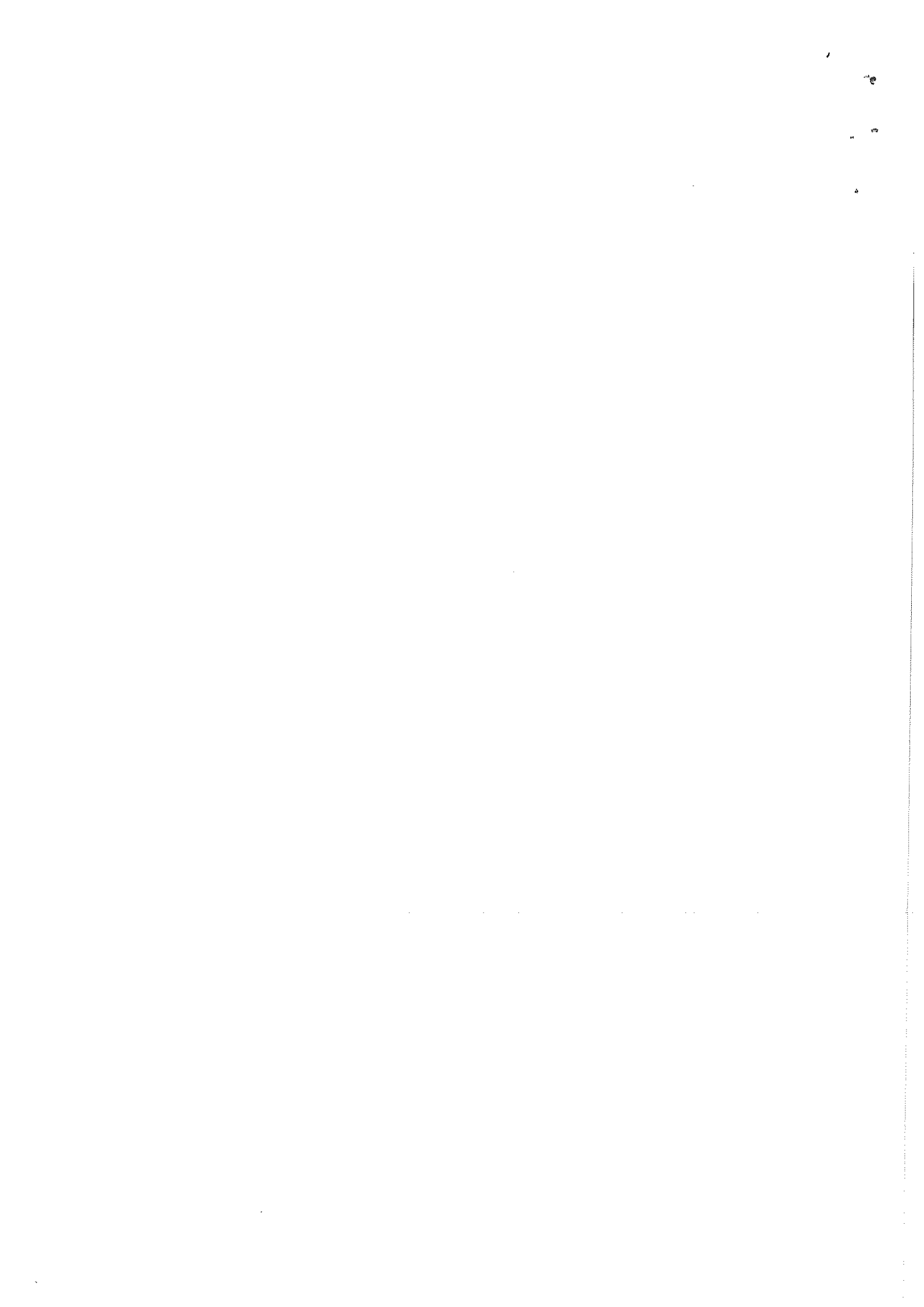
The MOFA will undertake to buy as subsidy for farmers, including cocoa, cereal and horticultural producers, Eco-Fertilizers and composts produced by the Accra Compost Plant Ghana Limited.

The company's operations will help clean the environment and also reduce Greenhouse Gases (GHG) emission. An agreement has already been put in place with the Standard Chartered Bank Limited to take advantage of Clean Development Mechanism (CDM) project activity pursuant to Article 12 of the Kyoto Protocol as well as all other relevant International Rules.

## **7. FINANCING STRUCTURE FROM SCB**

The terms of the facility are as follows:

<b>Loan Amount</b>	<b>:</b>	<b>GH¢80.00 million</b>
<b>Interest rate</b>	<b>:</b>	<b>SCB Bank Base Rate (currently 18.0%) per annum</b>
<b>Grace period</b>	<b>:</b>	<b>12 months</b>
<b>Repayment period:</b>		<b>48 months</b>
<b>Maturity period</b>	<b>:</b>	<b>60 months</b>
<b>Arrangement fee</b>	<b>:</b>	<b>1.0% flat</b>
<b>Management fee</b>	<b>:</b>	<b>0.50% flat</b>

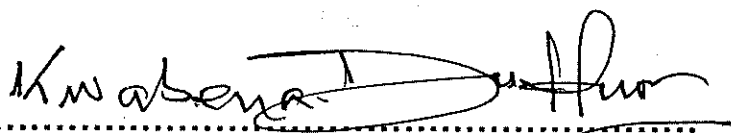


## 8. Conclusion

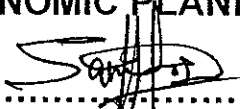
The Accra Compost Plant Ghana Limited have come at an opportune time. City Mayors, Municipal and District Chief Executives can have relieve over extended municipal budgets, prevent the contamination of drinking water, and help farmers build healthier soils by recycling garbage back to farms. It is worthy to note that worldwide consumption of compost in the commercial market is growing due to people looking for a more organic or natural substitute for traditional chemical fertilizers.

## 9. Action required

Honourable Members of Parliament are requested to consider and approve in accordance with the provisions of Article 181 of the 1992 Constitution and Sections 3 and 7 of the Loans Act (Act 335), 1970, for Government to grant security and guarantee for the medium term loan facility totalling **GHC80.00 million** from Standard Chartered Bank Ghana Limited to Accra Compost Plant Ghana Limited approve the financing offer as stated above.



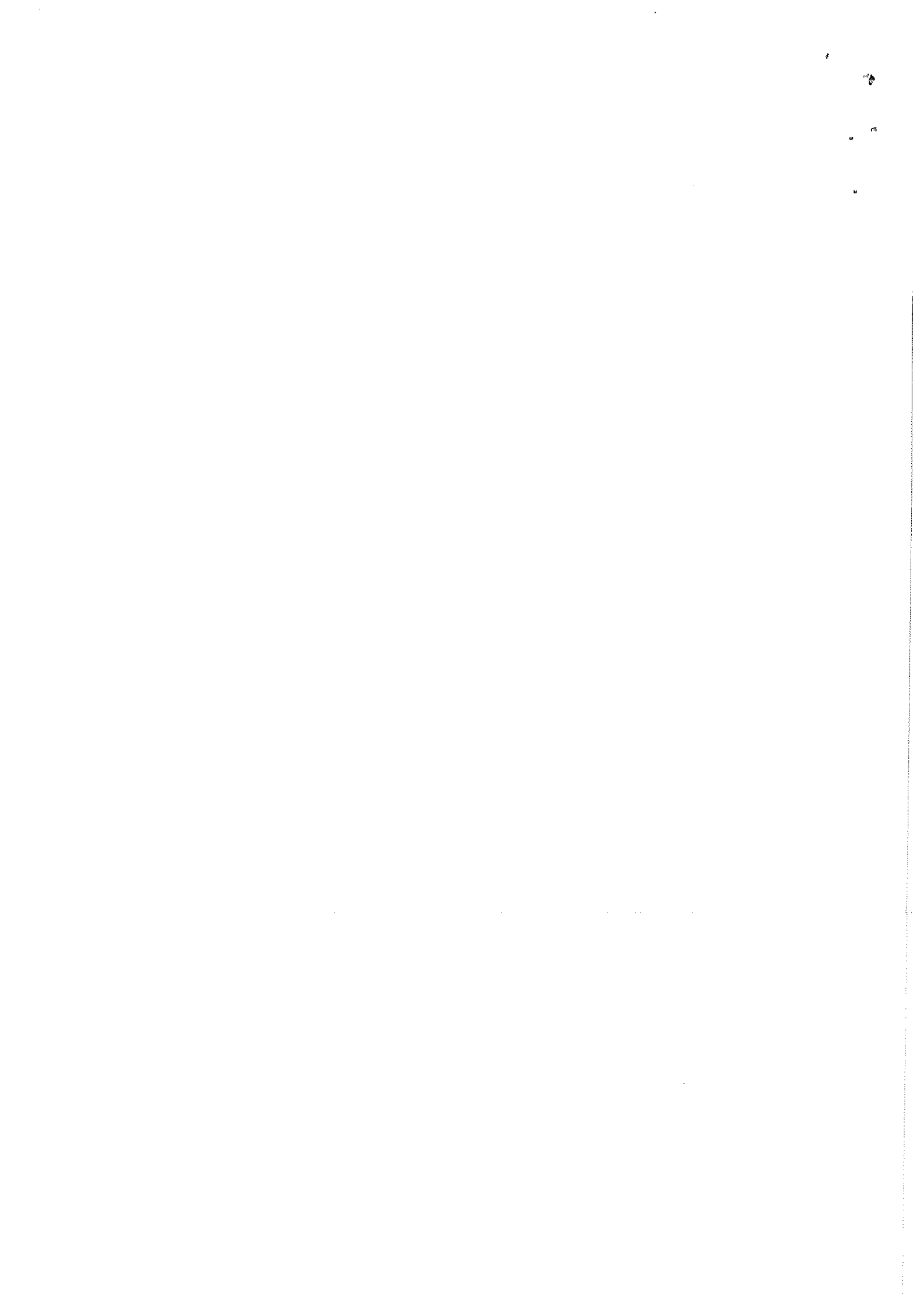
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**HON. DR. KWABENA DUFFUOR**  
**MINISTER FOR FINANCE AND**  
**ECONOMIC PLANNING**



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**HON. SAMUEL OFOSU-AMPOFO**  
**MINISTER FOR LOCAL GOVERNMENT AND RURAL**  
**DEVELOPMENT**

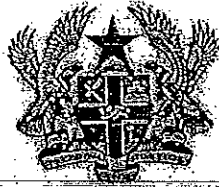


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**HON. KWESI AHWOI**  
**MINISTER FOR FOOD AND AGRICULTURE**





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/176 v.2

REPUBLIC OF GHANA

5<sup>th</sup> December, 2011

## CONFIDENTIAL

### EXECUTIVE APPROVAL ON THE PROVISION OF A GUARANTEE BY THE GOVERNMENT OF GHANA TO COVER CREDIT AGREEMENT BETWEEN THE ACCRA COMPOST PLANT AND STANDARD CHARTERED BANK

I refer to your letter No. MOFEP/CABINET/003 dated 21<sup>st</sup> October, 2011 on the above subject.

2. H.E. the Vice President has on behalf of H.E. the President given Executive approval for government to grant security and guarantee for a loan facility of an amount of GHC80million to complete the construction of two compost plants in Accra, which will utilise social waste materials and human waste sludge from the Accra Metropolitan Area, Tema Metropolitan Area and parts of Eastern and Central Regions.

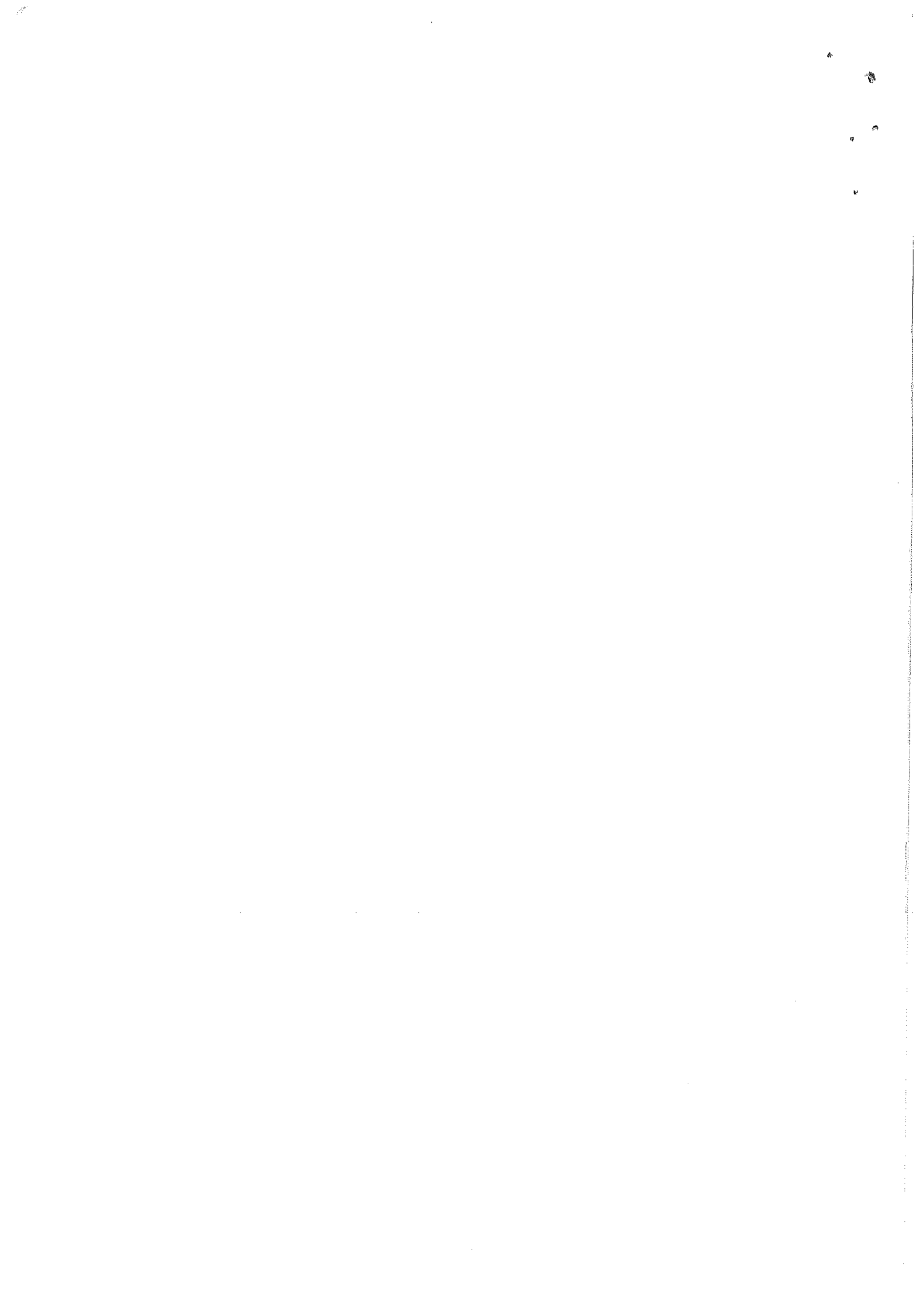
3. You are requested to kindly process the Credit Agreement for Parliamentary approval.

4. I should be grateful if you could take requisite action on the decision.

BEN C. EGHAN  
SECRETARY TO THE CABINET

THE HON. MINISTER FOR FINANCE  
AND ECONOMIC PLANNING

cc: Secretary to the President  
Secretary to the Vice President  
Chief of Staff  
Hon. Minister for Food &  
Agriculture  
Hon. Minister for Local  
Government and Rural Development



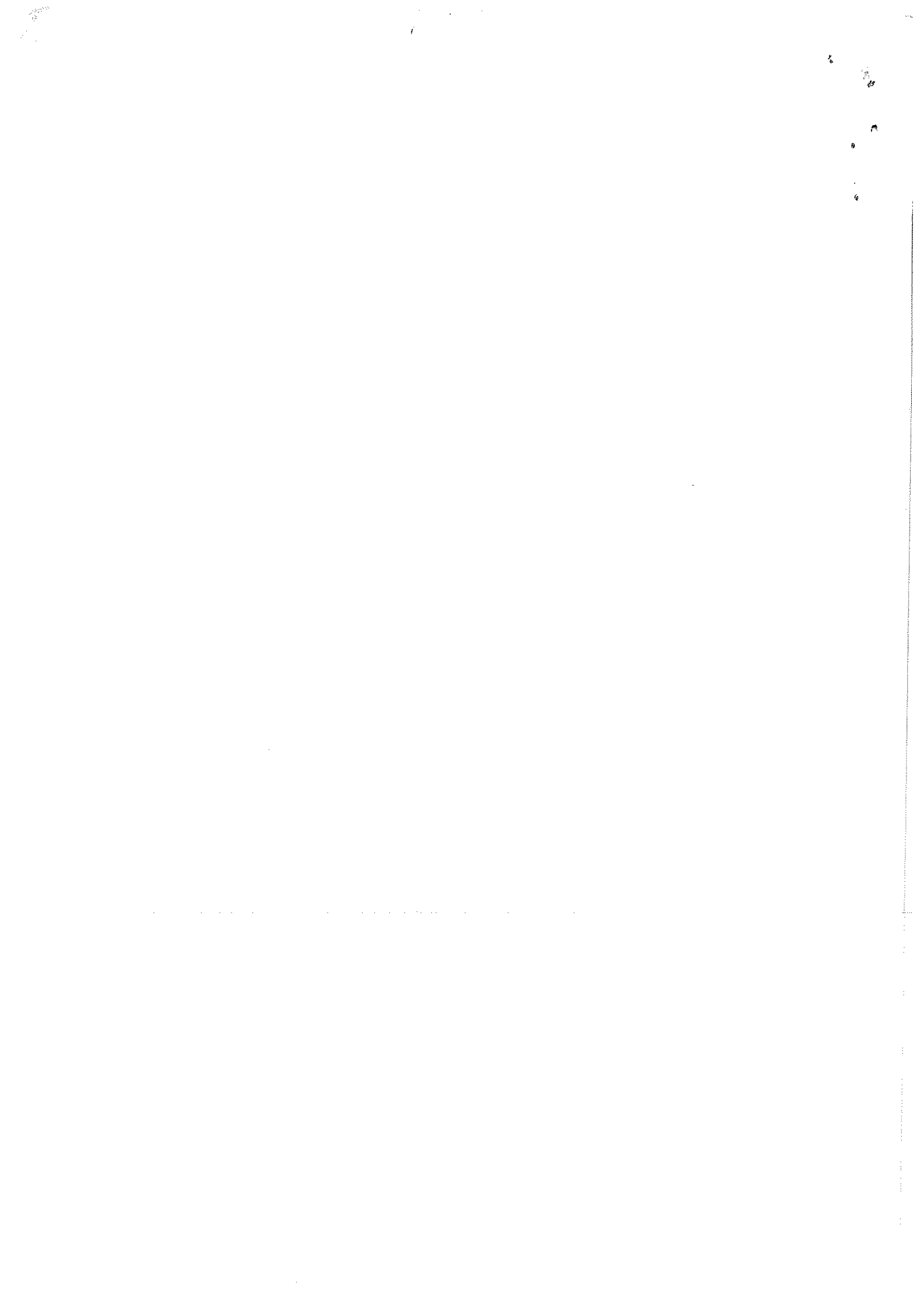
DISCUSSION PAPER

INDICATIVE TERMS & CONDITIONS

*This summary of indicative principal terms and conditions (the "Indicative Term Sheet") is not meant to be, nor shall it be construed as, an attempt to define all of the terms and conditions of the Facility. Rather, it is intended to outline certain basic points of business understanding upon which the financing contemplated herein would proceed. Neither Standard Chartered Bank nor any of its affiliates and/or their directors, officers, employees ("SC Group") owe any fiduciary or other duties to the Borrower or any other person and the SC Group may be involved in other transactions and services with clients who may have conflicting interests with the Borrower or any other person. It should be understood that this Indicative Term Sheet does not constitute or give rise to any obligation on the part of the SC Group to arrange, underwrite or provide or commit to arrange, underwrite or provide any financing, including the Facility; any such obligations would arise only upon a satisfactory due diligence process, our internal credit approval and would be documented under separate written agreements acceptable to the SC Group. This document is strictly confidential. The contents of this document shall not be disclosed to any third party without the prior written consent of Standard Chartered Bank.*

<b>Facility:</b>	Medium-Term Loan Facility (the "Facility")
<b>Total Facility Amount:</b>	Up to GHS80 million in the form of Facility A and B as described below. The aggregate outstanding under Facility A and Facility B shall not be more than the Total Facility Amount.
<b>Borrower:</b>	Accra Compost & Recycling Plant Ltd ("ACRPL")
<b>Lender:</b>	Standard Chartered Bank, London ("SCB")
<b>Security Trustee:</b>	Standard Chartered Bank Ghana
<b>Purpose:</b>	The proceeds of the Facility will be used by the Borrower to finance the construction of two compost plants in Ghana (the "Plant").
<b>Arrangement Fee:</b>	1% on the Facility Amount payable to the Arranger upon signing.
<b>Management Fee:</b>	0.5% on the Facility Amount payable to the Arranger upon signing.

<b>Facility</b>	
<b>Facility Type:</b>	Medium Term Facility ("MTL")
<b>Purpose:</b>	To re-finance drawings under Facility A and to finance construction and service costs related to the construction of the Plant
<b>Amount:</b>	Up to GHS80 million.
<b>Tenor:</b>	60 months from the Completion of Conditions Precedent (the "Effective Date").
<b>Repayment:</b>	The Facility will be repaid in 48 consecutive, monthly repayments commencing on the thirteenth month from the Effective Date.
<b>Interest Rate:</b>	18% per annum subject to periodic resetting based on the GHS rate provided by SCB Ghana for transactions of a similar nature and term

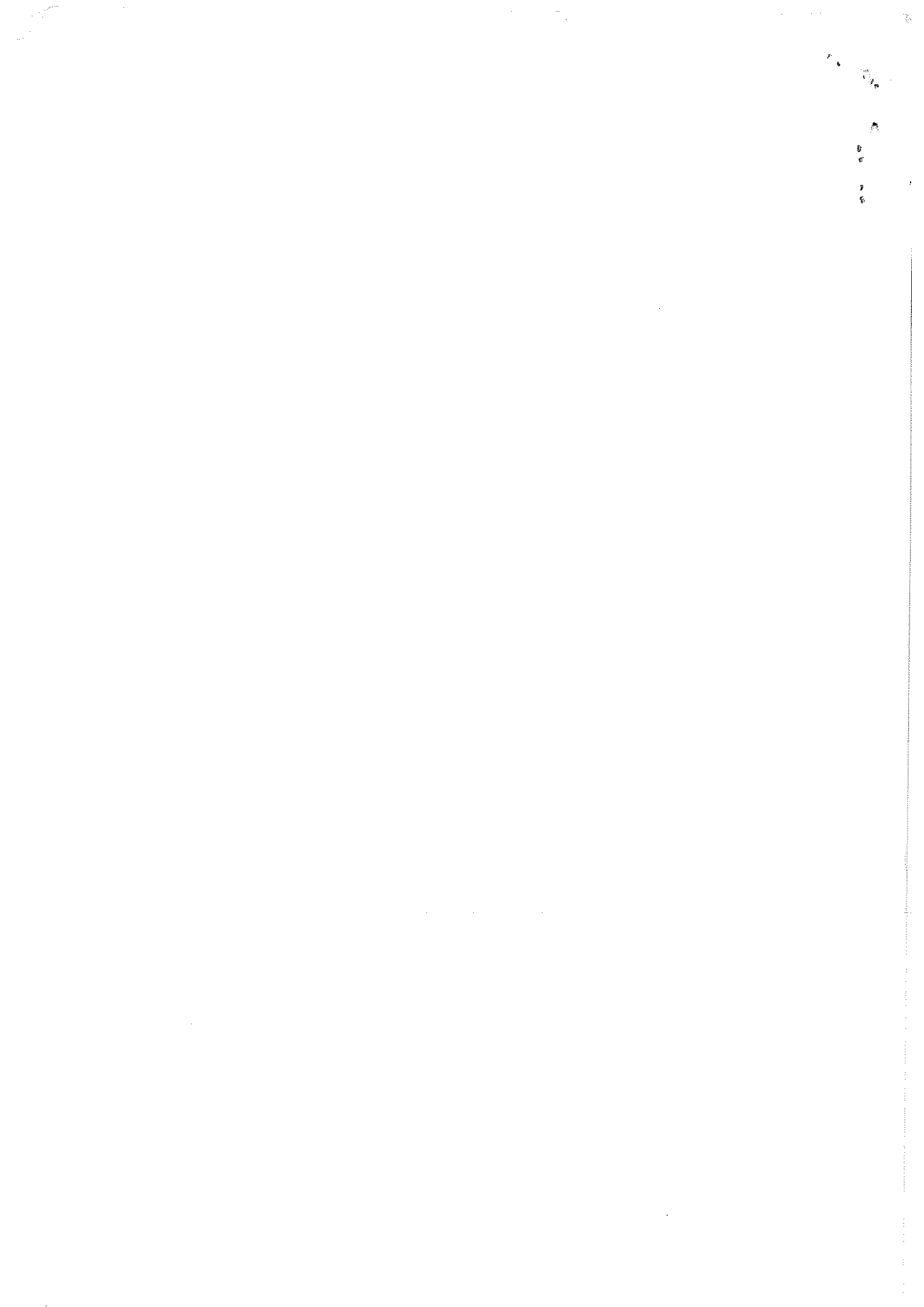


<b>Interest Period:</b>	1- month
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<b>Common Terms</b>	
<b>Availability:</b>	<p>The Facility will be available for drawdown for 12 months from the Effective Date (the <b>Availability Period</b>). Any amount undrawn at the end of the period will be cancelled and the Facility Amount reduced accordingly.</p> <p>Drawings under the Facility will be subject to the completion of Conditions Precedent for the Facility and no default being outstanding.</p>
<b>Utilization:</b>	<p>Requests for utilization must be received by 11.00am (London time) at least two (2) business days before the date of the proposed utilisation.</p> <p>Utilization will only be permitted (i) upon presentation of valid proforma invoices and or evidence of the utilization of funds vis a vis equipment and services purchases provided by the company and or its auditors and (ii) to refinance LCs issued under Facility A.</p>

<b>Debt Service Reserve Account:</b>	<p>The Borrower will maintain a Debt Service Reserve Account ("DSRA") with the Security Trustee and undertake to deposit into the DSRA at all times during each quarter, an amount that is at least equal to total interest due during the quarter plus 1 month's principal repayment.</p> <p>For the purpose of calculating the minimum DSRA balance, the interest due for each quarter will be calculated based on the Interest Rate currently prevailing for the Facility..</p>
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<b>Representations and warranties:</b>	<p>Usual for this type of facility, including, but not limited to:</p> <ul style="list-style-type: none"> <li>o Status of Borrower;</li> <li>o Power and authority;</li> <li>o No undisclosed amendments to constitutional documents;</li> <li>o Non conflict with laws or any other documents;</li> <li>o Authorisations;</li> <li>o Title to assets, subject to permitted and disclosed liens;</li> <li>o No immunity;</li> <li>o Full disclosure/ no misleading information/ accuracy and completeness of financial statements;</li> <li>o Compliance with tax laws and payment of tax liabilities;</li> </ul>
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liabilities with its assets.

2. The Borrower has full power, authority and legal right to enter into and perform its obligations under the Loan Agreement and has taken all necessary action to authorize the signing, delivery and performance of the Loan Agreement and \_\_\_\_\_ has been duly authorized and has the power to sign the Loan Agreement on behalf of the Borrower.
3. The Loan Agreement has been duly signed by the Borrower, and constitutes legal, valid and binding obligations of the Borrower enforceable in accordance with its terms.
4. The signing, delivery and performance of the Loan Agreement by the Borrower do not violate or conflict with or result in a breach of any law or regulation of the Republic of Ghana.
5. All authorizations and consents of any authority in the Republic of Ghana required in connection with the signing, delivery and performance of the Loan Agreement by the Borrower have been obtained and are in full force and effect, including making payments in foreign currencies under the Loan Agreement and making the Loan Agreement admissible in evidence in the courts of the Republic of Ghana.
6. No registration fee or similar tax is payable in the Republic of Ghana in respect of the Loan Agreement by the Borrower and the Lender except that stamp duty is payable in respect of the Loan Agreement by each of the Borrower and the Lender at the currently applicable rate of \_\_\_\_\_%, and we are satisfied that all stamp duty payable under the Loan Agreement has been paid in full. No withholding would be made in respect of any payment to be made by the Borrower to the Lender under the Loan Agreement.
7. The signing and performance of the Loan Agreement by the Borrower constitute commercial acts, and the declaration that the Borrower shall not have any right of immunity in connection with any proceedings or any enforcement of an arbitral award or court decision on the grounds of sovereignty or otherwise is valid and irrevocably binding on the Borrower.



8. The payment obligations of the Borrower under the Loan Agreement rank at least pari passu with all its other unsecured and unsubordinated indebtedness except those which are mandatorily preferred by operation of Ghanaian law.

9. The choice of Chinese law as the governing law under the Loan Agreement is a valid choice of law. The submission of any dispute arising out of or in connection with the Loan Agreement by the Borrower to China International Economic and Trade Arbitration Commission for arbitration under the Loan Agreement does not contravene any law of the Republic of Ghana. The appointment by the Borrower of a process agent in China does not violate any provision of any law or regulation of the Republic of Ghana.

10. The Lender is not and will not be deemed to be resident, domicile or having an establishment in the Republic of Ghana by reason only of the execution, delivery, performance and/or enforcement of the Loan Agreement.

This legal opinion is strictly limited to the matters stated herein and may be relied upon only by you in respect of the captioned matter. It may not be relied upon for any other purposes and may not be disclosed to any other persons without our consent.

Yours faithfully,

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