



# NEW PATRIOTIC PARTY

Headquarters, Private Mail Bag, Accra-North, Ghana

Tel: +233 21 227 737 / 229 030 / 228 104 Fax:

+233 21 229 048

Email: [npp@africaonline.com.gh](mailto:npp@africaonline.com.gh)

PRESS STATEMENT  
June 2010

29th

## **THE KOREAN HOUSING DEAL**

Over the last couple of months, the Atta-Mills led Government has been working on a US\$10 billion affordable housing deal with STX Korea for the construction of 200,000 homes across Ghana in the next five years. That puts the average cost of each house at US\$50,000. The NDC Government claims that this deal is the best answer to the over one million housing deficit Ghana faces.

For some strange reason, the financial and implementation details of the deal have been shrouded in so much secrecy. Not even the deal agreements currently before Parliament for approval answer the most important questions about this intransparent transaction. And the haste with which the Mills Administration wants to push this deal through before the public is able to discuss its implications on the economy and the country is most disturbing. It may interest the public to know that this was one of the reasons Parliament was recalled from recess recently.

Understandably, the public and various civil society groups have kicked against the deal. The Ghana Real Estate Developers Association (GREDA) and the built environment professionals such as Architects, Engineers, Planners, Surveyors have all condemned the deal.

The NPP has done independent research into the transaction and can state that while we support any genuine effort to provide accommodation for our security personnel, this particular deal is bad through and through. We share the concern of the public and call on Parliament to suspend approval for the Supplier's Credit Facility Agreement in order for Government and Parliament to do better due diligence, and also to explore other options that will ensure greater participation of our local real estate industry and better value for money.

We start by stating categorically that the NPP, with our ideology in property-owning democracy, will support the Mills administration to provide affordable houses for Ghanaians and our security agencies. The NPP, during our eight years in government, committed substantial resources to address the nation's housing shortage with GH¢30 million (¢300 billion) for the construction of affordable homes across the country. AND ALL THE CONTRACTORS WERE GHANAIAN CONTRACTORS. We also created a conducive business environment for the Ghanaian private sector to provide an average of 40,000 homes a year.

The NPP Government under its affordable housing programme began the construction of a total of 3500 flats at Borteyman and Kpone in the Greater Accra Region (1,500 flats), Asokore-Mampong in the Ashanti Region (1,192 flats), Koforidua in the Eastern Region (400 flats), Tamale in the Northern Region (400 flats), and additional 1500 affordable housing units were planned to commence in Sekondi, Takoradi, Sunyani, Cape Coast, Wa, Bolgatanga and Ho by 2009.

The NPP also instituted a rural housing scheme for cocoa farmers starting in Enchi in the Aowin-Suaman District, Afranse in the Wassa Akropong District, and Yawmatwa in the Bia District all in the Western Region. We again initiated a housing scheme for civil servants with a US\$10 million facility placed with the Housing Finance Corporation (HFC). All these affordable houses were built by Ghanaian contractors for Ghanaians, with support from the NPP Government.

The NPP does not oppose the provision of 200,000 affordable homes for Ghanaians. But we oppose this particular deal for the following reasons:

## **1. IT DOES NOT PROMOTE OUR LOCAL INDUSTRY AND ECONOMY**

Under the agreement currently before Parliament, STX Korea is to borrow an initial amount of US\$1.5 million to finance an initial 30,000 houses out of the 200,000 total. Ghana Government will offer sovereign guarantee to cover STX Korea in the acquisition of that loan. What this means is that should STX default in the payment of that loan, Ghanaians would have to pay back the debt.

STX Korea, its expatriate contractors, and its expatriate staff will all enjoy duty exemptions on the things and equipment they import, VAT

exemptions on the things they buy locally, and income tax exemptions on their incomes in Ghana.

Additionally, Government is providing free land for the project. And when STX builds the houses, there is an “Off-taker Agreement” that compels Ghana Government to buy the houses from STX Korea.

The New Patriotic Party is of the view that if Government provides guarantee to our local estate developers to secure funding, provides free land, and gives similar goodies and support to our local real estate developers, they can deliver 200,000 houses within the five years at lower unit cost than US\$50,000. Indeed, Ghana Real Estate Developers Association has stated categorically that given the same support, they can deliver at half the cost.

Further, the money to be secured under the guarantee of the Ghanaian tax payer will not be disbursed by any Ghanaian bank. STX Korea has insisted and the NDC Government has agreed that the funds will be disbursed through Woori Bank of London. Again, why not Ghana Commercial Bank, the National Investment Bank, or any other Ghanaian Bank?

We call on President Mills to look within. The capability of Ghanaian real estate companies is without doubt. So is the capacity of our banks to disburse US\$10 billion not in doubt. In recent times, Ghanaians have built Ghanaian estates with the support of Ghanaian banks. The Sakumono and Dansoman estates, two of the largest on the African continent were built by Ghanaians for Ghanaians. Ghanaians built all the barracks we have today. Ghanaians built the city of Tema, State House (Job 600) and Cedi House. Ghanaian estate developers have built world Class residential facilities.

It will therefore be prudent for the Government to look at our local contractors and accord them the support being offered to STX Korea to build these 200,000 houses.

## **2. THE HOUSES WILL NOT BE AFFORDABLE**

The average cost of each house will be US\$50,000. While some of the houses will cost less than this price, some of them will cost more, bringing the average to the US\$50,000 per house. The reality is that

Ghanaians who can afford US\$50,000 are those who can build their own houses without Government help, and are already doing so. For most police officers, military officers, civil servants, teachers, nurses and the majority of Ghanaians who desire to own houses at affordable prices, US\$50,000 is definitely not affordable.

Therefore, Government's claim that this is an affordable housing initiative for security officers, civil servants, teachers, nurses and other lower income earners is deliberately misleading. At US\$50,000, less than 5% of Ghanaians can afford them. If Government is to provide affordable houses for Ghanaians, they must truly be affordable, and must respond to the housing needs of Ghanaians who live in slums and other substandard houses. That is the crux of Ghana's housing problems. Obviously, the majority of Ghanaians who lack decent housing will still be looking for housing even after the 200,000 houses are built.

### **3. THIS IS NOT VALUE FOR MONEY**

The drawings and quantity surveyor's details for the project have all not been done. Government concedes that the location(s) for the houses have not been determined. Therefore, Parliament cannot do any value-for-money scrutiny. Compared with the houses local estate developers provide, US\$50,000 unit cost is a very expensive rate for such a mass construction project.

The NPP further believes that this is not value for our money because STX is getting:

- i. Ghana Government sovereign guarantee to raise funding;
- ii. free land from the Government's land banks;
- iii. unconditional import and income tax exemptions as well as VAT exemptions on things STX will buy locally; and
- iv. full profit repatriation for both the staff and the company.
- v. Additionally, under the "Financing Documents", Ghana Government will pay expenses such as legal fees, accounting costs, travel costs, etc of the Korean company in the execution of the project and any VAT on those expenses.

- vi. Also, Ghana Government will provide infrastructure such as electricity, water, roads, telephone lines, etc to the houses at no cost to STX Korea.

If all the benefits to the Koreans and the loss of revenue to Ghana are added to the real cost of these houses, they could be anywhere between US\$75,000 and US\$80,000 per unit. This is simply not value for our money.

#### **4. IT IS WRONG TO MORTGAGE GHANA'S YET-TO-ARRIVE OIL REVENUE**

Under the agreement before Parliament, the entire amount could be converted into crude oil or other petroleum resource trading after the project. Is not thoughtless for the NDC Government to mortgage our yet-to-be drilled oil for the next twenty years?

Government claims that it has withdrawn its commitment to use our yet to be tapped crude oil resources as security for the loan. But this claim does not bring any comfort. So long as Government commits to offer sovereign guarantee to help STX raise funding for the project, Ghana could still be compelled to use our crude oil resources to pay off the debt if STX fails to pay its lenders. This part of the deal is dangerous for a country that does not know the real quantities of its oil resources. Especially so when we are still in the process of crafting an oil revenue management policy to guide the use of our petroleum revenue.

#### **5. THERE ARE NO PERFORMANCE GUARANTEES**

The Ghana/STX deal is an EPC (Engineering, Procurement and Construction) Agreement. The key elements of any construction contract are those which impact on time, cost, and quality.

Unlike any typical EPC agreement, this one contains no clear performance guarantees backed by performance liquidated damages ("PLDs") payable by the contractor if it fails to meet the performance guarantees. There are no defects liability clauses, which, for example, oblige the contractor to repair defects that occur in the 12 to 24 months following completion of the performance testing.

Why is Ghana not asking for performance guarantees?

## **6. DO WE KNOW STX KOREA?**

Government of Ghana by this deal will be providing a stimulus package for a Korean company that is US\$6.8 billion in debt. Meanwhile, thousands of Ghanaian companies that would require only a fraction of that amount to stimulate them back into business are being treated with reckless abandon.

STX Group of Korea has cash-equivalent assets of US\$2.92 billion and a debt of US\$6.8 billion of which US\$1.8 billion are short-term debts with less than 2 years maturity. This is a company in distress and in need of a stimulus package for solvency. Why should an NDC Government that claims to be tight on funds enter into a credit facility to rescue a Korean firm rather than our Ghanaian companies?

Contrary to Government claims, this project will not ensure any technology transfer. All what STX Korea will be doing is coming to Ghana, getting money from our Government, using our technology to build houses for Ghanaians, killing our local construction industry and repatriating their profits to build a better Korea.

## **7. WHAT ABOUT EXISTING HOUSING PROJECTS?**

Some of the housing projects initiated by the previous NPP Government are still uncompleted because the NDC Government, when it came into power, froze all payments to the Ghanaian contractors with the flimsy excuse that there was no money.

If Ghana Government can now offer financial guarantee and support to a foreign estate developer to raise this level of funding, why can't the same guarantee and support be given to the Ghanaian contractors already working on these uncompleted projects to deliver housing to our security personnel?

Is it prudent to allow these uncompleted projects to go rot, only to commit resources to fresh projects?

## **CONCLUSION**

In conclusion, whilst we reiterate our support for any well-intended effort to confront the housing deficit, we believe that the STX project is not in our national interest. It is clear even to the untrained eye that this deal is bogus

and unacceptable for all the basic reasons. There is nothing about this agreement that is in Ghana's sovereign interest.

Strangely, the Mill-led NDC Government is in such hurry to seal the deal and condemn this country to all its consequences. The cunning and secretive manner in which Government has handled its discussions with the Koreans is frightening enough.

The New Patriotic Party looks on Government's underhand conduct in this matter with grave concern. It is obvious that this deal is being driven by corrupt motives and nothing else. Government officials are bending over backwards to please the Koreans in return for unhealthy rewards into their personal bank accounts. This is another Mabey & Johnson Scandal in the making.

We call on all Ghanaians to step up their opposition to this deal for the sake of the country. In particular, we are calling on Parliament to reject this agreement so as to pave the way for better discussions on the delivery of really affordable housing to our security personnel and Ghanaians in general.

We thank you for your attention.

---

---

DEVELOPMENT IN FREEDOM