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PRINCIPLES AND DRAFT MODEL LAW TOWARDS ESTABLISHMENT
OF HOUSING BANKS IN AFRICA

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PRINCIPLES AND DRAFT MODEL ^{1/}LAW TOWARDS ESTABLISHMENT
OF HOUSING BANKS IN AFRICA
PART - I

Introduction

1. The objective of this paper is to put forward the principles on which a Law may be framed for the establishment and development of national housing banks in member States of the Economic Commission for Africa. It has relationship with proposals advanced by an Advisory Group of Housing Finance Experts under UN Headquarters auspices ^{2/}. It has relationship also with the proceedings of the Conference on the Human Environment held in Stockholm in 1972 and in particular to questions concerning human settlements and the necessity for a Fund to serve operations in the improvement and establishment of human settlements. These considerations culminated in the adoption of resolution 2999 (XXVII) at the 27th General Assembly of the United Nations.

2. National institutions which we may refer to as housing banks (or other terms as indicated) would all have the same primary objective, i.e. to increase the number of dwellings available for acquisition by the public. They would need, most likely, seed capital loans or grants and the provision of technical and managerial assistance while counterpart African personnel were under training. This does not overlook the fact that several individual institutions on a purely local level have been established in some African countries and that there is a small nucleus of people who have been trained and have gathered some experience in the operation of credit institutions. Attention is invited to the IBRD (World Bank) sector paper on "Urbanization" of June 1972, in which the policy of the World Bank in regard to advice and assistance in site-and-service schemes and the establishment of housing finance institutions is laid out.

3. Here, information^{3/} received on the establishment of the Bank for Housing and Construction in Ghana may be quoted:

"The proposals for establishing a Bank for Housing and Construction have been examined. Feasibility studies conducted by the National Investment Bank have been made available to the Government. According to the feasibility studies, the Bank will be profitable. Equity capital of the Bank is estimated to be Cedis 10 millions^{4/} spread over

^{1/} This term is not restricted to housing construction and home loan activities, and it may be changed, e.g. infrastructure and housing bank, housing and construction bank, etc.

^{2/} Economic and Financial Implications of Housing Finance Institutions in developing countries, ditto - unpublished.

^{3/} Ghana Government budget speech for year 1972/73.

^{4/} US\$1.00 = ₵ 1.28 at current exchange rate.

a period of five years. The Government, the Bank of Ghana, the Commercial Banks and the State Insurance Corporation will hold equity shares. In addition to the equity capital of Cedis 2 millions for the first year, the Bank will raise loans of Cedis 4 millions from the Bank of Ghana, State Insurance Corporation, and the National Social Security Fund.

The scope of activities of the Bank will cover real estate development, home ownership schemes, low-cost housing schemes, and joint venture projects in building and construction. Special projects covering all types of civil engineering works as well as electrical and telecommunications works, and the supervision of some government development projects will also be undertaken. This implies that on the establishment of the Bank, statutory corporations like the Tema Development Corporation and the State Housing Corporation, which still depend upon the central government budget, will be directed to the new Bank for financing. Government has decided that in view of the favourable feasibility report the Bank be established."

Although not specifically stated, it must be assumed that the powers and duties of the Bank would include that of evaluation of projects submitted to it for financing. For this purpose it would be necessary for the Bank to engage technical staff either on its own manning table or by employing consultants on a retainership basis or by fee for individual evaluations undertaken.

4. The objectives in establishing such Banks and the principles involved in their operations are set out and discussed in Part II below.

5. Based on the considerations in Part II, the Draft Model Law follows in Part III.

Background and the experience

6. The UN publication entitled "Housing in Africa"^{1/} contains a review of existing, possible and conceivable resources which might be available in financing of housing, building and physical planning and states that the situation is not bright. The document goes on to say that one way of maximum use of available resources remained open, namely, reinvestment of surpluses which would make it possible to establish revolving funds after initial capital investment. In dealing with investments in housing, building and construction,^{2/} the document drew attention to the fact that financial operations were undertaken mainly by the main public or semi-public bodies engaged in this work. It went on to say that although public financing provided the bulk

^{1/} UN Sales No. 66.II K.4, p.58

^{2/} Ibid page 88.

of the resources in the majority of the African countries it represented only a part of the total investment in housing and related facilities in the urban areas and only a negligible part of the rural construction programmes^{1/}

7. The statistical data that would make it possible to draw up a rough and ready balance-sheet of the total number of dwellings built in Africa in the 1960s and the early 1970s are lacking. It can be stated, however, that no African country has figures available for the total number of urban and rural dwellings built during this time through the operations of the public and private sectors. In fact, the data available in most cases concerned the number of building permits issued and their value. Available statistical data does not differentiate between public buildings and residential buildings. In the case of building permits for residential purposes and their value, this can be misleading in the sense that the majority of the dwellings may not be completed within one year and may even extend to four years according to financial proceeds from successive produce seasons. Again some differentiation between public and residential buildings is necessary in order to know the present level of housing construction particularly in urban centres and to obtain an approximate idea of the share of gross domestic product and capital formation which may be placed to housing.

8. The findings contained in the document "Housing in Africa" may be said to have disclosed the desirability of measures to centralize investment in infrastructural works, housing and community facilities. The limiting factor in all cases is seen to be the autonomy or semi-autonomy of the long standing public works ministry or department, and other agencies which have been established under the same conditions to make more rapid progress in carrying out infrastructural works. These agencies of government have been dependent on the re-current and development budget of the central government.

9. The succeeding Work Programmes of the Economic Commission for Africa dealing with financing of housing, building and physical planning have sought to identify the dislocations and the ad-hoc arrangements with a view to bringing about co-ordinated decision-making in the allocation of financial resources, effective evaluation of projects and a streamlining of financial control of the investments.

10. The overall investment in housing, building and physical planning was ventilated at the Regional Meeting on Technical and Social Problems of Urbanization with Emphasis on Financing of Housing^{2/} held in Addis Ababa in January 1969.

^{1/} See ECA document entitled "Some Aspects of Financing of Rural Housing in Africa (E/CN.14/HOU/76).

^{2/} ECA document No. E/CN.14/450.

11. The overall question of administering housing programmes was ventilated in the Regional Meeting on Housing Administration in Africa,^{1/} held in Denmark in 1971. The main problem which arose from this meeting was how the servicing Ministry concerned with infrastructural works, housing, building and physical planning could establish their claim with the Ministries of Economic Planning and Finance to a fair allocation of resources according to the programmes which they had prepared. This problem was postulated to the UNECA Task Force on the Financing of Housing, Building and Physical Planning, ^{2/} held in Addis Ababa in November 1972.
12. The reasoning of the Task Force was that governments should, according to needs and demands, decide on how many houses per thousand of population they could accommodate financially in the Development Plan period. Governments would decide on the total number of houses which could be built according to resources and what percentage of the gross domestic product could be allocated. The reasoning is contained in some detail in the document quoted, and attention is invited to it since it would have an effect on the decision whether or not to establish centralized arrangements for investment.
13. Simultaneously, the Commission carried out Sub-regional Working Groups of Experts on Specific Aspects of Housing Finance in order to identify more precisely the sources of capital available in East, West and North Africa and the findings have been published in the reports of these working groups.^{3/}
14. Experience has shown that the trend is towards centralized arrangements for financing infrastructural works, housing, building and physical planning. Such arrangements have been established under institutional machinery in Algeria, Egypt, Gabon, Ghana, Liberia, Senegal, Tanzania, Togo and Tunisia, although as stated earlier the expressed title "Housing Bank" may not be used in all cases. The Secretariat is advising the Governments of Sudan and Sierra Leone on measures to centralize the evaluation of projects and financing of infrastructural works, housing and community facilities.

^{1/} ECA document No. E/CN.14/539.

^{2/} ECA document No. E/CN.14/585.

^{3/} ECA document Nos: East Africa - E/CN.14/485;
West Africa - E/CN.14/530; and
North Africa - E/CN.14/587.

15. Another interesting aspect of centralization has occurred in Tunisia where a Law has been enacted to provide for a system of contractual savings for house-building purposes. The saver who enters into a contract with the bank has a legal right to obtain a loan, as and when the conditions of his savings contract are satisfied. The Secretariat believes that the system is sound and merits consideration for adoption in other countries. Copies of the Law had been requested and the Secretariat will see whether it can be published as a document with suitable comments, and with the agreement of the Government of Tunisia.

PART - II

Objectives of the Model Law and principles involved

16. In seeking to establish a housing bank to finance infrastructural works, housing and community facilities, it would be necessary for the authorities concerned to have regard to the following objectives which are in line with recommendations put forward jointly by the Economic Commission for Africa and the Centre for Housing, Building and Planning, United Nations Headquarters.

17. The objectives are:

- (1) to increase the number of dwellings available for acquisition by purchase or rent by the generality of the public;
- (2) to assist in the mobilization of short-, medium- and long-term capital for financing infrastructural works, housing and community facilities;
- (3) to establish and assist in the operations of institutions operating in the field, e.g. construction companies and housing credit institutions;
- (4) for the Bank to act as the arm of government in rationalizing the use of existing machinery, co-ordinating operations, and in channelling funds to subsidiary agencies both public and private in the whole field of infrastructural works, housing and community facilities;
- (5) to organize and where necessary finance the training of personnel required to work in the Bank and any other subsidiary agency, with or without assistance from other national or international organizations;
- (6) to act as the agency of government in administering any guarantees schemes or subsidies.

18. There are some important factors which may influence government authorities in their intentions. These can be briefly put and related to the objectives. The principles on which the draft model law is based may be seen in the different sections below under each objective.

Objective (1)

19. The present estimated population growth in African countries is 2.5 per cent per annum by average natural growth, although in certain countries the rate may vary between this figure and 3.8 per cent per annum. Population living in urban areas is increasing annually at an average rate of 5 per cent per annum although, again, this rate is higher in individual countries.

For the whole African region it is estimated that approximately 12 per cent of the population live in urban areas. Although this is lower at present than in other regions, demographers have stated that the African region urban population will increase sharply. ^{1/}

20. As stated earlier the main investment is still coming from public and semi-public sources on different terms and conditions. The question of these terms and conditions, particularly in relation to interest rates on money invested, will need to be studied when one considers that in the majority of cases it is local money which is being used for the investment. These measures would be expected to be a part of the duties of the banks.

21. In most countries the private sector has been inactive in responding to the general need to provide more residential accommodation. Some governments, e.g. Libya, and Zambia have enacted laws to encourage development of land in the urban areas generally, this against penalty of compulsory acquisition over a prescribed period and have applied a tax on undeveloped and unutilized land in these areas. These measures have been seen to take effect through the increased number of applications for development permits from private landowners. Housing banks should be able to provide assistance if such development is to be to required physical planning standards, as part and parcel of the overall urban development policy.

22. The establishment of these banks is seen as a prime measure to rationalize the use of physical planning and construction machinery so as to speed up the physical development. With rationalization and available funds organized on these lines, it seems feasible for government authorities to increase the number of houses for each thousand of population provided there is a combined effort from both the public and private sectors.

Objective (2)

23. The establishment of such banks would put them in a position to mobilize capital for projects in infrastructural works, housing and community facilities. Their very existence would be seen by investors as a progressive and determined measure to bring together all forces in solving the problems of urban development, present and future, and renewed support for rural physical development programmes. These investments would come not only from the government allocations over the whole field, but from other institutions in the country both public and private, which had accumulated reserves and/or surpluses or otherwise wished for the Bank's accommodation.

24. The banks should accept deposits from the generality of the public, (unless they decided otherwise because of the existence of subsidiary institutions such as savings and loan associations, estate development institutions and housing finance companies). This will include landowners who are likely to seek assistance from the banks at a later stage in developing property in urban areas. Some regard as to the size of deposits would need to be taken in view of the activities of the subsidiary institutions mentioned above which might be dealing with persons of lesser wealth.

^{1/} See ECA document entitled "Size and Growth of Urban Population in Africa" (No. E/CN.14/OAS.6/3)

25. The banks would also be in a position to obtain licence from central banks to issue their own investment bonds and deal with the proceeds in their own sphere of operations. Such licencing arrangements would enhance the position of the banks as recognized entities both now and in the future.

26. There are distinct promises of success for the banks being able to mobilize capital when the general lack of investment opportunities is taken into account according to conditions in the majority of African countries. The supply of money in local currency in African countries continues its enlargement ^{1/}. The level in savings deposits and time deposits in African Commercial Banks shows a steady rise over the years with only occasional fluctuations. In some countries, the issues of locally registered stock, e.g. Treasury Bills, are often subscribed before tenders are opened by central bank authorities. In some cases the issues are over-subscribed several times.

Objective (3)

27. To assist in achieving Objective (2), the Banks should be allowed to operate overall in the public and private sectors in establishing subsidiary agencies both for actual construction operations and for providing facilities for savings and lending. They could finance real estate development organizations in carrying out projects included in the National Development Plan. These organizations could be wholly owned by government in the same way as the Public Works Organization, be quasi-government bodies, or partly owned government organizations or organizations wholly owned privately. Their capacity and competence to carry out projects would be the criteria for selection by the Banks to undertake any works.

28. On the housing side proper, the Banks as government's main agents would be in a position to encourage and actually participate in the establishment and operations of savings and home loan associations, mortgage companies, and housing co-operative societies. The Banks would be able to withdraw from active participation in such organizations as they grew and prospered. Representation on the boards of management of such organizations would be a matter for the Banks' decision.

29. Further, the Banks would be in a position to encourage and assist Local Government Authorities in the rural areas to improve rural housing and community facilities, to assist in establishing co-operative housing societies, and for these societies to operate loan schemes for roofing, etc.

Objective (4)

30. It would be necessary for the Banks to be given the duty by law in respect of rationalizing financial procedures in their dealings with other agencies and subsidiaries and for making proposals to rationalize the use of

^{1/} IMF International Financial Statistics, monthly issues.

existing machinery used in the construction industry for carrying out projects in infrastructural works, housing and community facilities. This would be achieved to a great extent by the measures they took under Objective (3), and particularly where they had an interest by investment in agencies and subsidiaries, or where they had control of the funds to be used in any projects.

31. Consultations would of course be necessary on the part of the Banks with other parties concerned, particularly in the initial stages. The present system of carrying out programmes of works to which organizations and individuals have become inured or it has come to them as a legacy, cannot be roughly changed overnight. Otherwise the opportunity of valuable co-operation would be lost. The Banks would be in a position to co-ordinate operations in the programmes of works by, first, going through all opening stages with planners including the budgetary calculations and, secondly, by establishing within the Banks a technical evaluation section for programme and project evaluation. This section would need the services of professionals qualified in technical professions such as civil engineering, architecture, structural engineering, and materials. These professionals would collaborate with the financiers of the Banks.

32. The on-lending of funds to agencies and subsidiaries would also depend on an intimate knowledge of the programme of works in the public sector, and the programmes of major firms in the private sector. All this would apply equally to the affairs and programmes of housing credit institutions as depicted under Objective (3).

33. It would also be necessary for the Banks to be given the duty by law to carry on international operations connected with infrastructural works, housing and community facilities. This would need to be in very close collaboration with the Central Banks. The extent of such international operations might need to be the subject of a Memorandum of Understanding between the Government, the Central Bank and the Housing Bank on matters of principle. The position of the Housing Bank as negotiator within its financial resources and in agreement with the Central Bank would be clear thereby.

Objective (5)

34. The position of the Banks as sponsors of training schemes for African personnel to be employed in financial operations affecting programmes of works in infrastructure, housing and community facilities, is of importance and should be included in any law enacted to establish housing banks.

35. Such training could be at the graduate and intermediate levels. Training in the accounting profession to the acknowledged professional standing of training institutions will also be required.

36. All training programmes might be carried out with the co-operation of national and international organizations. In respect of details of international opportunities, programmes for fellowships, etc. these could be obtained from the United Nations and through bilateral aid programmes.

37. In African countries there is a serious lack of persons trained in finance, higher level management and business administration. Training carried out through the sponsorship of Banks might give a lead to action elsewhere if the results of a successful training programme were made known.

Objective (6)

38. Housing banks so established should be given the duty following government agreement, to administer any form of guarantees scheme affecting the financing of projects for infrastructure, housing and community facilities. Attention may be drawn under this heading to the Guarantee (House Purchase) Act 1967 of the Government of Kenya where, inter alia the government and a local authority may guarantee the repayment of parts of loan advances made by housing credit institutions. The guarantee principle under which the local government authority and the central government jointly agree to make such a guarantee should be set out in the law establishing any housing bank.

39. The matter of administering subsidies authorized by the Central Government in respect of repayments of mortgage loans in housing and in rents charged for housing to the occupants, is a complex one. Experience has shown that it is preferable for any subsidy to be applied to the family as such rather than to the house. This means that in the event of the family which receives a subsidy moving away from the house, then it may not always be necessary for the succeeding occupant family to receive a subsidy, based on their economic circumstances.

40. There may also arise the question of subsidies in the tariffs for water and electricity. Presumably this would not directly affect the repayment of funds borrowed from the Bank by the agencies responsible for carrying out installation of water and electric supplies. The Banks would be expecting repayment of capital in full, although they could if allocations were made by the Central Government, pay to the executing agencies the element of subsidy involved in respect of both water and electric supply.

Some factors affecting administration of Housing Banks.

41. Certain aspects concerning the administration of these Banks will need to be included in the legislation. These concern primarily, appointment of Board of Directors, establishment of internal committees, length of appointments, and employment of staff.
42. It is suggested that the Board of Directors would not need to be large and might be limited in each case to six persons. These might comprise a Chairman, Deputy Chairman, and a General Director, together with three other persons representing the Minister responsible for the affairs of any bank, the Minister of Finance, and the Central Bank of the country. The Chairman of the Board would normally be expected to hold the Office of Chairman of the Bank.
43. Internal Committees of the Board of Directors might be formed for administration and finance. The internal committee on administration would normally be responsible for formulating policy matters affecting relationships with government, organization and structure of the Bank, major personnel questions and internal regulations therefor, together with public relations in the Bank's activities. The internal committee on finance would normally be responsible for the budget of the Bank, deciding on disbursement of funds in those cases where authority had not been decentralized to the general management at the employee level, giving advice to the full Board on matters of investment and project evaluation, and framing proposals for issues of investment bonds.
44. It would be a matter for decision by government whether details of the length of appointment of members of any Board would be included in the law. It would also be a matter for government decision whether appointments would be made by the Minister responsible for the affairs of the Bank or by Government in Council.
45. However, it would need to be made clear in the law that any Board of Directors should be in a position to recruit staff to the Bank under their own arrangements and by laws.
46. In dealing with matters of decentralization of authority to the employee level, and the formation of internal committees etc., it would be necessary to show in the law that ultimate responsibility for the affairs of the Banks vests in the Board.

PART - III

Draft Model Law

47. Based on the foregoing Part II, the Draft Model Law could be as follows, according to the numbered Sections, although it may be necessary for adjustment to be made in member States to take account of local conditions and needs.

AN ACT TO ESTABLISH THE HOUSING BANK OF (NAME OF COUNTRY)

Title and commencement

1. This Act may be cited as the Housing Bank of (name of country), 19.. and shall come into operation on such date as the government may by legal notice decide upon.

Interpretation

2. In this Act unless the context otherwise requires, the following interpretations shall apply:
 - The Bank means the Housing Bank of (name of country) established in Section 3.
 - Central Bank means the Central Bank of (name of country).
 - Board means the Board of Directors of the Bank as appointed.
 - Chairman means the Chairman of the Bank as appointed.
 - Deputy Chairman means the Deputy Chairman of the Bank as appointed.
 - General Director means the General Director of the Bank as appointed.
 - Minister means the Member of the Government responsible for the affairs of the Bank.
 - Housing Development means the development of sites for construction of buildings, and the construction of buildings for residential or commercial purposes.
 - Infrastructure means provision of roads, drains, sewers and other public utilities connected with human settlements, but excluding military, marine and airport works.

- Community Facilities means recreation spaces, community halls, clinics and hospitals and other buildings provided for social use, but excludes military, police and communications buildings.
- Depositor means any person who deposits a sum of money with the Bank under the law.
- Borrower means any person who borrows any sum of money from the Bank under the law.
- Grant means any sum of money paid by the Bank to any person, the payment of which requires no repayment or payment of interest thereon to the Bank.
- Employee means any person in the service of the Bank or engaged in connexion with any business of the Bank.
- Parastatal Organization means any body corporate established by or under any law, other than a company registered under the law relating to companies.
- Courts means the Courts established under the Judiciary of the Government of (name of country).

Establishment of Bank

3. (1) There is hereby established a Bank to be known as the Housing Bank of (name of country).
- (2) The Bank shall be a body corporate and shall:
 - (a) have perpetual succession and a common seal;
 - (b) in its corporate name, be capable of suing and being sued in the Courts;
 - (c) be capable of holding, purchasing and otherwise acquiring and disposing of any property movable or immovable for the purposes or in the course of its business;
 - (d) subject to the provisions of this Act have power to borrow such sums as it may require for its purposes.

Powers and duties of the Bank

4. (1) The powers and duties of the Bank shall be:

- (a) to mobilize local financial resources and external financial resources for its purposes;
- (b) to operate savings, time and term deposit accounts and to pay interest thereon;
- (c) to promote development of infrastructural works, housing and community facilities by:
 - (i) making available loan or equity finance to any person;
 - (ii) making available technical and financial assistance for site-and-service facilities;
 - (iii) making available technical, financial and other assistance for promoting and implementing home ownerships schemes;
 - (iv) making available technical, financial and other assistance in promoting and implementing rural building programmes;
 - (v) making available technical, financial and other assistance for the establishment and administration of institutions, firms, co-operative and other organizations engaged primarily in promoting development of infrastructural works, housing and community facilities;
 - (vi) making loans, or guaranteeing loans made by others; to any person, corporate or otherwise for the purpose of enabling such person to carry out development of infrastructural works, housing and community facilities.
- (d) to make loans, guarantee loans made by others and to provide technical and other assistance to any person corporate or otherwise for the construction and development of commercial premises within the area of its immediate operations;
- (e) to collaborate with any person or government department to ensure the implementation of Government policy on the development of infrastructural works, housing and community facilities, to promote the use of local building materials, to encourage the construction of types of buildings best suited to local conditions and to encourage the minimizing of building costs and the prices at which houses may be sold or rented to the generality of the public;

- (f) at the request of Government, to administer such special funds and guarantee schemes as may be placed at the disposal of the Bank;
 - (g) to perform any similar or other related duty conferred upon the Bank by the Government;
 - (h) to do all such acts and things as may be necessary, expedient or advantageous for the performance of the foregoing powers and duties.
- (2) The Bank shall utilize all its ordinary and special resources for the purpose only of furthering the objectives for which it is established.

Authorized capital

- 5.(1) Authorized capital stock of the Bank shall be (here insert sum required) in the currency of (name of country).
- (2) The Bank may issue shares at such times as the Board decides, subject to the agreement of the Central Bank.
- (3) The authorized capital stock of the Bank may be increased by decisions of the Board, subject to the agreement of the Central Bank.

Share holding

- 6.(1) The shares of the Bank may be subscribed for by Government, Parastatal Organizations, companies incorporated under the law relating to companies, firms and any other person.
- (2) Payment shall be made by subscribers for shares at their par value as soon as they have been allotted by the Bank. Such payment shall be made in cash.
- (3) Shares of the Bank shall not be pledged or encumbered in any way and shall not be transferable or assignable.

(Note: The shareholding of the Bank should be arranged in such a way so as not to make it impossible for international finance institutions, e.g. International Finance Corporation to take up shareholding in the Bank if such is agreed by the Government.)

Resources of Bank

7. The capital resources of the Bank shall consist of:
- (a) the capital stock of the Bank issued, subscribed and paid up;
 - (b) borrowings of the Bank;
 - (c) deposits received by the Bank;
 - (d) funds or incomes, including general reserve fund, derived from the operations of the Bank;
 - (e) any other fund or income received by the Bank through its operations.

Borrowing by Bank

8. The Bank may from time to time and subject to agreement by the Central Bank, borrow funds for its operations.

Provided that the total amount outstanding on loans raised under this sub-Section shall not at any time exceed three times the aggregate of the issued share capital and the general reserve fund.

Equity financing by Bank

9. (1) The Bank shall not invest in equity financing of any institution or person other than an institution or person whose operations are within the scope of the powers and duties of the Bank.
- (2) The Bank shall not invest in equity financing of any Parastatal Organization so as to acquire a controlling interest.
- (3) In the case of equity financing, the investment by the Bank shall not exceed 20 per centum of the aggregate of the paid up capital stock of the Bank and the reserves and surpluses of the Bank.

Operations of Bank

10. The operations of the Bank shall be conducted in accordance with the following principles:

- (a) the Bank shall finance only projects which are economically viable, socially desirable and technically feasible;
- (b) in making loans the Bank shall satisfy itself that adequate provisions for the enforcement of repayment of the loan and payment of interest exist;

- (c) the Bank shall determine the type and value of any security or collateral to be pledged by a borrower or an applicant for a guarantee;
- (d) the Bank shall satisfy itself of the expected ability of borrowers to repay loans;
- (e) the Bank shall take all measures to ensure that the proceeds of any loan made, guaranteed or participated in by the Bank are used solely for the purposes for which the loan is granted;
- (f) the Bank shall ensure that every loan contract entered into shall enable the Bank to require the borrower to provide all necessary information and to allow inspection of relevant accounts and records during such time as the loan or any part thereof remains outstanding;
- (g) in its operations the Bank shall establish and maintain liaison with all public departments dealing with land and town planning, site servicing, location of buildings and building standards.

Loans and guarantees by Bank

11. (1) In the case of loans made, participated in or guaranteed by the Bank, the Bank shall ensure that the contract conforms with the principles prescribed in Section 10. and makes adequate provisions for the repayment of principal money, the payment of interest, commitment fees and other charges;
- (2) The fees, charges, commissions and interests in respect of loans and guarantees made or given by the Bank shall be at such rates as are determined by the Bank.

General reserve fund

12. The Bank shall establish and maintain a General Reserve Fund which shall be applied by the Bank to make good any loss or deficiency which may arise from the operations of the Bank.

Disposal of income

13. The Board shall determine annually what part of the net income of the Bank shall be allocated after making provision for the General Reserve Fund, to surplus and what part if any shall be distributed as dividends on its shares.

Regulations

14. The Board may make such internal regulations including financial regulations as are consistent with the provisions of this Act, to further the powers and duties of the Bank. It shall not be necessary to publish in the Government Gazette any regulations made by the Board under this Section or any other provision of this Act.

Internal Committees

15. The Board may constitute internal committees of the Bank to assist it in furthering the powers and duties of the Bank.

Directors and staff of Bank

16. The Bank shall have a Board of Directors and such other officers and staff as the Board may determine.

Board of Directors

17. (1) The Board shall consist of a Chairman and a Vice-Chairman appointed by Government in Council and four other Directors appointed by the Minister;
- (2) The Chairmen and Directors shall be chosen from among persons with knowledge and experience in economic and financial affairs, town planning, estate management, the construction industry, social affairs and other fields as the Minister may consider relevant, except that one Director shall be the representative of the Central Bank.
- (3) Each Director appointed by the Minister shall hold office for such term as may be agreed between the Minister and the Chairman of the Bank.
- (4) In cases where insufficient expertise is available to cover the expertise required in sub-Section (2), the Board may engage consultants and advisers on specific matters for the purposes of the Bank.
- (5) Where the Chairman of the Bank is not an Executive Chairman, a General Director may be appointed by agreement of the Chairman and the Minister.

Powers of Board

18. (1) The Board shall in accordance with the provisions of this Act, be responsible for the performance of the operations of the Bank.
- (2) The Minister may intervene in special cases to give the Board directions in relation to matters appearing to the Minister to affect national interest.

Meetings of Board

19. (1) The Board shall meet at least once in every two months or more frequently if the operations of the Bank so require.
- (2) Meetings of the Board shall be convened by the Chairman or in the absence of the Chairman, by the Vice-Chairman in consultation with the General Director where such an appointment is made.
- (3) Five Directors shall constitute a quorum for any meeting of the Board.
- (4) Decisions of the Board shall be by a majority of votes of the Directors present and voting.
- (5) Subject to the provisions of this Section the Board may regulate its own procedure in emergency cases and may resolve to provide for decision being made by circulation of relevant papers and written indication by the Directors of their views thereon. Such decision shall be made on the consensus of views expressed.
- (6) During any Board meeting, Directors shall declare and be precluded from discussion and voting on questions affecting operations of the Bank in which they or members of their families have a personal interest.

General Director and staff of Bank

20. (1) Where the Chairman is not an Executive Chairman, a General Director shall be appointed by agreement between the Chairman and the Minister.
- (2) The General Director shall hold office for such term as other Directors and shall be eligible for reappointment.

- (3) The termination of the appointment of the General Director shall be decided upon between the Chairman and the Minister.
- (4) The General Director, in the absence of an Executive Chairman shall be the Chief Executive Officer of the Bank and shall:
 - (a) subject to the directions given by the Board and acting in consultation with the Chairman, be responsible for the day-to-day management and affairs of the Bank;
 - (b) perform such other duties as may be conferred upon him by the Board;
 - (c) subject to the establishment prescribed by the Board, be responsible for the organization, appointment and termination of service of staff of the Bank;
 - (d) be empowered to authorize expenditure within the approved administrative budget of the Bank, or within a scale of expenditure laid down by the Board by resolution.

Execution of documents

21. (1) All certificates, deeds, instruments, forms of contract and other documents including financial documents shall be duly executed by and on behalf of the Bank if sealed with the common seal of the Bank and signed by two Directors on whom this duty has been conferred by resolution of the Board.
- (2) Any such document executed in accordance with sub-Section (1) shall have effect in law to bind the Bank and its successors notwithstanding any objection on grounds of competence of any person executing documents on behalf of the Bank.

Remuneration of Directors and staff

22. (1) The Chairman and Directors of the Bank and any person appointed as alternate Director may be paid by the Bank such fees and allowances as may be determined by agreements between the Chairman and the Minister.
- (2) Staff of the Bank and other persons engaged by the Bank may be paid such salaries, fees, allowances and expenses as may be determined by the Board by resolution in meeting.

Accounts and records

23. (1) The Board shall ensure that proper accounts and records are kept concerning all aspects of the operations of the Bank and such accounts and records shall be audited in respect of each financial year by a qualified person carrying on the profession of accountant and auditor, and the Board shall submit a copy of the report of the auditor to the Government.
- (2) The Board shall ensure that the person appointed to take charge of the Accounting Department of the Bank and his deputy, are qualified from a recognized institution established to train accountants and auditors.
- (3) The Bank shall prepare annually and submit to the Government and publish a report on its operations including the balance-sheet of its financial affairs and the auditor's certificate as to the accuracy of its accounts.
- (4) The Bank shall prepare quarterly a statement of its financial position and a profit and loss statement showing the results of its operations.
- (5) The Bank may also publish other reports and prepare and publish documents on specific aspects of its operations.

Consultants, agents and offices

24. (1) The Bank may engage consultants and advisers on terms and conditions laid down by the Board, and may appoint agents for purposes of carrying out its operations.
- (2) The Bank may establish offices and branches at such places within (name of country) as it considers necessary.
- (3) The Bank may appoint agents and establish offices outside (name of country) with the agreement of the Central Bank, for purposes of carrying out its operations.

Termination of Bank's operations

25. (1) The Bank may terminate its operations by resolution of the Board in meeting, provided that such resolution shall not take effect without the approval of the Government in Council.
- (2) After such termination the Bank shall forthwith cease all activities except those incidental to the orderly realization, conservation and preservation of its assets and settlement of its obligations.

- (3) The Minister may intervene to appoint an Administrator in the event of the termination of the operations of the Bank in relation to sub-Section (2).

Security of information

26. No Director or employee of the Bank shall disclose names or any information regarding the transactions of the Bank, except to the Bank, the Board or employees appointed to assist in carrying out the provisions of this law, or when required to disclose any such information by Order of any Court.

PART - IV

Conclusions

48. The arrangements discussed and embodied in the Draft Model Law in Part III would be towards centralizing project evaluation and financing for infrastructural works, housing and community facilities.
49. The arrangements would enable a single institution to channel funds into estate development organizations, construction organizations and housing credit institutions.
50. The arrangements would also enable a single body in collaboration with the Central Bank, to negotiate local deposits with the Bank and would enable the same body to deal with International Financial Institutions such as the African Development Bank, the World Bank, etc.
51. The Banks by stimulating the building industry would generate new job opportunities and help to employ a larger proportion of unskilled and semi-skilled workers.
52. Effect would be seen in the building materials industry which would be expanded by the increased demand for its products, while at the same time improving the quality of such products and training a larger number of workers. The new job opportunities and development of skills thus created would have an impact on persons in the low-income groups, opening the way for voluntary savings from income.
53. Wage and job improvement would make it possible for workers to increase their purchasing power of locally produced consumer goods.
54. Combined training programmes would increase the demand for higher levels of education in the technical fields.
55. Finally, the Secretariat of the UN Economic Commission for Africa would be prepared to consider requests received from member States to provide technical advice and assistance towards the establishment of these financial institutions.