

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

REPORT OF THE FINANCE COMMITTEE ON THE
RATIFICATION OF THE WORLD TRADE ORGANIZATIONS
(WTO) FIFTH PROTOCOL TO THE GENERAL
AGREEMENT ON TRADE IN SERVICES - PROTOCOL
ON FINANCIAL SERVICES

1.0 INTRODUCTION

The above protocol was laid in the House on 9th November 1999 in accordance with Article 181 of the Constitution and referred to the Finance Committee for consideration and report pursuant to Order No. 169 of the Standing Orders.

The Committee met to consider the protocol with the Working Group which prepared Ghana's schedule of commitment of the 5th Protocol made up of officials of the Ministry of Trade and Industry, Bank of Ghana, National Insurance Commission, and representatives from the Ministry of Finance.

The Committee in its deliberation made reference to the following documents:

- (a) The 1992 Constitution of Ghana
- (b) The Insurance Law 1989 (PNDCL 227)
- (c) Insurance Amendment Law 1989 (PNDCL 266)
- (d) Insurance Law 1992 (PNDCL 316)
- (e) The Ghana Investment Promotion Centre Act 1994 (478)
- (f) Banking Law 1989, (PNDCL 225)

The Committee hereby reports:

2.0 BACKGROUND INFORMATION

The Post-Uruguay Round (UR) negotiations on Financial Services commenced in 1995 and were concluded in December, 1997. In all, seventy (70) member countries including the European Union (15 members) countries and Ghana made commitments. The protocol was opened for acceptance until 29th January, 1999 and entered into force on 1st March, 1999. However, members who accepted the protocol waited to 15th July 1999 to enable members who could not accept it before 29th January, 1999 deadline do so. This was further extended to November, 1999.

3.0 OBSERVATIONS

3.1 Ghana's Financial Services Commitments

The Committee observed that Ghana's commitments in the financial services sector under the 5th Protocol are essentially an update of the commitments made in the Uruguay Round Negotiation in the light of policy change that has taken place in the financial sector since the conclusion of the Uruguay Round negotiations. They are therefore consistent with current national policies regarding banking, insurance and other financial sector services. The schedule of Ghana's specific commitments is attached as Appendix I.

3.2 Advantages Of Liberalization In The Financial Services Sector

The Committee also observed that liberalising the financial services sector would among others:

- (i) Enhance competition and improve sectoral efficiency leading to lower costs, better quality and more choices of financial services;

- (ii) Enable financial institutions to take advantage of economies of scale and specialise according to the comparative advantage;
- (iii) Afford consumers an increase range of services;
- (iv) Have strong positive effect on economic growth-driven by factors such as dissemination of know-how, new technologies as well as realisation of economies of scale and scope in addition to specialisation and comparative advantage;
- (v) Improve financial intermediation and investment opportunities through better resource allocation;
- (vi) Facilitate the flow of capital from countries with surplus to those with shortages, thus reducing the interest costs of investment in the latter countries; and
- (vii) Create significant benefits from the transfer of knowledge and technology.

Ghana's decision to participate in the negotiations on financial services was therefore influenced by a desire not only to achieve the advantages of liberalisation such as those already mentioned and enhance the competitiveness and efficiency of the financial service sector, but also

to assure prospective investors of the security and predictability through commitments such as those undertaken by Ghana in the negotiations.

3.3 Safeguards Against Over Liberalisation

The Committee further observed that as a safeguard against over liberalization of the Financial Service Sector, the General Agreement on Trade and services (GATS) acknowledges the need for developing countries to develop their services sector (including financial services) which gives them flexibility to achieve their objective through the strengthening of their domestic service capacity, efficiency and competitiveness.

Some of the flexibilities given to developing countries under GATS are:

- (i) Opening of fewer sectors
- (ii) Liberalising few transactions
- (iii) Attaching conditions to meet development objectives; and
- (iv) Taking necessary measures for prudential reasons.

The Committee noted that these flexibilities are to ensure that countries are not called upon to make commitments / offers inconsistent

with their level of development. **Ghana's schedule of commitments was therefore prepared having regard to these flexibilities.**

Specifically, Article XIX.2 of GATS states "the process of liberalisation shall take place with due respect for national policy objectives and the level of development of individual members, both overall in individual sectors. There shall be appropriate flexibility for individual developing country members for opening fewer sectors, liberalising fewer types of transactions, progressively extending market access in line with their development situation".

The GATS also make provision for contingency. Article XII of the GATS permits members who have undertaken specific commitments to maintain restrictions on trade in services on which they have undertaken specific commitments, including payments or transfers for transactions related to such commitments under prescribed conditions in the event of serious balance-of-payments and external difficulties.

3.4 Other Related Advantages

The Committee further noted that Ghana's schedule whilst seeking to attract investment also:

- (i) Encourages joint ventures with local participation in insurance and insurance related services, thus enabling Ghanaians to take part in the sector in order to gain expertise
- (ii) Provides protection for local companies to withstand competition from bigger foreign companies in order to enable them become competitors.

3.5 W.T.O. Countries

The Committee noted that out of a total of seventy-one (71) countries only ten (10) countries including Ghana, are yet to ratify the 5th Protocol Agreement.

4.0 CONCLUSION

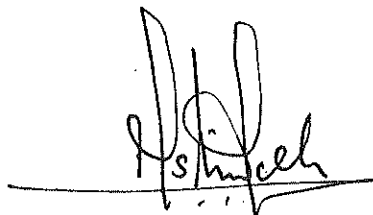
Ghana's objective in the negotiations in the financial services sector was to achieve and deepen competitiveness and efficiency in the sector to enable it contribute to economic growth and development and to attract foreign operators or investments into the sector through the binding of the liberalised measures that had been unanimously adopted. That, notwithstanding the Committee would like to caution against over-liberalisation of the economy thereby making it a dumping ground for all manner of goods and services.

5.0 RECOMMENDATION

The Committee after careful examination of the provisions of the 5th protocol concluded that benefits would accrue to the banking and insurance sectors of the economy and therefore recommends the ratification of the World Trade Organisation's (WTO) Fifth Protocol to the general Agreement on Trade In Services - Protocol on financial Services by Parliament in accordance with Article 62 (2b) of the Constitution and Order No. 169 of the Standing Orders.

Respectfully submitted.

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA



**HON. CDRE S.G. OBIMPEH (RTD)
CHAIRMAN**



**ASANTE AMOAKO-ATTA
CLERK TO THE COMMITTEE**

26TH NOVEMBER, 1999

26 February 1997

ORGANIZATION

(98-0642)

Trade in Services

APPENDIX I

GHANA

Schedule of Specific Commitments

Supplement 2

(This is authentic in English only)

This text replaces the Financial Services section contained in page 4 of document GATS/SC/35.

GHANA
SCHEDULE OF SPECIFIC COMMITMENTS

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons

Sector or Sub-sector	Liberalization on Market Access	Liberalization on National Treatment	Additional Commitments
<p>A. All insurance and insurance-related services</p> <p>1) Life insurance.</p> <p>2) Non-life insurance consisting of:</p> <ul style="list-style-type: none"> - fire insurance; - transport and aviation insurance; - motor vehicle insurance; - workmen's compensation insurance; - health insurance. <p>c) Reinsurance business in relation to any or all the insurance businesses listed above.</p>	<p>1), 2) Except in case of personal effects, every insurance effected in respect of any goods imported into Ghana shall be placed with an insurer registered in Ghana.</p> <p>3) At least 40 per cent of the capital or other proprietary interest in the insurance business shall be owned by a Ghanaian national; and foreign partners are allowed to hold management control of local insurance firms.</p> <p>4) Unbound except as indicated under horizontal measures.</p>	<p>1), 2) None</p> <p>3) None</p> <p>4) Unbound except as indicated under horizontal measures.</p>	

15

Modes of supply: 1) Cross-border supply 2) Consumption abroad 3) Commercial presence 4) Presence of natural persons	Sector or Sub-sector	Limitations on Market Access	Limitations on National Treatment	Additional Commitments
B.	Banking and other financial services	1) None 2) None 3) None, except for prudential requirements based on prudential requirements. 4) Unbound except as indicated under horizontal measures.	1) None 2) None 3) Governmental support may be extended for companies locating in rural areas. A higher paid-up capital is required of foreign service suppliers compared to domestic service suppliers. 4) Unbound except as indicated under horizontal measures.	
a)	Acceptance of deposits.			
b)	Credit facilities.			
c)	Financial leasing.			
d)	Payments services.			
e)	Guarantees and commitments.			
f)	Trading in money and capital market instruments.			
g)	Other non-banking financial services.			