

IN THE FOURTH SESSION OF THE SIXTH PARLIAMENT OF THE FOURTH REPUBLIC OF GHANA

REPORT OF THE FINANCE COMMITTEE

ON



THE GHANA EXPORT-IMPORT BANK BILL, 2015

FEBRUARY, 2016

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1.0 INTRODUCTION

The Ghana Export-Import Bank Bill, 2015 was presented by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper to Parliament and read the first time on Tuesday, 3rd November, 2015. The Rt. Hon. Speaker referred the Bill to the Finance Committee for consideration and report in accordance with Article 174(1) of the 1992 Constitution and Order 169 of the Standing Orders of the Parliament of Ghana.

Pursuant to the referral the Committee was assisted in its deliberations by the Hon. Minister for Finance, Mr. Seth Emmanuel Terkper, His Deputy, Mr. Cassiel Ato Baah Forson, Attorneys from the Attorney-General's Department and technical team from the Ministry of Finance and Export Development and Agricultural Investment Fund (EDAIF).

The Committee is grateful to the Hon. Minister and his Deputy and Officials of the Ministry of Finance and the Attorney-General's Department for the assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

- The 1992 Constitution of Ghana.

- The Standing Orders of the Parliament of Ghana.
- The Interpretations Act, 1960 (CA4)
- Bank of Ghana Act 2004 (Act 673)
- Export Development and Agriculture Investment Fund Act, 2014 (Act 872)

3.0 **BACKGROUND**

Ghana's export sector has evolved significantly over recent decades. In line with the nation's economic industrialization process, the composition of exports has gradually added non-traditional products to the largely indigenous exported products. Though, there is fairly an impressive development in the export sector, the perceived idea of transforming Ghana's economy towards an export led economy has made it necessary to adopt a policy to drive this laudable idea.

In this regard, Government in its 2015 Budget Statement and Economic Policy announced its intension to establish a Ghana Export- Import Bank to lead in the strategic positioning of Ghana as an export-led economy. The proposed Bank is envisaged to promote the acceleration of Ghana's drive towards achieving a more diversified economy to help the economy's resilience to external shocks alongside an improved capacity to produce goods and services in the competitive global market place.

The Bill therefore seeks to establish an Export-Import Bank which is a quasi-governmental institution that will act as an intermediary between national governments and exporters to issue export financing. The Bank which is envisaged to be a non-deposit taking institution will assist exporters to compete internationally by providing insurance and finance facilities to support their overseas activities.

4.0 PURPOSE OF THE BILL

The Bill seeks to establish a Ghana Export- Import Bank as a quasi-governmental institution that will act as an intermediary between national governments and exporters to issue export financing and provide for related matters.

5.0 DIVISIONS OF THE BILL

The Bill is divided into four (4) Sections with thirty-nine (39) Clauses.

Clause 1 of the Bill establishes the Ghana Export-Import Bank as a body corporate with its usual attributes.

Clause 2 deals with the object of the Bill and Clause 3 provides for the functions of the Bank. Clause 4 makes provision for the independence of the Bank in the performance of its functions.

Clause 5 provides for the membership, appointment and the functions of the governing body of the Bank as well as duties and liabilities of a Board Member. Clauses 6, 7 and 8 give standard provisions on tenure of office of members of the Board, meetings of the Board, and disclosure of interest whilst Clauses 9 to 12 deal with the establishment of Committees of the Board.

Clause 13 makes provision for a special Committee of the Board, which is the Audit Committee while the Audit Committee is obliged under Clause 14 to among other matters, provide oversight of the financial reporting process, the audit process, the system of internal control and compliance with laws and regulations.

Clause 15 provides for payment of allowances of the members of the Board and its Committees.

Clause 16 provides for the Head Office of the Bank and any other branches the Bank considered necessary for the performance of its functions while Clause 17 gives authority to the Minister to give policy directives to the Board.

The administrative and financial issues of the Bank are provided for in Clauses 18 to 34. Whilst Clauses 18 to 20 provide for the appointment of a Chief Executive Officer and Deputy Chief Executive Officers of the Bank and their functions, Clauses 21, 22 and 23 provide for the appointment of a Company Secretary, an Internal Auditor and other staff of the Bank.

Clause 24 to 34 covers financial matters of the Bank. Sources of money for the Bank are specified in clause 24 while *Clause 25 to 31* deals with borrowings by the Bank and provision of guarantee, limit of liability, authorized capital and shares of the Bank, General Reserve Fund, Liquidation of the Bank and administrative expenses of the Bank. The standard provisions on accounts and audit, annual report and other reports as well as the financial year of the Bank are dealt with in clauses 32, 33 and 34 respectively.

Clauses 35 to 39 are on miscellaneous provisions. Clause 35 deals with investment policy statements. The enabling power of the Minister to make Regulations is provided for, in *clause 36*. *Clause 37* is on interpretation whilst *clauses 38 and 39* deal with repeal and savings and transitional provisions.

6.0 OBSERVATIONS

Importance of the Export –Import Bank

Briefing the Committee on the importance of the Bank, the Hon Minister of Finance stated that an export-import Bank (“EXIM”) is a quasi-government institution that acts as an intermediary between national governments and exporters to issue export financing and guarantees. According to the Hon Minister, EXIM agencies which are mostly

government-sponsored are established in many countries to assist exporters to compete internationally by providing insurance and finance facilities to support their overseas contracts.

The Hon. Minister explained that historically, Government has made efforts through a number of initiatives reflected in institutions and structures to support the export sector of the economy. These institutions and programmes include trade promotion and export finance or guarantee institutions such as Export Promotion Institutions, Ghana Export Promotion Authority (GEPA), Export Financing and Guarantee Institutions, Export Finance Company Limited (EFCL), Eximguaranty Company Limited (ECL) and Export Development and Agricultural Investment Fund (EDAIF).

The Hon. Minister added that despite these efforts, key elements of the export finance value chain are missing such that Ghana's export financing institutions have not been able to make a meaningful impact on the export sector because of poor capitalization and a vague definition of their mandates. Specifically, the key role of EXIMs as drivers of exports of strategic goods and services and overseas investment by Ghanaian companies are not core activities of the existing institutions as compared with others like EXIM Bank of Malaysia, China EXIM or the US EXIM. The Hon. Minister emphasized that currently none of the institutions in Ghana have been mandated to be a leader in the facilitation of cross-border commercial involvement of Ghanaian companies and the aim of establishing the Ghana EXIM is to create a strong institution that would consolidate the past efforts and become the key engine of the development of Ghana's export activities.

Integration and Transition

Addressing the concern of the Committee regarding possible conflicts during the integration and transition of trade promotion and export finance or guarantee institutions into the Ghana EXIM, the Hon. Minister indicated that a complete review covering each institution's specific business, shareholding structure, financing and governance among others, was carried out. The Hon. Minister indicated further that the outcome of the

review showed that with the exception of Ghana Export Promotion Authority (GEPA) which is primarily an export promotion agency, the functions of the other three, Export Finance Company Limited (EFCL), Exim guaranty Company Limited (ECL) and Export Development and Agricultural Investment Fund (EDAIF) fit into the proposed functions of the Ghana EXIM and as such would be integrated into the Ghana EXIM. GEPA would however, continue to operate as a stand-alone organisation with an expanded mandate for export promotion and development.

The Committee was further informed that the integration of EFCL, ECL and EDAIF into Ghana EXIM would take into consideration the ownership structure of the institutions. EDAIF is a government agency owned wholly by the government. However, EFCL and ECL are only indirectly government owned with the Bank of Ghana holding 89.3% and 58% respectively of the ordinary shares of Exim guaranty and Export Finance Company respectively and with integration the Government would acquire the interest of the Bank of Ghana and other minority shareholders in these companies. The Hon Minister also indicated that arrangements would be put in place to deal with possible staffing realignment which would be a likely part of the integration. The current combined staffing of EDAIF, EFCL and ECL was indicated as about one hundred and forty-nine (149) employees spread over Accra, Kumasi, Takoradi, Ho and Tamale.

Transaction Advisor

The Committee learnt that to ensure a smooth transition and integration, a Transaction Advisor would be appointed to guide the integration of EDAIF, Exim guaranty and Export Finance Company into the new Ghana EXIM. The under-listed were highlighted as the functions of the Transaction Advisor:

- Equity valuation of Exim guaranty and Export Finance in order to establish the value of minority interest
- Advising on negotiations with minority shareholders of Exim guaranty and Export Finance Company

- Reviewing the staffing of EDAIF, Exim Guaranty and Export Finance Company to determine which employees could be absorbed into the Ghana EXIM, transferred to GEPA or made redundant.
- Effecting the transfer of assets and liabilities of affected institutions to the EXIM Bank
- Making recommendations to strengthen the structure and capacity of GEPA to carry out its expanded operations
- Advising on implementation of a staff realignment plan

7.0 PROPOSED AMENDMENTS

The Committee having carefully scrutinized the Bill proposes the following amendments for the consideration of the House:

- 1) Clause 3 – **Amendment proposed** – paragraph (i), line 2, delete “national development” and insert “import” .
- 2) Clause 3 – **Amendment proposed** – paragraph (p), line 2, after “Board” add “under its investment guidelines” .
- 3) Clause 3 – **Amendment proposed** – paragraph (v), line 3, after “Ghana”, add “to support export and import activities” .
- 4) Clause 13 – **Amendment proposed** – Sub clause (1), line 3, after “Chairperson” add “of the Committee” .
- 5) Clause 19 – **Amendment proposed** – Sub-clause (2), paragraph (a), after “Board” add “formulated under Section 6 (1).”
- 6) Clause 20 – **Amendment proposed** – Sub-clause (1), line 2, delete “under this Act” and insert “of the Chief Executive Officer” after “functions”.
- 7) Clause 24 – **Amendment proposed** – paragraph (a), line 1, delete “0.56” and insert “90”.
- 8) Clause 25 – **Amendment proposed** – Sub-clause (1), line 3, after “Board” add “subject to Article 181(1) of the 1992 Constitution of the Republic of Ghana”.

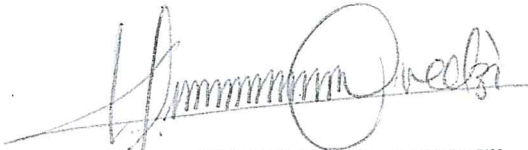
- 9) Clause 28 – **Amendment proposed** – sub-clause (2) paragraph (a) line 2, delete “paid-up capital” and insert “stated-capital”
- 10) Clause 29 – **Amendment proposed** – Sub-clause (2), line 2, delete “0.56” and insert “90 percent”.
- 11) Clause 29 – **Amendment proposed** – Sub-clause (2), line 3, delete “0.19” and insert “10”.
- 12) Clause 29 – **Amendment proposed** – Sub-clause (3), line 1, delete “Customs Division of the”.
- 13) Clause 29 – **Amendment proposed** – Sub-clause (4), line 1, delete “Commissioner responsible for the Customs Division” and insert “Commissioner-General”.
- 14) Clause 37 – **Amendment proposed** – Interpretation of “import”, line 2, delete “support” and insert “supports”.
- 15) Clause 37 – **Amendment proposed** – add new interpretation of “Stated Capital” as follows: ““Stated Capital” is the amount of consideration that the Bank receives for the issuance of its shares”.
- 16) Clause 37 – **Amendment proposed** – add new interpretation of “Ghanaian Own Firm” as follows: ““Ghanaian-owned firm” is a company, partnership, or association or body whether corporate or unincorporated which is wholly owned by a citizen of Ghana.”
- 17) Clause 39 – **Amendment proposed** – Sub-clause (1), line 3, after “Industrial” insert “Development”.
- 18) Clause 39 – **Amendment proposed** – Sub-clause (3), line 2, delete “0.56” and insert “90 percent”.
- 19) Clause 39 – **Amendment proposed** – Sub-clause (3), line 3, delete “0.19” and insert “10”.

8.0 CONCLUSION AND RECOMMENDATION

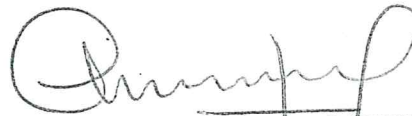
The Committee after its deliberation is convinced that when established, the Ghana EXIM, like others, would serve as a driver of exports of strategic goods and services and overseas investment by Ghanaian companies. The Committee therefore recommends to

the House to adopt its report and take the Ghana Export-Import Bank Bill, 2015 through all stages in accordance with Article 106 (13) of the Constitution and Order 119 of the Standing Orders of the House.

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS.)
(CLERK, FINANCE COMMITTEE)

February, 2016

