

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

**REPORT OF THE FINANCE COMMITTEE ON THE REQUEST
FOR WAIVER OF IMPORT DUTIES, IMPORT NHIL/GETFUND
LEVY, IMPORT VAT AND EXIM LEVY AMOUNTING TO THE
GHANA CEDI EQUIVALENT OF THIRTEEN MILLION, FOUR
HUNDRED AND SEVENTY-TWO THOUSAND, THREE HUNDRED
AND SEVENTY-THREE UNITED STATES DOLLARS
(US\$13,472,373.00) ON MATERIALS TO BE PROCURED BY
GHANA INTERBANK PAYMENT AND SETTLEMENT SYSTEMS
LIMITED (GHIPSS) FOR THE IMPLEMENTATION OF THE E-
ZWICH RURAL BRANCHLESS BANKING PROJECT**

1.0 INTRODUCTION

The request for waiver of Import Duties, Import NHIL/GETFund Levy, Import VAT and Exim Levy amounting to the Ghana Cedi equivalent of Thirteen Million, Four Hundred and Seventy-Two Thousand, Three Hundred and Seventy-Three United States Dollars (US\$13,472,373.00) on materials to be procured by Ghana Interbank Payment and Settlement Systems Limited (GHIPSS) for the implementation of the E-Zwisch Rural Branchless Banking Project was presented to the House on Tuesday, 19th November, 2019 by the Hon. Deputy Minister for Finance, Mrs. Abena Osei Asare on behalf of the Minister for Finance.

Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report.

The Committee met with a Deputy Minister for Finance, Hon. Charles Adu Boahen, and officials from the Ministry of Finance, Ghana Revenue Authority and Ghana Interbank Payment and Settlement Systems Limited and considered the request.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents during its deliberations:

- The 1992 Constitution of Ghana;
- The Public Financial Management Act, 2016 (Act 921); and
- The Standing Orders of the Parliament of Ghana.

3.0 BACKGROUND

The Ghana Interbank Payment and Settlement Systems Limited (GhIPSS) was incorporated in May 2007 and is a wholly-owned subsidiary of the Bank of Ghana. It was set up to ensure an effective and efficient payment system in the country as well as implement and manage interoperable payment system infrastructures for banks and non-bank financial institutions in Ghana. It was also charged with the responsibility to explore technologies and mechanisms to bank the unbanked as well as the under-banked.

Currently, GhIPSS has implemented and managed the following:

- National Biometric Smart Card Banking and Payment System;
- Cheque Codeline Clearing (CCC) System;
- Ghana Automated Clearing House (GACH) System; and
- National Switching and Processing System (Gh-link).

In line with its objectives, GhIPSS is rolling out the Rural Branchless Banking Project. The aim of the project is to deploy, in partnership with financial institutions, the E-Zwich infrastructure in rural areas through networks of

agents and merchants in order to make formal financial services available to all Ghanaian residents.

In order to support the deployment of E-Zwich in rural areas, the Government of Ghana has secured a loan totaling Seven Million Euros (€7,000,000.00) from the KfW. This loan facility will be used to establish a Revolving Credit Fund (RCF) from which loans shall be provided to financial institutions by the Bank of Ghana (BoG) on a revolving basis. It will enable applicants acquire E-Zwich infrastructure for the implementation of the E-Zwich Rural Branchless Banking project under the GhIPSS initiative.

Article 1 Clause 3 of the Financing and Project Agreement between the Government of Ghana represented by the Ministry of Finance and KfW, Frankfurt am Main requires that Government of Ghana bears responsibility for the payment of taxes and duties on materials to be procured under the project and that no expenditures are to be financed from the Financial Contribution.

In accordance with Article 174 (2) of the 1992 Constitution and to ensure the smooth implementation of the project, the request for the waiver of tax and duty liabilities in respect of the equipment and materials to be imported has been presented to the House for approval.

4.0 OBJECTIVES OF THE PROJECT

The main objectives of the project include:

- Improving access to financial services to the benefit of the rural population that have no or limited access;
- Implementing and managing interoperable payment system infrastructures for banks and non-bank financial institutions in the country;
- Exploring technologies and mechanisms to bank the large unbanked as well as the under-banked in society;

- Providing a banking and retail system that will simplify the process of getting a bank account;
- Making available financial services throughout the country ;
- Providing formal and affordable financial services to each Ghanaian; and
- Improving the economic circumstances of people living in rural areas.

5.0 THE REQUEST

The request before Parliament is for the waiver of Import Duties, Import VAT, NHIL /GETFund Levy and EXIM Levy amounting to the Ghana Cedi equivalent of Thirteen Million, Four Hundred and Seventy-Two Thousand, Three Hundred and Seventy-Three United States Dollars (US\$13,472,373.00).

5.1 Assessment of Duties, Taxes and Levies

A breakdown of the tax assessment undertaken by the Ghana Revenue Authority (GRA) is provided in Table 1 below:

Table 1: Breakdown of Tax Assessment by GRA

	Item	Amount (US\$)
1	IMPORT DUTY	6,339,940
2	IMPORT VAT	4,992,703
3	NHIL /GETFUND LEVY	1,901,982
4	EXIM LEVY	237,748
	TOTAL	13,472,373

Attached as an APPENDIX is the details of the tax assessment.

6.0 OBSERVATIONS

6.1 Rationale for the Project

The Committee was informed that the E-Zwich project is an initiative from Bank of Ghana. It is currently the defacto payment system for all payments to Government beneficiaries. The E-Zwich has also helped to reduce duplication

and ensured that individuals who were unbanked or non-banked are now banked.

In order to expand its operations nationwide and establish the needed infrastructure to implement the E-Zwich Rural Branchless Banking Project, GHIPSS and the financial institutions are procuring the needed materials with funding from the Revolving Credit Fund (RCF). The project when completed would help increase the current users of the E-Zwich from Three (3) million to Nine (9) million.

6.2 Benefits of the Project

The Committee observed that the benefits to be derived from the project include:

- Promoting financial inclusion;
- Expanding Government initiatives using the E-Zwich platform;
- Savings for Government due to low cost in using the E-Zwich platform;
- Lower cost of government projects due to low cost of E-Zwich cards and related peripherals;
- Increased number of employees on Government payroll using the E-Zwich cards in order to minimize fraud on Government payroll; and
- Reducing the cash society to a cashless one, thereby improving financial security especially for traders.

6.3 Need for the Waiver

The Committee was informed that GHIPSS is only a facilitating agency and that it is the banks that are bearing the cost of the E-Zwich infrastructure for implementing the project. Secondly, Article 1 Clause 3 of the Financing and project Agreement provides that the recipient shall bear all taxes and other public charges accruing outside the Federal Republic of Germany in connection with the execution of this Agreement, as well as all transfer and conversion costs accruing in connection with disbursement of the financial contribution.


The waiver of the taxes would provide some relief to the participating banks as well as ensure the successful implementation of the project.

7.0 CONCLUSION

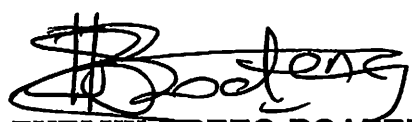
Considering the benefits to be derived from the project, the Committee is of the view that the request is in the right direction.

The Committee therefore recommends to the House to adopt its report and to approve the request for waiver of Import Duties, Import NHIL/GETFund Levy, Import VAT and Exim Levy amounting to the Ghana Cedi equivalent of Thirteen Million, Four Hundred and Seventy-Two Thousand, Three Hundred and Seventy-Three United States Dollars (US\$13,472,373.00) on materials to be procured by Ghana Interbank Payment And Settlement Systems Limited (GHIPSS) for the implementation of the E-Zwich Rural Branchless Banking Project in accordance with Article 174(2) of the Constitution, the Public Financial Management Act, 2016 (Act 921) and the Standing Orders of Parliament.

Respectfully submitted.



HON. MARK ASSIBEY-YEBOAH (DR)
CHAIRMAN, FINANCE COMMITTEE



EVELYN BREFO-BOATENG
CLERK TO THE COMMITTEE

27th November, 2019

APPENDIX

SUMMARY TABLE OF EXEMPTIONS GRANTED

TAX ASSESSMENT

Description of Goods	Qty	CIF (USD)	I/D Rate	Imp. Duty	Nhil/Gfund 5%	Imp. VAT 12.5%	EXIM Levy 0.75%	SIL 0%/2%	TOTAL (USD)
Merchant Cards	3,000,000	11,850,000	20%	2370000	711000	1866375	88875	0	5,036,250
ATM Cards	3,000,000	13,650,000	20%	2730000	819000	2149875	102375	0	5,801,250
Imp. Card Pin	5,000	2,870,000	20%	574000	172200	452025	21525	0	1,219,750
ATM Pin	50	1,629,700	20%	325940	97782	256678	12223	0	692,623
ATM Card Pin	2,000	1,551,000	20%	310200	93060	244283	11633	0	659,175
Payment Distribution System Kit	500	86,000	20%	17200	5160	13545	645	0	36,550
Merchant/Teller/Operator Card	11,000	58,800	20%	11760	3528	9261	441	0	24,990
ACS(Single Card Reader)	50	4,200	20%	840	252	662	32	0	1,785
TOTAL		31,699,700		6339940	1901982	4992703	237748	0	13,472,373