

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

## REPORT OF THE FINANCE COMMITTEE

ON THE

REQUEST BY THE GOVERNMENT OF THE REPUBLIC OF  
GHANA FOR THE ISSUANCE OF GOVERNMENT  
SHORTFALL UNDERTAKING LETTER (GSUL) IN FAVOUR  
OF CREDIT SUISSE AG, LONDON BRANCH, TO SUPPORT  
GHANA EXPORT-IMPORT BANK (GEXIM) TO ACCESS AND  
DRAWDOWN A TERM FACILITY OF ONE HUNDRED  
MILLION UNITED STATES DOLLARS (US\$100,000,000.00)

FEBRUARY 2020

## **1.0 INTRODUCTION**

The request by the Government of the Republic of Ghana for the issuance of Government Shortfall Undertaking Letter (GSUL) in favour of Credit Suisse AG, London Branch, to support Ghana Export-Import Bank (GEXIM) to access and drawdown a Term Facility of One Hundred Million United States Dollars (US\$100,000,000.00) was presented to the House on Wednesday 12<sup>th</sup> February 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf of the Minister responsible for Finance.

Pursuant to Article 103 of the 1992 Constitution and Orders 169 and 171(1) of the Standing Orders of the House, the Agreement was referred to the Committee on Finance for consideration and report.

The Committee subsequently met and discussed the Agreement with the Deputy Minister for Finance, Hon. Charles Adu Boahen, the Chief Executive Officer of the Ghana Export-Import Bank (GEXIM) and a team of officials from the Ministry of Finance and GEXIM and hereby submits this report to the House.

The Committee is grateful to the above mentioned Hon. Deputy Minister and the officials for attending upon the Committee.

## **2.0 REFERENCES**

The Committee referred to and was guided by the following documents *inter alia* during its deliberations on the request:

- The 1992 Constitution of the Republic of Ghana
- The Standing Orders of the Parliament of Ghana

- The Public Financial Management Act, 2016 (Act 921)
- Ghana Export-Import Bank Act, 2016 (Act 911)

### **3.0 BACKGROUND**

The Ghana Export-Import Bank (GEXIM) is a statutory corporation set up under the Ghana Export-Import Bank Act, 2016 (Act 911) to aid the Government of Ghana's long term strategy of further developing Ghana into a sustainable export-led economy.

The Ghana EXIM Bank is mandated to act as the principal export finance institution of the country, supporting and enhancing existing trade and investment activities. These functions are expected to transform Ghana's economy into an export oriented one through the promotion of exports of strategic goods and services and overseas investment by Ghanaian companies.

The Ghana Export-Import Bank has also been the principal financier of the Government's flagship *One District One Factory (1D1F)* Programme, providing competitive financing in support of export-oriented and import substitution projects under the Programme. To date, the Bank has partially financed 81 1D1F Projects which are at various stages of completion.

Act 911 provides the Bank with an allocation of 90% of the 0.75% Import Levy charged on the dutiable value of all non-petroleum products imported into Ghana. Based on 2016 prices and import volumes, the Ghana Export-Import Bank receives a monthly inflow of approximately US\$4 Million from the Levy. The Levy is collected by the Ghana Revenue Authority at the ports and GEXIM's share is paid directly into its account at the Bank of Ghana.

The Ghana Exim Bank is presently faced with funding gap challenges arising from the timing of the Levy inflows and the demand for financing from its clients. The Bank currently has a funding gap mostly due to approved 1D1F Projects. With firm commitments to support 81 projects with a total funding requirement of GH¢1.337 Billion, GEXIM has so far disbursed

GH¢514.55 Million, leaving a funding gap of GH¢822.67 Million. **[Attached as APPENDIX is a copy of the list of Applicants/Beneficiaries of GEXIM Funding]**

To resolve these challenges, GEXIM embarked on a capital raising effort with the objective of raising long term financing from international financial institutions, leveraging on the proceeds of GEXIM's share of the Import Levy. This is to enable the Bank have a pool of funds to pursue an aggressive export financing programme in line with its clients' financing requirements so as to make the needed impact.

It is in this regard that GEXIM with the support of the Ministry of Finance, secured a US\$100 Million Term Loan Facility from Credit Suisse for on-lending to qualified clients in line with GEXIM's mandate and credit policies.

#### **4.0 PURPOSE OF THE FACILITY**

The purpose of the Agreement is to obtain funds to support GEXIM's operations and for on-lending to GEXIM's clients involved in export activities.

#### **5.0 TERMS AND CONDITIONS OF THE FACILITY**

The terms and conditions of the Facility are as follows:

Borrower	Ghana Exim Bank
Lender	Credit Suisse AG (London Branch)
Facility Type	Senior Secured Term Loan
Purpose	To finance on-lending for GEXIM's clients involved in export activities
Facility Amount	USD100 Million
Currency	USD & EUR – Facility is multicurrency facility made up of 80% EUR and 20% USD tranches

Tenor	5 years (60 months)
Moratorium	6 months from date of disbursement
Interest Rate	USD: 6-Month Libor (currently 2.01%) + 5.85% EUR: 6-Month Euribor (Pegged at 0%) + 5.85%
Repayment	5 years
Security	<ul style="list-style-type: none"> <li>(i) First ranking security over GEXIM's dedicated share of the Import Levy flows</li> <li>(ii) Security over the Borrower's dedicated: <ul style="list-style-type: none"> <li>(a) On-shore collection account (the "Collection Account") into which the Import Levy would be deposited in Cedis</li> <li>(b) Off-shore (USD and EUR denominated) debt service reserve accounts ("Debt Service Reserve Accounts" the "DSRAs") into which the Borrower will deposit pre-agreed debt service.</li> </ul> </li> </ul>
Shortfall Letter of Undertaking	The Government of Ghana (Through MoF) is to provide support to the transaction via: <ul style="list-style-type: none"> <li>(i) An undertaking not to abolish, modify or</li> </ul>

	<p>vary the Import Levy (or GEXIM's share thereof) in a manner that shall have an adverse effect on Borrower's ability to service its obligations</p> <p>(ii) An undertaking as a Shortfall Provider to provide upon request by GEXIM a Shortfall Amount to top up any shortfall in the DSRA</p>
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## 6.0 OBSERVATIONS

### 6.1 Receivables-backed Loan

The Committee noted that the Facility is a receivables-backed Secured Term Loan tenured over a 5-year period. The Facility is being borrowed on the balance sheet of the Ghana Exim Bank and is secured with an assignment of the proceeds from the collections of 0.75% Import Levy provided under the Ghana Export-Import Bank Act, 2016 (Act 911). The arrangement allows GEXIM to complete the financing of client's projects in time instead of having to wait for the Levy proceeds which only trickle month by month. The levy receivables will then be applied over the Loan Tenor to service the Facility.

### 6.2 Multi-Currency and Flexible Facility

Unlike most credit facilities which are offered in a single currency, the Committee noted that this Facility is being offered by Credit Suisse as a multi-currency facility (80% Euro : 20% USD). This enables the Borrower to take advantage of the negative *Euribor* rate to drive down the weighted average interest rate to approximately 6.25% per annum based on prevailing 6-Month Libor and *Euribor* rates.

Also, the Facility allows the borrower to apply the funds at the borrower's discretion, thus giving GEXIM flexibility to support Government of Ghana's initiatives such as 1D1F, construction of greenhouses and other industrialisation programs.

### **6.3 Government's Top-Up Obligation**

As to the exact nature of the obligation being assumed by the Government under the Government Support Undertaking, it was explained to the Committee that the Government of Ghana will have to provide funds from other sources to top-up any shortfall in the required Debt Service Reserve Amount (which is required to be equivalent to 2 periods debt service) on behalf of GEXIM when requested.

It was further explained that the maximum required top-up amount will be the difference between the balance on the Debt Service Reserve Account (DSRA) and the required Debt Service Reserve Amount. This means that there will be no need for a top-up if the balances on the DSRA remain un-depleted at any test date.

The Committee observed that so long as GEXIM is on track with its debt service obligations to the lender using GEXIM's Levy receivables, the DSRA will not be depleted. In any case, Government's obligations under the Support Undertaking will be limited to making up the shortfall in the DSRA, if any, and not to assume the debt service obligations of GEXIM.

### **6.4 Mitigating the Exchange Rate Risks**

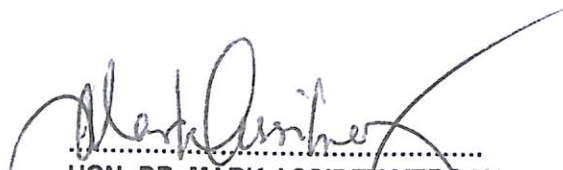
As to what GEXIM would do to mitigate potential exchange rate risks inherent in borrowing in US Dollar/Euro and lending to clients in Cedis, the Chief Executive Officer of the Ghana Exim Bank informed the Committee that GEXIM is entering into a swap arrangement with the Bank of Ghana under which GEXIM will surrender the forex proceeds of the Loan to the Bank of Ghana and take Cedis instead, so that when it comes to repayment of the Loan, the Bank of Ghana will pay the forex to the Lender and take Cedis from GEXIM.

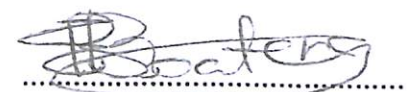
## 6.5 Benefits of the Government Support Undertaking

The Committee observed that the Government Support Undertaking being provided by the Government of Ghana will help establish the creditworthiness of GEXIM as a first-time borrower. The Undertaking will serve as a credit enhancement support to mitigate the risk profile of GEXIM and give comfort to the Lenders about the underlying repayment source being the Import Levy receivables.

## 7.0 CONCLUSION

The Committee, having carefully scrutinised the request, respectfully recommends to the House to adopt this report and approve by resolution, the **request by the Government of the Republic of Ghana for the issuance of Government Shortfall Undertaking Letter (GSUL) in favour of Credit Suisse AG, London Branch, to support Ghana Export-Import Bank (GEXIM) to access and drawdown a term facility of One Hundred Million United States Dollars (US\$100,000,000.00)** in accordance with Article 181 of the 1992 Constitution of the Republic of Ghana and the Public Financial Management Act, 2016 (Act 921).

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

  
.....  
MS. EVELYN BREFO-BOATENG  
(CLERK, FINANCE COMMITTEE)

18<sup>TH</sup> FEBRUARY, 2020





# APPENDIX

<u>No.</u>	<u>Applicant/ Beneficiary</u>	<u>Region</u>	<u>District</u>
<u>1</u>	Kyepon Ltd	Brong Ahafo	Dormaa Municipal
<u>2</u>	BioMass Systems (GH) Ltd		Katamanso Municipal Assembly
<u>3</u>	OY Consult		
<u>4</u>	Akwaaba Cocoa Soap Factory		
<u>5</u>	Lorlorlonyo Food Farmers	Volta Region	
<u>6</u>	Footwear Manufacturing Company	Greater Accra	GA West District
<u>7</u>	Office of the President/IDIF/ Northern Industrial Onions Processing Company Ltd	Upper East	
<u>8</u>	Office of the President/IDIF/Mosco Systems Ltd	Greater Accra	Ningo PramPram District
<u>9</u>	Office of the President/IDIF/Day Denk Jones Ltd	Northern	Tamale Municipal
<u>10</u>	Office of the President/Nat Pellets Ghana Ltd	Ashanti	Asante Akim North District
<u>11</u>	Office of the President/IDIF/Pro-Life Infusions Limited	Ashanti	
<u>12</u>	Office of the President/IDIF/Pro-Life Infusions Limited	Ashanti	
<u>13</u>	Mawood International Limied	Greater Accra	Osudoku District
<u>14</u>	Natalima Enterprise	Northern	West Mamprusi District
<u>15</u>	Nature's Treasure Food		
<u>16</u>	Office of the President/IDIF/Builders Accessories	Eastern	Ayensuano District
<u>17</u>	Adam Dental and Medical World Limited	Greater Accra	
<u>18</u>	Jilkk Company Limited	Eastern	Ayensuano District
<u>19</u>	AB Akamara Farms	Northern	West Mamprusi District
<u>20</u>	K. Badu Agrochemical Company Limited	Ashanti	

<u>21</u>	Trust and Obey God Ventures	Greater Accra	Accra Municipality
<u>22</u>	Zelcobb Farms		
<u>23</u>	UM Maasha Allah Enterprise	Brong Ahafo	
<u>24</u>	Alfupro Ventures	Greater Accra Region	Ga South Municipal
<u>25</u>	Makata Farms	Central Region	
<u>26</u>	Office of the President/IDIF/CEP Plastic Enterprise	Central	Awutu Senya District
<u>27</u>	Kwea Company Limited	Ashanti	Mampong Nsuta
<u>28</u>	Greatmenz Company Limited	Central	
<u>29</u>	Golden Oil Naturals	Greater Accra	
<u>30</u>	Greenspan Farms Limited		
<u>31</u>	Yabco Focus Company Limited	Upper East	
<u>32</u>	Ghana Root Crops and Tubers Exporters Union (Grocteu)	Greater Accra	
<u>33</u>	X'Mart Marketing Links	Ashanti	Kumasi
<u>34</u>	Women in Poultry Farming	Ashanti	Asafo-Kumasi
<u>35</u>	Gudeli Ghana Limited	Ashanti	Kintampo North Municipal/Kumasi Metropolitan
<u>36</u>	Mister Rees Foods Limited	Greater Accra	Accra Metropolitan
<u>37</u>	Weyvan Ghana Ltd	Greater Accra and Volta	Ada East District
<u>38</u>	Oduro Asamoah Ent	Ashanti	Ejisu
<u>39</u>	Blackstar Foods	Brong Ahafo	
<u>40</u>	Dexaline Ltd	Volta Region	Agortime Ziope District
<u>41</u>	Lifetime Joy Co.Ltd	Greater Accra	
<u>42</u>	Landmark Farms	Western	
<u>43</u>	Bofas Company Ltd		
<u>44</u>	Agyei Agrochemicals	Ashanti Region	
<u>45</u>	Volta Forest Products Ltd		
<u>46</u>	Adanko Dika	Greater Accra	
<u>47</u>	Xun Limited	Greater Accra	
<u>48</u>	Adam Dental and Medical World Company	Greater Accra	
<u>49</u>	GoldPot Production Enterprise	Greater Accra	Accra North
<u>50</u>	Office of the President/IDIF/Wentrim Farms	Northern Region	Walewale West Municipal District
<u>51</u>	Three Rivers Farms Ltd	Central Region	Ajumako Enyan Essiam



<u>Location</u>	<u>Product</u>	<u>Purpose</u>	<u>Amount Requested</u>
			<u>(GH¢)</u>
Dormaa Ahenkro			
Kpone	Waste Energy plant	Installation of Waste Production Plant	
		to to purchase machinery such as earth moving equipment, stone processing	
Jasikan		To procure modern farm implements and materials	GHS415,124.89
Ablekuma North	Footwear	Footwear production	GHC 1,368,974.88
Bawku	Onion	Onion Orocessing	
Ningo Prampram	POP Cornices and Plasterboard		
Tamale	diapers	Manufacture of disposable diapers	
Agogo	Pallets	Manufacture Pallets	GHC 597,019.60
Yonso A/R	Pharmaceutical		
Yonso A/R	Pharmaceutical		GHC 250,000
	Rice Farming		
Janga	Poultry		GHC 555,850.00
Kyekeyewere	Roofing sheets	Increase production	
Ashaley Botwe	Supply of Dental Equipment and Accessories		753,610.00
Anum Apapam	Agric Business		1,000,000.00
Nasea			GHC 770,000.00
Oduom	Agrochemicals		

Adenta, Pantang Junction	Supply of farm produce- maize, gari, beans and yam		GHS500,000.00
	Poultry Production	Commercial Egg Production	GHC 250,000
Atebubu	Rice Production &		974,683.31
Weija	Fruit juice industry	Production of fruit juice	GHC 307,460.10
Dominase	Poultry		GHS654,510.00
Kasoa	Waste Processing		GHS450000
Nsuta	Cashew, Cassava, Maize, Orange	Purchase farm and equipment and training	GHS1,000,000.00
Gomoa Fetteh	Manufacturing and Recycling		1,500,000.00
Naw Mamprobi	Shea Processing	Cosmetics	490,402.50
	Coconut	Coconut Production & Expansion	1,252,000.00
Bolgatanga	Agro-Processing	Fruit Juice & Jams	1,417,500.00
La Accra	yam Processing	Yam Powder	27,000.00
Asafo	Agric-Business	Soya, Shea Butter & Palm Kernel	1,000,000.00
Asafo	Poultry Farming		60,000.00
Kintampo/Boadi	Animal rearing	Cattle rearing	500,000.00
	Cocoa Processing	Chocolate Drink	330,000.00
Asutsuare/Ada	Rice Processing	Paddy	1,000,000.00
Akyiasi	Weaving Co.	Kente	GHS480,000.00
	Cashew	Re-Request for disbursement of civil works funds	1,000,000.00
Ilo	Tomato factory	Application for agricultural equipment loan GHS440.900	GHS440,900
	Honey	Application for business loan of GHS1,000,000.00	1,000,000.00
Kojokrom and Kansaworodo	Poultry	Application for a loan	500,000.00
		Application for loan of GHS1,250,000.00 FROM Exim Bank Ltd under IDIF Initiative	1,250,000.00
Kumasi	Fertilizer	Application for loan	1,000,000.00
		Request for release of funds	
Tema	Rabbit farming	Business Request Loan	400,000.00
Tema	Apparel	Application for credit facility	761,693.00
Kanda	mouthwash	Request for a credit facility	1,000,000.00
	Jewelry	Production of Jewelry	GHC 507,884.48
Walewale	Melon & Soyabean	Natural Fruit Juice Production	GHC 975,000.00
Breman Fawomanyo	Cassava and Maize	Application for capital support to establish an agro processing factory under the IDIF policy	Ghs 897,000.00

