

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

REPORT OF THE FINANCE COMMITTEE ON THE MIXED CREDIT
FACILITY AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC
OF GHANA (REPRESENTED BY THE MINISTRY OF FINANCE) AND
AFRICAN DEVELOPMENT FUND (ADF) FOR AN AMOUNT OF FIVE MILLION,
THREE HUNDRED THOUSAND UNITS OF ACCOUNTS (UA 5.3 MILLION)
[COMPRISING A CONCESSIONAL LOAN AMOUNT OF UA3.2 MILLION AND A
GRANT AMOUNT OF UA 2.1 MILLION] TO FINANCE THE STRENGTHENING
INSTITUTIONAL CAPACITY FOR DOMESTIC RESOURCE MOBILIZATION
AND ECONOMIC MANAGEMENT PROJECT

1.0 INTRODUCTION

The Mixed Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and African Development Fund (ADF) for an amount of Five Million, Three Hundred Thousand Units of Accounts (UA 5.3 Million) [comprising a concessional loan amount of UA3.2 Million and a grant amount of UA 2.1 Million] to finance the Strengthening Institutional Capacity for Domestic Resource Mobilization and Economic Management Project was laid in the House on 1st April, 2020 by the Hon. Minister responsible for Parliamentary Affairs, Mr. Osei Kyei-Mensah-Bonsu on behalf the Minister responsible for Finance.

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

The Committee met with, a Deputy Minister for Finance, Hon. Kwaku Kwarteng and officers from the Ministry of Finance to consider the referral.

2.0 DOCUMENTS REFERRED TO

The Committee referred to the following documents:

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

3.0 BACKGROUND

Against the background of a transformative Socio-Economic Reform Agenda since 2017, the Government has been seeking to improve the responsiveness of key institutions in the country for effective implementation of the reform agenda.

The Ministry of Finance, as the central management agency, was accordingly restructured in December, 2019 and is re-strategizing to boost the prospects of safeguarding recent gains for sustained transformation. The ensuing strategy is to pursue an appropriate mix of policies to support growth with stability while enhancing equitable distribution. The successful pursuit of these objectives requires catalytic support.

In pursuit of this catalytic support, the African Development Fund (ADF) has approved a facility amounting to UA5.3 Million (equivalent to US\$7.4 Million) to the Government of Ghana for Strengthening Institutional Capacity for Domestic Resource Mobilization and Economic Management Project. Building on the previous institutional support project which ended in 2019, this proposed project complements ongoing reforms in economic and financial governance focusing on resource mobilization, debt and treasury management as well as diversification of financial services to enhance private sector development.

4.0 PROJECT OBJECTIVES

The objectives of the project is to revitalize ongoing revenue mobilization and economic management reforms through institutional strengthening. Specifically,

the facility will bolster existing efforts to entrench micro-fiscal irreversibility and sustainable socio-economic development by:

- Creating a receptive eco-system that fosters the advancement of a regionally-focused financial services hub in Ghana;
- Enhancing public financial regulation through effective treasury and credit risk management; and
- Revitalizing resource mobilization and fostering economic relations for increased foreign direct investment (FDI), emphasizing mostly on domestic revenue and non-ODA windows of international financial institutions (FDI) and development partners

5.0 PROJECT COMPONENTS

The project has Four (4) components as follows:

- i. Supporting the financial system and capital market development;
- ii. Enhancing public financial regulations through effective treasury and credit risk management;
- iii. Improving system efficiency for non-tax and aid coordination; and
- iv. Project management.

Details of the components are captured in Table 1 below:

Table 1 Project Components

S/N	Component Name	Description	Amount (UA)
1	Supporting Financial system and capital market development	<p>The component will be implemented through the following:</p> <ul style="list-style-type: none"> ▪ Development of a strategic plan and business roadmap for the international financial Services Center (IFSC); ▪ Preparation of legal framework for the IFSC and preparation of Draft Acts; 	1.57 M

		<ul style="list-style-type: none"> ▪ Supporting the financial markets regulator (Securities and Exchange Commission) to transition towards Risk Based Supervision (RBS); ▪ Review of existing supervision guidelines and benchmarking for RBS requirements; ▪ Assessment of data and IT requirement for RBS; and ▪ Development of a Regulatory Compliance Portal (RCP) . 	
2	Enhancing public financial regulation through effective treasury and credit risk management	<p>The main objective of the component will be to reinvigorate debt and treasury management functions through the:</p> <ul style="list-style-type: none"> ▪ Upgrading of current debt management system (CS-DRMS); ▪ Introduction of electronic filing of public debt records; ▪ Development of operating guidelines to support the recently established Debt Community Platform; ▪ Development of standard operating procedures for cash management; and ▪ Equipment of departmental staff with skills to enable them interpret and apply provisions of the PFM Act (Act 921), Public Financial Regulations 2019 as well as other relevant Treasury instruments. 	1.30M
3(a)	Improving system efficiency for non-tax revenue	<p>The Objective of this sub-component is to increase collection of non-tax revenues through the:</p> <ul style="list-style-type: none"> ▪ Acquisition of IT solution-based tools (e-monitoring platform) for non-tax revenues; ▪ Development an Non-Tax Revenue medium-term strategic document; ▪ Finalization and validation of NTR legislation; and 	1.47M

		<ul style="list-style-type: none"> ▪ Establishment of a criteria for granting of NTR retentions to MDAs. 	
3(b)	Aid Coordination	<p>Coordination of the Aid sub-component will be strengthened through:</p> <ul style="list-style-type: none"> ▪ System upgrade of aid management platform (IDCMIS); and ▪ Development strategy for DP coordination and develop standard operating procedures manual for donor coordination. 	
4	Project management	Technical Assistance, Monitoring and Audit, PSC and general project management and coordination	0.92M

6.0 TERMS AND CONDITIONS OF THE LOAN

The terms and conditions of the loan are as follows:

Total Amount	-	UA5.3 Million
Loan Amount	-	UA3.2 Million
Grant Amount	-	UA2.1 Million
Interest Rate	-	1.0% p.a.
Service Charge	-	0.75% p.a.
Commitment Charge	-	0.5% p.a.
Grace period	-	5 years
Re-payment period	-	25 years (exclusive of Grace period)
Concessionality	-	39.5%

7.0 OBSERVATIONS

7.1 Justification for the Project

The Committee was informed that the project is building upon a previous institutional support project that ended in 2019, and it aims at improving

institutional, managerial and technical competencies to effectively prepare, implement, monitor and report on the planned priority interventions outlined in the Ministry of Finance Strategic Plan (2019-2023).

The Committee was informed that the scope of the project covers new and emerging practices which aim at enhancing public financial regulation, effective treasury and credit risk management, as well as enhancing revenue mobilization and fostering economic relations for increased Foreign Direct Investment (FDI). Through this capacity building project, it is expected that the Ministry of Finance would build its capacity in these best practices, improve upon the system efficiency for on-tax and aid coordination, enhance public sector financial regulations and improve upon revenue mobilization.

7.2 Benefits of the Project

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

- i. Development of International Financial Service Center (IFSC) Acts and Instruments;
- ii. Development of Risk-based supervision framework for capital markets;
- iii. Development of Regulatory Compliance Portal (RCP) for capital markets;
- iv. Introduction of Standard Operating Procedures for cash management, leading to improved reporting and transparency in debt management;
- v. Development of Strategic plan and roadmap for financial services hub;
- vi. Enhancement of Non-tax revenue mobilization through monthly monitoring and reporting;
- vii. Development of Non-tax revenue policies and legislative frameworks;
- viii. Establishment of a criteria for granting of NTR retention to MDAs established; and
- ix. Improvement in the Management and coordination of Development Corporation.

7.3 Duration of the Project

The Committee was informed that the project is programmed to be implemented over a three (3) year period.

7.4 Establishing a Financial Service Hub

The Committee observed that the project seeks to support the Government to establish a Financial Service hub in the country.

The Committee was informed that Government intends to establish an International Financial Services enclave in the country. The project, with the help of ADF, will assist Government to put together a comprehensive strategic plan and a business plan to realize this goal. The approach is to have a dedicated enclave modelled along the Singaporean model. Under the project, existing statutes on IFSC would also be reviewed.

7.5 Project Beneficiaries

The Committee observed that the project is intended to directly benefit the following Divisions of the Ministry of Finance and its agencies:

- Financial Sector Division of the Ministry of Finance;
- Treasury and Debt Management Division of the Ministry of Finance;
- Resource Mobilization and Economic Relations Division of the Ministry of Finance; and
- Securities and Exchange Commission.

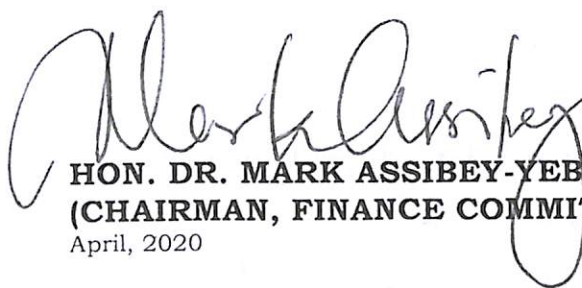
7.6 Cost of the Project

The Committee observed that the total cost of the Project amounts to UA 5,830,000.00. Out of this amount, ADF is contributing UA5.3 Million, representing 90% and the Government of Ghana is contributing UA0.53 Million representing 10%.

8.0 CONCLUSION

In view of the benefits to be derived from this project, the Committee recommends to the House to adopt its report and approve the request for approval of the Mixed Credit Facility Agreement between the Government of the Republic of Ghana (represented by the Ministry of Finance) and African Development Fund (ADF) for an amount of Five Million, Three Hundred Thousand Units of Accounts (UA 5.3 Million) [comprising a concessional loan amount of UA3.2 Million and a grant amount of UA 2.1 Million] to finance the Strengthening Institutional Capacity for Domestic Resource Mobilization and Economic Management Project in accordance with Article 181 of the 1992 Constitution, Section 56 of the Public Financial Management Act, 2016 (Act 921) and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.


HON. DR. MARK ASSIBEY-YEBOAH
(CHAIRMAN, FINANCE COMMITTEE)
April, 2020


EVELYN BRESO-BOATENG (MS)
(CLERK, FINANCE COMMITTEE)

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