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

REPORT OF THE FINANCE COMMITTEE ON THE RATIFICATION OF THE AMENDMENT TO THE ARTICLES OF AGREEMENT ON REFORM OF THE EXECUTIVE BOARD OF THE IMF AND INCREASE IN QUOTAS OF MEMBER COUNTRIES

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1.0 INTRODUCTION

The ratification of the amendment to the Articles of Agreement on Reform of the Executive Board of the International Monetary Fund (IMF) and increase in quotas of Member Countries was laid in the House on Friday 1st March, 2013 and referred to the Finance Committee for consideration and report in accordance with Article 75 of the 1992 Constitution of Ghana and Order 169 of the Standing Orders of the House.

The Committee met and considered the amendment to the Articles of Agreement with the Hon. Minister of Finance, Mr. Seth Terkper and officials from the Ministry of Finance and hereby presents this report to the House pursuant to Order 161(1) of the Standing Orders of the House.

2.0 REFERENCE DOCUMENTS

The following documents served as reference guide during the Committee's deliberations:

- 1992 Constitution of the Republic of Ghana;
- Standing Orders of the House;

- Memorandum on the ratification of the Amendment to the Articles of Agreement on Reform of the Executive Board of the International Monetary Fund (IMF) and increase in quotas of Member Countries; and
- Articles of Agreement on Reform of the Executive Board of the International Monetary Fund (IMF) and increase in quotas of Member Countries.

2.0 BACKGROUND TO THE REVIEW OF QUOTAS

In its discussions on the Fourteenth General Review of Quotas, the Executive Board assessed the Fund's need for resources over the medium term in order to carry out its functions. The Executive Board stressed the need for the Fund to remain a quota-based institution, notwithstanding the recent large increase in its borrowed resources. The Executive Board further noted that a range of indicators show that the relative size of the Fund has declined substantially since the last general quota increase 12 years ago and, recognized that the distribution of quota shares should reflect the relative weights of the Fund's members in the world economy, which have changed substantially in view of the strong growth in dynamic emerging market and developing countries (EMDC's). In addition, recent events have highlighted the fact that global financial crisis can have broad dimensions, potentially affecting a wide group of member countries, while the recent reforms of the Fund's facilities could potentially expand the range of members that may seek Fund support in the future. Given these considerations, the Executive Board proposed to the Governors that the total of Fund quotas agreed in the context of the 2008 quota and voice reform be increased by 100% from approximately SDR 238.4 billon to approximately SDR 476.8 billion.

To give effect to the above, the Board of Governors of the International Monetary Fund (IMF) approved a package of far-reaching reforms of the Fund's quotas and governance on December 15th 2010. These reforms represent a major re-alignment in the ranking of quota shares that better reflect global economic realities, and to further strengthen the Fund's legitimacy and effectiveness.

The Board of Governors also supported an amendment to the Articles of Agreement that would facilitate a move to a more representative, all elected Executive Board.

3.0 PURPOSE OF THE REFORMS

The purpose of the reforms is to re-align the ranking of quota shares to better reflect global economic realities, and a strengthening of the Fund's legitimacy and effectiveness. It also completes the 14th General Review of Quotas with an unprecedented doubling of quotas and a major realignment of quota shares – a shift of more than 6 percent for over-represented to under-represented members and, a more than 6 % quota shift to dynamic emerging market and developing countries. The reforms also protect the quota shares and voting power of poor members.

5.0 OBSERVATIONS

The Committee made the following observations during its deliberations:

Current Position of the Proposed Amendment and Justification for Government Action

The Committee noted that in order for the proposed amendment on reform of the Executive Board to enter into force, acceptance by three-fifths (3/5) of the Fund's 188 members (or 113 members) having 85 percent of the Fund's total voting power is required. As of March 1, 2013, 133 members having 70.82 percent of total voting power had accepted the amendment.

For the quota increases under the 14th General Review of Quotas to become effective, the entry into force of the proposed amendment to reform the Executive Board is required, as well as the consent to the quota increase by members having not less than 70 percent of total quotas (as of November 5, 2010). As of March 1, 2013, 148 members having 77.42 percent of total quota had consented.

Therefore, since the Amendments effectively constitute a modification to an existing international law, it is necessary that appropriate domestic legal steps are taken to make the acceptance effective, and this requires the prior consent of Cabinet and ratification by Parliament.

Financial Implications and Benefits to Ghana

The Committee observed that the ratification of the Agreement does not impose any immediate financial obligation on Ghana.

The Committee was however, informed that the 14^{th} General Review of Quotas which doubled the Quotas and realigned the quota shares of Member Countries would mean that Ghana's current contribution to the fund will double. This also means that Ghana would be entitled to access more credit of about US$738 million as compared to the current figure of US$369 million.

Ghana's Constituency in the IMF

The Committee was informed that though Ghana functionally operates within the African Department of the IMF, it is currently in the Constituency of the North African and Asian Countries namely the Islamic Republic of Afghanistan, Algeria, Islamic Republic of Iran, Pakistan, Bangladesh, Morocco, Egypt and Tunisia. This situation denies Ghana the opportunity to serve on the Executive Board of the Fund where major decisions are made.

The Committee however, calls on the Government to analyse the benefits or otherwise of Ghana's position in this Constituency. This will enable Government to decide on whether to remain or leave the current Constituency.

6.0 CONCLUSION/RECOMMENDATION

The Committee having carefully examined the amendments noted that they are consistent with the 1992 Constitution and accordingly recommends that the House adopts its report and ratifies by resolution, the proposed **Amendments to the *Articles to the Agreement on the Reforms of the Executive Board of the IMF and the increase in Quotas of Member Countries*** in accordance with article 75(2) of the Constitution.

Respectfully submitted.

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CHAIRMAN, FINANCE COMMITTEE

ROSEMARY ARTHUR SARKODIE (MRS)
CLERK, FINANCE COMMITTEE