

**IN THE FOURTH SESSION OF THE FIFTH PARLIAMENT OF THE  
FOURTH REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON**  
**THE FINANCING AGREEMENT BETWEEN THE**  
**GOVERNMENT OF THE REPUBLIC OF GHANA AND**  
**THE INTERNATIONAL DEVELOPMENT ASSOCIATION**  
**(IDA) FOR AN AMOUNT OF US\$20,000,000.00 TO**  
**FINANCE THE REGIONAL TRADE FACILITATION**  
**PROJECT-PHASE II**

**1.0 INTRODUCTION**

The Financing Agreement Between the Government of the Republic of Ghana and the International Development Association (IDA) for an amount of US\$20,000,000.00 to finance the Regional Trade Facilitation Project-Phase II was laid before the House on 22<sup>nd</sup> May, 2012 and referred to the Finance Committee for consideration and report in accordance with Article 181 of the Constitution and order 171(1) of the Standing Orders of Parliament.

The Committee met with the Hon. Deputy Minister of Finance and Economic Planning, Mr. Fifi Fiavi Kwetey, and officials of the Ministry of Finance and Economic Planning.

## **2.0 BACKGROUND**

The First Phase of the Regional Trade Facilitation Project (RTFP I) was initiated in April 2001 and because of its regional nature, it was run concurrently in seven African countries in Eastern and Southern Africa, one regional economic community, one private sector business and two regional financial institutions. Since its inception, RTFP I have expanded to include five new members: Democratic Republic of Congo, Madagascar, Eritrea, Sudan and Djibouti.

An implementing agency called the Africa Trade Insurance Agency (ATI) was created to run this project.

The Second Phase of the Regional Trade Facilitation Project (RTFP II) is an instrument for IDA to help mitigate the impact of the global financial crisis by providing insurance cover and guarantees to allay potential investor fears and to help support the export industry of its African Member States (AMS) through their subscription in Africa Trade Insurance Agency's (ATI's) share capital.

The share capital that is purchased by the AMS underpins ATI's operations to offer a broad line of products which have been requested by the private market, including comprehensive cover found to be a pre-requisite to increase trade flows in Africa. ATI will cover commercial risk only when it has access to reliable financial information on the company involved, and its staff has the necessary under-writing skills.

In addition, the financing may be used by ATI to fund budgeted operating costs, eligible investments, and share repurchases as well as insurance facility related payments.

### **3.0 PROJECT DEVELOPMENT OBJECTIVES**

The Project is to facilitate private sector-led trade flows, investment and productive activities in the provision of insurance, co-insurance, reinsurance, financial instruments and related services.

### **4.0 PROJECT COMPONENTS**

The project has only one component; to provide a financial facility that pools the capital contributed by African Member States, in their IDA credits **to subscribe for the capital stock of ATI.**

These funds enable ATI to underwrite insurance policies to cover short-term to medium-term political risk as well as comprehensive credit insurance for private sector buyers, non-honouring of sovereign obligations or guarantees, and trade cover for sub-sovereign obligors.

### **5.0 PURPOSE OF THE CREDIT**

The purpose of the Credit is to obtain funds from IDA to back capital allocation in ATI to enable Ghana complete its membership requirements of providing equity contribution to the Agency to qualify it to benefit from the products of ATI.

## **6.0 TERMS OF THE CREDIT**

The terms of the Credit facility are as follows:

<b>Credit Amount</b>	-	<b>SDR 12.8 million (US\$20.0 million equivalent)</b>
<b>Maturity Period</b>	-	<b>35 years</b>
<b>Grace Period</b>	-	<b>10 years</b>
<b>Repayment Period</b>	-	<b>25 years</b>
<b>Commitment charge on unwithdrawn balance</b>	-	<b>0.5 per annum</b>
<b>Service charge on withdrawn balance</b>	-	<b>0.75 per annum payable on February 1<sup>ST</sup> and August 1<sup>ST</sup></b>

## **7.0 OBSERVATIONS**

7.1 The Committee observed that **RTFP II** is a follow up project to **RTFT I** to support Africa Member States (AMS) who lack equity finance needed to join ATI but are willing to address the market's perception of risk in Africa by setting up a credit regional insurance mechanism to leverage economies of scale in transactions through regional collaboration.

7.2 The Hon. Deputy Minister of Finance and Economic Planning, Mr. Fifi Fiavi Kwetey collaborated this and informed the Committee that there were instances where RTFP have used the IDA's key instrument to support **ATI's Africa Member States** to mitigate the impact of global financial crisis by

providing insurance cover and guarantees to allay potential investor fears and to help support the export industry of its **AMS**.

7.3 The Committee further observed that the Project team comprised representation from the Ministries of Finance and Economic Planning, Trade & Industry and a representative of the Attorney-General's Department.

7.4 The Committee noted that a Project Implementation Team (PIT) from Nairobi, Kenya has consulted with and sensitized various private sector entities such as the Ghana National Chamber of Commerce (GNCC), the National Insurance Commission (NIC) and the Association of Ghana Industries (AGI) but the sensitization did not cover the Finance Committee of the Parliament.

7.5 The Ministry of Finance and Economic Planning Technical team informed the Committee that **ATI's primary products** are medium and long-term up to 10 years political risk insurance and short-term whole turnover export and import credit risk insurance up to 365 days. In the current economic environment, each product mitigates the risk involved in maintaining investment, debt and trade flows.

7.6 The medium and long-term political risk products cover debt and /or equity of Foreign Direct Investment (FDI), as well as comprehensive non-payment cover for sovereign and sub-sovereign borrowers.

7.7 The Technical term also informed the Committee that ATI acts as a catalyst to trade and investment in the region. This initiative, which was conceived and supported with IDA resources, has contributed to improving regional investment and trade. The benefits to be derived by Ghana from her membership of the Agency include the following:

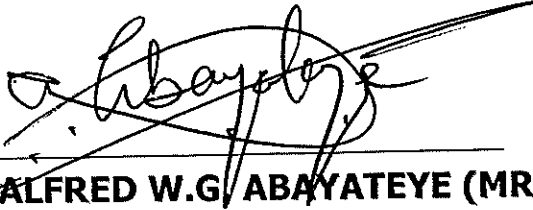
- Increased trade in participating countries;
- Increased investment in participating countries;
- Increased private participation through reinsurance and co-insurance partnerships with private and public insurers; and
- An increasing number of AMS joining ATI Agency.

## **8.0 CONCLUSION AND RECOMMENDATION**

The Committee having carefully considered the Agreement, and the benefits to be derived from the implementation of the programme, respectfully recommends to the House to adopt the Report of the Committee and approve by Resolution, the Agreement *to subscribe for the capital stock of ATI* in accordance with Article 75 of the 1992 Constitution of the Republic of Ghana.

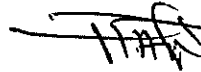
Pursuant to Article 181 of the Constitution, the Committee further recommends to the House to approve by Resolution, the Request to ***Ghana to subscribe for the capital stock of ATI*** for an amount of ***US\$20,000,000.00*** to finance ***the Second Phase Regional Trade Facilitation Project (RTFP II)***.

Respectfully submitted



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**HON. ALFRED W.G. ABAYATEYE (MR.)  
FOR: CHAIRMAN, FINANCE  
COMMITTEE**



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**PEACE A. FIAWOYIFE (MS)  
CLERK, FINANCE  
COMMITTEE**