

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

REPORT OF THE FINANCE COMMITTEE

ON

**REQUEST FOR RATIFICATION OF THE TAX EXEMPTION PROVISIONS
IN THE FRAMEWORK AGREEMENT AND FRAMEWORK
ARRANGEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC
OF GHANA AND THE GOVERNMENT OF THE REPUBLIC OF KOREA
CONCERNING LOANS FROM THE ECONOMIC DEVELOPMENT
COOPERATION FUND FOR THE YEARS 2014 THROUGH 2016.**

PARLIAMENT OF GHANA LIBRARY
PARLIAMENT HOUSE
OSU - ACCRA

JULY, 2015

**REPORT OF THE FINANCE COMMITTEE ON THE
REQUEST FOR RATIFICATION OF TAX EXEMPTION
PROVISIONS IN THE FRAMEWORK ARRANGEMENT
BETWEEN THE GOVERNMENT OF THE REPUBLIC OF
GHANA AND THE GOVERNMENT OF THE REPUBLIC
OF KOREA CONCERNING LOANS FROM THE
ECONOMIC DEVELOPMENT COOPERATION FUND
FOR THE YEARS 2014 THROUGH 2016.**

1.0 INTRODUCTION

The Request for Ratification of Tax Exemption Provisions in the Framework Arrangement between the Government of the Republic of Ghana and the Government of the Republic of Korea Concerning Loans from the Economic Development Cooperation Fund (EDCF) for the years 2014 through 2016 was presented to the House by the Hon. Minister for Finance Mr. Emmanuel Seth Terkper on Tuesday 14th July, 2015 in accordance with Article 181 and 174 of the 1992 Constitution. The Rt. Hon. Speaker referred the request to the Finance Committee for consideration and report in accordance with Order 169 of the Standing Orders of the Parliament of Ghana.

Pursuant to the referral, the Committee met with the Hon. Minister for Finance, Mr. Emmanuel Seth Terkper, Hon. Deputy Minister of Finance, Mrs. Mona K. Quartey and officials from the Ministry of Finance and considered the referral.

The Committee is grateful to the Hon. Minister, the Deputy Minister and the officials for the cooperation and assistance.

2.0 REFERENCE

The Committee referred to the following additional documents during its deliberations:

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

3.0 BACKGROUND

The government of the Republic of Korea and the Government of the Republic of Ghana in accordance with the Framework Agreement between the two governments on the extension of loans from the Economic Development Corporation Fund (EDCF) propose to conclude the said Agreement premised on the ratification of the tax exemptions provisions in the Agreement.

The Framework Agreement is a comprehensive programme which covers all grants and technical assistance cooperation programme to be implemented in Ghana. Without executing the Agreement no grant or aid under the programme can be implemented in Ghana. Importantly, no programme can be concluded under the Fund. The framework Arrangement thus spells out annual programmes and projects for implementation.

4.0 PROPOSED GRANT PROJECT

The proposed project to be undertaken under the agreement for the 2014/2017 fiscal year between the Government of the Republic of Ghana and the Government of Korea are as follows:

- i. Project for improving maternal, newborn and Child Health care in Keta Municipality and Ketu North and South Districts of the Volta Region of Ghana; and
- ii. Project for the establishment of a Master Plan for Urban Transport System Development in Accra.

Under the project, US\$6,000,000.00 is to be expended on improving maternal, newborn and Child Health care in Keta Municipality and Ketu North and South Districts of the Volta Region. Specific activities to be carried out include training for midwives, Capacity Building, improvement in Community facilitation etc.

5.0 OBSERVATION

Rationale for the Ratification

The Committee was informed that the Government of Ghana and the Government of Korea through the Korea Exim Bank has entered an Agreement for the extension of concessionary facilities to the Government of Ghana to support critical social investments that fall under the Economic Development Cooperation Fund, (EDCF). Under the Economic Development Cooperation Fund, (EDCF), the Korean Government shall enable the Ghanaian Government to obtain concessionary facilities from the EDCF up to a maximum commitment amount in Korean Won not exceeding the equivalent of Two Hundred Million United States Dollars (US\$200,000,000.00) up to 2017 fiscal year to finance EDCF loan projects in the republic of Ghana unless otherwise agreed upon by the two governments. To this end, the Korean Government intends to establish a representative office in Ghana to administer and supervise the implementation of the facility. The Agreement requires Government to accord the representative staff as well as its Office such privileges, exemptions and benefits as are no less favourable than those accorded to their representative staff and families as well as Office of executing agencies of any Third country or of any international organization performing a similar mission in Ghana.

Legal Basis for the Ratification

The Committee noted that Government of Ghana upon signing the Framework Agreement and Arrangement with the Korea Government under the EDCF protocol is expected to abide by and satisfy all the conditions provide therein. Article 2 of the Framework Agreement on grant aid and Article 6 of Framework Agreement with partner country deals with expected obligations of the Government of the Republic of Ghana. Per Article 2 of the Grant Agreement, it is clearly stated that “in case the Korean Government carries out the Programmes above, the Ghanaian Government shall take all the necessary measures:

- To exempt the equipment, machinery and materials imported for the implementation of the Programs from customs duties, internal taxes (including value added tax) and other fiscal levies;
- To exempt the equipment, machinery and materials purchased in the Republic of Ghana for the implementation of the Programs from internal taxes (including value added tax) and other fiscal levies;
- To exempt Korean nationals who take part in the implementation of the Programs (hereinafter referred to as the” Korean nationals”) from customs duties, internal taxes and other fiscal levies which may be imposed in the Republic of Ghana with respect to their income and property.

These provisions link with Article 6 of the Framework Arrangement concerning disbursements from the EDCF.

The Committee further noted that the Government of Korea (Korea Exim Bank) has indicated that without executing the Agreement no grant aid programme or the EDCF which is a concessionary facility will be concluded and executed by both parties. The ratification therefore is to enable government to honour its part of the agreement in order to access the EDCF for the implementation of the programmes therein.

Highlights of the Framework

The Committee was informed that the contents of the framework Agreement is similar to other host Country Agreements between the Government of Ghana and other technologically advanced countries such as Germany and the United States of America. The Committee was also informed that the exemptions being sought are similar to the privileges, facilities and exemptions currently being enjoyed by Diplomatic Personnel in accordance with the Vienna Convention.

Highlights of the request for the experts of EDCF and Office were indicated as follows:

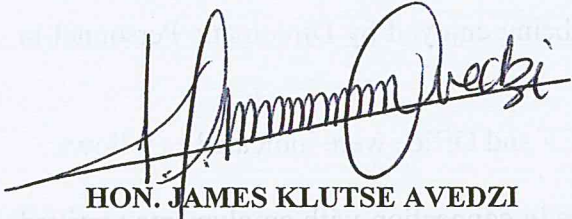
- i. Waiver of income tax and other charges in connection with emoluments remitted from overseas for purpose of the Cooperation Agreement
- ii. Exemptions from Import duties, Import VAT and other charges on household effects including one vehicle for each representative expatriate staff and specified vehicles for operations of the Office as may be mutually agreed upon
- iii. Exemptions from income tax and other imposts in connection with office expenses remitted from overseas.
- iv. Other measures necessary for the performance of the duties of the Representative Staff and Office

7.0 CONCLUSION

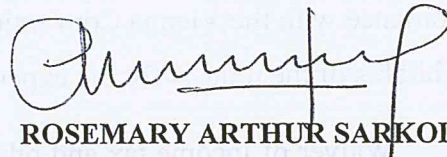
The Committee after careful deliberations is convinced that the approval of the facility is necessary to allow the Minister for Finance to sign the Framework Agreement between the Government of the Republic of Ghana and Korea for the implementation of projects under the EDCF facility. The Agreement will help Ghana benefit from concessionary facilities and grants from the Korean Government through the Korea Exim Bank to finance critical social intervention programs. The Committee therefore recommends to the House to adopt its report and approve by resolution, the request for approval of the Request for Ratification of Tax Exemption Provisions in the Framework Arrangement between the Government of the Republic of Ghana and the Government of the Republic of Korea Concerning Loans from the Economic Development Cooperation Fund for the

years 2014 through 2016 in accordance with Article 181 and 174 of the 1992 Constitution, and Order 169 of the Standing Orders of the Parliament of Ghana.

Respectfully Submitted.



HON. JAMES KLUTSE AVEDZI
(CHAIRMAN, FINANCE COMMITTEE)



ROSEMARY ARTHUR SARKODIE (MRS)
(CLERK, FINANCE COMMITTEE)

July, 2015