

THE GHANA COMMODITY EXCHANGE AND WAREHOUSE RECEIPT SYSTEM PROJECT

INTRODUCTION

As part of efforts to create an orderly, transparent, and efficient marketing system for Ghana's key agricultural commodities to promote agricultural investment and enhance productivity, which was one of the key objectives of the Ghana Trade Policy, the Government committed itself to the establishment of a Ghana Commodity Exchange (GCX) and associated Warehouse Receipt System (WRS) to encourage market access and fair returns for smallholder farmers, and to facilitate the formalization of informal agricultural trading activities. The commitment was made in the 2009 and 2010 budget statements respectively.

In August 2009, a feasibility study towards the establishment of a Commodity Exchange in Ghana was completed under the Financial Sector Strategic Plan as part of the Economic Management and Capacity Building (EMCB) Project.

In January 2011, a National Technical Committee (NTC) chaired by Ministry of Trade and Industry, which was given Cabinet approval to facilitate the establishment of the GCX and associated Warehouse Receipt System (WRS), was constituted. Membership of the Committee was drawn from the Securities and Exchange Commission, the Ghana Grains Council, the Ministry of Justice, the Ghana Standards Authority, the Ministry of Food and Agriculture, the Ministry of Finance and the National Buffer Stock Company (NAFCO). Support for the activities of the NTC was given by the United Nations Development Programme (UNDP), Accra. The NTC successfully facilitated the drafting of a legal framework for the GCX and WRS by 2012.

The Government of Ghana, through the Ministry of Trade and Industry subsequently engaged the Eleni LLC Group, a company which specializes in commodity exchanges establishment in frontier markets, through an MOU signed in April 2013 to prepare a road map for the establishment of the Ghana Commodity Exchange (GCX). The Team submitted a comprehensive road map and a presentation to the Ministry of Trade and Industry on 7th August, 2013 in accordance with the terms of the MOU. The National Technical Committee

for the GCX reviewed the road map and submitted their comments to the Ministry of Trade and Industry for consideration as part of finalizing the road map.

The Roadmap was accepted by the Ministry of Trade and Industry and in September 2013, a GCX project office led by Mr. Robert Dowuona Owoo, a Lawyer and formerly of the Securities and Exchange Commission was set up to coordinate and facilitate in conjunction with the Ministry of Trade and Industry, the successful setting up of the Ghana Commodity Exchange (GCX) and its associated Warehouse Receipt System (WRS) in Ghana. The project lifespan is estimated for two (2) years.

Investment Drive

As part of the mandate of the GCX project secretariat and Eleni LLC, the team was required to put together a high level investment consortium made up of credible financial institutions to invest in the initial setup of the GCX. The chosen model for the GCX establishment is a Public Private Partnership (PPP) with the Government of Ghana having minority shareholding and no investor having a controlling interest in the investment consortium.

Since October 2013, the team has been working closely with private financial institutions and the Government of Ghana to concretize a credible investment working group that will lead to the formation of the first investors in the GCX entity. In January 2014, a first letter of Intent was signed by five (5) private sector financial institutions made up of both domestic and foreign financial institutions. The consortium has since been joined by a foreign developing partner.

After a number of due diligences on the project, the Investment group signed a second letter of intent in January 2015. The current consortium is made up of the Government of Ghana, Ecobank Ghana Limited, GCB Bank Limited, Inele 8 Miles (an equity fund based in the U.K), and the International Finance Corporation (IFC). The second letter of intent contains terms on which the final investment agreement will be drawn. The team is currently working closely together to finalize the draft agreement by September 2015.

Legislation

The team in October 2013 commenced a review of the draft legal framework for the Commodity Exchange and Warehouse Receipt Systems in Ghana. In January 2014, a stakeholders meeting was held at the La Palm Royal Beach Hotel in Accra seek the views and endorsement of stakeholders on the contents of the legislations. The meeting was attended by participants from the banking sector, the insurance sector, policy makers, Regulators, farmer groups, collateral managers, warehouse operators, legal firms and donor agencies. A total of eighty one (81) stakeholders attended the meeting.

The meeting considered two (2) draft legislative instruments, namely the Commodity Exchange Regulations and the Warehouse Receipt System Regulations. Under the draft legal framework, the Regulator for the Commodity Exchange and Warehouse Receipts System will be the Securities and Exchange Commission (SEC). The CX and WRS Legislations can only be laid before Parliament upon the passage of the Securities Industry Amendment Bill. Under the new amended Securities Industry Bill, the SEC is mandated to regulate commodities exchanges in Ghana. Under the said Bill also, reference to Minister means the Minister of Finance. The Minister of Finance is also empowered under the Bill to designate by notice in the Gazette such instrument as a security upon the recommendation of the SEC. The Minister of Finance may also on the recommendation of the SEC, by legislative instrument, make regulations prescribing the matters required or permitted under the Securities Bill.

The Securities Industry Consolidated (amendment) Bill has been approved by Cabinet and is currently before Parliament for consideration and passage.

Design Phase of the GCX Project

The Government of Ghana equity stake of 10% in the GCX entity was in July 2014 approved through a grant facility by the Export Development and Agricultural Investment Fund (EDAIF). The subsequent disbursement of funds was subject to the signing of the investment agreement by the parties to the investment consortium.

To ensure that the momentum and interest already raised is preserved especially in the continuous absence of the appropriate legal framework, passage of which lies within the

remit of the Government of Ghana, a Project Design Phase document was prepared and submitted to EDAIF for consideration and a request made to EDAIF to disburse funds ahead of the other investors to allow the project to proceed with project activities such as main project recruitment, preparation of GCX manuals and Rules, leasing of venue to house the GCX, consultative meetings with key stakeholders, capacity building among other things.

The early disbursement of the Government of Ghana's equity stake is to enable the project to take off as soon as possible whilst steps are being taken to finalize all other documentations relating to the project.

The early disbursement by the Government of Ghana has multiple advantages. On the one hand, it serves to preserve the momentum and interest of the government and market in establishing the GCX as soon as possible in order to realize the benefits for the people and economy of Ghana.

Second, it also enables the private investors to gain confidence in the commitment of the Government of Ghana to this undertaking. The private investors have since January 2014 signed a Letter of Intent (LOI) committing to invest in the GCX project.

Finally, it enables the private investors to mitigate some of the risk related to the delays in the passing of the desired legislation.

This phase is expected to span a four month period. This disbursement also allows for the sustenance of the project momentum created among the investors and other stakeholders as well as lay the foundation for the actual project build stage. The final investment agreement is expected to be signed during this period.

EDAIF has since May 2015 approved the entire amount of GHC6,375,000 representing the Government of Ghana's equity stake and has in line with the Design phase document disbursed an amount of GHC4,781,250 for the Design Phase to commence.

National Launch of the Project Design Phase

A national Launch of the GCX Project was held on 23rd June 2015 at the Accra International Conference Centre. The National Launch brought together a broad array of key stakeholders in the agricultural value chain, producers, trading houses, processors, financial sector, and other industry participants, as well as traditional leaders and opinion leaders, policy makers, Regulators, students, development partners and the diplomatic community among others at this historic occasion. The objective of the National Launch was to present the model for establishing the Commodity Exchange.

The Launch program witnessed the President of the Republic of Ghana highlighting the commitment of the Government at the highest level with two (2) key cabinet ministers, Trade and Industry and Food and Agriculture doing same. Other market actors also endorsed the GCX project. These included the Greater Accra Maize Traders Association. The Ghana Grains Council, the Techiman Maize traders Association, the Ghana Federations of Agriculture Producers, Akuse Rice Growers Association, Inter-Grow Ghana Limited, Traditional Rulers from Northern Ashanti and Greater Accra Regions as well as Ecobank Ghana Limited and GCB Bank Limited.

Warehouse Infrastructure

Feasibility studies conducted in 2009, which later cumulated into a road map for the establishment of the GCX, identified the deficiencies in warehouse capacity needed to sustain the GCX. Current storage capacity is very low in the main surplus-producing areas for most of the priority Commodity. Initial estimations indicated that the GCX required additional storage facilities that can accommodate approximately 65,000 metric tons of grain. It is therefore imperative that warehouses are constructed within the shortest possible time to accommodate projected volumes that are expected to sustain the GCX.

In pursuance of the above, in July 2014, notice was served in the Daily Graphic for interested companies to submit an Expression of Interest (EOI) to construct warehouses in eight geographical locations across Ghana. Following submission of the EOIs, four companies were shortlisted to submit full proposals for the construction of these warehouses and a

structured set of guidelines in the form of Request for Proposals were given to them to aid them put together the proposals.

By the close of the deadline, two of these companies i.e. Sivoko Company Ltd and Global Haulage Limited had submitted proposals to the GCX project office. The Project team subsequently evaluated these proposals. At the end of the evaluations, Sivoko was the only referred choice to partner with the GCX to finance, build and lease the needed warehouses to augment the GCX project. Negotiations have commenced with Sivoko aimed at reaching an agreement for the project to take off.

The team is also holding discussions with existing warehouse operators to explore the possibility of using existing warehouse infrastructure as part of the GCX warehouse delivery sites.

Stakeholder's Consultations

The project team has since October 2013 been holding stakeholder consultations with partners already operating along the value chain in the agriculture sector. Discussions have been held with policy makers, members of the subcommittee of Parliament on Agriculture, agro businesses, market queens, Regulators among others. A key stakeholder whose engagement has been paramount has been the Ghana Grains Council, a private sector initiative which has membership cutting across the whole value chain. The team drafted an aide memoire with the GGC highlighting five (5) main areas where collaboration between the GCX and the GGC can occur. These are:

1. Membership
2. Stakeholder Awareness and Buy-In
3. Warehouse Receipts System
4. Warehouse Receipt Financing
5. Community Warehousing

The aide Memoire has culminated into a Memorandum of Understanding that has been duly signed between the GCX Project and the Ghana Grains Council. The MoU was signed

on 18th June 2015. The Ghana Grains Council is a private sector led initiative formed in 2010 by leaders in the grain business and with 76 registered Council Members among grain market players and financial sector institutions. The Ghana Grains Council was established, with support from USAID's ATP and ADVANCE projects and other donor agencies, as a leading grain industry entity, with the aim of intervening in the grains value chain to achieve improvement in productivity, quality and greater commercialization of the industry.

The Principles of Engagement for the MoU can be summarised as follows: That the parties consider their interests to be strategically aligned (A common Commodity Exchange of a National Character backed by a credible Warehouse Receipt System); That the parties seek to engage on areas of mutual complementarities; and more importantly, that the engagement shall be on a non-competing basis.

Six (6) Main areas have been agreed between the GCX Project and the Ghana Grains Council as areas where both parties could initially collaborate effectively. These are

1. GCX Membership
2. GCX Members Association
3. GCX Board Representation
4. Warehouse Receipts Regulations
5. Market Intelligence
6. Policy Advocacy

The team has also been engaging with sector groups such as the Ghana Rice Inter professional Body (GRIB) and the Ghana Federation of Agriculture Producers (GFAP).

SETTING UP OF PROJECT OFFICE

With the formal launch of the GCX project, it is the intention of the Project to set up the GCX entity with trading floor in the World Trade Centre. In view of this, it has become necessary for the project office to rent a temporary office space in the World Trade Centre, Accra on the First Floor to serve as the project office during the Design Phase. The office will also provide various market actors with a hub to meet with project staff and also assist with the organization and implementation of the Design Phase.

PROJECT STAFF RECRUITMENT

One project staff, Office Manager have been recruited and at post. The project placed advertisements in the Daily Graphic and the Business and Financial Times, on recruitment websites as well as with a recruitment agency. Positions advertised were as follows:

1. PROJECT DIRECTOR
2. PROJECT MANAGER
3. MEMBERSHIP MANAGER
4. WAREHOUSE AND QUALITY OPERATIONS MANAGER
5. TRADING OPERATIONS MANAGER
6. CENTRAL DEPOSITORY MANAGER
7. CLEARING AND SETTLEMENT MANAGER
8. MARKET DATA MANAGER
9. RULES AND COMPLIANCE MANAGER
10. MARKET SURVEILLANCE AND RISK MANAGER
11. IT INFRASTRUCTURE MANAGER
12. IT APPLICATIONS MANAGER
13. TRAINING MANAGER
14. COMMUNICATIONS MANAGER
15. FINANCE AND ADMINISTRATION MANAGER

The deadline for submission of CVs was June 8, 2015. Review and short listing of received applications commenced in the week of June 15, 2015.

PROJECT STAKEHOLDER MAPPING FIELD TRIPS

Project staff has embarked on stakeholder mapping activities with the first field visits to the Ashanti and BrongAhafo Regions precisely to Kumasi and Techiman to meet with Maize and Rice value chain market actors as part of project activities to collate data for the final GCX Membership and contract designs. The groups met by the project staff include the largest poultry farm (Akate Farm), soybean processor (Ghana Nuts), maize processor (Premium Foods), Techiman Maize Traders Association (6 persons) and Rice Aggregators and Millers in Kumasi (around 30 persons).

The next trip will take the team to the Volta Region (Hohoe) and the Northern Region (Tamale, Wa and Bolgatanga).

As part of the designing of a clearing and settlement system as well as a central depository for Warehouse Receipts, the team has also embarked on stakeholder discussions with all the banks in Ghana and the Ghana Interbank Payment and Settlement system (GhIPSS).

ROBERT DOWUONA OWOO

ACTING PROJECT DIRECTOR