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Corporate Governance – Time to Wake Up



Reform of the Banking sector was unquestionably a highlight of 2018. One did not have to listen to the media for long before hearing the words “Bank of Ghana”. The year 2018 will go down in history as one that saw a substantial number of bank closures in the country, with a few other banks ‘tying the knot’ to meet the new minimum capital requirement by the deadline of December 31st, 2018.

After an unsettled year, the Central Bank is bound to be in cautious mode in 2019,

balancing the effects of the closures on investor confidence, and its overriding duty of regulatory vigilance.

If nothing at all, the rapid demise of prominent banks in Ghana last year has brought to the fore the important role that Corporate Governance and Insolvency laws have to play in ensuring timely resolutions of problems of insolvent or financially distressed businesses.

The consensus is that the status quo cannot remain, and reform is long overdue. The two relevant pieces of legislation which exist are, the Companies Code (Act 179) and the Bodies Corporate (Official Liquidation) Act (Act 180); both enacted some fifty plus years ago in 1963.

The good news is that there are two laws in the offing, with an aggressive timetable for passage by the middle of this year. They are the Corporate Insolvency and the Companies Bills.

The Corporate Insolvency Bill, when enacted into law, is expected to improve the quality of the legal regime for corporate bodies and their administration, whilst the focus of the new Companies law, will be on the structure and an improved framework for corporate governance.

According to the recent World Bank annual ratings, Ghana ranked 114th in the Ease of Doing Business index from its previous 120th ranking. The scheduled legislative reform is expected to positively enhance the business environment, thereby improving the country’s ranking.

Rankings are important but the big picture is what counts. The realization of these legislative goals and the proper implementation of the resulting law will equip the country for the future: a future of prudent standards, transparency and uniformity in approach to tackle serious issues of corporate governance and insolvency, when they emerge, as they did in 2018.

ENERGY UPDATE



forecasted the production of 32.84 million barrels in 2019 from the field.

ECG Take Over extension approved

The take-over of the Electricity Company of Ghana ("ECG") by Power Distribution Services ("PDS"), which was slated for February 1st, has been postponed by the Millennium Development Authority ("MiDA") for a few weeks to enable Parties and Stakeholders conclude their consultations and finalize work on some critical aspects of the transaction

MiDA is Committed

MiDA has earmarked USD212 million to construct a Bulk Supply Point (BSP), and four primary power sub-stations to feed on the BSPs.

Jubilee Forecast

Works on the Jubilee field FPSO is expected to be completed in the first quarter of this year, as indicated by the Parliamentary Select Committee on Mines and Energy. The Ministry of Energy has

BUSINESS UPDATE



for bank deposits ending the year at 17.4 %.

Goldfields improves productivity with contract mining

The Ghana Chamber of Mines ("GCM") has disclosed that the change in operations by Goldfields has led to increased productivity at the company's Tarkwa mines. Goldfields announced a major shift in its mining operations from owner to contract mining.

Great strides for Mobile Money

The Bank of Ghana has released a report indicating that the value of mobile money transactions grew significantly in 2018. According to the data provided, the total value of mobile money transactions from 2017 to 2018, increased from GHS155 billion to GHS223 billion, representing a 43.2 % growth for that period. The increase in the number of transactions from 981 million in 2017 to 1.4 billion in 2018 represents a growth of 48 %. The report also reflects a continuous drop in the last three months of 2018

Rail Revival

The Government of Ghana is making efforts to revive the railway sector to reduce pressure on roads. The Accra-Tema railway line was out doored for a 2-week free ride from January 29th, 2019. The 6-carriage train has the capacity for 600 passengers per trip.



BANKING CORNER

Debt to Sell

The Ghana Amalgamated Trust (GAT) roadshow will commence on February 18th. The aim is to raise GHS2 billion for the purchase of shares from the 5 lender banks (the GAT Beneficiaries), to assist them meet the minimum capital threshold of GHS400 million.

Another Bout of Reform

The Governor has indicated that there is work in progress to mobilize resources for Non-Bank Financial Institutions ("NBFIs") clean-up. The cost of the recent banking sector to the country was GHS12 million and in the case of the NBFIs, the funds will be used to replace funds of depositors.

The New Policy Rate

The Central bank has announced a new monetary policy rate after inflation came down from 15.4 percent in 2016 to 9.4 percent in December 2018. The new policy rate represents a 100-basis point drop, that is, 17 percent to 16 percent.



A New North

The Government is in the process of creating six new regions in Ghana; Western North, Oti, Ahafo, Bono East, Savannah and North East. Following the December 27th Referendum which met the constitutional threshold of 50 per cent voter turnout and 80 percent "Yes" votes, the new regional capitals have also been proposed. The proposed regions and capitals will be presented before Parliament to be gazetted and for Presidential Assent thereafter.

WHO'S WHO?

Dr Ernest Addison: Governor for the Bank of Ghana, has led the central bank's 'clean up' of the financial sector. Dr. Addison has overseen the increase in the minimum capital threshold to GHS400 million, revocation of the licenses of 7 insolvent banks and the merger of 5 others to form the Consolidated Bank of Ghana.

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