



**GHANA NATIONAL CHAMBER OF COMMERCE & INDUSTRY
CEO BUSINESS FORUM**

**THEME:
REDEFINING BUSINESS SUCCESS:
THE PATH FOR BUSINESS VALUE, RESILIENCE AND SUSTAINABILITY**

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Hon. Minister for Trade & Industry, Alan Kwadwo Kyerematen
The President of the GNCCI,
Council and Members of GNCCI,
Chief Executive Officers,
Distinguished Panellists,
Invited Guests and Participants,

- 1.** It is a pleasure and a great privilege for me to be invited to address the Members of the Ghana National Chamber of Commerce and Industry (GNCCI). Let me thank the President and Council Members for the invitation.
- 2.** Today's programme has brought together captains of industry and commerce to deliberate on topical issues for business development under the broad theme, ***Redefining Business Success: the Path for Business Value, Resilience and Sustainability***. This theme is appropriate in the context of recent developments in the economy with the challenges of COVID-19 and the need to take a broader look at the way business is done, to ensure resilience and sustainability in the post Covid new normal.



- 3.** The extraordinary challenges the world faced from the impact of COVID must be used to reform, innovate and transform, so that as a country we can emerge from the crisis stronger and more resilient, and “*build back better*”.
- 4.** Mr. Chairman, the socio-economic development and transformation success of any country depends very much on a thriving business sector to lead innovation, drive investment and transformation, and create jobs to promote inclusiveness and lift the majority of the people out of poverty. For this reason, active dialogue between the business sector and the Central Bank is important. Our policies are meant to create an enabling environment to shape and support thriving businesses, and it is for this reason that such dialogues and opportunities are very useful to the policy design processes of the Bank of Ghana.
- 5.** I will, in this Keynote Address, give you our insights on the macroeconomic and financial outlook, discuss policy perspectives on access to financing for the SME sector, the challenges that banks have in identifying bankable projects from businesses, especially with SMEs, and how SMEs can position themselves in the post covid-19 new



normal. I will also use the opportunity to clarify a few matters of public interest regarding the financial sector clean up and where we are in the process.

- 6.** Ladies and Gentlemen, as you are aware, the world is currently recovering from the COVID-19 pandemic. The worldwide effects – in health, social, and economic terms – have been unprecedented, with several lives lost and economies plunged into recession. Thankfully, in spite of all this adversity, global growth prospects have recently brightened as economies are reopening and business activities are rebounding, boosted by vaccination roll outs and strong and coordinated policy support globally.
- 7.** The partial lockdown led to temporary closure of many businesses in the sectors such as education, food and hospitality, and most businesses operated with low capacity utilisation and shortage of raw materials and intermediate goods due to supply chain disruptions. These developments forced businesses to embark on cost-cutting measures such as reduction in working hours, layoffs, and wage cutbacks. In addition to these, weak consumer demand led to businesses experiencing revenue losses, severe financing constraints



and liquidity shortfalls, which posed challenges to servicing loans taken from financial institutions.

- 8.** These events demanded prompt policy reaction to moderate the potential spillovers to the broader economy, especially in terms of employment and growth. There were very clear and decisive policies introduced to cushion against the impacts of the COVID-19 pandemic on the Ghanaian economy.
- 9.** The government had to increase health and social assistance spending, including direct transfers to households through food distribution, several relief packages such as tax waivers for frontline health workers, stimulus packages for small and medium-scale enterprises, absorption of utility bills (electricity and water), etc. All these were aimed at protecting livelihoods, supporting businesses, minimising job losses, and providing additional funding sources to industries to shore up output for domestic consumption.
- 10.** The Government introduced an Emergency Preparedness and Response Plan of GH¢560 million (US\$100 million). Clearance was given to increase staff in the health sector by employing 24,255 health



workers for testing, tracing and treatment. Government also refurbished 10 treatment centres across the country, introduced a GH¢10.3 million insurance package for health workers and livelihood preservation programme targeting 4.1 million households and 682,522 businesses.

11. The Bank of Ghana also responded to complement government's Covid-relief measures with a raft of policy and regulatory measures to loosen financing conditions, ease liquidity pressures, and keep supply of credit to support critical sectors of the economy. In particular, the Bank reduced the policy rate by 150 basis points to 14.5 per cent; reduced the primary reserve requirements and the capital conservation buffer for regulated financial institutions. In collaboration with other stakeholders, the Bank also announced a reduction in the cost of mobile money transactions and purchased a 10-year Government of Ghana COVID bond with a face value of GH¢10.0 billion to augment governments' financing requirements.

12. Commercial banks in return also provided reliefs including loan restructuring and repayment moratoria, especially for firms in the worst-hit sectors. In total, about GH¢1.5 billion loans were



restructured, of which the Manufacturing sector accounted for 24.5 percent share, Services with 24.3 percent, and Transport, Storage and Communication had 11.5 percent. These timely fiscal and monetary policy responses helped avert a very sharp contraction of the economy and spurred a faster recovery in the domestic economy.

13. Ladies and Gentlemen, domestically, we have also seen the gains from these policies introduced to contain the effects of the pandemic—the Ghanaian economy has performed far better than its peers, and economic activity is rebounding faster than we observe with our peers with the Bank of Ghana’s Composite Index of Economic Activity showing a 26.8 percent year-on-year growth in March 2021. The IHS Markit Ghana Purchasers Managers Index, which gauges the rate of inventory accumulation by managers of private sector firms and measures dynamics in economic activity, also improved to 52 in April 2021, from 51.7 in March.

14. Amidst the pandemic, inflation rose sharply from single digits and peaked at 11.4 percent in July 2020. Inflation has now declined from the double digits to 7.5 percent in May 2021, back to pre-COVID levels and within the medium-term target band of 8 ± 2 percent. Average bank



lending rates have trended down from a high of 26.2 percent in December 2017 to 20.9 percent in May 2021. At the May MPC meetings, the Policy Rate was lowered by 100 basis points to 13.5 percent on account of muted risks to the inflation outlook. The lower policy rate is expected to trigger further downward adjustments in interest rates more broadly.

15. Despite some weakening in export receipts due to lower crude oil production, and a smaller balance of payments surplus, the cedi has remained relatively stable during the first half of the year. Cumulatively, the Ghana Cedi appreciated by 0.2 percent against the US Dollar in the year to May 2021, compared with a depreciation of 1.3 percent in the same period of 2020. The country's Gross International Reserves reached US\$11.3 billion at the end of May 2021, providing cover for 5.2 months of imports of goods and services compared with a stock position of US\$8.6 billion (equivalent to 4.1 months of import cover) at the end of December 2020.

16. Ladies and Gentlemen, the Banking system, which has been a steady anchor of the Financial Sector, became the cornerstone of the success story so far in handling the socio-economic effects of the pandemic.



The three years of reforms and clean up in the banking sector and increasing the minimum capital requirements of the banks, ensured that the banks were well capitalized, with stronger and good quality assets, and better positioned to support the mitigation measures of the impact of the pandemic. The timing of the clean-up and reforms could not have been better, and there is no doubt in the minds of any well-meaning Ghanaian, of the criticality of the reforms in the banking sector in anchoring the economic transformation and re-vitalization agenda of the government.

17. Ladies and Gentlemen, the COVID-related regulatory reliefs and policy measures have continued to support lending activities in the banking sector. However, in response to the crisis, there was substantial paying down of debt incurred before the crisis by the private sector in tandem with rapid growth in issuance of new loans. From the beginning of the year to April 2021, New Advances totalled GH¢10.5 billion, marginally lower than the advances of GH¢10.9 billion during the same period in 2020. Due to weakened demand conditions, and the substantial paydown of debt (About GH¢36.0 billion in 2020 and GH¢15.0 billion during the first five months of 2021), annual growth in private sector credit was 6.9 percent as at April 2021,



compared with 17.9 percent recorded in April 2020. It is expected that as the economic activity rebounds and lending rates drop further, private sector credit will pick up.

18. Ladies and Gentlemen, while the economy seems to have withstood the impact of the COVID 19 relatively well so far, we must also acknowledge the challenges that it brought. The slower growth in private sector credit was not only because the banks were investing in less riskier assets but also because, of the impact of the crisis on business expectations and the scarring effect of the crisis, through a heightened risk aversion in the business community and a limited appetite to undertake riskier investments.

What more needs to be done?

19. Mr. Chairman, businesses need to take action to develop resilient and innovative strategies to achieve long-term value and sustainability. As already observed, the knock-on effects of COVID-19 differed markedly from sector to sector. For instance, the healthcare and technology industries have gained considerably from the pandemic due to the surge in demand for products such as face masks, sanitizers, and other



services associated with conducting virtual meetings and conferences, etc. In contrast, other sectors, such as travel and hospitality, have been devastated by the crisis and are in need of policy support to return to the pre-pandemic levels of performance. In view of these disparities, business strategies and support should be crafted differently across sectors to support the recovery process.

20. Ladies and Gentlemen, the varying risks triggered by the COVID-19 pandemic have also led players to question how businesses operate, signalling that it cannot be “business as usual” in the post-pandemic era. This is where I find the theme for this year’s conference very appropriate. Building business resilience and sustainability will be critical to the recovery process and businesses must recognise and anticipate the changing operating environment; they must develop strategies within the context of the changes; and they must allocate resources and create values to chart a path towards future growth.

21. Businesses need to redefine strategies that would reposition them for future growth by adhering to good governance practices, efficiently deploying scarce capital, improving supply chains (from product design



to raw material procurement, to processing and distribution) and, finally, adopting technology-driven skills development and operations.

22. Businesses must also take advantage of demographics, values and changes in technology, and identify new opportunities. The opportunities from the extent of digital penetration in Ghana must be identified with high level of internet subscribers and wireless subscribers. Technological innovation can for example enhance agricultural productivity through the use of GIS information to undertake precision farming. Technology such as digitisation of medical records and remote diagnosis of diseases also has potential for the health services sector. Indeed, the impact of technology in promoting financial inclusion using digital technology is another example of how technology can help create new opportunities.

23. As policy makers we have focussed on policies that would improve access to finance for business sector but businesses will have to do their part to support policy efforts in the financial sector. The difficulties faced by banks to lend to private sector due to high non-performing loans must be resolved with a change in borrower behaviour and culture. As I mentioned at the last MPC Press Conference, a large chunk



of non-performing loans are due to firms that are supposedly doing well with some of them making the GIPC's Club 100 list. Banks also face difficulties due to high risk of SMEs with insufficient capital, lack of accounting records, and inadequate financial statements or business plans which make it difficult to assess creditworthiness. We need to strengthen corporate governance structures of businesses, whether small or large, because it can determine the success or failure of a business in the long-run. This is one of the key lessons from the financial sector reforms, namely the weak corporate governance structures that significantly contributed to the failure of the defunct banks and SDIs.

24. At this stage, permit me to use this platform to provide some updates on the banking sector clean-up we undertook a few years ago. The decision to close (9) banks and (411) SDIs was necessitated by the urgent need to protect the financial system from institutions that had become insolvent and unable to meet depositor withdrawals due to erosion of their capital base through excessive risk-taking, mismanagement, and poor corporate governance. Government's decision to provide funds to the tune of GHC 19 billion for payment of depositors whose funds had been locked up in the failed banks and



SDIs, helped to provide liquidity in the system and thereby helped to prevent our economy from grinding to a halt.

25. The Receivers appointed by the Bank of Ghana to wind down the affairs of the failed banks and SDIs have been tasked to realise value by repossessing and selling the remaining assets of these banks to enable the Government to recover the money spent, which has contributed to the high level of debt of the country. Over the last three years, the Receivers' asset recovery efforts including chasing those who borrowed money and shareholders of these defunct banks and SDIs who took loans and advances from them and never paid back, has been frustrated especially through the use of the Court system. Some of these Court proceedings have been delayed by shareholders who have tried to use unwarranted challenges to the statutory powers of the Bank of Ghana and the Receivers, to frustrate all attempts to hold them accountable for the mismanagement of depositor funds. The relevant laws provide for redress for persons who feel aggrieved by the exercise of the Bank of Ghana of its statutory powers, and while there are laid down procedures prescribed by law to seek redress, and these laws are not intended to subvert the course of justice for depositors



and taxpayers whose funds were used by Government to pay for depositors' claims.

26. While I am on this, I might add that running to Parliament to seek redress for the revocation of an institution's licence, is not one of the processes laid down under law for those who feel aggrieved by a licence revocation by the Bank of Ghana. There are already a number of actions filed in court and at arbitration by the same persons who run to Parliament for cover, and the Bank of Ghana's simple response to Parliament is respectfully to allow the pending legal processes to run their course.

27. Indeed, sometime in September 2018, the 7th Parliament undertook a formal inquiry into the Financial Sector Clean-up, the factors that led to it, and the manner in which it was carried out. Among other things, the Finance Committee of Parliament invited all the key actors such as the Ministry of Finance, the Governor of the Bank of Ghana, the shareholders of the defunct institutions, the Receivers, among others to appear before it and to answer specific questions aimed at assisting the Committee to understand the events surrounding the clean-up exercise. The Bank of Ghana cooperated fully with the Committee and



provided all the necessary information to assist its members reach their own conclusions. We had hoped that the Committee would make its Report available to the House and to the public after its deliberations, but we heard nothing more on that.

28. We understand Parliament's continued interest in the clean-up exercise especially given the public funds that were used to settle depositors' claims in order to promote the stability of our financial system. While the legal processes in court and at arbitration run their course, we would respectfully ask that Parliament and indeed all Ghanaians take a serious view of the GH¢ 19.0 billion Government had to provide out of taxpayers' money to settle claims of depositors following the mismanagement and siphoning out of several billions of Ghana cedis from the defunct institutions by their shareholders. We all need to lend our support to the Receivers to help retrieve these amounts of money and reallocate them to productive uses to build our economy forward, particularly in the midst of the pandemic.

29. Mr. Chairman, looking ahead, we will continue to provide strong policy support to firm up the growth recovery and the economic revitalization process under the CARES programme. In this direction, monetary and



financial sector policies will be designed to anchor the disinflation process, create supportive frameworks for credit enhancement, and enhance the financial digitisation process to support businesses and overall economic growth.

30. The pandemic has provided additional impetus to the financial digitisation agenda to improve business transactions and enhance growth. The widespread use of mobile money was given an added boost when the Ghana Interbank Payments and Settlement Systems (GhIPSS) introduced the national Quick Response (QR) Code payment solution last year to simplify merchant payments and reduce the use of cash. The QR Code has since been made available to banks and payment service providers, as well as small and medium-sized enterprises to enhance business transactions.

31. Leveraging on financial innovations, the Bank of Ghana has also initiated processes for a pilot central bank digital currency to further move the economy towards a cash-lite environment. We anticipate that the Bank's CBDC project would further advance financial inclusion, promote the efficiency and stability of the payment system, and foster competition in the financial sector. To further accelerate the pace at



which innovation can be evaluated and brought to market, the bank has set up a regulatory sandbox. This should allow innovators such as banks and payment service providers to develop a variety of new products innovations and business model to address market gaps and consumer needs in a timely manner. Adding to these developments, the biometric National Identification systems are being merged with other national databases to enhance transparency, facilitate seamless transactions, and reduce cost of doing business, and broaden the scope of Ghana's economy-wide digitisation process.

32. All these policies and structural reforms aim to reposition and improve business competitiveness for future growth, and enable businesses leverage on emerging opportunities such as those introduced by the African Continental Free Trade Area (AfCFTA). These supportive policy measures and regulations will also position Ghana as a competitive destination for other African businesses and investors. I am sure the seasoned panellists gathered here will delve into some of these issues on business competitiveness, regulatory policies, and financial innovation during the sessions.

33. In conclusion, Mr. Chairman, let me note that the ultimate goal of the Bank of Ghana is to ensure price stability and promote financial



soundness and stability and we remain committed to this objective. We will also continue to implement policies and pursue reforms that will improve the credit environment for businesses to engender sustainable economic growth in the long run. I wish you fruitful deliberations.

Thank you very much for your attention.

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