



BANK OF GHANA

ANNUAL REPORT

2011





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2011

Prepared and Edited
By

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Bank of Ghana

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FOREWORD

Global economic conditions were challenging in 2011. Growth in advanced economies remained fragile underscored by the sovereign debt crises in the eurozone and slow recovery in the United States. Comparatively, the estimated growth outturn in emerging and developing economies, led by China, remained firm.

For most of 2011, the domestic economy experienced favourable macroeconomic conditions which contributed positively to a strong growth outcome. Inflation expectations were firmly anchored and consumer price inflation stayed within single digits, creating an environment conducive to monetary easing. The Monetary Policy Committee lowered the policy rate by 100 basis points to end the year at 12.5 per cent. This instigated downward adjustments of money market rates and propelled credit expansion to the private sector in support of growth. Real GDP growth was estimated at 14.4 per cent for the year driven by the onset of oil production as well as strong performance of the non-oil sector.

The Bank remained committed to ensuring stability and strengthening operations in the financial sector. As part of measures to ensure safety and soundness in the operations of Microfinance Institutions, a major step was taken to regularise and formalise their operations. Operating rules and guidelines covering stipulated minimum paid-up capital and other licensing requirements were issued to operators. Subsequently, a dedicated Microfinance Office was established in the Bank to supervise operations of all microfinance institutions. Also, regulations were drafted to enhance the supervision of Credit Unions under the Non-Bank Financial Institutions (NBFI) Act 2008, (Act 774).

Major infrastructural projects were implemented to improve the payment and settlement systems. These included a collaborative effort between the Bank and the Ghana Interbank Payment and Settlement Systems (GhIPSS), to enhance interoperability of ATMs and POS among banks in order to expand electronic retail banking services in the economy. To this end, an Open Switch was acquired and integrated with the e-Zwich biometric switch to enable GhIPSS offer switching services for all EMV compliant cards. Work also began on the construction of a multipurpose Currency Processing Centre in Accra, expected to be completed in 2012, with multiple cash processing facilities which would also increase significantly the storage space for cash.

To address the information asymmetry on the credit markets, the Bank granted full operational licence to a second credit reference bureau while a third was granted a provisional licence. By the end of the year, all deposit money banks had signed up for credit reference services.

I hope that with more credible information on prospective borrowers, there will be an improvement in credit administration.

The process of securing the financial system against money laundering activities was intensified with the establishment of the Anti-Money Laundering (AML)/Combating the Financing of Terrorism (CFT) Office in the Bank. Rules and guidelines on AML/CFT compliance were issued for the guidance of the financial sector. To effectively monitor and counter money laundering, bank staff benefitted from training and knowledge update through technical assistance from both bilateral and multilateral sources.

Significant progress was made in the Bank's operations in line with the Strategic Plan. Changes were effected in the organisational structure to enhance efficiency. A number of recruitments were made to augment the human resource base and ensure an effective succession plan for the Bank.

I envisage a more challenging 2012. Volatility on the foreign exchange market experienced towards the end of 2011 and the eurozone debt crisis and its adverse impact on the prices of our commodity exports and capital inflows are clear pointers to the source of threat to macroeconomic stability. To meet the challenges ahead, the Bank will continue to provide sound and timely policy interventions, especially as the nation goes into general elections.

I wish to take this opportunity to express my gratitude to Professor Kofi Opoku Nti who stood down as a member of the MPC at the end of his tenure. I also welcome Dr. J. K. Kwakye, the new external member of the Committee. Similarly, I extend my gratitude to all staff who retired from the service of the Bank after many years of dedicated service.

Finally, let me extend my sincerest thanks to the Board, Management and the entire staff for a fulfilling year in the face of a challenging global environment. I trust that with their continuing support we shall implement the right policies to sustain the country's macroeconomic stability and promote domestic economic growth.

Thank you.

K.B. Amissah-Arthur

GOVERNOR

BOARD OF DIRECTORS



Dr. H. A. Kofi Wampah
First Deputy Governor



Mr. Kwesi Bekoe Amissah-Arthur
Governor



Mr. Millison K. Narh
Second Deputy Governor



Dr. Sydney Y. Laryea
Chartered Accountant



Togbe Afede XIV
Investment Banker



Mrs. Esther Lily Nkansah
Chartered Insurer



Mr. Seth Terkper
Chartered Accountant
(Deputy Minister of Finance)



Mr. Kwaku Bram-Larbi
Legal Practitioner



Mrs. Diana Amewu Ayettey
Economist



Dr. David Obu Andah
Banker and Consultant



Mr. Sam Appah
Commodity Marketing Consultant



Mr. Alex Bernasko
Secretary to the Board

DR. SYDNEY LARYEA

Membership: Other Boards/Regulatory Bodies
Integrated Investments Ltd.
Tesano Commercials Ltd.
SIC Insurance Company Ltd.

MRS. ESTHER LILY NKANSAH

Membership: Other Boards/Regulatory Bodies
Donewell Insurance Company Ltd.
Methodist University College

MR. SAM APPAH

Membership: Other Boards/Regulatory Bodies
Chairman-National Risk Management Committee

TOGBE AFEDE XIV

Membership: Other Boards/Regulatory Bodies
Accra World Trade Centre Ltd.
Africa World Airlines Ltd.
SAS Finance Group Ltd.
Strategic Initiatives Ltd.
Sunon Asogli Power Ghana Ltd.

MR. KWAKU BRAM-LARBI

Membership: Other Boards/Regulatory Bodies
GhIPSS
Buffer Stock Company

MR. SETH TERKPER

Membership: Other Boards/Regulatory Bodies
VALCO

DR. DAVID OBU ANDAH

Membership: Other Boards/Regulatory Bodies
Central Securities Depository Ltd.
National Development Planning Commission

MANAGEMENT OF THE BANK

TOP MANAGEMENT

Mr. K.B. Amissah - Arthur
Governor

Dr. H.A. Kofi Wampah
First Deputy Governor

Mr. Millison K. Narh
Second Deputy Governor

Mrs. Akofa E. Avorkliyah
Director, Governors Department

Mr. Alex Bernasko
Secretary to the Board

HEADS OF DEPARTMENT

Nicholas Okoe Sai
Banking Supervision

Mrs. Akofa E. Avorkliyah
Governors

Mr. Arthur Ankrah
Human Resource

Mr. Samuel Tetteh Wayoe
Ag. Head Finance
(Appointed 18th August, 2011)

Alex Bernasko
Secretary's

Ms. Catherine Ashiley
Issue

Mr. Daniel Kludje
Finance
(Retired 18th August, 2011)

Mr. Felix Adu
Internal Audit

Mrs. Elly Ohene-Adu
Banking

Mrs. Grace Akrofi
Acting Head, Research
(Appointed 31st May, 2011)
Dr. E.K.Y. Addison
Research
(Leave Of Absence 1st July, 2011)

Mr. Adams Nyinaku
Treasury
(Appointed 14th March)
Francis Andoh
Treasury
(Retired 20th February, 2011)

Mr. Yao Abalo
Risk Management
(Appointed 3rd May, 2011)
Ms. Agnes Ntiamoah
Risk Management
(Retired 3rd May, 2011)

Dr. Benjamin Amoah
Financial Stability

Col. (Rtd.) Ani Asamoah
Security

Mr. Kwasi Debrah
Information Technology

Mrs. Esther Kumado
Legal

Mrs. Mary Edwards
Information, Documentation
& Publications Services

Dr. Mrs Esther N.K. Kitcher
Medical

Ms. Gloria Quartey
Centre For Training &
Professional Development

Mr. Daniel Hagan
General Services

REGIONAL MANAGERS

Mr. James Kingsley Addai
Kumasi, Ashanti Region

Mr. Charles Sefa
Takoradi, Western Region

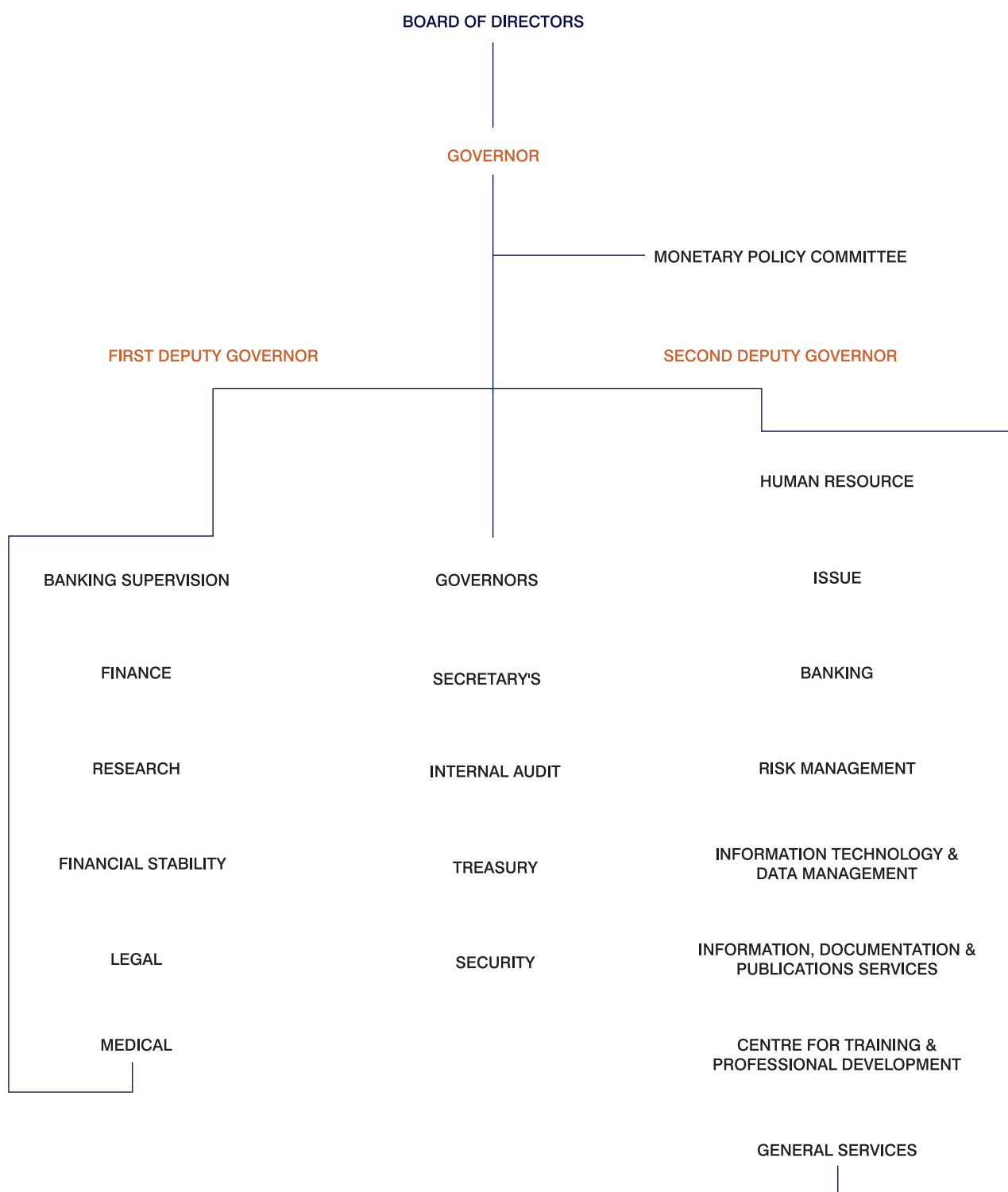
Mr. Peter Ntsiful
Sunyani, Brong-Ahafo Region
(Appointed 21st March, 2011)

Mr. Moses Goka
Hohoe, Volta Region
(Appointed 21st March, 2011)

Rev. J. Akunyumu Tetteh
Tamale, Northern Region

Mr. Paul Danquah
Sefwi - Boako Currency Office
Western Region

ORGANISATIONAL STRUCTURE



MANDATE OF THE BANK

- › To Maintain Stability In The General Level Of Prices
- › To Promote Efficient Operations Of The Banking And Credit System
- › To Support General Economic Growth

1. GOVERNANCE

1.1 The Board of Directors

The governing body of the Bank, as stipulated in the Bank of Ghana Act, 2002 (Act 612), is the Board of Directors, consisting of the Governor, who is the Chairman, the two Deputy Governors and nine External Directors.

The Board is appointed by the President of the Republic in consultation with the Council of State. The Governor and the two Deputy Governors are appointed for a term of four years and are eligible for re-appointment. The External Directors hold office for a period of three years and are also eligible for re-appointment. The Board of Directors was composed of the following:

Mr. K.B. Amissah-Arthur	Governor/Chairman
Dr. H.A. Kofi Wampah	First Deputy Governor
Mr. Millison K. Narh	Second Deputy Governor
Dr. Sydney Laryea	External Director
Mrs. Diana Amewu Ayettey	External Director
Mrs. Lily Esther Nkansah	External Director
Mr. Seth Terkper	External Director
Togbe Afede XIV	External Director
Mr. Kwaku Bram-Larbi	External Director
Dr. David Obu Andah	External Director
Mr. Sam Appah	External Director

The Board is responsible for formulating policies necessary for the achievement of the Bank's objectives, which are:

- › To maintain stability in the general level of prices;
- › To ensure effective and efficient operation of the banking and credit systems;
- › To support general economic growth.

1.2 Committees of the Board

The Board has the following committees which assist in carrying out its functions:

- › Audit
- › Corporate Governance
- › Economy and Research
- › Human Resource
- › Strategic Planning and Budget

Audit Committee

The Committee ensures that appropriate and adequate accounting procedures and controls are established and supervises compliance with operational, statutory and international standards.

Membership

Dr. Sydney Laryea	Chairman
Dr. David O. Andah	Member
Mrs. Diana Amewu Ayettey	Member

Corporate Governance Committee

The Committee formulates policies on governance issues including; regulations, supervision, processes and operations to ensure compliance with statutory requirements and best practice.

Membership

Dr. David O. Andah	Chairman
Mr. Kwaku Bram-Larbi	Member
Mrs. Lily Esther Nkansah	Member
Mr. Millison K. Narh	Member

Economy and Research Committee

The Committee is responsible for considering and making recommendations on economic, banking and financial issues relating to the Bank's functions and the economy as a whole. It collaborates with Research and other departments to enhance the quality of information provided to the Board and the public.

Membership

Togbe Afede XIV	Chairman
Mr. Sam Appah	Member
Mr. Seth Terkper	Member
Mrs. Diana Amewu Ayettey	Member
Dr. H.A. Kofi Wampah	Member

Human Resource Committee

The Committee formulates policies relating to the human resource management function of the Bank and makes reviews when necessary.

Membership

Mr. Kwaku Bram-Larbi	Chairman
Mrs. Lily Esther Nkansah	Member
Mrs. Diana Amewu Ayettey	Member
Mr. Millison K. Narh	Member

Strategic Planning and Budget Committee

The Committee formulates and directs the Bank's strategic policies in fulfilment of the Bank's objectives. It also has oversight responsibility for the preparation of the Bank's budget.

Membership

Dr. Sydney Laryea	Chairman
Dr. David O. Andah	Member
Togbe Afede XIV	Member
Mr. Seth Terkper	Member
Mr. Millison K. Narh	Member

1.3 Events and Policy Decisions by the Board

Re-Organisation of Departments

To further enhance efficiency in the operations of the Bank, the following changes were effected in the organisational structure:

- › A Governors Department was carved out of the Secretary's Department to provide efficient and effective technical support to the Governors in policy co-ordination. The Public Affairs Unit was integrated into the new Department as an Office;
- › The External Financial Relations Department was integrated into the Research Department;
- › The Monetary Policy Analysis & Financial Stability Department was restructured. The Financial Stability Office of the department was converted to the Financial Stability Department, while the Monetary Policy Analysis Office was integrated into the Research Department;
- › The mandate of the Reconciliation and Investigations Department was reviewed to allow for the creation of a new Risk Management Department to monitor, assess and control risk in the Bank.

Pension Reform

The Board appointed an oversight committee to administer the migration of the Bank's Provident Fund to the Tier 3 Pension Scheme in accordance with the National Pensions Act 2008, (Act 766).

Draft Credit Union Regulations

The Board considered a draft Credit Union Regulations in pursuit of its determination to establish an effective regulatory mechanism for Credit Unions under the Non-Bank Financial Institutions Act 2008, (Act 774). The draft Regulations was then forwarded to the Ministry of Finance and Economic Planning and Ministry of Employment and Social Welfare for further processing and legislative approval.

Board Meeting outside the Head Office

The Board took a decision to hold at least one meeting outside Accra each year. This was to create an opportunity for Directors to interact with the business community in the regions on economic and financial matters, among others. The maiden meeting was held in Takoradi in November.

Revision of Fixed Assets Policy

The Board approved a review of the Bank's Fixed Assets Replacement and Depreciation Policy to include capital work in progress and created a minor assets register to ensure efficiency and conformity with international best practices and standards.

1.4 The Monetary Policy Committee

The Bank of Ghana Act 2002, (Act 612) grants the Bank operational independence in the conduct of monetary policy. To enhance the conduct and management of monetary policy, the Act provides for the establishment of a Monetary Policy Committee (MPC), comprising the Governor, the two Deputy Governors, the heads of Research and Banking Departments and two external members appointed by the Minister of Finance and Economic Planning. The MPC held six meetings in the year.

Members of the Committee

1. Mr. K.B. Amissah-Arthur Governor/Chairman
2. Dr. H.A. Kofi Wampah Deputy Governor
3. Mr. Millison K. Narh Deputy Governor
4. Mrs. Grace Akrofi Acting Head of Research Department.
(Appointed 31st May 2011)
- Dr. E.K.Y. Addison Head of Research Department.
(Leave of Absence 1st July 2011)
5. Mrs. Elly Ohene-Adu Head of Banking Department
6. Dr. Nii Kwaku Sowa External Member
7. Dr. John Kwabena Kwakye External Member
(Appointed 18th April, 2011)
- Prof. Kofi Opoku Nti External Member
(End of Tenure 3rd March 2011)



Members of the Monetary Policy Committee

2. DEVELOPMENTS IN THE GLOBAL ECONOMY

2.1 Overview

The global economy slowed down for most part of 2011 as the eurozone crisis worsened and fuelled uncertainties in both financial and commodity markets. In advanced economies, growth remained subdued with high unemployment rates and low investor and consumer confidence. Emerging and developing economies, however, performed better with an estimated growth outturn of 7.1 per cent, driven by countries such as China and India. Generally, growth prospects improved towards the end of the year as economic activities picked up in the United States and better policy responses to the crisis in the eurozone took effect.

2.2 World Output Growth

Global output growth slowed down to 3.9 per cent from 5.3 per cent in 2010. This was on the back of weak growth in advanced economies attributed to factors such as the European sovereign debt crisis, geopolitical events, natural disasters and the downgrade of US credit rating by Standard & Poor's. The contagion effects of these factors impacted negatively on economic activity in other emerging and developing countries, subduing growth in these regions as well.

Table 2.1: Selected Global Economic Indicators (% , year-over-year)

	2010	2011	Projections	
			2012	2013
World Output	5.3	3.9	3.5	4.1
Advanced Economies	3.2	1.6	1.4	2.0
Emerging and Developing Economies	7.5	6.2	5.7	6.0
World Trade Volumes (Goods and Services)	12.9	5.8	4.0	5.6
Commodity Prices				
Oil	27.9	31.6	10.3	-4.1
Non-Fuel	26.3	17.8	-10.3	-2.1
Consumer Prices				
Advanced Economies	1.5	2.7	1.9	1.7
Emerging and Developing Economies	6.1	7.1	6.2	5.6

Source: IMF World Economic Outlook

2.3 Global Inflation

In 2011, inflation gained some momentum in most advanced economies but the trends were varied in emerging market and developing countries. In most

instances, headline inflation trended downwards close to the end of the year as food inflation eased. The increase in inflation was driven by the lingering real and financial after-effects of the 2008 financial crisis and related developments in commodity markets.

Table 2.2: Global CPI Inflation (% , year-over-year)

Country/Economic Group	2008	Period 2009	Average 2010	2011
Advanced Economies	3.4	0.1	1.5	2.7
United States	3.8	-0.3	1.6	3.1
Euro Area	3.3	0.3	1.6	2.7
Emerging and Developing Economies	9.2	5.2	6.1	7.1
China	5.9	-0.7	3.3	5.4
India	5.3	10.9	12.0	8.6
Sub-Saharan Africa	11.7	10.6	7.4	8.2
South Africa	11.5	7.1	4.3	5.4
Ghana	16.5	19.3	10.7	8.7

Source: IMF World Economic Outlook

2.4 Commodities Market

Commodities were affected by the poor global economic growth prospects. Generally, commodities showed mixed performance in 2011.

Crude Oil

Brent crude oil gained 15 per cent in 2011 as the price increased from US\$93.4 per barrel in January to US\$107.1 per barrel in December. Various factors such as the weak global economy, the strong US dollar and tensions in the Middle-East and North Africa led to the rising trend in oil prices, especially in the first half of the year. Also, the sanctions on Iran helped push oil prices up by end 2011.

Gold

The price of gold rose by over 16 per cent in 2011. The metal's performance peaked in the second half of the year but declined in December, ending the year at US\$1,563 per fine ounce. Many factors caused gold prices to tumble in December. These included the strengthening of the U.S. dollar amid the sovereign debt crisis in Europe and weak demand from India, a major consumer of gold.

Cocoa

In 2011, the price of cocoa on the New York market recorded a 31 per cent year-on-year decline while on the London market it fell by 31 per cent in the same period. Average monthly price of cocoa peaked at US\$3,393 per tonne on the New York market in March, but trended downwards to US\$2,197 per tonne in December.

Cocoa prices were weighed down by reports of abundant supplies from West Africa leading to a fall in prices to a three-year low of US\$2,084.0 in December.