

6. EXTERNAL RELATIONS

6.1 Overview

The Bank continued to take active interest in international financial issues through participation in international and regional meetings and symposia of affiliated financial institutions. It also collaborated at both bilateral and multilateral levels with several institutions in the areas of capacity building and sharing of experiences.

6.2 International Monetary Fund and the World Bank

The Bank participated in the Spring and Annual meetings of the Bretton Woods Institutions held in Washington DC in April and September 2011 respectively.

International Monetary and Finance Committee

The April meeting of the International Monetary and Finance Committee (IMFC) of the IMF observed that the global recovery was gaining strength but remained vulnerable. It therefore decided to take the necessary steps to strengthen the recovery especially by addressing challenges to financial stability and sovereign debt sustainability. On global financial stability, the Committee expressed its commitment to accelerate efforts to strengthen the resilience of the financial sector and its ability to support economic recovery. It noted that further progress was needed to address excessive financial risk-taking and moral hazard, and strengthen supervision and regulation in financial centres. It also called for the implementation of recent international agreements on enhancing financial regulation and cooperation to address risks posed by global systemically important financial institutions.

During the year, the IMF appointed Christine Lagarde as its new Managing Director. In her first address to the Annual meetings, she noted the weak and uneven recovery in the global economy and the heightened risks that had led to a crisis of confidence. The primary burden for resolving these, according to her, remained the responsibility of the advanced economies which should adopt prudent policies to address these issues.

The IMFC agreed to act decisively to tackle the dangers confronting the global economy. These dangers included sovereign debt risks, financial system fragility, weakening economic growth and high unemployment. It noted that the advanced economies were at the core of an effective resolution of the current global stresses and the strategy would be to restore sustainable public finances while ensuring continued economic recovery. Emerging market and developing economies, which had displayed remarkable stability and growth were also very key to an effective global response. The strategy was to adjust macroeconomic policies where needed and to rebuild policy buffers, contain overheating and enhance resilience in the face of volatile capital flows.

The IMFC called on the Fund to play a key role in finding an orderly solution to the crises by focusing on the following priority areas:

- › an integrated, even-handed and effective surveillance,
- › early assessment of current financing tools and enhancements to the global financial safety nets,
- › review of the adequacy of fund resources, ensuring adequate policy advice, providing finance to low income countries and
- › working on a comprehensive, flexible and balanced approach for the management of capital flows.

Development Committee

The Development Committee (DC) of the World Bank also took note of the natural disasters, conflicts and social unrests plaguing parts of the world. It pledged its commitment to ensuring sustainable, balanced and inclusive growth and providing timely and effective support where needed. It noted that the events in the Middle East and North Africa would have lasting social and economic impacts. It welcomed the timely World Bank Group and IMF engagement and advice, including policy support for jobs, social safety nets, fiscal management, governance and other critical areas. It also welcomed the unprecedented sixteenth replenishment of the IDA and the approval of the IBRD capital increase.

G24

The Inter-Governmental Group of Twenty-Four on International Monetary Affairs and Development (G24) called for urgent actions to deal with the consequences of volatile commodity prices and long term impediments to food and energy security. It noted the potential for multi-polar growth and observed that maximising the opportunities that existed for developing countries to re-balance and boost aggregate demand and long-term growth would require stepped-up investments especially in agriculture and infrastructure. It expressed support for on-going efforts to strengthen the effectiveness of IMF surveillance.

African Caucus

The African Consultative Group meeting noted that international food and fuel prices had increased sharply, and inflation, though still low, was on the rise. The meeting recommended that countries should stand ready to respond to these shocks. With regard to food prices, targeted measures were the most preferred approach to support the most vulnerable groups. It also recommended that generalised fuel price subsidies should be avoided and where fiscal space is particularly limited, policies may need to include further revenue mobilisation and a prioritisation of expenditures. While monetary policy should accommodate the immediate impact of higher international prices, central banks should seek to prevent a more persistent impact on domestic inflation.

IMF Missions

IMF missions were in Accra in February and October 2011 to conduct reviews of Ghana's performance under the Extended Credit Facility programme. At the end of the combined third and fourth reviews, the Executive Board noted that Ghana's 2011 economic programme focused appropriately on restoring the momentum of fiscal consolidation. The Board called for the acceleration of structural fiscal reforms with reinforced tax administration under a revamped Ghana Revenue Authority and strengthened monitoring and control of expenditure through a new budget payment system. It also acknowledged steps taken to address immediate vulnerabilities in the banking system and called for further steps to review the extent of state involvement in the banking industry, strengthen risk management by banks and enhance supervisory capacity.

During the fifth review, the Executive Board of the Fund noted that Ghana's economy had improved significantly since the start of the programme in July 2009. Fiscal and external account imbalances had been greatly reduced, growth had strengthened, inflation had declined to single digits, and international reserves had recovered. It recommended continued pursuit of prudent macroeconomic policies and structural reforms to preserve the stabilisation gains.

The Board also noted that monetary policy implementation had been consistent with the inflation target, and encouraged the Bank of Ghana to stand ready to adjust policy rates as signs of price pressures emerged. To manage liquidity effectively, the central bank should continue refining its policies and communication on foreign exchange market intervention.

6.3 Institute of International Finance

The Bank participated in the Spring and Annual Membership meetings of the Institute of International Finance in March and September 2011 in New Delhi and Washington DC respectively.

At the Spring meeting, it was noted that while the world economy was in a better shape than two years earlier, nervousness and uncertainty continued to exist in financial markets. These reflected concerns that rising economic pressures, which could only be addressed through internationally coordinated action, were not being confronted with the necessary determination.

The Annual meeting in September called on the G20 Summit to take strong and concrete decisions at its meeting in October to restore confidence in the prospects of economic recovery and financial stability. It also stressed the need for intensified G20 economic policy coordination that would address the continued deleveraging of the public and private sectors.

6.4 SWIFT Business Forum

In collaboration with the Bank of Ghana, SWIFT organised the first Business Forum for the WAMZ region in Accra in August 2011 on the theme "West African Monetary Zone-Clearing the Path to Regionalisation". The Forum set the stage for participants to explore the opportunities and challenges in the sub-region as they move towards becoming a regional financial block.

6.5 Association of African Central Banks

The Assembly of Governors of the Association of African Central Banks (AACB) held its 35th Ordinary meeting on August 12, 2011 in Lilongwe, Malawi. The Governors welcomed signs of economic recovery in most African countries but noted the deterioration in compliance with the convergence criteria of the African Monetary Cooperation Programme (AMCP). They encouraged members to sustain efforts at consolidating the recovery and also to pursue convergence vigorously.

The Assembly approved the 2012 work programme and budget of the AACB Secretariat and elected a new Bureau with the Governor of the Reserve Bank of Malawi, Dr. Perks Ligoya as the Chairman for 2011/2012.

The meeting was preceded by a symposium on the theme 'Impact of the International Financial Crisis on Monetary Unions: The Challenge of Coordinating Budgetary and Monetary Policies in Africa'.

6.6 African Export-Import Bank

The 18th Annual General Shareholders meeting of African Export-Import Bank (Afreximbank) was held in Luanda, Angola in June 2011. It was preceded by a colloquium for policy makers, bankers and investors on the theme 'Linking Africa's Extractive sector to the Domestic Economy: Is Local Content Promotion A Panacea?' The colloquium advised that African countries should tie the local content issue of its extractive sector to the crucial role of developing the production backward linkages in the extractive industry.

The shareholders also commended the management of the Bank on the BBB- (stable) ratings by Fitch Ratings and Standard & Poor's and BAA2 (stable) by Moody's on the back of improved operations. This they noted would boost the Bank's capacity to access funds at favourable rates in the capital markets.

6.7 West Africa Monetary Agency

The Committee of Governors of the West African Monetary Agency (WAMA), and the Joint Technical Committees of WAMA met in Conakry, Guinea to assess the level of convergence within ECOWAS and progress of activities

under the roadmap for the ECOWAS single currency. The Governors expressed satisfaction with the gradual improvement in economic growth but expressed concern over the impact of external shocks on member countries' macroeconomic convergence programmes.

The Convergence Council of Ministers of Finance and Central Bank Governors of ECOWAS met in Lome, Togo in October to assess the level of macroeconomic

convergence among ECOWAS member countries under the roadmap for the ECOWAS single currency. The Council took note of progress made by member countries towards macroeconomic stabilisation and growth and encouraged member states to endeavour to sustain this performance in the face of the threatening impact of the eurozone crisis.

Box 6.1: West Africa Monetary Agency Meetings

Venue: Conakry, Guinea. **Date:** July 14, 2011

Major Decisions and Recommendations:

- › Member countries should strengthen public finance management and control mechanisms to facilitate planning, expenditure control and ensure efficient implementation of Government infrastructural projects and programmes;
- › Member countries should adopt export-oriented industrialisation strategies, including the establishment of agro-based industries and export diversification drives to help insulate them against periodic reversals in primary commodity prices, and improve their current account;
- › The ECOWAS Commission should consider the modalities for establishing a stabilisation mechanism to help Member States to absorb the effects of exogenous shocks, particularly variations in the prices of petroleum products and foodstuffs;
- › Member States should deepen their commitment to the integration process particularly by complying with and implementing ECOWAS protocols and institutional arrangements;
- › Member states with misalignments in their real exchange rate should correct them in order to achieve and sustain an improved current account;
- › WAMA should as much as possible, utilise the competencies of member central banks for the conduct of studies under the roadmap for the ECOWAS single currency;
- › A regional approach should be adopted in funding the activities under the roadmap.

6.8 West African Monetary Zone

Two statutory meetings of the Convergence Council of Ministers and Governors of Central Banks of the West African Monetary Zone (WAMZ) were held during the year to review macroeconomic convergence within the Zone and progress towards the single currency programme. The Council observed a decline in the level of convergence due partly to the global crisis and highlighted the need for fiscal and other structural reforms as well as the creation of an enabling environment for growth.

College of Supervisors of WAMZ

The College of Supervisors of the WAMZ held its meetings in February and July concurrent with the meetings of the Committee of Governors of the WAMZ. The College welcomed Commission Bancaire of the West African

Economic and Monetary Union (UEMOA) to its meetings and encouraged them to continue attending as observers. This would enable the two bodies address banking issues common to both economic unions.

The College noted the absence of a legal framework for the adoption of the International Financial Reporting Standards (IFRS). To ensure harmonisation of financial standards therefore, the college charged members to facilitate the review of their laws to accommodate the adoption of IFRS. Members who had not as yet adopted the eFASS were encouraged to do so to facilitate financial and comparability analysis among member countries.

Host countries of regional banks were encouraged to send their examination plans for such banks to their home countries to facilitate joint cross-border supervision.

Box 6.2: West African Monetary Zone Meetings

Venues:

Abuja, Nigeria
Conakry, Guinea

Major Decisions and Recommendations:
Dates:

February 11, 2011
July 15, 2011

- › The continuation of countercyclical fiscal stimulus packages implemented in many member states since 2009 could no longer be justified especially the recurrent expenditure components;
- › Fiscal reforms in member states should place additional emphasis on structural reforms, particularly the widening of the tax base;
- › Member states should adopt effective expenditure rationalisation and non-inflationary methods of financing infrastructure projects;
- › Member countries should take all necessary steps to ensure that all ECOWAS Trade Protocols are implemented;
- › WAMI should monitor, evaluate and verify the status of country compliance with the ECOWAS Trade Liberalisation Scheme;
- › A modified version of the European Central Bank model to suit the realities of the Zone should be adopted for the West African Central Bank;
- › WAMI should undertake a study on the impact of electoral cycles on macro economic convergence in the Zone;
- › WAMI should consider the use of moving averages in assessing compliance with the convergence indicators.

6.9 West African Institute for Financial and Economic Management

The West African Institute for Financial and Economic Management (WAIFEM) Board of Directors met twice during the year in Abuja (February) and Conakry (July). The Board approved the Institute's training programme

and budget for 2011 and recommended that WAIFEM extend its services to private institutions on commercial basis.

The Central Bank of the Republic of Guinea applied to join the Institute and the Board requested WAIFEM to provide a detailed analysis of its implications to enable it to take an informed decision on the request.

7. FINANCIAL STATEMENTS

GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. K. B. Amissah-Arthur	(Chairman/Governor)
Dr. Henry A. Kofi Wampah	(1st Deputy Governor)
Mr. Millison K. Narh	(2nd Deputy Governor)
Dr. Sydney Laryea	(Non-Executive Director)
Mrs. Diana Ayettey	(Non-Executive Director)
Mrs. Lily Esther Nkansah	(Non-Executive Director)
Dr. D. Obu Andah	(Non-Executive Director)
Mr. Sam Appah	(Non-Executive Director)
Togbe Afede XIV	(Non-Executive Director)
Mr. Kwaku Bram-Larbi	(Non-Executive Director)
Mr. Seth Terkper	(Non-Executive Director)

REGISTERED OFFICE

1 Thorpe Road
P. O. Box GP 2674
Accra, Ghana.

AUDITORS

Ernst & Young
Chartered Accountants
G15, White Avenue
Airport Residential Area
P. O. Box KA 16009
Airport, Accra, Ghana.

SECRETARY

Mr. Andrew Boye-Doe
Bank of Ghana
Head Office, 1 Thorpe Road
P. O. Box GP 2674
Accra, Ghana

REPORT OF THE DIRECTORS TO THE MINISTER OF FINANCE AND ECONOMIC PLANNING

The directors have pleasure in presenting the financial statements of the Bank and the Group.

MISSION STATEMENT

The mission of the Bank is to pursue sound monetary and financial policies aimed at price stability and create an enabling environment for sustainable economic growth.

The primary objective of the Bank is to maintain stability in the general level of prices and, without prejudice to this primary objective, promote economic growth and an effective and efficient banking and credit system. The Bank is engaged in the business of central banking. There was no change in the nature of the business of the Bank during the 2011 financial year.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing financial statements for each accounting year, which give a true and fair view of the state of affairs of the Bank as at the end of the accounting year, and of the surplus or deficit of the Bank for the period.

In preparing the financial statements, the directors are required to:

- › select suitable accounting policies and then apply them consistently;
- › make judgements and estimates that are reasonable and prudent;
- › state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- › prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Bank will continue in business.

Accordingly, the financial statements are prepared in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act, 2002 (Act 612), the Financial Administration Act, 2003 (Act 654) of Ghana and the Companies Act, 1963 (Act 179).

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Bank and enable the Bank to ensure that the financial statements comply with relevant legislations and accounting standards. They are also responsible for safeguarding the assets of the Bank and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

SIGNIFICANT DEVELOPMENTS

The Bank commenced the construction of a state-of-the-art currency processing centre at the General Services Complex, Accra. The construction has progressed steadily and it is expected to be completed in 2013.

The Bank instituted a new Fixed Assets Replacement and Depreciation policy for implementation in 2012.

BOARD OF DIRECTORS

The composition of the Board did not change during the year.

REPORT OF THE DIRECTORS

COMPLIANCE WITH RELEVANT LEGISLATION AND ACCOUNTING FRAMEWORK

The financial statements, including comparative year information, are prepared in accordance with the Bank of Ghana Act, 2002 (Act 612), Financial Administration Act, 2003 (Act 654), International Financial Reporting Standards (IFRS) and the Companies Act, 1963 (Act 179) except where the application of the Bank of Ghana Act, 2002 (Act 612) leads to non-compliance with IFRS. The directors have reviewed the accounting policies and disclosures in the financial statements and have indicated areas where the provisions of the Bank of Ghana Act 2002 (Act 612) are not entirely consistent with requirements of IFRS as follows:

(a) Departure from IFRS

The application of the Bank of Ghana Act, 2002 (Act 612) has led to a departure from the requirements of the IFRS as follows:

- › Treatment of net foreign exchange difference; and
- › Net foreign exchange differences on holdings of Gold, Special Drawing Rights or Foreign Securities which have been treated in accordance with the Bank's accounting policy and presented under notes 3(f, g and j)

Details of this departure are presented under note 33. Management has reviewed this treatment and has concluded that the departure from the requirements of IFRS is necessary to achieve a fair presentation of the Bank's financial position, financial performance and cash flows taken within the context of the provisions of the Bank of Ghana Act, 2002 (Act 612).

(b) Specific Non-Compliance with Provisions of IFRS

Provision for Pension Liability

The Bank operates a pension scheme for qualifying members of staff based on final pensionable pay for which the Bank is required to make annual charges based on actual pensions paid and provisions to cover future period as required by IAS 19. The Bank has so far made a provision of GH¢ 465.09 million in respect of its obligation to the scheme as set by actuarial valuation of **GH¢599.27 million at 31 December 2011.**

SUBSIDIARY COMPANIES

The Bank owns 51 per cent of the issued shares of Ghana International Bank Plc, a company incorporated in the United Kingdom, which carries on the business of commercial banking.

The Bank also owns 100 per cent shares of Ghana Interbank Payment and Settlement Systems Limited, a company

incorporated in Ghana which carries on the business of setting up and operating a national payments system.

Bank of Ghana also owns 100 per cent shares of the Central Securities Depository Limited, a company incorporated in Ghana to carry out the business of immobilisation and dematerialisation of securities.

Chairman (Governor)

Date: 11 April, 2012

Director

Date: 11 April, 2012

INDEPENDENT AUDITORS' REPORT TO THE HONOURABLE MINISTER OF FINANCE AND ECONOMIC PLANNING

Report on the Financial Statements

We have audited the accompanying financial statements of Bank of Ghana, (the Bank) and its subsidiaries (together, the Group) which comprise the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended of the Bank; together with the consolidated statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cashflows for the years then ended of the Group; and a summary of significant accounting policies and other explanatory information, and the directors' report, as set out on pages 38 to 94.

Directors' Responsibility for the Financial Statements

The Bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Bank of Ghana Act 2002 (Act 612) and the Financial Administration Act, 2003 (Act 654), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

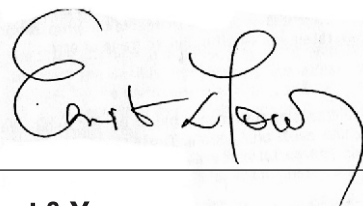
The Bank operates a defined benefit pension scheme for qualifying members of staff based on final pensionable pay. The Bank employed the services of an actuarial consultant to conduct the valuation of the Bank's pension liability in accordance with IAS 19 Employee Benefits. The actuarial valuation, as contained in the report of the actuarial consultant, set the bank's obligation at GH¢599.27 million at 31 December 2011. A provision of GH¢465.09 million has been made in the financial statements in respect of the Bank's obligation to the scheme as at 31 December 2011. IAS 19 Employee Benefits requires that the present value of defined benefit obligations and the fair value of any plan assets be determined with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank and the Group as at 31 December 2011, and of their financial performance and their cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards.

Emphasis of Matter

We draw attention to note 33 of the financial statements which contains disclosure regarding the Bank of Ghana's departure from IAS 21 to achieve compliance with the Bank of Ghana Act. The disclosure includes the reason as well as the impact of this departure on the financial statements as required by IAS 1 "Presentation of Financial Statements".



Ernst & Young
Chartered Accountants
Accra, Ghana

Date: 11 April, 2012