



63 YEARS OF CENTRAL BANKING IN GHANA: ANCHORING MONETARY AND FINANCIAL STABILITY

Introduction

On 1st August 1957, Ghana's central bank, the Bank of Ghana, opened its doors for operations following its establishment on 4th March 1957 under the Bank of Ghana Ordinance No. 34, 1957. Prior to that, the West African Currency Board (WACB) had been established by the British in 1912 to issue and redeem currencies for the Gold Coast and other colonies such as Nigeria, Sierra Leone, and The Gambia, but it lacked full central banking powers. The establishment of the Bank of Ghana with full central banking authority was therefore pivotal to promoting economic self-governance, and giving true meaning to political independence. Importantly, the Bank of Ghana was mandated under the Bank of Ghana Ordinance No. 34, 1957 to issue and redeem bank notes and coins, keep and use foreign reserves, influence the credit situation with a view to maintaining monetary stability in Ghana and the external value of the Ghana pound, and act as banker and financial adviser to the Government.

Realising the Mandate

Since commencing operations in August 1957, the Bank has played a pivotal role in promoting the country's socio-economic development in pursuit of its mandate. In addition to its core objective of maintaining monetary or price stability, which is also enshrined in the 1992 Constitution, the Bank has the additional statutory objective of promoting financial stability as was explicitly conferred on it by the 2016 amendment to the Bank of Ghana Act 2002 (Act 612).

The Bank has continued to develop its structures, policy tools and instruments, as well as its capacity to deliver on its mandate, in spite of structural challenges that continue to plague the Ghanaian economy, which remains a small, largely informal, commodity-based economy that is open to global trade and investments.

The Bank has strengthened its monetary policy effectiveness over the years with the adoption of the inflation targeting framework over a decade ago under which the monetary policy rate is its main policy tool. This framework has promoted clarity and transparency in monetary policy formulation and helped lower inflation volatility and reduced inflation from above 40 percent, now edging closer to the medium-term target of 8 ± 2 percent.

The Bank has also continued to strengthen its regulatory effectiveness to help achieve its financial stability objective. In recent times, this has been seen in the closure of 420 banks and other financial institutions to help sanitise and strengthen the financial sector, while creating the environment for stronger and well-run institutions to better support the economy. The Bank has pursued other regulatory reforms over the last three years, including augmenting capital requirements, implementing international regulatory standards (including the Basel II/III standards), issuing new rules on corporate governance and cyber and information security, launching the sustainable banking principles, promoting technological innovation in the delivery of financial services and payment products for all economic actors, and launching the Ghana Deposit Protection Scheme to protect the savings of small

depositors. The Bank continues to promote cooperation with other financial sector regulators in Ghana (through its membership of the Financial Stability Council established by the President in January 2019) and with foreign regulators, to help achieve its financial stability objective. These efforts helped to earn the Bank international acclaim in 2019 as the Central Bank of the Year.

The Bank also continues to play a key role in the sub-region, and will continue to help shape economic cooperation and regional economic transformation initiatives within the West African Monetary Zone, ECOWAS, and the rest of the continent.

The Bank's response to the ongoing COVID-19 pandemic is further demonstration of its constant adaptation to the needs of the economy, while seeking to maintain price stability and financial stability. As the central bank and banking sector regulator, the Bank of Ghana has responded to the unprecedented economic impacts of the pandemic with a number of policy and regulatory interventions including a reduction in its monetary policy rate, reduction of reserve requirements for banks and specialized deposit-taking institutions, reduction in the capital conservation buffer maintained by banks, reduction in provisioning requirements for certain categories of loans, and the purchase of Government bonds to support economic recovery efforts. These interventions have released liquidity in the banking system, which has allowed banks to restructure existing loans and grant new ones to better support their clients. The Bank has also strengthened its market conduct and consumer protection function, as well as its anti-money laundering and countering of terrorist financing schemes, to help further promote confidence in the banking system.

As global economic conditions remain uncertain and Ghana continues to reposition itself to make its economy more self-reliant and resilient, the Bank will continue to evaluate its policy tools and adopt the most effective strategies to help promote macroeconomic stability and a healthy financial system.

On the occasion of Ghana's Founders' Day on 4th August 2020, the Board, Management, and Staff of the Bank of Ghana thanks all stakeholders (including former Board members, Governors, and staff) for their relentless dedication and support over the last 63 years, and assures the good people of Ghana that it will continue to pursue its mandate as entrusted to it by law, to support inclusive and sustainable socio-economic growth for the Ghanaian people.

