



## **GHANA ECONOMIC FORUM 2021**

**THEME: STRENGTHENING HOME GROWN POLICIES TO UNDERPIN  
THE NATIONAL DIGITISATION DRIVE AND SHARED FINANCIAL  
PROSPERITY**

**GUEST SPEAKER**

**DR. ERNEST ADDISON**

**THE GOVERNOR, BANK OF GHANA**

**October 18-20, 2021**

**Kempinski Hotel, Accra**



**Dr. K. K. Sarpong, Chairman and CEO at Ghana National Petroleum Corporation,**  
**Honourable Ministers and Deputy Ministers here present**  
**Deputy Governors, Bank of Ghana**  
**Regional Director, MasterCard Foundation**  
**CEOs and Representatives from the Financial Sector and Business Community**  
**Distinguished Guests**  
**Ladies and Gentlemen**

1. A very good morning to you all and let me first begin by thanking the organizers of the programme for the kind extension of invitation to address this gathering. For the past ten years, this Forum, initiated by the Business and Financial Times and other supporting partners, has provided a unique platform for policy discourse and agenda setting in the economy. The foresight and fortitude of the organizers in institutionalising this yearly programme must be commended. This year's theme on "***Strengthening Home Grown Policies to Underpin the National Digitisation Drive and Shared Financial Prosperity***" seeks to address one of the most topical issues in recent times, especially, at a time when the country is recovering from the pandemic and policies are being put in place to restore stability and economic growth.
2. As always, it is necessary to take stock of where we are regarding macroeconomic conditions and try to place the discussions within the context of the emerging policy priorities. I will therefore do three things; I will first provide a update on the macroeconomic landscape and move on to discuss how the pandemic has aided the acceleration of digitisation



and thereby financial inclusion; and conclude with policies to strengthen National Digitisation and Regulation to address emerging risks in the Digital Financial Services space.

### **Macroeconomic Landscape**

- 3.** Distinguished Ladies and Gentlemen, it has been almost twenty months since the shock of COVID-19 pandemic to the Ghanaian economy. The unprecedented adverse global consequences are ongoing, but the good news is that, the Ghanaian economy absorbed the shock well, and the economy has begun to turn around very strongly—building back better. The prudent and timely policy support—one may call it “homegrown”, removal of restrictions, reopening of business activities, and increased vaccinations, have worked together to systematically support the recovery process.
  
- 4.** Recent economic indicators show a steady turnaround. First, the impact of the pandemic pushed inflation outside the medium-term target band to 11.4 percent in July 2020. Since then, inflation has fallen steadily and stayed around the central path of the target band of 8 percent. More recently, impacted mainly by rising domestic and global food prices, inflation has moved steadily outside the target bank, now reading 10.6 percent as at September 2021. The Bank’s September 2021 forecast however indicates that inflation will remain within the medium-term target band, but closer to the upper limit in the near-term, in the absence of further unexpected shocks.



- 5.** The above notwithstanding, the Bank’s measure of short-term economic dynamics show that economic activity continues to pick up and maintaining the steady momentum since the last quarter of 2020. The second quarter data from the Ghana Statistical Service pointed to an annual GDP growth to 3.9 percent in the second quarter of 2021, from the 3.1 percent recorded in the first quarter. The second quarter growth was somewhat dragged down by the mining and quarrying sectors, which are yet to recover to pre-pandemic production levels. Beyond the second quarter, the latest high frequency indicators, monitored by the Bank, shows some optimism towards a more robust recovery from the pandemic. The Composite Index of Economic Activity (CIEA) grew by 20.0 percent (year-on-year) in July 2021, compared with 3.9 percent growth in the same month of last year. And the growth in the indicators were somewhat broad-based with port activity, imports, domestic VAT, and air-passenger arrivals ranking high.
  
- 6.** The external payments position has remained strong despite the decline in the trade surplus due to a stronger import growth, as the economy continues to reopen. The trade surplus narrowed while the current account deficit widened marginally but adequately financed by external inflows from portfolio and foreign direct investments, resulting in balance of payments surpluses. This has allowed a build-up in the country’s gross international reserves, which increased to about 5.2 months of imports cover in August 2021 and provided some buffer to the local currency to withstand pressures. Cumulatively, the Ghana Cedi has performed



strongly with a year-to-date depreciation of 1.9 percent as at 12 October 2021, relative to 3.0 percent in the same period last year.

- 7.** Emerging market policy makers are keeping an eye on global financial markets and the US policy direction regarding tapering of asset purchases which may pose some currency risks to emerging markets and frontier economies, such as Ghana. However, the strong reserve build-up and foreign exchange inflows from the recent SDR allocation and the expected syndicated cocoa loan proceeds should help to cushion currency pressures in the near-term.
- 8.** The comprehensive reforms and recapitalization positioned banks with strong capital buffers before the onset of the COVID-19 shock. In addition, the financial sector received further boost with macroprudential regulatory reliefs to ease liquidity constraints and allowed them to provide financial support to critical sectors of the economy as part of the COVID-19 policy responses. Following these interventions, the banking sector has remained stable, liquid, and profitable. The latest stress tests and macro-prudential risk assessments on the industry show that banks are strong enough to withstand mild to moderate liquidity and credit risk shocks.
- 9.** A lingering problem has been private sector credit growth which has not fully recovered to pre-pandemic levels due to uncertainties surrounding the pandemic's trajectory. As the momentum in economic activity picks



up, coupled with continued COVID vaccination efforts, and demand for bankable projects increase, we expect private sector credit to rebound.

**10.** Ladies and Gentlemen, the relatively strong performance of the economy in spite of COVID-19 was due to home grown policy credibility that had been earned over four years of economic reform. The Fiscal and Monetary Policy Framework that was implemented provided a solid anchor to disinflation. Policy credibility engendered investor confidence which underpinned the significant inflow of capital both portfolio and direct during this period. These measures placed the Ghanaian economy in a good place prior to the pandemic and the necessary policy space to undertake the countercyclical policies that allowed the economy to stay on course. The 2022 budget should be used to reset fiscal policy to create a more credible path towards medium term fiscal sustainability. This would be an important building block to establish and entrench credibility, a key component to stability.

### **The Pandemic – Driving Financial Digitization**

**11.** Distinguished Ladies and Gentlemen, although technology has been a driving force for change in the financial sector for some time now, the COVID-19 pandemic provided a strong leverage case point for the global financial technology sector. In Ghana, the digitisation agenda, including financial digitisation which began long before the pandemic, received an added push during the pandemic, evidenced by the dramatic increase in the growth of digital financial services. Currently, there are more than



nineteen million (19,000,000) active mobile money accounts driving the digital financial services industry. Prior to the pandemic, this number stood at (14.4 million), It is clear that the pandemic resulted in bringing household and firms into the FINTECH space. Similarly, the Mobile money interoperability continued to show strong growth, recording 365 percent growth in volume and 651 percent in value between 2019 and 2020. As at September this year, interoperability transactions grew by 216 percent in volume and 350 percent in value compared to same period last year. This further indicates the increasing consumer confidence and preference for digital payment options.

**12.** Rapid changes in payments technology has made the use of technology in financial services has become a necessity rather than a choice, driven by consumer demand for convenience, efficiency, and lower cost of transactions. Currently, digital payments have been on an uptrend and various Governments' have joined in the digitisation process and most central banks are at various exploratory stages of developing Central Bank Digital Currencies, with the recognition of money as an important public good and whose stability needs to be protected. As you may be aware, the Bank of Ghana has already entered the space and piloting the CBDC, with broad stakeholder consultations on the project. This will eventually lead to the issuance of a digital currency, the E-Cedi, a safe and stable means of payments and settlements which would further advance financial inclusiveness, promote efficiency in the payment systems, and foster competition in the financial sector.



## Strengthening Domestic Policies for National Digitisation

**13.** The achievements in the payment ecosystem would not have been possible without the solid payment infrastructure base and sound regulatory frameworks that have supported the process. Let me briefly highlight a few of the domestic policies that have been spurred Ghana's advancements in the payment and settlement systems. The Bank of Ghana laid the foundation for the payment system to thrive by providing the required payment systems infrastructure. Let me briefly highlight a few of the domestic policies that are spurring Ghana's advancements in the payment and settlement systems. We can recall the set-up of the Ghana Interbank Payment and Settlement System (GHIPSS), Real Time Gross Settlement System (RTGS), Cheque Codeline, Clearing System (CCC), the National Biometric Smartcard (E-zwich) and the National Switching and Processing System (gh-Link) to create a solid framework for market infrastructure to support efficient payment system and financial inclusion.



**14.** To further address the need for faster payments, the Bank introduced GHIPSS Instant Pay (GIP), a real time utility solution to support instant funds availability for customers, as well as the Mobile Money Interoperability platform to facilitate transfer of funds across mobile money networks and bank accounts. Again in 2020, the Bank launched the Universal QR Code to scale up affordable and interoperable merchant payments. There is also the hybrid Gh-Link Card, which is an EMV compliant card that facilitates both biometric E-zwich transactions and





PIN-based transactions at Point of Sale (PoS). The expected impact of these innovations in the diffusion of digital payments into everyday activities has the potential to further deepen financial inclusion.

- 15.** Currently, the Ghana Interbank Payment and Settlement Systems provides a fully interoperable payments platform that allows for seamless transactions across mobile phone networks, mobile money wallets and bank accounts. In addition, the platform supports payment solutions from retail to merchants, for example through the national QR Code.
- 16.** The Ghana Government also took a bold decision to pursue a national digitalisation agenda with the launch of the National Digital Property Addressing System and National Identification Project to create a database of secure personal identification system for citizens and proper national addressing and location systems. This policy measure helped to address a major obstacle to financial inclusion as the poor address systems made location of clients a major hurdle for financial institutions
- 17.** These ongoing projects have yielded positive results with major milestones. Gradually, the Ghana Card is becoming the unique instrument of identification for access to various services across the country and its recent linkage to Tax Identification Numbers (TIN) and Pensions Schemes are laudable. Digitisation is becoming key for fiscal policy and through digitization of systems, the Government also implemented the paperless port operations systems, aimed at increasing efficiency at the



port, reducing cost and time of doing business at the ports. The recent launch of the Revenue Assurance and Compliance Enforcement (RACE) Initiative, to block leakages and increase domestic revenue mobilization, widen the tax net, and ensure compliance with tax obligations are all driven by the national agenda to formalise the economy.

**18.** The enactment of the Payment Systems and Services Act 2019 (Act 987) firmed up the regulatory framework for digital financial services. The Act brought together fragments of regulations and guidelines on the payment systems to centralise the regulatory regime and support the orderly development of the ecosystem. The introduction of a new licensing regime under Act 987, has also brought Financial Technology firms under a formal regulatory regime that sets out capital, governance, and technical standards to ensure operational resilience and contain financial integrity risks. In 2018, The bank of Ghana issued the Cyber and Information Security Directive which added another layer of regulation to safeguard operational resilience, safety and soundness of the entire system, while promoting confidence in the use of digital financial services.

**19.** There are many home grown policies such as the National Financial Inclusion Development Strategy (2018-2023), the Digital Financial Services Policy (2020-2023), and the Cash-Lite Ghana (Building an Inclusive Digital Payments Ecosystem) which are all supportive of the digitisation of financial services towards the cash-lite policy and inclusive economy objective.



**20.** The establishment of a FinTech and Innovation Office at the Bank of Ghana in April 2020 gave impetus for the orderly development of the ever-expanding digital financial services landscape. In February 2021, the Bank issued the Crowd Funding Guidelines to promote and guide the development of crowd funding products and services to support the needs of diverse groups of people and further promote financial inclusion. The launch of a Regulatory Sandbox regime was another milestone achieved in the Fintech sector. The objective of the sandbox is to help financial services providers and FinTechs test new innovative ideas in a controlled regulatory environment prior to licensing or product approval. Since the announcement of the sandbox pilot there has been overwhelming interest from stakeholders both locally and internationally. The Bank is currently working on testing a blockchain based product and 2 innovations in the remittance space. From our engagement with this first cohort, several lessons have been learnt which will inform an enhancement of the BoG sandbox experience and provide more opportunity for other innovative products.

### **Strong Regulation to Address Emerging Risks in Digital Financial Services**

12. Aside the progress made in financial digitisation in the economy, the widespread use of technology has also heightened risks in the financial services sector, evidenced by incidences of cyber-attacks, mobile money, and ATM fraud. This calls for tighter regulatory frameworks to ensure the



integrity of the digital financial services ecosystem. In addition to the Cyber Security Act, 2020 (Act 1038) and the Data Protection Act, 2012 (Act 843, the Bank has established a Financial Industry Command Security Operations Centre (FICSOC) to provide broader perspectives on cyber threats confronting the sector through constant monitoring and intelligence sharing.

13. Overall, the Bank has adopted; an integrated Risk-based Supervisory Approach for digital financial services to focus on functional areas of operation and systemic risks. This includes a holistic review process involving prudential, market conduct, financial integrity, and payment systems risk perspectives for products, services, and technology outsourcing arrangements proposed by banks and non-banks or FinTechs.
14. In addition, the Bank has adopted the use of technology to improve regulatory compliance and supervision and upgraded its Supervisory technology (SUPTECH), introduced in 2018, to automate data collection and analytics on a disaggregated basis for electronic money issuers. The SUPTECH is now augmented under the artificial intelligence powered Online Regulatory and Analytics Surveillance System (ORASS) to cover all banks and other licensed financial services providers under the Bank's regulatory perimeter. This is critical for supervisors in identifying trends and early warning signs for early supervisory interventions when necessary.



## Conclusion

15. In conclusion, Distinguished Ladies and Gentlemen, I wish to reiterate that the Central Bank is a progressive Bank. The Bank of Ghana has set up a FINTECH OFFICE to help shape policies in that space to support growth and to support the national digitisation agenda, including financial digitisation for inclusiveness. More than ever before, digitisation is now part of our society, and as policymakers and regulators, we must leverage on its advantages and contain the risks to deliver a shared financial prosperity in the economy. I believe that the panellists will deepen the discussions further over the next two days.

**On this note, let me wish you fruitful deliberations and Thank you very for your kind attention.**