



BUSINESS & FINANCIAL TIMES GHANA

MONEY SUMMIT 2022

**THEME: AFRICA'S ECONOMIC GROWTH – FACILITATING INVESTMENT,
PAYMENT AND SETTLEMENT SYSTEMS**

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MARRIOTT HOTEL

26 APRIL 2022

The Chief Executive Officer, Dr. Godwin Acquaye

Management, and Staff, of The Business and Financial Times

Distinguished Speakers and Panelists

Invited Guests, Ladies and Gentlemen

Friends from the media

Good Morning.

1. It is a pleasure to join you today as Keynote Speaker at this year's Money Summit under the theme, *'Africa's Economic Growth – Facilitating Investment, Payment, and Settlement Systems'*. Permit me to thank Business & Financial Times (B&FT), the organizers of this Summit for their kind invitation to Governor Dr. Ernest Addison who would have loved to be here himself but for an equally important national assignment he is currently undertaking.
2. The Bank of Ghana commends the B&FT for organising this important summit, consistent with its commitment over the years to provide a platform for rich stakeholder dialogue on matters that affect Ghana's socio-economic growth and development. We commend you further for taking the discussion to an African regional level, given the importance of regional initiatives for the times in which we are.
3. Ladies and Gentlemen, the African continent is the world's second-largest and second-most populous continent with over 1.3 billion people only after Asia, accounts for about 16% of the world's human population and covers about 20% of the world's land area. It is also endowed with vast deposits of natural resources including diamonds, gold, silver, iron, cobalt, uranium, copper, bauxite, oil and gas, as well as land, sea, and climate

resources that produce rich cash crops such as cocoa, timber, and other trees, tropical fruits, food and other items, mostly exported to foreign markets.

4. Notably, the continent is a diverse grouping of low, lower-middle, upper-middle, and high-income countries, with mixed economic histories and growth prospects.
5. Before the onset of the COVID-19 pandemic, the International Monetary Fund (IMF) estimated in its Regional Economic Outlook for sub-Saharan Africa in 2019, that economic growth would remain strong in non-resource intensive countries (some 24 countries with a population of about 500 million people) averaging about 6 percent with per capita income rising faster than the rest of the world. In contrast, growth was expected to slow down in resource-intensive countries (about 21 countries) with per capita growth lower than the world average. Overall, the average economic growth rate in sub-Saharan Africa was 3.5 percent in 2019, 0.5 percentage point higher than the previous year, and was projected to rise to 3.6 percent in 2020.
6. The IMF also estimated in 2019, that more than 70 percent of the countries in the region were in the bottom half of countries globally in terms of competition indicators. Firm risk markups in sub-Saharan African countries were about 11 percentage points higher relative to those in other emerging market economies and developing countries, reflecting the perceived weak competitiveness of the business environment. The report suggested that increased competition, productivity growth, and investments, could boost real per capita GDP growth rate in the region by about 1 percentage point.
7. What is more, the United Nations Conference on Trade and Development (UNCTAD) estimated that intra-African trade in 2019 was 15 percent compared with 68 percent in Europe and 58 percent for Asia. Fragmented payments infrastructure, multiple and non-convertible currencies, over

reliance on correspondent banking, were some of the factors inhibiting intra African trade, investment and growth.

8. Africa's economic challenges have been further compounded by the increasing complexities of the global financial and business environment brought on by the COVID-19 pandemic. The Covid-19 pandemic led to a sharp contraction of economic activity in the region by 1.9 percent in 2020, with countries that were heavily dependent on tourism and commodity exports bearing the biggest brunt of the shock. The average inflation rate for the region rose from 8.5 percent in 2019 to 10.8 percent in 2020 reflecting a sharp increase in food prices due to the lockdowns. Increased Government spending to protect lives and livelihoods and to prevent a total collapse of the real sector widened overall fiscal balance on average from 4.1 percent of GDP in 2019 to 6.9 percent of GDP in 2020, while the average government debt to GDP ratio in the region also increased from 51.5 percent in 2019 to 57.8 percent in 2020.
9. What is more, the pandemic and the recent Russia-Ukraine war have led to global price pressures in several advanced and emerging market economies, primarily due to the sharp rise in energy and food prices and existence of supply bottlenecks, heightened uncertainty and increased economic fragility in most African countries, and complication of the recovery process.
10. Evidently, the region's economic prospects have from time immemorial been exposed to an external environment that has sometimes impacted harshly due to commodity price shocks and volatile global financial conditions. These external pressures, coupled with domestic factors such as budget deficits, high debt, and complex business environments, have made the realization of the region's full economic potential a challenge.

11. Financing for robust macroeconomic recovery and for the medium-to-long-term investments needed to boost Africa's competitiveness, also remains a challenge, with the estimated financing gap for Africa for 2021-2025. The IMF estimates that African economies will need some \$285 billion additional financing from 2021-2025 to effectively respond to the effects of the COVID-19 pandemic. The African Development Bank also estimated at the peak of the pandemic, that African economies were going to need some \$484 billion from 2020-2022 to address the socio-economic impacts of the pandemic and to support economic recovery alone.
12. Meeting the Financing Gap and the other factors that impede intra-regional trade and investment, will require tough reforms, including measures to improve public finances through mobilizing additional domestic revenue (tax and non-tax) and enhancing the efficiency of public spending (especially on health and investments); as well as measures to promote competitive investment climates and thereby attract private investments.
13. Policy makers continue to tinker with options to address pre-existing macroeconomic imbalances accentuated by the pandemic and the recent Russia/Ukraine war. At the same time, it is imperative that bold steps are also taken to harness strategic opportunities that should help not only with economic recovery efforts but also to create a more robust and sustainable economic reality for the region.
14. For a start, the continent's youthful population is a great asset. Sub-Saharan Africa alone is estimated to be home to more than 1 billion people, half of whom will be under 25 years old by 2050, according to the World Bank. Harnessing this resource will be critical to transforming Africa's socio-economic future into a more competitive and robust one.
15. Intra-regional trade presents another big opportunity for the continent's economic growth prospects, which must be fully activated.

The African Continental Free Trade Agreement (AfCFTA) creates for the first time, a single African market for goods and services, that transcends the boundaries of each of the continent's 54 nations. With trading under the regime having commenced in January 2021, concrete steps need to be taken to expand production, delivery, and payment channels to promote trade, investments, and growth.

16. Trade volumes under the AfCFTA will be driven to a large degree, by investments that will help to expand production and processing capacity in key value chains, develop key infrastructure to support the logistics of delivery of goods and services and payments, promote access to efficient and deep financial markets. Also critical will be investments in human capital and digitalisation, and the strengthening of business law regimes to promote investor confidence.
17. With advancements in technology, innovations such as the Pan-African Payment and Settlement System (PAPSS), developed and launched by the Afreximbank and the AfCFTA Secretariat provide great hope for improving intra-regional trade and investment to help shape a more robust economic reality for the region. PAPSS is the first centralised payments system infrastructure for processing, clearing, and settling intra-Africa payments, and is expected to significantly lower transaction costs and accelerate business transactions for intra-Africa trade and investments.
18. As a member of the Governing Council of PAPSS, the Bank of Ghana has offered maximum support to the testing and pilot phases of the PAPSS and will continue to do so. Domestically, the Bank of Ghana also continues to promote a modern, innovative, resilient and inclusive payments system in Ghana to help promote commerce, digitilisation, and access to financial services to support Ghanaian micro small and medium-sized enterprises to plug into the AfCFTA market and beyond.
19. The Bank of Ghana has also commenced a Central Bank Digital Currency (CBDC) pilot which, if successful, should lead to the launch of the

eCedi as a central-bank backed digital alternative to physical currency, providing convenience and efficiency in payments, and promoting an inclusive and formalised economy, with significant benefits for Ghana's economy and the regional economy.

20. Ladies and Gentlemen, the pandemic and the recent geopolitical war has reinforced the role of prudent macroeconomic policies in positioning economies to better withstand economic shocks and global supply chain vulnerabilities. It is a wake-up call for the continent to think outside the box, build on our strengths and address our vulnerabilities now rather than later.
21. This will take the concerted efforts of all stakeholders – national and regional authorities, public sector and private sector, young and old – to change Africa's economic story for good. Among other things, we should all work towards:
 - Enhancing private and public sector savings by rationalising spending to create space for resources to fund critical investment needs;
 - Improving the business operating environment to attract private capital – both national, regional and international – into key infrastructure to support critical value chains. To do this, we need to promote the rule of law and a compliance culture, protect property rights through enforcement of contracts, and promote transparency, accountability, political and macroeconomic stability;
 - Leveraging technology to improve remittance flows and tapping into other diaspora resources to help close the financing gap;
 - Promoting increased digitalisation of economic activity, and empowering marginalized segments such as the youth, women, and persons who are differently abled, to unleash their full contributions to our economic growth;

- Paying attention to climate change and environmental degradation and their growing adverse impacts on agriculture, other key sectors of African economies, and our water bodies, while devising effective de-risking mechanisms to promote sustainable and resilient growth in the longer-term.

22. On its part, the Bank of Ghana will continue to provide strong policy support to promote domestic and regional economic growth recovery efforts and the drive towards building a more resilient and self-sufficient Africa.

23. I am very confident that the discussions at this summit today and the conclusions that will emerge from these discussions, will provide impetus for a positive way forward.

Thank you for the attention and I wish you fruitful deliberations.