



FORMAL LAUNCH OF DEVELOPMENT BANK GHANA (DBG)

REMARKS

BY

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His Excellency, The President of the Republic of Ghana, Nana Addo Dankwa Akufo-Addo

Honourable Minister for Finance, Mr. Ken Ofori-Atta

Board of Directors, Managing Director, Key Management Personnel and Staff of Development Bank, Ghana

Cherished Stakeholders of DBG

Distinguished Guests

Ladies and Gentlemen

1. It is a great honour to join you all today as we officially launch the Development Bank Ghana (DBG). This is a much-anticipated event and yet another milestone in Ghana's financial sector. Before I begin, let me acknowledge the Ministry of Finance, key stakeholders, and funding partners for the tireless efforts to move the DBG idea from conception to operationalisation. I also commend the Board and Management of DBG for pushing the limits to establish the needed structures for the take-off and for organising this inaugural event.
2. Indeed, the commissioning of DBG today, could not have come at a better time because globally, there is a resurgence in the establishment of new



Development Finance Institutions (DFIs) in developing countries. This is largely due to the fact that existing DFIs have been unable to effectively address market gaps, facilitate meaningful increases in financial intermediation in terms of outreach and scale.

3. Ladies and Gentlemen, National Development Banks, along with multilateral Development Banks, play active roles in mobilizing public and private sector resources to support critical economic sectors. Overtime, the role of development banks has expanded to include finance for infrastructure expansion, environmentally green projects, as well as a wide range of developmental objectives. Despite these, DFIs maintain the provision of medium to long-term finance and project finance at the core of their activities.

Ghana's Financial System and Expectations for DBG

4. Ladies and Gentlemen, we are all aware of the significant transformation that Ghana's financial system has undergone over the past few years, which has broadened the range of financial services offered by financial intermediaries. The recapitalization reforms, which predated the pandemic, together with the COVID-19 relief measures introduced by the Bank in the wake of the



pandemic, positioned banks to weather the storms associated with the pandemic and sustain lending to support economic activity.

5. Despite the supporting role of banks and Specialized Deposit-taking Institutions (SDIs), there are shortcomings on the financial landscape which has a direct bearing on growth. Banks and SDIs focus on short-term financing for commercial purposes with little support for long term financing needed to accelerate economic development and transformation. Available data show that, less than 15 percent of loans granted by banks are for 5 years or longer, making investment in long gestation projects, especially for Small Medium-sized Enterprises (SMEs) unviable. Also, the share of bank credit to the agriculture and manufacturing sectors hover around 4 percent and 8 percent, respectively. This data shows that only a small share of lending goes to key sectors such as agriculture and manufacturing relative to their shares in GDP and employment. This therefore, necessitates the establishment of modern market-oriented development finance institutions, which will focus on providing medium to long term financing to support key sectors of the economy. This is what DBG brings on board.



6. While recognizing the very crucial role of development banks, we need to also make it clear that their presence on the financial landscape is not designed to provide competition to the banks and SDIs, but rather, to work in a complementary fashion to ensure more longer-term finance to firms, an area that banks and SDIs are ordinarily unable to finance. Such a successful synergy between banks and DFIs will ensure greater depth in Ghana's financial sector.

7. Experiences from countries show that DFIs can play key developmental roles when well-structured, insulated from political interferences in operational decisions, and professionally managed along sound principles that balance development objectives with market realities. Therefore, Bank of Ghana's expectation is that DBG, together with the other DFIs that will be licensed by the Bank, would help address market failures in the Ghanaian credit markets, thereby helping businesses invest long-term, and promote economic growth and job creation.



Regulatory oversight

- 8.** Ladies and Gentlemen, there is broad international consensus that a strong regulatory and supervisory regime would have to underpin the operations of DFIs. This consensus was made following the observation that inadequate regulation and supervisory framework and undue political interference were major contributory factors that led to the collapse of development banks in Africa during the 1960-80s.

- 9.** It was on this premise that the Bank, working with other stakeholders, developed the legal, regulatory, and supervisory framework for these DFIs which culminated in the passage of the Development Finance Institutions Act, 2020 (Act 1032). Act 1032 contains provisions on sound and prudent banking principles to guide effective operations of Development Finance Institutions, such as capital and reserve requirements, liquidity requirements, ownership and control, corporate governance, restrictions on lending and investments, and financial reporting, amongst others, to ensure they are operationally efficient.



10. Provisions on corporate governance structures have been strengthened under the Act. As a result, the Ownership, Governance and Operational Structures of DBG have been carefully designed to ensure that DBG is managed professionally to successfully carry out its economic transformational mandate. As the regulator, the Bank will deploy the requisite tools to ensure effective regulation and supervision of DFIs. Starting with the DBG, the Bank will also ensure that DFIs in Ghana operate in a financially sustainable manner, to achieve the development mandate, foster confidence, and attract more investments into the economy to support growth.
11. On this very issue, I wish to reiterate that the Bank of Ghana will hold the DBG to the same regulatory and supervisory standards that it holds banks and SDIs, while at the same time maintaining oversight of the Participating Financial Institutions (PFIs) that DBG will be working with.

Conclusion

12. The Bank of Ghana will strive to work in close partnership with DBG to achieve this, from two key angles. First, in helping to safeguard and protect



DBG's governance structures, and second, in working to create the right enabling environment both for DBG and its partners.

13. The DBG, alongside its partners, has the potential to be truly a catalytic entity in Ghana's economic transformation. On behalf of the Bank of Ghana, I would like to reaffirm our commitment to supporting DBG in its mission. The relevance of the DBG is now needed more than ever and I urge all stakeholders to put in maximum efforts at making this work, this time round.

Thank you very much for the attention.