

Paul A Acquah: Fifty years of central banking in Ghana

Welcome address by Dr Paul A Acquah, Governor of the Bank of Ghana, at the Bank of Ghana's 50th Anniversary Celebrations Launch, Accra, 31 July 2007.

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Your Excellency the President of the Republic of Ghana,
Distinguished Invited Guests
Board of Directors
Colleagues and Staff
Ladies and Gentlemen

I deem it a great pleasure and honour to welcome you all to this important ceremony to launch the 50th anniversary celebration of the Bank of Ghana. Fifty years of central banking is a significant milestone in the history of any institution and more significant as it coincides with the 50th anniversary of the nation. And we are privileged to have H.E President John Agyekum Kufour, with us here today to launch the programme of celebrations. The first President of the Republic of Ghana, Dr. Kwame Nkrumah, inaugurated the Bank at its inception, and it is now for this President, His Excellency, to grace this occasion, to usher us in the next 50 years. Your Excellency, we very much appreciate that you have taken this time to come.

Let me also recognize the presence of the former Governors and Deputy Governors of the Bank who have helped steer this institution and in various ways shaped its history.

To mark the Bank's 50th Anniversary, we have put together a week long programme which attempts to capture the historical and organic life of the Bank. Exhibition of old currencies, documentation, and pictures would be mounted to outline how the functions of the Bank have evolved over time. In the rich tradition of oral history, public interaction and presentations by past Governors would amount to a guided tour of the history of the Bank. We are crowning the celebrations with a high level International Symposium on the theme "Central Banking and the Millennium Development Goals", which in a sense should frame the Bank's role in advancing to the middle income status and towards a fully industrialized economy.

Ladies and Gentlemen, on occasions like this, it is in order to recount some of the history of the Bank. And, we have prepared for us a commemorative history book of the bank, which will be launched by His Excellency the President today.

The Bank's policies and activities have been shaped by changing conditions over the years. The Bank of Ghana Ordinance (No. 34) of 1957 clearly defined the role of the Bank to suit the circumstances at that time. From the optimism that characterized the country's independence and aspirations, the Bank of Ghana pursued proactive policies to foster the credit system, creating financial institutions as growth-promoting vehicles, while exercising its fundamental responsibilities of currency management and acting as the Government's banker. The Bank has been driven by the power of ideas; by the influence of men and women in public roles and those privileged to serve the Bank; and by the twist and turns on the path of social and economic progress of the nation.

Monetary policy geared to supporting fiscal expansion for rapid growth under fixed exchange rate regime in a rapidly changing economic environment brought on balance of payments difficulties prompting Parliament to arm the Bank with the Exchange Control Act to manage trade and foreign exchange transactions.

The exchange controls and their administration came with its own problems, in terms of waste of resources and perverse incentives associated with distorted pricing, low growth and unemployment. The system over-extended the powers the Bank was able to exercise and the economy became caught in monetary and fiscal instability. A prominent feature of the

economic history is the gradual process of dismantling these controls and liberalization of the economy culminating in the passage of the Foreign Exchange Act last year on the heels of stabilization of the economy.

Ladies and Gentlemen, it has been fifty years and the Bank is operating in a different statutory and macroeconomic context. To respond to changing domestic conditions and developments in central banking and monetary policy worldwide, the Bank of Ghana Act (2002) was passed which bestowed independence on the central bank, leaving it free to re-focus its policies on price and financial stability as a principal mandate. This marked the beginning of a new paradigm in defining what the Bank of Ghana represents and its role in monetary and financial management.

The Bank has taken seriously its mandate to focus on price stability as its primary goal, and as a guiding operational principle. We take it as demand by the public for price stability, and aversion to high inflation and currency volatility. The mandate is in a sense a search to entrench macroeconomic stability. That is a situation in which price and exchange rate movements are not a source of public anxiety, but rather a situation on which businesses and consumers can stretch their horizon and plan based on stable expectations with regard to investments, savings, productivity and value for their money. This is the best contribution that monetary policy and financial stability can make to accelerated growth on sustained basis.

So, under the Bank's monetary policy framework, the Monetary Policy Committee's work really turns on promoting disciplined macroeconomic policies, with the budget and monetary policy playing complementary roles to promote growth with stability. Monetary policy is most effective when the public is willing to hold and use the currencies introduced by the Bank as legal tender and as a store of their wealth because of confidence that the value will be stable over time – the value is the same – and by implication prices will remain fairly stable as well. But the key here is the credibility of macroeconomic policies.

At the time of independence, the banking industry consisted of 3 banks. This has grown over the years to 23 banks with a network of some 600 branches, 123 rural banks, 13 savings and loans companies, as we celebrate this Golden Jubilee. These operate alongside an array of non-bank financial institutions, insurance companies, and other micro-credit institutions. We now have a banking industry that is reasonably competitive and well capitalized, sound and liquid, having withstood the pressures of rapid disinflation over the past years.

Your Excellency, as we look forward, the Bank of Ghana has a responsibility to promote the development of a financial system that is effectively integrated and in tune with the global financial market; and that is capable of providing a diversified range of financial instruments and services to support a dynamic growing economy.

The Bank is building the nucleus of a payments system infrastructure and a financial system that can develop over time into a vibrant segment of the international financial industry in the West African Region, a financial centre of global standards in terms of the quality and incentives built into the regulatory environment, financial institutions and the services they can deliver. This positioning of the industry is even more important in the context where the entire ECOWAS regional market may well come under a common currency regime, and become a single economic space; with free mobility of capital, goods and services, and labour.

The future of the financial sector should be one that is vibrant and well anchored in price and financial stability, better to serve as a pillar for economic growth towards achieving the Millennium Development Goals and middle income status. This is the theme of the symposium organised as part of these celebrations.

Your Excellency, the quality of public institutions, and for that matter the public service, is an important determinant of the financial sophistication of the state; and the central bank – the Bank of Ghana – has a pivotal role in pioneering the process. Ghana @50 – the nation's

Golden Jubilee – had the theme “Championing African Excellence”. We see in this occasion, an imperative for the Bank of Ghana to strive to be a Champion Institution in the community of central banks.

To conclude, I should say that I consider it a privilege and an honour to be here and be part of this important milestone of the nation’s central bank.

I would like to welcome you all to this ceremony and we look forward to your participation in the activities lined up for the Jubilee celebrations.

Thank you for your attention.