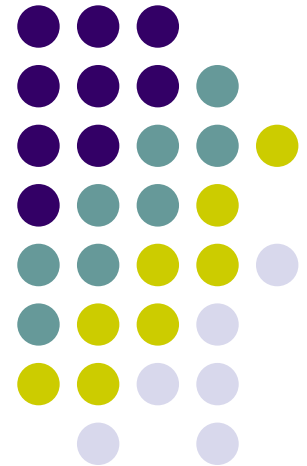


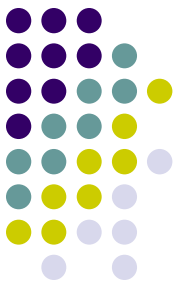
# Modern Strategies of Effective Financial Resource Mobilisation and Management

*The Role of Government*

Financial Sector Division,  
Ministry of Finance & Economic Planning

17<sup>th</sup> January, 2007, Mini-Conference Room, Trade Fair Site  
National Chamber of Commerce and Industry





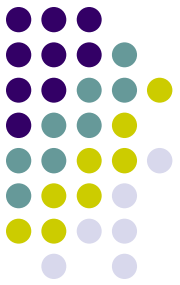
# Introduction

Since assuming office, Government's policy directive has been to develop Ghana as a

- a preferred source of domestic resource mobilisation
- safe haven for foreign direct investment
- gateway to the sub-region....

all of which are directed at strengthening the private sector to play its intended role as an engine of economic growth.

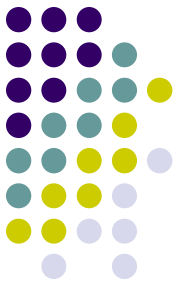
# Private Sector Challenges



As much as efforts are far advanced to achieve these objectives, there still remain strong private sector challenges that need to be addressed, e.g.

- Inability to meet requirements to access mainstream credit
- Lack of affordable credit, high cost of capital, low profitability
- Land tenure issues
- Poor infrastructure
- Lack of access to markets
- Obsolete technology
- A weak partnership between the Chamber and Government
- Cheaper imports etc

# Private Sector Challenges



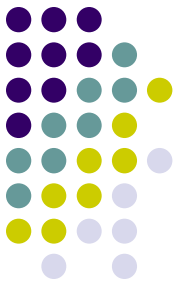
Key among these challenges are

- Lack of affordable credit
- Unsustainable profit levels
- Lack of sustainable financial resource mobilisation

*Once adequate policy and market driven measures are put in place by both Government and private sector to Address these, all things being equal,*

- Possible to expand markets, enhance profits, retain customers because they are better satisfied, achieve and maintain competitive advantage and ultimately growth.

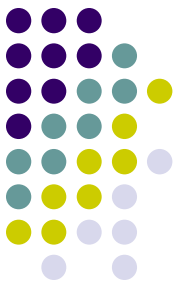
# Role of Government



Formulate and implement policies that would create the required enabling environment for the private sector to achieve its objectives

- Regulatory and Legislative Reform
- Prudent economic policy management i.e. macro economic management
- Targeted interventions such as VCF, MASLOC, in addition to EDIF, Exim Guarantee Company Ltd

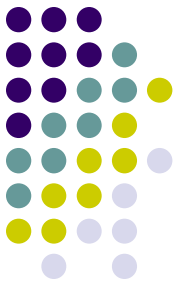
# Role of Government-Regulatory Reform



22 financial sector laws are to be either promulgated amended or reviewed under the ongoing EMCB-FSR to address these systemic inefficiencies, e.g.

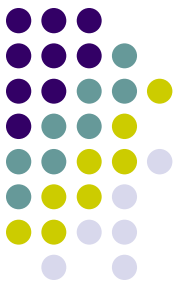
- Venture Capital Act 680, 2004, provided the legal framework for the establishment of the VCTF
- Credit Reporting Bill, passed by Parliament in Dec 2006, provides a legal framework for the licensing, operation and supervision of credit bureaus in Ghana
- Long Term Savings Act 679, 2004 provide the legal framework for the establishment of a LTS Scheme, as an alternative social security scheme, as well as serve as an additional source of long term capital, just to mention a few.

# Role of Government-Prudent Economic Management



Prudent macroeconomic management has resulted in a more stable economic environment in terms of

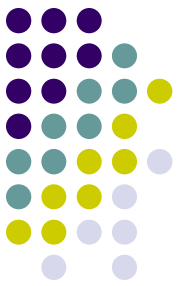
- Relatively stable rate of inflation, (10,5% Dec '06)
- Relatively stable exchange rate
- Fiscal discipline
- Consistently declining prime rate, (18.5% - 12.5%)
- Declining short term interest rates, (9.95% 91 day)
- Shift in Govt borrowing from the short end of the market aimed at “crowding in” the private sector
- Removal of secondary reserve requirements of Banks to free more funds for lending etc
- Tax incentives for the private sector etc



# Role of Government

Although the effect of these macroeconomic achievements can be felt in the real sector, they haven't adequately reflected to the levels desired by both Government and the private sector in terms of

- Improved access to finance/credit
- Improved cost of capital i.e. declining lending rates
- Increased private sector credit as a ratio to GDP

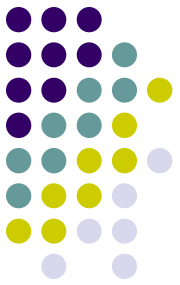


# Role of Government-Interventions

Government has instituted measures to mitigate the problem of lack of affordable credit and access to mainstream credit through mechanisms that focus on start-ups, existing establishments, offering concessionary interest rates and other related services e.g.

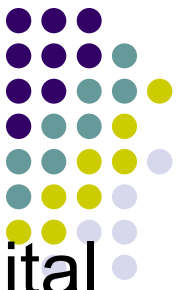
- Venture Capital Fund (VCF)
- Micro And Small Scale Loans Centre (MASLOC)
  
- Export Development and Investment Fund (EDIF)
- Exim Guaranty Company Limited

# Role of Government- Interventions



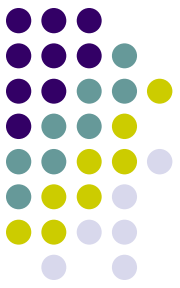
- EDIF - to provide financial resources to develop and promote exports in Ghana, EDPF, (EDIF Board) and Credit Facility (FIs).
- Exim Guarantee Company Ltd – provide credit guarantees and financial risk management solutions

# Resource mobilisation-modern strategies



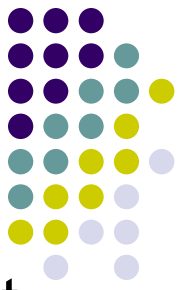
- VCTF- to provide long term investment capital to small and medium scale enterprises (AVFC-NBFIs). All sectors qualify, prioritised; Agriculture, Pharmaceuticals, ICT, Tourism
- MASLOC- apex body for the Microfinance sub-sector, manage Govt/DPs microfinance funds & develop measures that would strengthen Microfinance operation as an effective and viable strategy for poverty reduction. Productive poor, prioritised; Women, youth, disabled.
- Participating MDAs, Banks and MicroFinance Institutions (See brochures)

# Resource Mobilisation - modern strategies



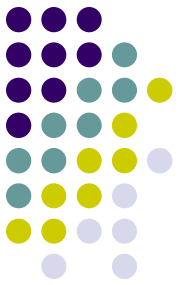
- The passage of the credit reporting bill and the establishment of credit bureaus offers several opportunities e.g. a more accurate risk assessment by Banks leading to falling lending rates, good credit score as a form of security, utility payments, trade credit records, SSNIT, IRS records as a means of assessing risk for first time borrowers etc
- Domestic Capital Markets-relatively cheaper source of long term capital e.g. IPOs, Corporate Bonds, Private Placements. Tax incentives for new listings
- International Capital Markets, taking advantage of Ghana's sovereign rating etc

# Resource Mobilisation -modern strategies



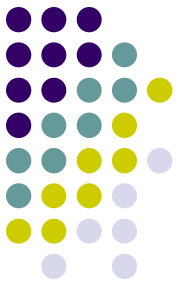
- To address the other aspect of the discussion, apart from financial mobilisation, other means of expanding markets, enhancing profits, achieving growth and competitiveness would be through
- Consolidations e.g. alliances, mergers and acquisitions, licensing agreements etc aimed at reducing cost of market entry, gaining access to otherwise unreachable markets, pooling resources and achieving synergies that would expand markets, enhance profits, competitiveness and ultimately growth.
- As at date most of such consolidations have been inbound. It is possible for chamber members to look at cross border and outbound consolidations as well.

# Conclusion



- Government will continue to formulate and implement prudent policy measures that will create the required enabling environment for the private sector to realise the expected goals and objectives.
- However Government would like to challenge the private sector to contribute to, identify and take advantage of inherent opportunities in policy measures implemented by Government in order to move Ghana to a middle income country by 2015.

# Thank You



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