REPUBLIC OF GHANA

National Financial Inclusion and Development Strategy (NFIDS)

2018–2023

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Abbreviations and Acronyms

ACH	Automated Clearing House
AML/CFT	anti-money laundering/counterfinancing of terrorism
ATM	automated teller machine
BoG	Bank of Ghana
BSA	Basic Savings Account
CAET	Computer Assisted Examination Techniques
CAR	Capital Adequacy Ratio
CGAP	Consultative Group to Assist the Poor
CUA	Ghana Co-operative Credit Unions Association
DEMI	dedicated e-money issuer
DFS	digital financial services
DPC	Deposit Protection Corporation
DPF	deposit protection fund
DFI	development finance institution
ECL	Eximguaranty Company (Ghana) Ltd.
EDAIF	Export Trade, Agricultural and Industrial Development Fund
EDR	external dispute resolution
EFCL	Export Finance Company Ltd.
FATF	Financial Action Task Force
FCP	financial consumer protection
FIRST	Financial Sector Reform and Strengthening Initiative
FINSSP	Financial Sector Strategic Plan
FSAP	Financial Sector Assessment Program
FSC	Financial Stability Council
FSD	Financial Sector Division
G2P	government to people
GAIP	Ghana Agricultural Insurance Pool
GAX	Ghana Alternative Market

GDP	gross domestic product
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
GSE	Ghana Stock Exchange
ICRO	Investigation and Consumer Reporting Office (Bank of Ghana)
ID	identification
IT	information technology
KYC	know your customer
M&E	monitoring and evaluation
MCU	Market Conduct Unit
MM	mobile money
MoF	Ministry of Finance
MoTI	Ministry of Industry and Trade
MFI	microfinance institution
MFC	microfinance company
MNO	mobile network operator
MSMEs	micro, small, and medium enterprises
MTO	money transfer operator
NBFI	nonbank financial institution
NGO	nongovernmental organization
NHIA	National Health Insurance Authority
NIA	National Identification Authority
NIC	National Insurance Commission
NFIDS	National Financial Inclusion and Development Strategy
NPRA	National Pensions Regulatory Authority
NPL	nonperforming loan
P2G	people to government
PCG	partial credit guarantee
PHIS	private health insurance schemes
POS	point of sale
RAFiP	Rural and Agricultural Finance Program
RCB	rural and community bank
RTGS	real-time gross settlement
S&L	savings and loan
SDI	specialized deposit-taking institution
SEC	Securities and Exchange Commission
SECO	Swiss State Secretariat for Economic Affairs
SMEs	small and medium enterprises
SSNIT	Social Security and National Insurance Trust

Foreword

The government of Ghana seeks to reduce economic vulnerability and income inequality through the development of a broad financial inclusion policy. The Ministry of Finance, in collaboration with financial sector regulators and other key stakeholders, have developed a National Financial Inclusion and Development Strategy (NFIDS) to address the fundamental barriers preventing the underserved population from accessing financial products and services that would enable them to generate income, build assets, manage financial risks, and become economically empowered.

According to the World Bank's Consultative Group to Assist the Poor (CGAP), only 58 percent of Ghana's adult population had access to formal financial services in 2015. The NFIDS is a strategy that provides a roadmap of reforms and innovation in the financial ecosystem to address financial exclusion and support broader development of the financial sector.

The strategy has been developed through a comprehensive stakeholder consultative process and a review of sector-related documents. It provides a prioritized and sequenced series of actions to promote broader access to affordable financial products and services. The pillars of the strategy are Financial Stability; Access, Quality and Usage of Financial Services; Financial Infrastructure; Financial Consumer Protection; and Financial Literacy and Capacity. Ultimately, the strategy seeks to increase financial inclusion from 58 percent of Ghana's adult population to 85 percent by 2023.

It is expected that stakeholders will embrace the strategy and undertake coordinated actions for the fulfillment of its objectives. To this end, a well-designed monitoring and evaluation system will be put in place to track the strategy's progress. This system will be supplemented by periodic reviews to ensure that the indicators and targets are being met through the collaborative effort of all stakeholders.

We wish to extend our appreciation to the financial sector regulators, the market associations, the private sector, the National Communications Authority (NCA), and our key development partners, including the FIRST Initiative/World Bank, German Agency for International Cooperation (GIZ), CGAP, Swiss State Secretariat for Economic Affairs (SECO), African Development Bank (AfDB), and Better Than Cash Alliance. We are most grateful to the staff of Ministry of Finance with particular reference to the Financial Sector Division (FSD) for effective coordination and development of this strategy document.

Government will continue to implement measures to sustain financial inclusion activities that will enhance the efficiency of the financial sector to propel development in Ghana.

Ken Ofori-Atta
Minister
Ministry of Finance

Preface

The Ministry of Finance (MoF) requested World Bank support in developing a National Financial Inclusion and Development Strategy (NFIDS) to help increase access to financial services in Ghana and promote broader development of the financial sector. With support from the FIRST Initiative, the World Bank Finance, Competitiveness and Innovation (FCI) Global Practice provided the technical assistance to help develop the NFIDS. The development of the NFIDS entailed a series of World Bank missions to Ghana to help facilitate two stakeholder workshops to discuss the NFIDS priorities and Action Plan.

The NFIDS was informed by diagnostic studies completed by the World Bank Group. These included the World Bank's Consultative Group to Assist the Poor (CGAP) "Ghana Financial Inclusion Insights Survey" (2015); Ghana's "Microfinance Sector: Challenges, Risks and Recommendations" (2016); Ghana's "Development Finance Institutions: Review of Current Status and Principles for Reform" (2016); "Ghana Access to Finance Note" (2016); "Ghana Diagnostic Review of Financial Consumer Protection" (2016); governance reviews of financial sector regulators (including Bank of Ghana, National Insurance Commission, Securities Exchange Commission) and Social Security and National Insurance Trust (SSNIT) (2016); and "Review for the Market for Remittances in Ghana" (2015). Moreover, the NFIDS was informed by ongoing World Bank Group's technical assistance on banking and microfinance institution supervision and resolution, capital markets regulation, pension sector coverage expansion, market conduct supervision, and credit reporting and secured transaction strengthening.

The NFIDS development was led by the MoF with the assistance of the Secretariat and steering committee; it was developed through extensive consultations with government entities, financial and private sector stakeholders, and development partners.

Unless otherwise noted, data contained in the report are from the respective financial sector regulator, or in the case of financial inclusion data, from CGAP Financial Inclusion Insights (FII) Survey (2015), which is based on the FinScope methodology and a sample of 3,002 adults. The choice of FII data over other sources (such as Findex) was based on the steering committee's familiarity with the data, granularity (disaggregation at the state level), and the need to document progress in financial inclusion since 2010 (the year the first FinScope was completed). Moreover, another FinScope survey will be completed to monitor progress.

Executive Summary

NFIDS Rationale and Objective

According to the World Bank's Consultative Group to Assist the Poor (CGAP) Financial Inclusion Insights Survey, access to formal financial services in Ghana increased significantly from 41 percent to 58 percent between 2010 and 2015, yet 42 percent of the population still lacks access to financial services. Certain groups—including the poorest regions (Upper West, Northern, Volta, Upper East, and Brong Ahafo), rural residents, women, the poorest quantile of the population, and youth have even less access than their counterparts.

This National Financial Inclusion and Development Strategy (NFIDS) supports the government of Ghana's vision of "*increasing the availability of a broad range of affordable and quality financial services that meet the needs of all Ghanaians and are provided by sound, responsible, and innovative financial institutions.*" More specifically, it seeks to increase access to formal financial services from 58 percent to 85 percent of the adult population by 2023 and to focus on relatively excluded groups. The increase in access to financial services is expected to create economic opportunities and contribute to poverty reduction.

The NFIDS outlines a comprehensive reform agenda structured around five mutually reinforcing pillars of financial sector development: (a) Financial Stability; (b) Access, Quality, and Usage of Financial Services; (c) Financial Infrastructure; (d) Financial Consumer Protection; and (e) Financial Capacity. This structure reflects Ghana's financial sector development context and constraints, as well as the financial inclusion landscape, and is based on the World Bank's Reference Framework for Financial Inclusion Strategies. In particular, the NFIDS acknowledges Ghana's financial stability challenges and seeks to address them as a precondition to promote sustainable financial inclusion and development.

The reform agenda emphasizes financial technology (fintech), given its proven ability to drive financial inclusion in Ghana not only by enabling the introduction of new products and services, but also by allowing efficient delivery of traditional financial products such as savings and remittances. Fintech also offers the opportunity for regulators to efficiently tackle challenges imposed by the increasing use of financial services, particularly the need to regulate and supervise a large and diversified number of financial services providers, to protect consumers, and to manage money laundering and terrorism financing risks.

The NFIDS focuses on the most excluded groups of the population—rural residents, women, the poor—by prioritizing further development of digital financial services (such as mobile money) and by strengthening select providers (such as nonbank financial institutions, NBFIs). As noted in this report, mobile money and NBFIs have contributed the most to financial inclusion since 2010, and their combined use was higher among the typically excluded population. The NFIDS also prioritizes reforms such as the introduction of biometric identification, agricultural insurance, and consumer protection and financial capability—all of which are likely to disproportionately benefit excluded and unsophisticated consumers.

Financial Sector Context

The financial sector in Ghana grew over the past few years, but it remains bank dominated. Total financial sector assets grew from 53 percent of gross domestic product (GDP) in 2010 to 78 percent in 2017. Universal banks are dominant, with assets equivalent to 46 percent of GDP in 2017. They accounted for 59 percent of total assets, followed by the fund management sector with 15 percent, pension funds with 12 percent, NBFIs with 11 percent, and the insurance sector with 3 percent. Stock market capitalization has been decreasing, dropping to 29 percent of GDP in 2017 (from 44 percent in 2010 and 79 percent in 2011).

The structure of the banking sector has changed dramatically as state ownership of banks has increased. Following (a) the closure of nine banks by the Bank of Ghana (BoG) between August 2017 and December 2018, (b) the establishment of one bridge bank (Consolidated Bank), (c) the downgrading of one bank to a savings and loan, (d) three approved mergers, and (e) one voluntary windup, 23 universal banks are now in Ghana. Fiscal support (amounting to 4.2 percent of GDP as of September 2018) played a critical role in this structural change of the banking sector. The share of state ownership has increased significantly: the state now owns four major banks, two of which are among the three largest in Ghana.

The ongoing restructuring of the banking sector has improved aggregate soundness indicators, but nonperforming loans (NPLs) remain a key vulnerability. The average capital adequacy ratio was at 20 percent in December 2018, up from 18 percent a year earlier and well above the regulatory minimum of 10 percent and the BoG-recommended level of 13 percent. However, despite slight improvement in asset quality, banks continue to hold high levels of NPLs. The average NPL ratio stood at 20.1 percent in October 2018, down from 21.6 percent in October 2017, largely due to write-offs of NPLs.

NBFIs play a key role in Ghana's financial sector, accounting for 18 percent of the assets of all banks and NBFIs, and they have been a large contributor to financial inclusion since 2010. The number of NBFIs has rapidly expanded. Various types of NBFIs are regulated by the BoG: microfinance institutions (MFIs) (566 are regulated), rural and community banks (RCBs) (141), savings and loan companies (S&Ls) (37), finance houses (23), finance and leasing companies (5), a mortgage finance company (1), remittance companies (2), and credit unions (522). NBFIs—particularly the specialized deposit-taking institutions, or SDIs—have come under stress, with a large portion of them becoming insolvent or undercapitalized.

Insurance and pensions also play a key role in Ghana's financial sector. The insurance sector comprises 29 nonlife insurers, 24 life insurers, and three reinsurers. Assets remained close to 2 percent of GDP between 2010 and 2017, while penetration (measured as total premiums to GDP) remained low at 1.2 percent in 2017. The pension sector comprises three tiers: Tier 1 is a defined-benefit scheme (the Social Security and National Insurance Trust, or SSNIT) mandatory to both the public and the private sector. Tier 2 is a compulsory defined contribution scheme. Tier 3 is a voluntary scheme, which is based on defined contribution, primarily designed for the self-employed and for workers in the informal sector. Pensions to GDP grew from 6 percent to close to 10 percent between 2010 and 2017. The SSNIT accounts for about half of total pension assets, making it the largest institutional investor in Ghana. In parallel, the number of pension members more than doubled to 2.9 million between 2013 and 2017. Overall, national coverage (in all tiers) remains low, and coverage of the informal sector (Tier 3) is even lower.

The capital market has been developing in recent years, but it remains small and concentrated. The capitalization of the Ghana Stock Exchange (GSE) was 29 percent of GDP in 2017. The five largest companies accounted for 65 percent of market capitalization. The GSE is also illiquid with less than a 0.4 percent turnover ratio and only 36 listed companies. The funds management sector grew 10-fold between 2010 and 2017. There are also 53 collective investment schemes and a relatively large number (145) of investment advisory firms. Nonetheless, capital markets have the potential to become a source of long-term capital for firms, including small and medium enterprises (SMEs).

State of Financial Inclusion in Ghana

Fifty-eight percent of Ghanaians had access to formal financial services in 2015, up from 41 percent in 2010. Although banks contribute 36 of the 58 percentage points in access, they only contributed 2 of the 17 percentage-point increase between 2010 and 2015. Conversely, mobile money alone accounted for 7 percentage points of the increase, and the use of mobile money and NBFIs (regulated MFIs, insurance companies, and others) together accounted for the remaining 8 percentage-point increase. The limited role of banks in driving financial inclusion since 2010 highlights the potential and need for banks to do more, as well as the scope for innovative providers to offer existing or new products by using alternative channels and business models.

Access to financial services is heterogeneous across regions and key demographics. In terms of regions, the five poorest regions (Upper West, Northern, Volta, Upper East, and Brong Ahafo) remain the most financially excluded, despite having had the largest gains in financial inclusion. Similarly, rural residents and women have less access to banks than do their urban and male counterparts. Rural residents, women, and the poor rely more heavily on NBFIs and informal financial services than do urban residents, men, and the nonpoor. Furthermore, rural residents, women, and the poor overall use mobile money and NBFIs more than they use banks.

The use of other financial products such as remittances and savings products has grown in Ghana, suggesting an increasing demand for such valuable services. Although the use of credit products decreased from 9 to 7 percent between 2010 and 2015, the use of formal remittances rose almost five times from 5 to 24 percent, savings products from 37 to 45 percent, and insurance from 5 to 11 percent. Mobile money played a critical role in stimulating both savings and remittances, contributing two-thirds of the increase of both.

Against this backdrop, the government developed and prioritized a reform agenda aimed at increasing access to formal financial services to 85 percent by 2023. The following provides an overview of the reform agenda, structured along five reinforcing pillars.

Pillar I: Financial Stability

Pillar I's objective is to ensure a sound and stable financial sector capable of facilitating sustainable financial inclusion. The pillar outlines measures to (a) strengthen the regulation and supervision of banks and specialized deposit-taking institutions and other financial institutions; (b) strengthen microfinance companies and rural community banks; (c) develop a resolution framework and enhance crisis management; (d) enhance the soundness of the insurance, pension, and capital market sectors; and (e) strengthen anti-money laundering and counter-financing of terrorism efforts.

Financial sector stability is a precondition for sustainable financial intermediation and inclusion. In the case of Ghana, the confluence of recent macroeconomic challenges and shortcomings in financial sector regulation and supervision has compromised the resilience of the financial sector. Further, it has resulted in low and negative real credit growth and the insolvency of some financial institutions, some of which were resolved by the BoG.

Strengthening the supervision of banks and SDIs is a critical first step to increasing financial stability in Ghana. To do so, it is necessary to fully operationalize the 2016 Bank and SDI Act by continuing to issue regulations and guidelines and by updating the regulatory and supervisory framework for SDIs through the revision of prudential standards and improving on-site and off-site supervision. The Bank and SDI Act needs to be amended to strengthen its provisions pertaining to bank resolution, legal protection of BoG staff, license revocation, and court reviews of BoG decisions. The resilience of the banking sector needs to be bolstered by the enforcement of the increased minimum statutory capital requirements and risk management in the banking sector needs to be improved through the development of risk management guidelines.

Microfinance companies (MFCs) and RCBs require special attention. Only a minority share of reporting MFCs are in compliance with the minimum paid-up capital of GH¢2 million and some face serious liquidity challenges. Similarly, many RCBs report capital adequacy ratios below the 10 percent regulatory minimum, while a few are distressed. Therefore, it is urgent to consolidate the MFC and RCB sectors by enforcing minimum paid-up capital requirements and withdrawing the licenses of problem institutions, in line with the plans developed by the regulator. The regulatory framework should be overhauled.

The bank resolution and crisis management framework also should be enhanced to facilitate the orderly unwinding of failed institutions and to improve the ability of authorities to deal with systemic crises. This effort requires further developing a resolution framework and establishing a dedicated bank resolution unit. A critical measure to enhance crisis management arrangements is the rollout of the recently introduced deposit protection fund for banks and SDIs, particularly by ensuring its adequate capitalization and by establishing the Deposit Protection Corporation (DPC). However, the rollout of the fund should be preceded by improvements in the regulatory framework, capacity building, and, as stipulated in the Deposit Protection Act, removal of insolvent institutions from the financial sector. In addition, the act should be amended to ensure its alignment with international standards. Similarly, the Banks and SDI Act should be amended to strengthen the resolution framework and the basis of the recently established Financial Stability Council, which integrates the financial safety net members (BoG, Ministry of Finance, National Insurance Commission, DPC, Securities and Exchange Commission, and the National Pensions Regulatory Authority (NPRA). Once the resolution framework and crisis coordination arrangements are in place, the authorities should conduct a crisis simulation exercise.

Enhancing the soundness of the insurance, pension, and capital market sectors also is critical to ensuring financial stability. The growth of pension funds, insurance companies, and collective investment schemes calls for more scrutiny of the investment risks being taken by these institutions. There is evidence of excessive risk-taking, including placements of deposits in weak MFIs. In the insurance sector, the Insurance Act should be amended to promote its alignment with international standards, including on governance and internal controls, risk-based supervision, and preventive and corrective measures.

Regarding pension fund managers, investment guidelines and reporting requirements need to be enforced to ensure that fund managers practice responsible asset management. In addition, given the importance of protecting individuals' retirement savings and overall financial stability, NPRA's oversight of the SSNIT should be enhanced. A committee should be established to review all possible measures to address concerns about the sustainability of the SSNIT.

The new Securities Industry Act—which strengthens Securities and Exchange Commission (SEC) oversight and compliance with international standards—must be supplemented by regulations to operationalize it, with a particular focus on the adoption of regulations that enhance the corporate governance of issuers and intermediaries, improve the oversight of exchanges and clearing, and promote trading and liquidity (including by allowing the lending and borrowing of securities). The SEC also should focus on contingency planning in the case of the failure of intermediaries.

Finally, reducing money laundering and terrorism financing risks would further enhance the integrity and stability of the financial sector. Focus should be on the banking sector and on digital financial services (such as mobile payments, prepaid cards, and internet-based payment services) given their predominance and medium vulnerability to money laundering risks. In this regard, the legal framework should be expanded to include monetary penalties in the choice of sanctions imposed on financial institutions and NBFIs for noncompliance with mandatory anti-money laundering/counter-financing of terrorism obligations. Additionally, risk-based approaches to honoring those obligations should be introduced to ensure that actual money laundering and terrorism financing risks are effectively mitigated without impinging on financial inclusion objectives.

Pillar II: Access, Quality, and Usage of Financial Services

Pillar II aims to increase the availability and usage of innovative financial products and services tailored to the needs of the financially excluded population through (a) increasing the proximity of financial access points, (b) expanding digital financial services, and (c) promoting diverse and low-cost products and services for consumers.

The long distance to financial service access points, such as to banks or automated teller machines (ATMs), is an impediment to the expansion of financial services in Ghana. While the number of bank branches and ATMs per 100,000 grew to 8.6 and 11.5 in 2017, respectively, further expansion and diversification of a variety of access points is needed to boost usage through increased proximity. Among other efforts, Ghana should promote agent banking by gaining a better understanding of the barriers that prevent the venture's wider adoption by financial institutions. Moreover, completing a comprehensive mapping of access points (such as by geospatial mapping) would inform access point expansion by financial institutions and other financial services providers.

Proximity to traditional access points, however, will not solve the financial inclusion challenge alone. Innovations in digital financial services (DFS) have helped connect consumers who are beyond the reach of financial institutions' branches by enabling consumers to conduct financial transactions using electronic devices, including mobile phones. As noted, of the 17 percentage-point increase in access to formal financial services since 2010, mobile money accounted for 7 percentage points, and the use of mobile money and NBFIs together accounted for 8 additional percentage points. The DFS strategy focuses on opportunities to further increase financial inclusion by shifting from cash to digital payments.

In addition, there is the need to fully leverage the potential of DFS by ensuring that interoperability between mobile network operators (MNOs) and banks is commercially viable and lowers costs to consumers. Concrete actions are needed to improve the quality of agents and to lower the costs (including through a review of the mobile money value chain and the business practices of MNOs to understand the drivers of costs and fees). Moreover, a comprehensive ecosystem is needed to increase the value proposition of DFS by promoting other products and services, such as mobile-based unsecured lending products, savings, microinsurance, and government-to-people and people-to-government payments to meet the diverse needs of consumers, particularly those who have been excluded.

It is also essential to promote new and innovative low-cost products and services. In Ghana, basic financial products that would serve lower economic segments are missing or underdeveloped. Therefore, there is the need to create, regulate, and promote a basic transaction account with minimal know-your-customer (KYC) requirements; to conduct a diagnostic on the constraints and opportunities for promoting affordable micro housing finance; and to fully implement a warehouse receipt system to increase access to agricultural finance.

Given that low levels of financial inclusion also reflect the inability of financial institutions to cater to the excluded population, financial institutions should be equipped with the skills and information they need to assess consumers' creditworthiness and to tailor products to consumers' needs and capacity. Thus, it is essential to provide financial institutions with tailored technical assistance on credit information and risk-sharing schemes.

Pillar III: Financial Infrastructure

Pillar III's objective is to support innovation and efficient delivery of financial services and to increase information on borrowers and micro, small, and medium enterprises (MSMEs) by (a) strengthening payment systems oversight, (b) bolstering the payment systems platforms and services, (c) increasing the availability of information on borrowers, (d) strengthening the secured transactions and collateral frameworks, and (e) strengthening the insolvency regime.

An important aspect of financial sector development in Ghana has been the increasingly electronic nature of the payment systems. This advancement was facilitated by the introduction of core enabling infrastructure—particularly the Automatic Clearing House, the real-time gross settlement, the national switch for cards (gh-link), and the e-zwich biometric payment card. Given its importance in facilitating innovative financial inclusion, it is critical to ensure that the legal framework is conducive to the infrastructure's stability and development. In this regard, and in light of the Payment Systems and Services Act and new developments in the sector, a comprehensive review of the legal and regulatory framework is warranted to ensure consistency and alignment of the act with other related laws and regulations as well as with international principles. It is also important to revisit the Strategic Payments Roadmap, taking stock of the progress in its implementation, recent developments in payment and settlement systems, and new priorities. In parallel, increased capacity is needed to oversee the payment systems, mainly by providing for a standalone oversight function and by leveraging regulatory technology (regtech) to improve the oversight of an increasingly complex and data-intensive marketplace.

Another critical dimension of financial infrastructure development is bolstering payment system platforms and services. Key measures include fully implementing an interoperable retail payment system to facilitate financial transactions in the marketplace and transitioning government-to-people payments to electronic platforms. Those actions will make such payments more accessible (by, for example, making salaries automatically available through the e-zwich platform) while improving efficiency by reducing costs and leakages from the physical handling of cash.

Remittances have played a critical role in promoting access to financial services: their use rose from 5 to 24 percent of the population between 2010 and 2015. Further use of remittances should be promoted by increasing competition among providers of remittance services and by lowering costs by authorizing regulated and sound SDIs and money transfer operators to provide remittance services.

Limited availability of information on consumers is a key barrier to promoting financial inclusion, because financial service providers need such information to assess consumers' risk profiles and meet KYC requirements. To increase the scope and quality of information available to financial institutions, it is important to mandate the use of unique national identification in all financial transactions. Ghana's launch of biometric identification (ID)—which uses biological traits such as fingerprints—will provide for more secure transactions and has the potential to drive financial inclusion by disproportionately benefiting the financially excluded, who are often illiterate. Because national ID reforms take time to implement, in the interim risk-based KYC requirements that now apply to e-money should be extended to other financial services and products such as bank accounts to ensure that those with more rudimentary forms of ID can still gain access to basic financial services.

Reforming the credit reporting system should also contribute to financial inclusion, in particular regarding access to credit. Key reform priorities include (a) reviewing and amending the Credit Reporting Act with the view to remove provisions that allow defaulters to revoke previously given consent to have their information reported to credit bureaus; (b) mandating data reporting by nonbank credit providers (including retailers, utilities, MFIs, and so on); (c) and unifying and simplifying reporting procedures and formats to improve data consistency and quality. In partnership with specialized fintech companies, government and regulators should encourage the use of big data and alternative data to boost the effectiveness of credit reporting.

Efforts to improve the secured transactions framework have contributed to access to finance in Ghana by allowing borrowers to use movable assets as collateral. As of December 2017, Ghana's collateral registry (established in 2010) had registered GH¢150 billion (US$35 billion) in financing backed by collateral, with 73 percent of the financing going to SMEs. To further enhance the role of the collateral registry in facilitating access to finance, the Borrowers and Lenders Bill should be passed to harmonize the disparate pieces of legislation that govern secured transactions. In tandem, the collateral registry system should be integrated with other systems such as companies and land registries.

Bolstering Ghana's insolvency regime will reduce the cost of credit and increase its availability. The existing legal framework, which includes the Insolvency Act 708, is fragmented across multiple pieces of legislation and does not properly protect creditors. In addition to modernizing the legal framework (Act 708) to reflect internal practice, an out-of-court debt restructuring framework should be developed to reduce the burden on the court system and strengthen standards and regulations for insolvency practitioners to further professionalize this field.

Pillar IV: Financial Consumer Protection

Pillar IV aims to instill confidence in financial products and services and to increase accountability by (a) enhancing the regulatory and institutional framework for financial consumer protection and (b) building the oversight capacity of financial sector regulators.

A robust regulatory and supervisory framework for financial consumer protection is key to instilling confidence in financial products and services and to deterring, protecting, and providing recourse against misconduct by providers. This effort is particularly relevant considering the challenges imposed by the rise of digital payments and electronic delivery of financial services, which have reached millions of financial consumers who had no prior interaction with financial services.

In Ghana, the legal and regulatory framework for financial consumer protection can be enhanced through three key actions. First, following the development and issuance of the Disclosure and Product Transparency Rules for Credit Products and Services as well as the Consumer Recourse Mechanism Guidelines for Financial Service Providers, similar rules and guidelines should be developed and issued for all retail products and services, including the ones delivered through digital means. Second, a standard method for the calculation and disclosure of the effective interest rate should also be developed to help improve the transparency of interest rates and fees and to enable consumers to shop around for the most affordable credit products. Third, given the importance of protecting consumers of other financial services beyond credit, the Insurance Act should be amended to provide the National Insurance Commission (NIC) with an explicit consumer protection mandate.

Enhanced financial consumer protection also requires building the oversight capacity of the financial sector regulators. Although regulators should continue to handle complaints, they also need to start supervising market conduct. Specifically, the BoG, should develop a strategy for market conduct supervision, including a supervisory approach and activities. Equally important is strengthening external dispute resolution functions (including by the NIC) through the development of strategies and manuals, staff capacity building, and upgrading systems to effectively handle the recording, work flow management, and reporting of disputes. Furthermore, because private health insurance schemes do not appear to possess clearly articulated procedures for handling complaints by members and private health care providers, the National Health Insurance Authority should establish an in-house adjudication committee and ensure that private health insurance schemes have procedures in place.

Pillar V: Financial Capability

The objective of Pillar V is to increase capability, awareness, and use of financial products and services by increasing consumers' understanding of financial products and their capacity to manage their personal finances.

Multiple financial literacy initiatives have been conducted in Ghana. These range from the MoF's Financial Literacy Week, which is held in collaboration with financial sector regulators and industry players, to the Financial Literacy Awareness Promotion under the Rural and Agricultural Finance Program and financial literacy initiatives by financial institutions and MNOs as part of their corporate social responsibility programs. These initiatives would benefit from better coordination by the MoF to harness synergies and reduce overlaps. At the same time, these efforts could be better coordinated and planned through the development of a comprehensive financial capability and education strategy and through a campaign that targets the financially excluded. Additional financial capability efforts should include the introduction of financial capability and education curriculum in schools so as to ensure the foundations of financial capacity are built before students begin using financial products and services.

NFIDS Implementation and Monitoring

The NFIDS has a three-tiered governance structure. A council comprising high-level officials provides strategic guidance and sets policy objectives. The council is advised by a steering committee consisting of department and unit heads of the various stakeholders. The Secretariat, located at MoF's Financial Sector Division (FSD), coordinates the overall implementation of the NFIDS and manages its day-to-day affairs. The Secretariat also coordinates five working groups: (a) Banking and SDIs, (b) Pensions and Insurance, (c) Capital Markets, (d) Financial Literacy and Education, and (e) Digital Finance. It will be important to ensure that the membership of the steering committee and working groups continuously includes relevant market players and reflects developments in the marketplace (for instance, new entrants and providers of innovative products and services).

Maintaining a robust monitoring and evaluation framework will be key to tracking progress toward achieving the targets of the NFIDS. In this context, MoF's FSD will be responsible for coordinating the collection and dissemination of relevant data and information.

Effective implementation requires not only a robust governance arrangement with clear responsibilities and stakeholder adoption and coordination, but also adequate capacity and funding. Additional support should be provided to ensure timely implementation of the actions. To this end, it is envisioned that MoF's FSD will play an active role in the mobilization of internal and external resources to support the NFIDS. The additional implementation support would complement ongoing technical assistance in various areas of the NFIDS, including banking and SDI supervision; bank resolution and deposit protection scheme implementation; secured transactions and credit reporting; oversight of digital financial services; pensions and insurance supervision; securities regulation; and consumer protection.

Introduction

Increasing access to financial services—such as savings accounts, loans, payment services, insurance, and pensions for households and firms—is critical for Ghana's national development. These financial services enable investment, savings, and risk mitigation, all of which contribute to economic growth, job creation, and poverty reduction.

Despite the importance of financial inclusion for national development, more than 40 percent of the people in Ghana lack access to formal financial services. Access to formal financial services grew from 41 percent in 2010 to 58 percent in 2016, but Ghana lags behind some of its peers, such as South Africa (85 percent) and Kenya (75 percent) (see appendix C). Ghana also lags behind some of its peers in mobile money account ownership, which has been one of the largest drivers of formal financial inclusion in Ghana and elsewhere on the continent. Additionally, financial inclusion is uneven. In regions such as Upper West, Northern, Volta, Upper East, Brong Ahafo, and Central, less than 40 percent of the population has access to formal financial services, which is significantly below the national average. Additionally, the poor, women, and rural residents are below the national average for having access to financial services.

Multiple factors undermine financial inclusion in Ghana and influence the prospects of increased access to financial services. An important precondition for greater financial inclusion is a sound and stable financial sector that promotes growth and development. Poverty and geography act as barriers to greater financial inclusion in Ghana, but those barriers can be overcome by a financial sector that adapts to the economic and geographic context, innovates to meet consumers' needs, and has a diverse array of affordable financial services provided by a range of institutions. Additionally, financial sector infrastructure—particularly payments systems and credit and collateral information systems—facilitates transactions between businesses, consumers, and government and contributes to overall economic efficiency. Sustainable financial inclusion is further enhanced when consumer legal protection is enforced, when consumer rights are well understood, and when dispute resolution mechanisms are robust.

Vision for the NFIDS

The availability of a broad range of affordable and quality financial services that meet the needs of all Ghanaians and are provided by sound, responsible, and innovative financial institutions

The vision for the National Financial Inclusion Development Strategy (NFIDS) is aligned with government priorities. Under its Coordinated Programme of Economic and Social Development Policies (2017–24), the government commits to "undertake financial sector reforms to deepen financial markets, promote financial inclusion, enhance the supervision and regulation of financial institutions and move the country away from cash towards an electronic payments system." Similarly, enhanced financial inclusion was an integral part of the 2013–17 Ghana Financial Sector Strategic Plan *(FINSSP II). FINSSP II committed the government of Ghana to a number of important goals, including (a) making Ghana* the preferred source of finance for domestic companies, (b) promoting savings mobilization, (c) enhancing the competitiveness of Ghana's financial institutions, (d) ensuring a stronger and more facilitative regulatory regime, (e) achieving a diversified domestic financial sector within a competitive environment, and (f) promoting financial education, public awareness, and literacy.

This NFIDS provides a prioritized and sequenced series of actions to promote broader access to affordable financial services. It is informed by international best practice and diagnostics completed by the government and development partners. It also incorporates views from different stakeholders, including government, regulators, financial institutions, industry associations, and development partners. The strategy will be complemented by the digital financial services (DFS) policy and the capital market master plan; the latter is under development and will outline measures to develop capital markets in Ghana.

The NFIDS incorporates lessons from FINSSP II. More specifically, it articulates a strong governance structure in order to facilitate ownership, coordination, and accountability. It also underscores the importance of mobilizing internal and external resources to implement the proposed actions. The evaluation of FINSSP II cites the lack of funding as a key reason for the limited success of the strategy.

Definition of Financial Inclusion

In consultation with all relevant stakeholders, the government of Ghana decided to focus on increasing formal financial inclusion. As a result, the NFIDS Steering Committee defines *financial inclusion* as follows:

> Universal access to, and regular use of, a broad range of affordable formal financial services, including credit, saving and investment products, insurance, payment and money transfer services, mobile money, etc., which meet consumers' needs and which they understand and trust.

This definition is broad and incorporates a multidimensional perspective of financial inclusion, which is necessary because of the diverse approaches available to promote financial inclusion. In particular, it highlights the importance of broadening the menu of products and services and building consumers' trust and their capability to use these services. It also reflects the particular context of Ghana, which is characterized by the limited number of available products suitable for the excluded population, as well as low levels of financial literacy.

Nature and Purpose of the NFIDS

Financial inclusion strategies are roadmaps of actions, agreed and defined at the national or subnational level, that stakeholders follow to achieve financial inclusion objectives. Successful strategies coordinate efforts with the main stakeholders, define their respective responsibilities, and clearly plan the use of resources by, for example, prioritizing targets. A strategy can promote a more effective and efficient process to achieve significant improvements in financial inclusion. Engagement with the private sector, including through structured consultation, can help ensure the success of the strategy and the relevance of the stated goals.

Source: World Bank, *Financial Inclusion Strategies Reference Framework* (Washington, DC: World Bank, 2012).

Assessment of the Current State of Affairs

Financial Sector Overview

The financial sector in Ghana has grown over the past few years, but it remains dominated by banks. The total assets of the financial sector grew from 53 percent of gross domestic product (GDP) in 2010 to 78 percent in 2017. Universal banks dominate, with assets equivalent to 46 percent of GDP. They accounted for 59 percent of the total assets, followed by the fund management sector with 15 percent, pension funds with 12 percent, nonbank financial institutions with 11 percent, and the insurance sector with 3 percent (table 1). Stock market capitalization has been decreasing and reached 29 percent of GDP in 2017 (from 44 percent of GDP in 2010 and 79 percent of GDP in 2011).

Four regulators oversee the financial sector in Ghana. The Bank of Ghana (BoG) is responsible for the licensing and supervision of banks and nonbank financial institutions (NBFIs)—for example, rural and community banks (RCBs), microfinance institutions (MFIs), and savings and loans (S&Ls). The other three regulators are the National Insurance Commission (NIC) for insurance,[1] the National Pension Regulatory Authority (NPRA) for pensions, and the Securities and Exchange Commission (SEC) for capital market operators.

Banks

Banks are the key players in the financial sector in Ghana, and their stability and expansion will remain critical for the financial inclusion agenda. More than providing credit to firms and individuals, the banks own and operate key infrastructure (such as branches and ATMs) that interfaces with other, more innovative service providers. Banks also offer a broader and sophisticated menu of products and services that small and medium enterprises (SMEs) demand as they grow.

The structure of the banking sector has changed dramatically, as state ownership of banks increased. Following BoG's closure of nine banks between August 2017 and December 2018, the establishment of one bridge bank (Consolidated Bank), downgrading of one bank to a savings and loan, three approved mergers, and one voluntary windup, 23 universal banks are now in Ghana. Fiscal support

1. The mandate of the NIC does not extend to health insurance, which is the responsibility of the National Health Insurance Authority.

Table 1: Financial Sector Structure and Size

	2010	2011	2012	2013	2014	2015	2016	2017
Assets (in million GH¢)								
Universal banks	17,398	22,059	27,237	36,170	51,445	63,304	82,644	93,627
Nonbank financial institutions[a]	2,007	2,928	4,211	6,670	8,903	11,077	13,885	17,077
Insurance	949	1,160	1,271	1,738	2,270	3,064	3,747	4,718
Pensions[b]	2,901	3,419	5,086	6,908	10,009	13,482	15,301	19,871
Fund Management[c]	1,174	2,003	3,102	4,822	7,258	11,104	15,736	23,854
Total	**24,428**	**31,569**	**40,906**	**56,307**	**79,885**	**102,031**	**131,313**	**159,148**
(Percentage of Total Assets)								
Universal banks	71	70	67	64	64	62	63	59
Nonbank financial institutions[a]	8	9	10	12	11	11	11	11
Insurance	4	4	3	3	3	3	3	3
Pensions[b]	12	11	12	12	13	13	12	12
Fund management[c]	5	6	8	9	9	11	12	15
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
(Percentage of Gross Domestic Product)								
Universal banks	38	37	36	39	45	46	49	46
Nonbank financial institutions[a]	4	5	6	7	8	8	8	8
Insurance	2	2	2	2	2	2	2	2
Pensions[b]	6	6	7	7	9	10	9	10
Fund management[c]	3	3	4	5	6	8	9	12
Total	**53**	**53**	**54**	**60**	**70**	**74**	**78**	**78**

Sources: Bank of Ghana *Statistical Bulletins*; annual reports of the National Insurance Commission, National Pensions Regulatory Authority, Securities and Exchange Commission, and Social Security and National Insurance Trust (SSNIT); World Bank staff calculations.

a. Includes specialized deposit-taking financial institutions, rural and community banks, and microfinance institutions.

b. Includes the SSNIT and private pension managers.

c. Includes collective investment schemes (mutual funds and unit trusts) and investment advisory services; fund managers are excluded since they are included under pensions.

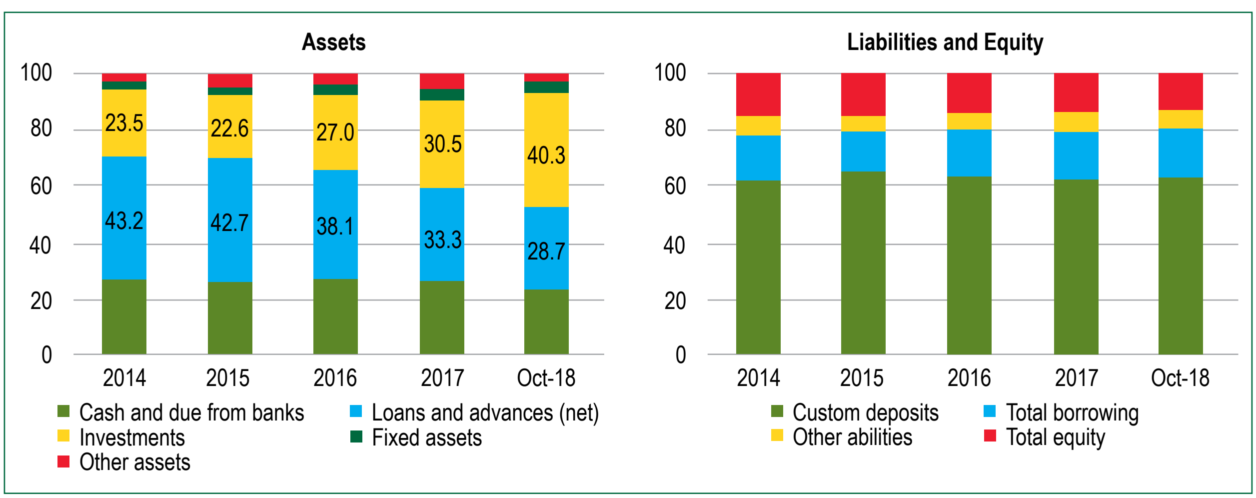
(amounting to 4.2 percent of GDP as of September 2018) played a critical role in the sector's structural change. The share of state ownership has increased significantly: the state now owns four major banks, two of which are among the three largest in Ghana. Nonetheless, private sector banks (including 17 that are foreign controlled) still dominate. There were 1,500 bank branches in 2017 with an estimated 13.5 million deposit accounts.

Loans and advances—which traditionally accounted for the bulk of bank assets—have now been surpassed by investment holdings, mainly treasury bills and securities. Net loans and advances[2] accounted for 28.7 percent of total net assets in October 2018, down from 33.3 percent in December 2017,[3] and 43.2 percent in 2014 (figure 1). Conversely, investments increased their share from 30.5 percent in December 2017 to 40.3 percent in October 2018. Bank-level data for the 2010–15 period show that small and medium banks tend to have higher shares of loans and advances to total assets relative to large banks, whereas large banks tend to have higher shares of securities. With regard to ownership, private domestic banks have the highest share of loans and advances (suggesting a stronger commitment to lending), while state-owned banks have the lowest share, as they tend to hold significantly more securities than any other group.

Real credit growth has slowed amid high credit risk and some bank closures. Year-to-year growth was negative for most of the period between February 2016 and October 2018, largely driven by the negative growth of nominal credit (Figure 2). The main recipients of credit in 2017 were commerce and finance (20 percent), services (18 percent), and construction (11 percent). The average interest rate for loans has been declining, standing at 26.9 percent in October 2018, which in part reflects the reductions of the policy rate (at 17 percent in October 2018, down from a peak of 26 percent). Bank deposits to GDP and credit to GDP—respectively, 26 percent and 20 percent in 2017—suggest that Ghana has a relatively shallower financial sector compared with its peers.

Deposits are the main source of funding for the banking system. They accounted for about 63 percent of liabilities and equity between 2014 and 2018, followed by borrowing (figure 1). Both sources have shown some stability. There are obvious differences

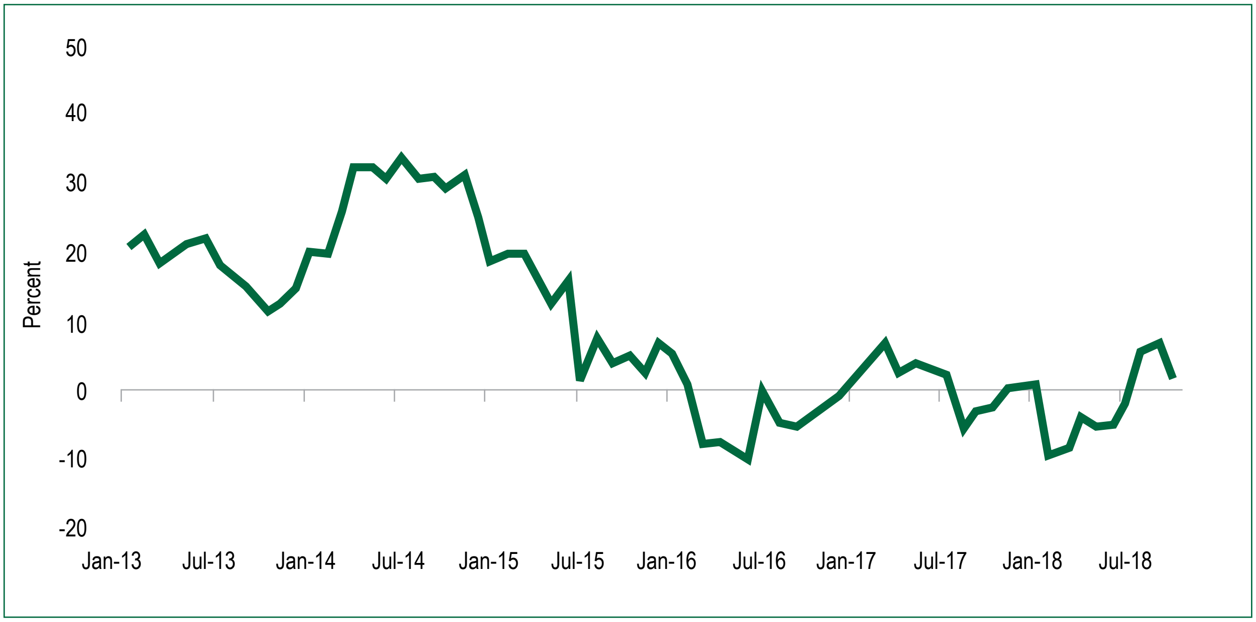
Figure 1: Composition of Assets and Liabilities of Universal Banks



Sources: BoG; World Bank staff calculations.

2. Gross loans net of provisions and interest in suspense.
3. According to BoG's banking sector report (November 2018), gross loans and advances accounted for 33.4 percent of total gross assets in October 2018, down from 43.1 percent a year earlier.

Figure 2: Bank Credit Growth (Real, % Year to Year)



Sources: BoG; World Bank staff calculations.

at the individual bank level. For instance, some small indigenous banks (some already resolved) have relied heavily on short-term borrowing for funding.

The ongoing restructuring of the banking sector has improved aggregate soundness indicators, but nonperforming loans (NPLs) remain a key vulnerability. The average capital adequacy ratio (CAR) was at 20 percent in October 2018, up from 18 percent a year earlier and well above the regulatory minimum of 10 percent (Table 2). This increase—which suggests that banks have improved their ability to absorb unexpected losses—was a combination of the slowdown in lending (which lowered the amount of risk-weighted assets) and the mobilization of additional capital as banks rushed to meet the new minimum capital requirement of GH¢400 million by the December 31, 2018, deadline. However, despite slight improvement in asset quality, banks continue to hold high levels of NPLs. The average NPL ratio stood at 20.1 percent in October 2018, down from 21.6 percent in October 2017,[4] which was largely due to write-offs of NPLs following the introduction of a new loan write-off directive in 2018. Despite declining interest rates and slow negative credit growth, average profitability—measured by after-tax return on equity—remained strong at 17.6 percent in October 2018 (roughly the same level as in 2016 and 2017), mainly the result of lower funding costs and gains in efficiency. The cost-to-income ratio declined from 86.3 percent in December 2017 to 84.3 percent in October 2018.

Nonbank Financial Institutions[5]

Besides banks, NBFIs are a key part of Ghana's financial sector, playing a major role in the provision of financial services. Indeed, as noted below, the use of nonbank financial services was one the drivers of financial inclusion in recent years. BoG regulates various types of NBFIs: MFIs (566), RCBs (144), S&Ls (37), finance houses (23),

4. The average NPL ratio further declined to 18.2 percent in December 2018.
5. Broadly defined to include MFIs and RCBs. BoG often includes savings and loans, finance houses, leasing companies, and mortgage finance companies as NBFIs.

Table 2: Banking Sector Financial Soundness Indicators (as of December)

	2010	2011	2012	2013	2014	2015	2016	2017
Capital								
Regulatory capital to risk-weighted assets	19.1	17.4	18.6	18.5	17.9	17.8	17.8	15.6
Regulatory Tier 1 capital to risk-weighted assets	18.6	15.5	16.4	14.7	15.3	14.6	14.4	13.5
Asset quality								
Nonperforming loans net of loan-loss provision to capital	18.3	10.4	9.4	8.3	11.2	14.7	15.8	14.9
Nonperforming loans to total gross loans	18.1	14.1	13.2	12.0	11.3	14.7	17.3	21.6
Earnings								
Return on assets	3.8	3.9	4.8	6.2	6.4	4.6	3.8	4.3
Return on equity	20.5	19.9	25.8	31.1	32.2	22.1	18.0	18.6
Liquidity								
Liquid assets to total assets	51.3	54.9	51.0	51.3	49.5	48.4	53.7	56.0
Total	66.6	69.6	64.8	66.5	64.3	62.7	69.4	71.9

Source: BoG.

finance and leasing companies (5), mortgage finance companies (1), remittance companies (2), and credit unions (522).[6] RCBs—which focus on rural areas—are also under the oversight of the ARB Apex Bank, with delegated functions from BoG. The ARB Apex Bank also functions like a central bank, including maintaining reserves of RCBs. Credit unions will soon be regulated by the Ghana Co-operative Credit Unions Association (CUA), with delegated authority from BoG. Additionally, traditional financial services, such as susu money collectors and individual money lenders, provide critical financial services.

Despite their large number, NBFIs account for only 18 percent of the banking industry. In 2017, S&Ls, finance houses, leasing companies, and mortgage finance companies accounted for 11 percent of the industry's total assets, while RCBs and MFIs accounted for 3 percent and 1 percent, respectively.

The MFI sector comprises deposit-taking microfinance companies (MFCs), microcredit companies, and financial nongovernmental organizations (NGOs). There were 566 licensed MFIs in December 2017. MFCs dominated the MFI sector, accounting for 86 percent (or 484) of the institutions. The sector grew very rapidly in assets and number of institutions following the issuance of BoG's licensing guidelines and operating rules in 2011; however, tracking the effective annual growth of the sector has been challenging because of irregular reporting.

The microfinance sector has come under stress. A lax licensing regime led to a proliferation of deposit-taking MFIs, some of which lack the capital and management capacity to operate efficiently. A significant number of MFIs are insolvent and are pending resolution. However, orderly resolution requires state support, given the large amounts of

6. Only credit unions affiliated with the Ghana Co-operative Credit Unions Association.

deposit liabilities (mostly small individual depositors seeking savings opportunities) held by these institutions.

Although RCBs have traditionally performed better than MFCs, they also have challenges. Their profitability has been declining, partly the result of high inefficiency (average cost-to-income ratio is approximately 80 percent). Many RCBs reported CARs below the regulatory minimum of 10 percent, and a few were seriously distressed.

Insurance, Pensions, and Capital Markets

The Ghanaian insurance market has grown in recent years, but penetration remains low. Between 2010 and 2017, gross premiums grew by 433 percent, to GH¢2,439 million. Nonlife accounted for 55 percent of total premiums in 2017, and motor insurance was the largest single line of business, with 42 percent of nonlife premiums. The market comprises 29 nonlife insurers, 24 life insurers, and three reinsurers. The five largest nonlife insurers account for nearly 53 percent of the nonlife premiums written, while the five largest life insurers account for approximately 80 percent of the life premiums written. These measures indicate that the nonlife market is moderately concentrated, while the life market is highly concentrated. Despite this growth, insurance penetration—measured as a ratio of premiums written to GDP—remains low, at 1.2 percent in 2017; this situation is comparable to many other African countries. As noted, the insurance sector is regulated and supervised by the NIC, established under the 1989 Insurance Law (PNDC Law 227), but now operating under the Insurance Act of 2006 (Act 724).

Access to insurance policies remains low despite growth in the insurance market. At present, only 2.9 million Ghanaians have life insurance policies, 1.9 million have nonlife insurance policies, and 2.8 million have an active microinsurance policy.

Underwriting results for both the life and nonlife market have been inconsistent. Competition for market share appears to be strong in the nonlife segment (particularly in the third-party motor insurance business), which has resulted in "premium wars." Amid increasing claim costs, premium wars pushed motor insurance premiums to unsustainable levels. Combined ratios—which measure expenses and claims relative to net earned premiums—are very high (124 percent in 2017) relative to industry standards, indicating sizable underwriting losses. Such losses could ultimately affect insurers' profitability and solvency. Indeed, average profitability—measured by the return-on-assets ratio—had declined to 1 percent in 2017 (from an average of 4 percent in 2013–16).

Ghana's pension system comprises three tiers. The 2008 National Pension Act (Act 766) sets out the mandatory Social Security and National Insurance Trust (SSNIT) as the first tier in the three-tiered system. Tier 1 is a defined-benefit scheme mandatory for both the public[7] and private sectors, which provides basic financial support to contributors on an age and invalidity basis. It also provides lump-sum payments to contributors' dependents in the event the contributor dies. Tier 2 is a compulsory defined-contribution scheme that provides a lump-sum payment at retirement and for other contingencies. Tier 3 is a voluntary scheme, which is based on a defined contribution primarily designed for the self-employed and workers in the informal sector. The Tier 1 scheme is managed by the SSNIT while the schemes for Tiers 2 and 3 are privately managed by approved trustees, with the assistance of pension fund managers and pension fund custodians.

The pension sector has been growing rapidly, both in assets and members. The total assets of the SSNIT and private pension funds totaled almost GH¢20 billion in 2017, up from GH¢3 billion in 2010 (table 1). This development has led to an increase in the ratio of pension assets to GDP from 6 percent to 10 percent. Private pensions have grown faster than the SSNIT's scheme; they recorded strong growth since 2012, to about GH¢10 billion in 2017. However, the SSNIT still accounts for about half of total pension assets, making it the largest institutional investor in Ghana. The number of active members

7. The SSNIT does not cover civil servants who joined before 1972, as well as other categories specified in the Constitution (such as the military).

across the three tiers doubled between 2013 and 2015, from 1.3 million to 2.6 million. In 2015, Tiers 1 and 2 had approximately 1.2 million each, while Tier 3 had only 149,000 members. This factor underscores the challenge of expanding voluntary coverage, particularly to the informal sector where the majority of Ghanaians are employed. To remedy this situation, Ghana is instituting a special drive for the extension of pension coverage to the informal sector. Overall national coverage (at all tiers) remains low at about 10 percent of the population.

Pension funds and insurance companies have so far allocated the bulk of their assets to government securities and term deposits, underscoring the urgency of implementing reforms to ensure that these pools of long-term savings can be channeled to productive investments, particularly in infrastructure and housing. In 2017, 33 percent of the life insurance industry's assets were invested in term deposits, while 21 percent were in government securities. The SSNIT had 43 percent in fixed-income instruments but also a higher share (42 percent) in equities.

The capital market has been developing, but remains small, illiquid, and highly concentrated. Capitalization of the Ghana Stock Exchange has decreased in the past few years, reaching 29 percent of GDP in 2017 (from 44 percent of GDP in 2010 and 79 percent in 2011), and is relatively small compared with those of other leading economies in the region (such as South Africa and Nigeria). The five largest companies accounted for 65 percent of the total market capitalization, with one company alone accounting for 26 percent. The mining and petroleum sector accounted for 67 percent of total capitalization, while the financial sector accounted for 24 percent. The market is illiquid, with a turnover ratio of 0.4 percent in 2017, indicating minimal trading, due in part to a narrow investor base. The number of listed companies (36 in 2017) has remained constant since 2008, in contrast to a rapid increase in the number of market intermediaries. The bond market has grown, but it is dominated by government bonds. Overall, the capital market has been unable to cater to the needs of SMEs.

The funds management industry continues to expand. Funds under management by collective investment schemes (mutual funds and unit trusts) and investment advisory services[8] totaled GH¢23,854 million in 2017, up from GH¢1,173 million in 2010. Investment advisory services accounted for the bulk of the funds under management. With regard to portfolio allocation, money market instruments (mainly government securities) accounted for 62 percent in 2017, while capital market instruments accounted for 32 percent. The industry had 154 investment advisory firms and 53 collective investment schemes.

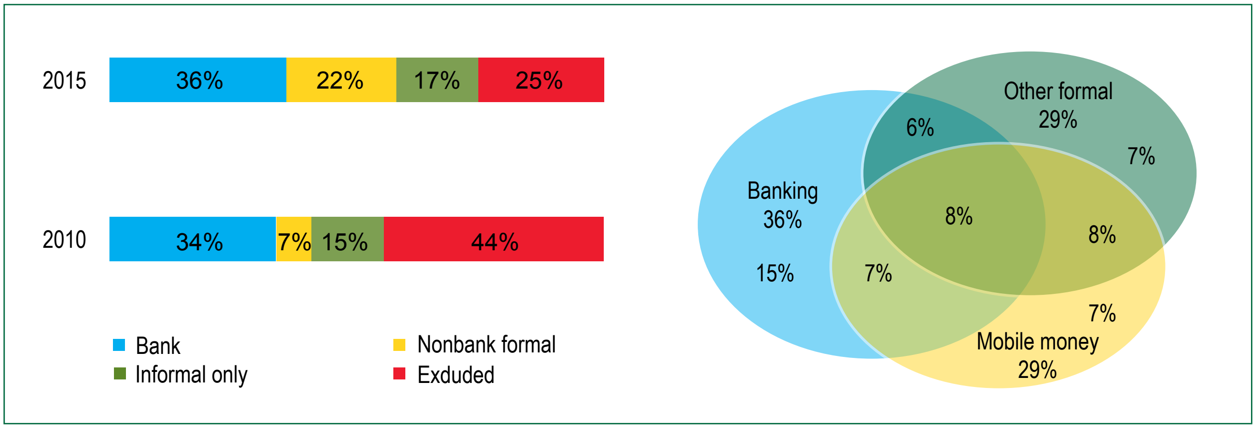
Financial Inclusion

Access to Formal Financial Services

Access to formal financial services increased from 41 percent to 58 percent between 2010 and 2015 (figure 3). During this period, nonbank formal financial services, including mobile money, drove this growth. For instance, formal nonbank institutions increased their share among the financially included from 7 percent to 22 percent. Access to banks increased marginally from 34 percent to 36 percent. As a result of increased financial inclusion, the proportion of the financially excluded decreased from 59 percent to 42 percent. The proportion of the population that has access to informal finance also increased, from 15 percent to 17 percent. Access to mobile money and other formal financial services,[9] at 29 percent each,[10] increased much faster but remains below access to banks (36 percent) (Venn diagram in figure 3).

8. The funds management industry also includes private pension funds, which managed assets of GH¢7,208 million in 2017. These are captured under "Pensions" in table 1.
9. This differs from account ownership (figure 4).
10. More recent data (Findex 2017) show that the percentage of Ghanaians with mobile money accounts increased from 13 percent in 2014 to 39 percent in 2017.

Figure 3: Access to Financial Services



Source: CGAP.

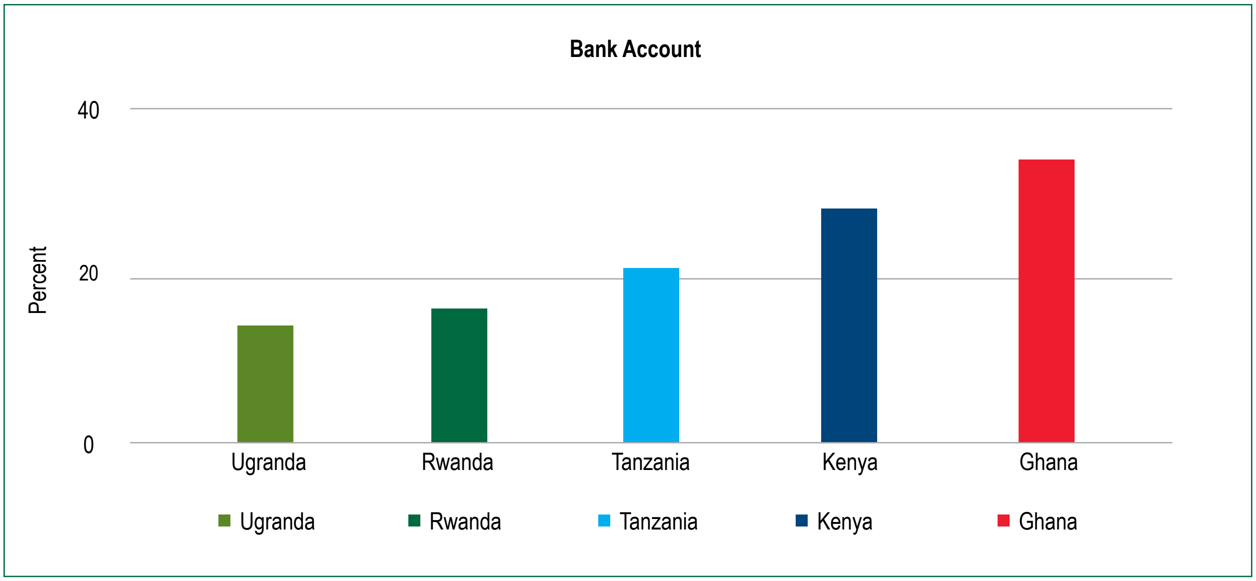
Note: On bar chart, Access Strand in FII 2015 and FinScope 2010. All charts show access to services, not accounts, unless otherwise noted. FinScope definitions *are used.*

Ghanaians are highly banked compared with their peers. Thirty-four percent of adults in Ghana had a bank account in 2015, while 39 percent had a registered mobile money account in 2017. Ghana compares well with its peers, particularly in access to bank accounts (figure 4). This fact highlights the proven ability of banks to promote financial inclusion but also the need for them to do more. In addition, mobile money has the potential to continue driving financial inclusion (as it has done since 2010).

With the exception of credit, the use of financial products has grown since 2010. Between 2010 and 2015, the use of credit products dropped from 9 percent to 7 percent, while the use of formal remittances rose almost five times from 5 percent to 24 percent, savings products from 37 percent to 45 percent, and insurance from 5 percent to 11 percent. Mobile money played a critical role in stimulating savings and remittances, contributing two-thirds of their increase.

Both the number of registered mobile money customers and usage increased in tandem with mobile phone penetration, but they remain below mobile phone ownership, highlighting the space for mobile money to contribute even more to financial inclusion. The number of mobile phone subscriptions grew 44 percent, from 25.6 million to 36.7 million between 2012 and 2017 (figure 5). Registered mobile money accounts increased 529 percent between 2012 and 2017, from 3.8 million to 23.9 million. Active mobile money accounts increased significantly from 345,434 to 11.1 million between 2012 and 2017. The number of registered agents grew 10 times since 2012, to 194,688 in 2017, while active agents grew to 151,745 during this same period, tripling from 2016. As a result, the volume and value of mobile money transactions skyrocketed to 981.6 million and GH¢155.8 billion (US$35.8 billion) in 2017, respectively.

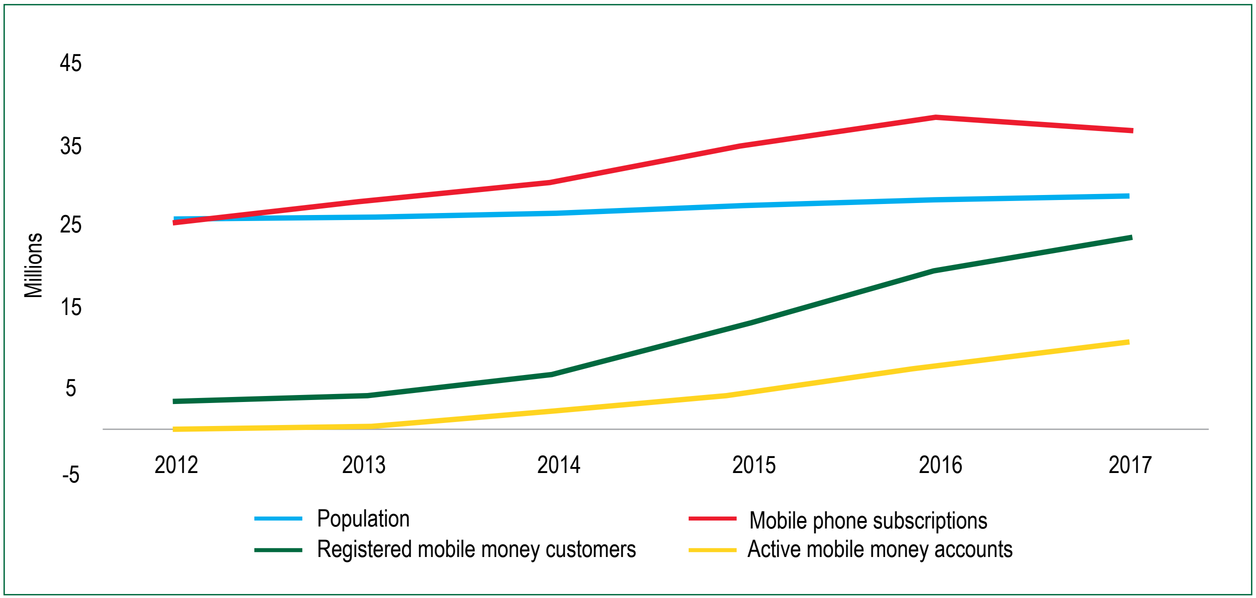
Figure 4: Adult Population with Registered Bank Accounts



Source: CGAP (2015).

Note: Account ownership is different from access to financial services.

Figure 5: Mobile Phone Penetration and Mobile Money Usage (millions)



Source: BoG.

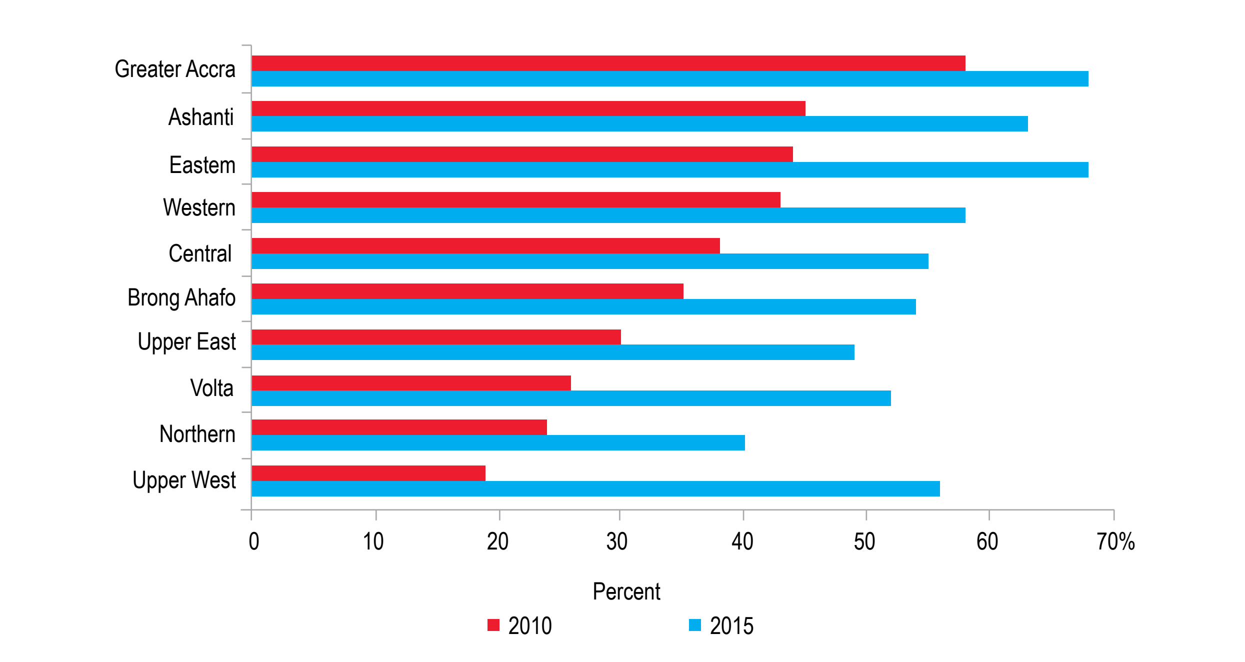
Regional and Demographic Breakdown

Although access to finance has increased across all regions in Ghana, it remains heterogeneous in nature. At present, the five poorest regions (Upper West, Northern, Volta, Upper East, and Brong Ahafo)[11] are the most financially excluded (figure 6). Similarly, rural residents and women have less access to banks than urban residents and men. Moreover, rural residents, the poor, and women rely more on NBFIs and informal finance than urban residents, the nonpoor, and men, respectively. Nonetheless, the largest gains in access took place in the most excluded and poor regions. As a result, Upper West, Volta, and Eastern Ghana have caught up to the Greater Accra region.

With the exception of the Western region, the five wealthiest regions—Greater Accra, Ashanti, Central, Western, and Eastern—have greater active bank account usage than active mobile money usage (figure 7). This fact is consistent with the high concentration of banks in urban and wealthier areas. However, the usage of mobile money in urban areas is likely to increase in relative terms as mobile money operators expand services and products beyond basic money transfer. Moreover, no clear relationship exists between the poorest five regions and their active use of mobile money or bank accounts.

Access to formal financial services also varies across key socioeconomic demographics, including urban versus rural households, wealth, and gender. Rural residents, the poor, and women have fewer active financial accounts than their urban, nonpoor, and male counterparts (figure 8). Among the poor, female, and rural residents, the combined active use of mobile money and other NBFI accounts is higher than that of bank accounts, demonstrating the power of NBFI accounts—especially mobile money—in reaching excluded segments of the population relative

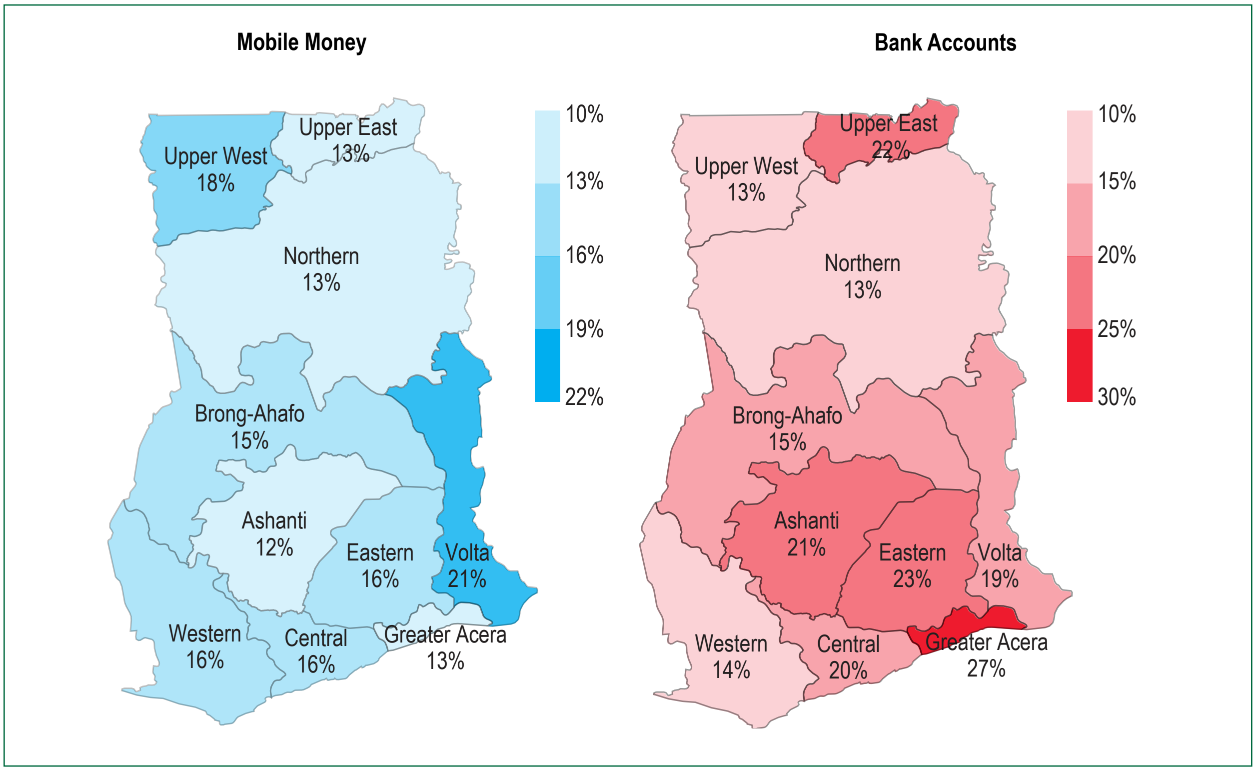
Figure 6: Access to Financial Services, by Region



Source: CGAP.

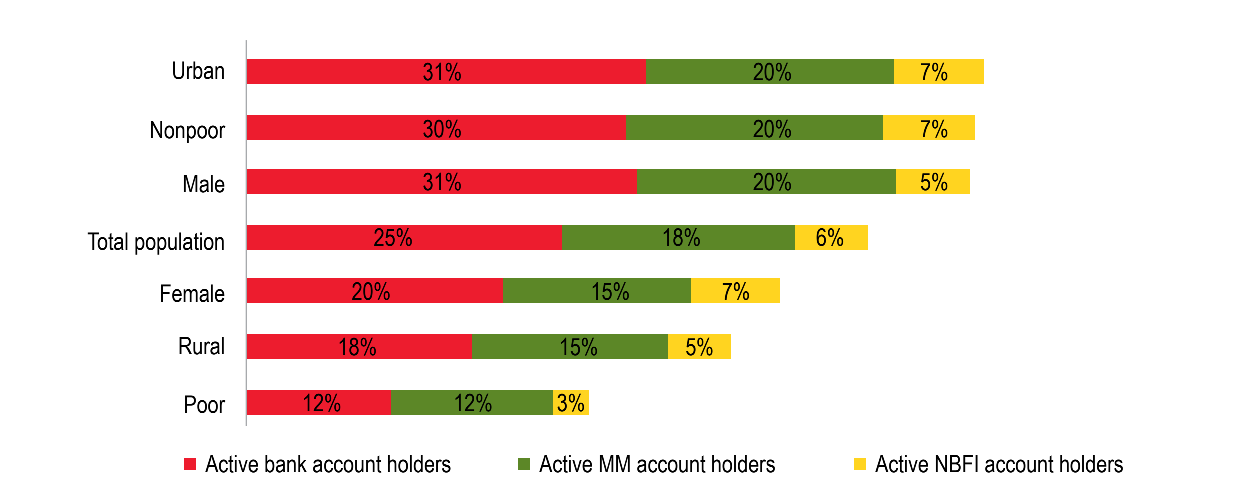
11. Edgar Cooke, Sarah Hague, and Sandy McKay, “The Ghana Poverty and Inequality Report,” March 2016, p. 11, *https://www.unicef.org/ghana/Ghana_Poverty_and_Inequality_Analysis_FINAL_Match_2016(1).pdf.*

Figure 7: Mobile Money Active Usage versus Bank Account Active Usage



Source: CGAP.

Figure 8: Share of Subgroups with Active Financial Accounts



Source: CGAP.

Note: MM = mobile money; NBFI = nonbank financial institution.

to banks. Yet among banks, NBFIs, and mobile money, banking is the single biggest contributor to access to financial accounts for all groups, with the exception of the poor who have equal access to banks and mobile money. The contribution of banks highlights their continued dominance in urban areas, where they have an advantage over competitors. Taken together, these varied results highlight the need to tailor financial services to various demographics and to address the barriers that prevent some segments of the population from accessing particular types of financial services.

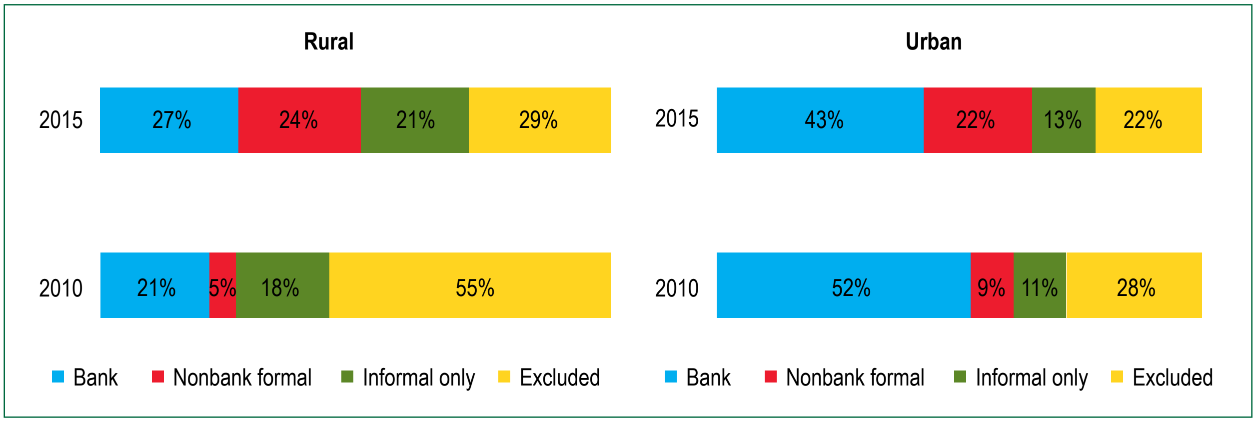
Rural access to formal financial services almost doubled between 2010 and 2015, from 26 percent to 51 percent. The NBFIs primarily drove the increase in rural access, which almost quintupled their contribution to financial inclusion from 5 percent to 24 percent of the rural population between 2010 and 2015 (figure 8). Banks contributed to financial inclusion to a lesser extent, from 21 percent to 27 percent of the population during this period.

Urban Ghanaians have seen their access to formal and informal finance increase marginally since 2010, with banks' contribution decreasing. Between 2010 and 2015, urban access to formal financial services increased from 61 percent to 65 percent (figure 8). As with other groups and the general population, the increase in formal financial services is largely due to nonbank formal access, which increased from 9 percent to 22 percent of the population; however, a simultaneous decrease in access to banks occurred during this same period, from 52 percent to 43 percent. Use of informal financial services increased marginally, from 11 percent to 13 percent of the population.

While access increased for both men and women, women tend to rely more on nonbank and informal financial services. The percentage of women and men formally included increased from 37 percent and 45 percent to 57 percent and 62 percent, respectively (figure 10). Informal financial inclusion increased marginally for women, from 18 percent to 20 percent and remained constant at 12 percent for men. In 2015, 31 percent of women had bank accounts compared with 43 percent of men. Women rely more heavily on nonbank formal (26 percent) and informal financial services (20 percent) than men do, with only 19 percent and 12 percent, respectively.

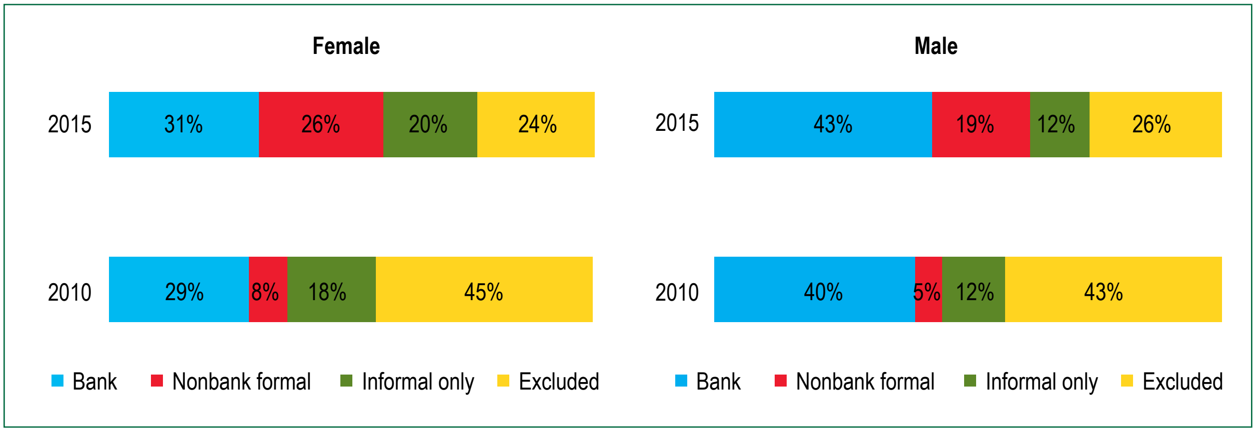
The poor have significantly less access to formal financial services than the nonpoor. In fact, 59 percent of the poor are financially excluded from formal financial institutions (41 percent are included), while only 35 percent of the nonpoor are excluded (65 percent are included) (figure 11). Furthermore, twice as many nonpoor have access to bank accounts than do the poor. The poor also rely more heavily on informal financial services.

Figure 9: Access to Finance: Rural versus Urban



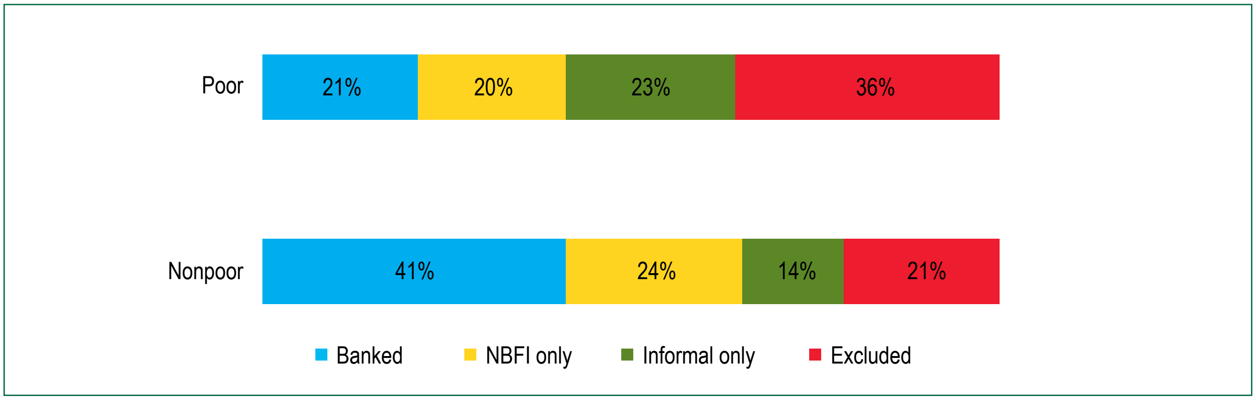
Source: CGAP.

Figure 10: Access to Finance by Gender



Source: CGAP.

Figure 11: Access to Finance: Poor versus Nonpoor



Source: CGAP.

Strategy Objectives

Rationale and Priority Policy Areas

Although the financial sector grew over the past five years and many more Ghanaians now have access to formal financial services, the sector faces several challenges that could undermine progress toward greater financial inclusion. Banks continue to carry high NPLs, and real credit growth has stagnated. Additionally, the expansion of the MFI sector—which has contributed to financial inclusion—is being tempered by the growing number of distressed institutions. Efforts to expand microinsurance and pensions to the bottom of the pyramid have been slow, in part because of gaps in the legal framework and physical infrastructure. Moreover, the capital market remains small, concentrated, and illiquid, and has been unable to cater to the needs of SMEs.

Despite the overall increase in access to formal financial services, 42 percent of Ghanaians remain excluded. As noted, access increased from 41 percent to 58 percent of the population between 2010 and 2015, driven by NBFIs, largely mobile money. However, the poorest regions, rural residents, women, and the poor still have lower levels of financial inclusion compared with the wealthier regions, urban residents, men, and the nonpoor.

This NFIDS articulates government priorities to increase financial inclusion across all groups and promote broader financial sector development. The strategy is supported by a detailed plan of actions to be implemented by 2023 (Appendix A) and by a tailored institutional setup that will be responsible for its implementation (Appendix B) The priorities are organized in five mutually reinforcing pillars (Figure 12):

- Financial stability: Ensure a sound and stable financial sector capable of facilitating sustainable financial inclusion.
- Access, quality, and usage of financial services: Increase the availability of innovative financial products and services tailored to the needs of the financially excluded population.
- Financial infrastructure: Support financial innovation and efficient delivery and increase information on microborrowers and micro, small, and medium enterprises (MSMEs).

- Financial consumer protection: Instill trust in financial products and services, and increase accountability.
- Financial capability: Improve capability, awareness, and use of products and services.

Objectives and Targets

The overall objective of the NFIDS is to increase the adult population's access to formal financial services from 58 percent to 85 percent by 2023. Given the heterogeneity in access to formal financial services, the strategy will focus on highly excluded groups, including rural residents, northern regions, women, the poorest quantile of the population, and youth. The monitoring and evaluation framework (table 3) shows intermediary and end targets for financial inclusion. These targets will be monitored regularly to ensure that the key actions and reforms detailed in the NFIDS translate into tangible progress in financial inclusion.

Figure 12: Five Pillars of the National Financial Inclusion and Development Strategy

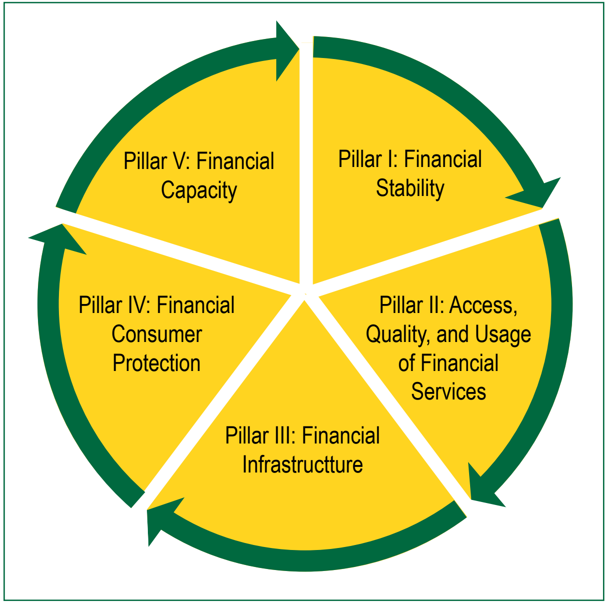


Table 3: Financial Inclusion Targets

Category	Indicator	2017	2020	2023
Key performance indicators				
Access to financial services	Ghana (%)	58[a]	70	85
	Women (%)	57[a]	70	85
	Rural (%)	51[a]	65	80
	Northern regions (%)	45[a]	60	75
	Poorest quantile (%)	41[a]	55	70
	Youth (ages 15–24)	52[a]	65	80
Physical access				
Financial services access points (per 10,000 km^2)	Bank agents	800[a]	1,200	2,400
	Mobile money agents (active)	6,669	9,000	11,000
Access to and use of financial accounts and services				
General account ownership	Population with a formal financial institution account, including mobile money	58[a]	65	75
	Population with an account at a bank (%)	36[a]	38	40
	Population with an account at an NBFI, including mobile money account (%)	22[a]	35	45
Payments	Registered mobile money accounts (million)	23.9	34.0	36.0
	Active mobile money accounts (million)	11.1	14.0	17.0
	Registered mobile money agents (thousand)	195	450	500
	Active mobile money agents (thousand)	152	200	230
	E-zwich cards issued (million)	2.4	3.0	3.2
	E-zwich cards with value (%)	50.1	60.6	75.8
Insurance	Individuals with life insurance policy (million)	3[b]	5	8
	Individuals with nonlife insurance policy (million)	0.75[b]	1.5	3.0
	Individuals with agricultural insurance policy	4,785[b]	50,000	100,000
	Individuals with active microinsurance policy (million)	2.8[b]	5.0	7.5
Pensions	Individuals with Tier 1 or Tier 2 pension plan (million)	2.9	3.0	3.2
	Individuals with Tier 3 Pension Plan	148,882[b]	289,744	349,465
Capital markets	Local investors with investment accounts	234,725[b]	275,650	459,789
	CSD account holders	887,483[b]	1,450,950	1,780,500
	SMEs listed in GAX	4	8	15

Table 3: Financial Inclusion Targets (continued)

Category	Indicator	2017	2020	2023
Consumer protection				
Consumer protection	Complaints received in banking sector	605[b]	485	388
	Banking sector complaints resolved by ICRO (%)	60[b]	75	80
	Complaints received in the SDI sector	409[b]	326	260
	SDI complaints resolved (%)	40[b]	55	65
	Complaints received in capital markets	55[b]	35	15
	Capital market complaints resolved (%)	29[b]	50	75
	Complaints received in the pension sector[a]	10[b]	6	3
	Pension sector complaints resolved (%)	80[b]	90	95
Financial capability	Schools adopting financial capacity curriculum	0[b]	0	100
	Individuals reached by new financial capability campaign	0[b]	20,000	50,000

Note: CSD = central securities depository; GAX = Ghana Alternative Market; ICRO = Investigation and Consumer Reporting Office; NBFI = nonbank financial institution; SDI = specialized deposit-taking institution; SMEs = small and medium enterprises.

a. 2015.

b. 2016.

PILLAR I:

Financial Stability

Objective: Ensure a Sound and Stable Financial Sector Capable of Facilitating Sustainable Financial Inclusion

Financial sector soundness and stability matter for financial inclusion in Ghana. Banks and other deposit-taking financial institutions are the main providers of basic financial services and own a significant part of the core infrastructure needed to promote broader and sustainable financial inclusion. Thus, maintaining the soundness and stability of these institutions is a precondition for their expansion and innovation. The soundness and stability of other financial institutions (such as insurance, pensions, and capital markets) are also important for supporting the efficiency and innovation needed to broaden the scope of financial services available to excluded individuals and SMEs.

Pillar I focuses on a subset of priorities that contribute directly to the soundness and stability of the financial sector and support the government's financial inclusion agenda. Those priorities include actions to (a) enhance the legal and regulatory framework for banks and specialized deposit-taking institutions (SDIs); (b) strengthen MFCs and RCBs; (c) develop financial safety nets; (d) bolster the insurance, pension, and capital market sectors; and (e) strengthen anti-money laundering and counterfinancing of terrorism efforts.

Strengthen the Regulation and Supervision of Banks and Specialized Deposit-taking Institutions and Other Financial Institutions

The 2011 Financial Sector Assessment Program (FSAP) identified several gaps in BoG's legal and regulatory framework and provided a blueprint for reform. In particular, it identified (a) gaps pertaining to consolidated supervision in the context of an increasing presence of international banks and conglomerate structures, (b) the lack of supervisory guidelines on risk management, and (c) regulatory forbearance (that is, limited use of corrective and remedial powers). It also highlighted BoG's lack of autonomy in the licensing process and weak corporate governance, particularly in state-owned financial institutions. Moreover, the FSAP identified gaps in resolution and crisis management arrangements as constraints on BoG's ability to deal with problem banks and systemic events. Finally, the FSAP noted the need to strengthen risk management skills among BoG supervisory staff members, mainly on market and information technology (IT) risks.

The government has been implementing reforms to address these regulatory gaps and to comply with international standards. The Banks and Specialized Deposit-Taking Institutions Act (Act 930) was enacted in 2016, and it has addressed some of the weaknesses identified by the FSAP. The act consolidates and aligns the laws relating to deposit taking with a view toward reducing regulatory arbitrage and the mislabeling of deposits. Among others, the act contains provisions aimed at (a) improving the licensing regime and strengthening BoG's autonomy; (b) enhancing BoG's powers for prompt corrective action; (c) strengthening bank resolution, including giving BoG additional resolution powers and tools; and (d) expanding BoG's powers to conduct consolidated supervision of financial institutions and to require the registration of financial holding companies. In fact, BoG has successfully used the new powers to resolve various banks since 2017.

Nonetheless, a review of Act 930 identified areas or clauses that require improvement. Such clauses pertain to the resolution framework, including official administration and receivership, legal protection of BoG staff, license revocation, and judicial review of BoG decisions (appendix D).

BoG is also strengthening banking supervision.[12] The implementation of Basel II and III is underway, with completion expected in 2019. The risk-based supervision approach adopted in 2007 is being refined, but it continues to be hampered by the lack of supervisory guidelines on risk management, which are being developed. Moreover, to get a full picture of the asset quality in the banking sector and assess the level of a bank's adherence to its loan classification and provisioning rules, BoG completed an asset quality review in 2016/17 and required some banks to reclassify loans, increase provisions, and submit recapitalization and restructuring plans. BoG also issued guidelines on the write-off of NPLs and a directive on corporate governance; it is developing other guidelines, including on mergers and acquisitions, financial holding companies and groups, and outsourcing. To further increase the resilience of the banking sector, BoG increased the minimum paid in capital for banks to GH¢400 million and enforced its application, leading to stronger capitalization, three mergers, and the downgrade of one bank to an S&L. The minimum capital for NBFIs and SDIs (excluding financial NGOs) was equally increased in July 2015, with a transition period through December 2018. However, enforcement is still pending.

Furthermore, BoG continued to improve cross-border coordination arrangements and improve organizational capacity. BoG plays an active role in the College of Supervisors of the West African Monetary Zone, comprising The Gambia, Ghana, Guinea, Liberia, Nigeria, and Sierra Leone. In recent years, BoG attended college meetings, including meetings with Ecobank, Stanbic, and UBA and—together with the Central Bank of Nigeria—conducted joint examinations of subsidiaries of Nigerian banks in Ghana. Additional staff members were also recruited, including those with IT risk management skills, as per the FSAP recommendation. Continuing to build staff capacity is critical, including through on-the-job training. As one of the measures to improve cross-border coordination arrangements, BoG has signed memorandums of understanding with regional banking supervisors.

Despite the aforementioned efforts, banks, S&Ls, and finance houses continue to face vulnerabilities, suggesting the need for further action, with a focus on the full implementation and refinement of the new legal and regulatory framework. As noted, NPLs remain high, constraining the ability of banks to lend as evidenced by stagnant credit growth. Although problem banks have been resolved, several distressed S&Ls and finance houses are in need of urgent capitalization and resolution. In addition, there is regulatory arbitrage, with some licensed non-deposit-taking institutions mobilizing deposits as investments.

12. For a complete list of priority actions see BoG, "State of the Financial Sector in Ghana," 2018, *https://www.bog.gov.gh/privatecontent/Public_Notices/State%20of%20the%20Banking%20System.pdf.*

Priority Policy Actions

- Continue to operationalize the 2016 Bank and SDI Act (Act 930) by issuing the necessary regulations and guidelines, and upgrade the regulatory and supervisory framework for SDIs by revising key prudential standards and improving off-site and on-site methodologies.
- Prevent the mislabeling of deposits as securities or collateral and investments by modifying the guidelines on deposit taking versus non-deposit-taking institutions and clearly define what constitutes and qualifies as a deposit.
- Implement remedial measures (for example, increase provisions, raise additional capital, and so on) for S&Ls and finance houses and resolve the problem ones.
- Amend the Bank and SDI Act to strengthen provisions pertaining to the bank resolution framework, legal protection of BoG staff, license revocation, and judicial reviews of BoG decisions.

Strengthen Microfinance Companies and Rural Community Banks

The soundness of MFCs and RCBs is key for overall financial stability and inclusion. Indeed, the failure of DKM illustrates the broader reach of MFCs' operations and the risks that a lightly supervised sector poses to public confidence and to the overall financial inclusion agenda. These risks will continue to be amplified as some MFCs grow and shift from their initial focus on small savers and small borrowers toward a universal model, including sourcing corporate deposits from insurance companies and fund managers and making commercial loans.

Many MFCs and RCBs are not operating in a safe and sound manner and are violating prudential norms. The liberal licensing of financial institutions over the years, often without thorough due diligence, allowed lightly capitalized institutions and unfit owners to operate deposit-taking businesses, putting small savers at risk. Not all the SDIs are currently active; they have either stopped reporting or have folded. Others are financially distressed, facing liquidity or solvency challenges. The BoG estimates that at least 272 MFIs and RCBs are distressed or have **folded.**[13] They represent 38 percent of the 707 MFIs and RCBs or GH¢740 million in deposits; in turn, this situation puts more than 700,000 depositors at risk. Given that the most distressed MFIs and RCBs have no recoverable assets, their resolution would entail fiscal costs. Moreover, a considerable number of active MFIs do not comply with minimum capital requirements. In fact, as of March 2018, 8 percent of active and reporting RCBs, 29 percent of MFCs, 26 percent of microcredit companies, and 25 percent of S&Ls and finance houses were not compliant with their minimum CAR or gearing ratio (that is, as a measure of debt to equity).

Limited supervisory capacity and lax enforcement are at the core of the problems affecting the MFIs and RCBs. With just over 50 MFI examiners, BoG lacks the resources to oversee hundreds of institutions effectively. Although the minimum capital was raised, no consolidation has taken place because of the lack of enforcement and resolution of distressed institutions. Resolution is particularly constrained by limited fiscal space, given the need to compensate small depositors.

BoG has taken some measures to strengthen the oversight of MFIs and RCBs. They include (a) the introduction of new prudential requirements (business rules); (b) the strengthening of prudential reporting requirements, including the introduction of an IT platform to allow the online submission of returns and the automatic generation of reports; (c) enhancements to on-site and off-site supervision procedures through the introduction of a risk-based supervision manual; and (d) the hiring of additional examiners. BoG also

13. BoG, "State of the Financial Sector in Ghana."

organized corporate governance training for the senior management, boards, and shareholders of MFCs.

However, an assessment of BoG's supervision of MFIs identified opportunities to further strengthen oversight. The assessment suggested (a) simplifying condition reports and ratings; (b) incorporating more sophisticated indicators and techniques, such as repricing risk, yields of loans and deposits, and projected scenarios for MFIs in distress; and (c) improving the quality of consolidated reports by ensuring the consistency of information from different sources. The assessment also suggested (d) aligning the structure of the inspection reports with the severity of identified problems, (e) incorporating computer-assisted evaluation techniques to assess credit and operational risks, and (f) adjusting ratings so that fundamental areas of risk (such as solvency) cannot be mitigated by secondary or operational areas and items (such as management information systems).

The implementation of the government's plan to revive the MFI and RCB sectors is urgently needed. The plan developed by BoG responds to those sectors' ongoing liquidity and solvency challenges—which threaten depositors' savings, create potential fiscal costs, and undermine public confidence in the financial sector, as well as the government's efforts to promote financial inclusion. The plan envisages two main interventions: (a) liquidating insolvent institutions and the government's compensating small depositors and (b) strengthening the oversight and performance of the sector to limit the likelihood of financial distress in the future. As one of the efforts to limit future distress, BoG should conduct a review of the entire SDI sector to identify gaps in the legal, regulatory, and supervisory framework and practices that led to the current distress and to identify lessons to inform the development of a robust framework.

Strengthen the Resolution Framework and Enhance Crisis Management

The authorities have made progress in establishing the legal framework for a stronger financial sector safety net. In addition to enacting the Banks and SDI Act, which provides the powers and tools for effective resolution of banks and SDIs, the authorities enacted the Deposit Protection Act (Act 931) in December 2016 and revamped their framework for emerging liquidity assistance. Taken together, these reforms improved the BoG's ability to manage banking crises, as demonstrated by the recent resolution of nine banks.

The Deposit Protection Act establishes a deposit protection fund (DPF) and the Deposit Protection Corporation (DPC) of Ghana. The DPC is a pure paybox model, whereby it will only serve to pay claims to depositors. The initial capitalization of the DPF will be modest €26 million, with the Ministry of Finance (MoF) and BoG contributing €13 million each. For this purpose, the MoF has obtained a concessional loan from KfW. KfW is also providing a grant to support the establishment of the DPC.

The Deposit Protection Act was amended in May 2018 to improve alignment with international best practices and extend its implementation deadline

Priority Policy Actions

- Strengthen oversight and tighten the licensing criteria for MFIs and RCBs, and enhance the due diligence of shareholders who are acquiring licensed MFIs and RCBs.
- Resolve problem MFIs and RCBs.
- Conduct a review of the entire SDI sector to identify gaps in the legal, regulatory, and supervisory framework and practices that led to the current distress, and identify lessons to inform the development of a robust framework.

to September 2018.[14] For instance, the amendments strengthened the governance of DPC, particularly by excluding banking associations from serving in the board of the SPC. The amendments removed inconsistencies about the powers of the DPC and BoG regarding the termination of banks and SDIs' membership of the scheme. Nonetheless, the Act could be further amended to allow the DPC to participate in the bank resolution process under the "lesser cost rule," and to be expressly prohibited from investing in members of the scheme. In addition, the amendments **would also ensure that emergency backup funding is available for the DPC.**

The implementation of the deposit protection scheme is ongoing. The DPC will manage the DPF. With the initial contributions of the MoF and BoG secured, immediate priorities include (a) appointing its board and management and putting in place systems and processes; (b) conducting an awareness campaign about deposit protection; and (c) developing procedures for admitting financial institutions into the scheme in keeping with the provisions of Act 931. As noted, another immediate priority is the resolution of insolvent SDIs, because it is a precondition for the rollout of the deposit protection scheme.

Ongoing efforts to build effective resolution capacity should be accelerated. Building on recent resolution experiences, BoG should establish a dedicated Resolution Unit and finalize the development of a resolution handbook, a guide to intervention in financial institutions, and a recovery planning guide. Particular attention should be given to staff capacity building, including through international exposure.

BoG should also push for amendments to the Bank and SDI Act to further strengthen the resolution framework. The amendments (appendix D) would aim to (a) limit the use of official administration to systemic institutions (subject to a clear definition of systemic institutions), (b) clarify the triggers for appointing an "official administrator" or a "receiver," and (c) limit the powers of the receiver to total or partial exclusion and transfer of assets and liabilities.

In addition to the establishment of the DPC and building resolution capacity, the authorities will need to operationalize coordination arrangements for crisis management among financial safety net members and test their effectiveness. The recently established Financial Stability Council (FSC)—that includes high-level officials of the financial sector regulators, the MoF, and the DPC—has a mandate to facilitate coordination of regulation and supervision of the financial sector, to evaluate and mitigate risks to financial sector stability, and to ensure readiness to manage crisis situations. The authorities should take the necessary steps to launch the FSC, including signing the memorandum of understanding, establishing the relevant technical working groups, and ensuring regular meetings and deliberations. The FSC should also develop contingency plans and conduct regular crisis simulation exercises to test the effectiveness of existing tools and arrangements, as well as identify shortcomings that need to be addressed.

Priority Policy Actions

- After resolving problem SDIs, roll out the deposit protection scheme and implement a depositor awareness campaign.
- Operationalize the Financial Stability Council and conduct a crisis simulation exercise.
- Amend the Banks and SDI Act (Act 931) and the Deposit Protection Act to strengthen the resolution framework and depositor protection.

14. Such as the Core Principles for Effective Deposit Insurance Systems (2014) of the International Association of Deposit Insurers. *https://www.iadi.org/en/assets/File/Core%20Principles/cprevised2014nov.pdf*

Enhance the Soundness of the Insurance, Pension, and Capital Market Sectors

Sound insurance, pension, and capital market sectors contribute to the diversification of the financial sector and the availability of long-term capital. For instance, insurance and pensions funds are core providers of funding to the banking sector as well as being the main investors in the capital markets.

The NIC has implemented various reforms to enhance the stability and development of the insurance sector. A risk-based solvency framework was adopted in 2016, requiring each insurer to continuously hold capital that is commensurate with the level of risks borne, to use prescribed methods to calculate technical provisions, and to submit annual reports of financial condition to the NIC. The risk-based solvency framework also raised the minimum capital to operate an insurance business—to GH¢15 million for insurance companies and GH¢40 million for reinsurance companies. In tandem, the NIC moved to a risk-based supervision approach, which emphasizes the use of risk assessments in setting supervisory priorities.

Other reforms implemented by the NIC include (a) issuance of a new governance and risk management framework; (b) approval of the increase of third-party motor insurance premiums in order to reduce the risk of industry collapse because of very low and unsustainable premiums; and (c) implementation in 2014 of the "no premium, no coverage" directive, requiring nonlife insurers to collect insurance premiums up front. This directive significantly reduced the amount of "overaged debt," which threatened the liquidity of insurers and their ability to pay claims.

However, additional reforms of the legal and regulatory framework, as well as institutional capacity building, are necessary to enhance the soundness of the insurance sector. The government should complete the review and amendments of Act 724 and bring into force regulations to address noted weaknesses in compliance with the international standards.[15] In particular, the amendments should provide a strong legal backing to the reforms recently implemented by the NIC, including the introduction of risk-based supervision as well as new requirements on governance and internal controls, which are important prerequisites for effective risk-based supervision. The amended act should also provide for group supervision (including regulatory tools to restrict or control cross-border or intergroup transactions); increase the NIC's powers to impose and enforce preventive and corrective measures and expand associated tools; and allow the NIC to share information with other regulators in Ghana in order to facilitate effective crisis management. Effective governance, administrative, and human resource systems and staff training at the NIC and within the insurance industry (particularly building actuarial skills) are important to support the ongoing implementation of a risk-based supervisory framework.

Similarly, the NPRA is reforming the supervisory framework for the pension sector. The development of a risk-based framework is underway, along with the upgrading of internal processes and systems (including the introduction of an IT platform) to support the implementation of the risk-based framework. The implementation of the revised Pension Fund Investment Guidelines began in April 2017. Further reforms are planned, including the rollout of regulations and guidelines on the operations and accountability requirements of trustees and services providers. The NPRA is also in the process of implementing international standards for best practice in pension regulation as stipulated by the International Organization of Pension Supervisors.

Further efforts should aim at boosting the soundness of the pension industry while promoting more coverage. These efforts should include the enforcement of investment guidelines and reporting requirements for the entire pension sector (in part by completing the implementation of the IT platform); strengthening the NPRA's oversight capacity and powers, particularly over SSNIT; and setting up a committee to review all possible measures to address the sustainability concerns of the SSNIT. As noted, the SSNIT is a significant player in Ghana's financial sector. Its financial health is intertwined

15. International Association of Insurance Supervisors, "Insurance Core Principles," 2011.

with the health of the banking sector and the capital market, as well as with the secure retirement of many Ghanaians. Promoting soundness is critical; however, it is important to ensure that it is pursued in tandem with ongoing efforts to promote coverage, particularly to the informal sector.

A new Securities Industry Act (Act 929) came into force in 2016, strengthening the SEC's oversight and compliance with international standards. The act gives the SEC financial independence by allowing it to collect levies on collective investment schemes and funds. These levies—together with other internally generated income—are expected to meet all of the SEC's current funding needs and to generate additional resources to be used to retain and attract qualified staff members and build critical infrastructure and systems. The act also removes regulatory overlaps and fills regulatory gaps that have been obstacles to the development of the securities industry. It also makes provisions for new products and improves compliance with the principles of the International Organization of Securities Commissions and international best practice. The SEC is also working toward the adoption of a risk-based supervision approach. This effort is critical, given the rapid growth of the fund management industry and the need to rationalize the SEC's very limited resources.

The SEC has started the implementation of the new Securities Industry Act, but focus should also entail building the capacity to oversee a rapidly growing industry. With support from development partners, the SEC has been developing various regulations for the act, including on licensing of market operators, private funds, commodity exchanges, corporate governance for market operators and listed companies, as well as financial resource regulations, which prescribe higher and stringent capital requirements for intermediaries. Successful implementation of this agenda will require a strong SEC, with the capacity to attract and retain qualified staff members. The Capital Markets Master Plan under development will outline further actions to develop the capital market more broadly, including how to use long-term savings (from pension funds and life insurance companies) and public and private partnerships to meet Ghana's financing gaps, particularly in infrastructure and housing.

To further enforce investment guidelines, all regulators need to scrutinize the investment risks being taken by institutions under their oversight. Evidence shows that pension funds, insurance companies, credit unions, and collective investment schemes have taken excessive risks in the form of speculative lending to or depositing in unsound MFIs and related entities. This scrutiny should be

Priority Policy Actions

- Amend the Insurance Act to ensure compliance with international standards (for example, on governance and internal controls, risk-based supervision, group supervision, and preventive and corrective measures).
- Enforce pension fund managers, fund managers, and insurance companies' investment guidelines and reporting requirements to prevent excessive risk-taking.
- Strengthen the NPRA's oversight capacity and powers, particularly over the SSNIT.
- Set up a committee to review all possible measures to address the sustainability concerns of the SSNIT.
- Enhance the corporate governance of financial sector regulators and the SSNIT, including the enhancement of the board of directors appointment process, elimination of institutional and political representations, and increased accountability.
- Strengthen the corporate governance of financial sector regulators, by amending founding acts, developing board and CEO appointment processes, and piloting a formal accountability framework, among other undertakings.

accompanied by the development of equity, bonds, and commercial paper markets in order to provide alternative investment opportunities for institutional investors.

Finally, all financial sectors regulators and the SSNIT should enhance internal corporate governance in order to improve their effectiveness. The 2016 governance reviews of BoG, the NIC, the SEC, and the SSNIT, as well as the 2018 review of the NPRA, revealed the need to strengthen their independence and accountability by (a) amending their respective founding acts, (b) developing board and CEO appointment processes, and (c) developing and piloting a formal accountability framework, including statements of expectations and accountabilities, plans to deliver those expectations, and reporting on whether expectations have been met. As part of these efforts, a standardized corporate governance code needs to be developed for financial sector regulators.

Strengthen Anti-Money Laundering and Counterfinancing of Terrorism (AML/CFT) Efforts

Reducing money laundering and terrorism financing risks would also contribute to financial integrity and stability, as well as to financial inclusion in Ghana. According to Ghana's 2016 "National Money Laundering Risk Assessment," banks, other financial institutions (including MFIs and Bureaux de Change), and digital financial services (such as mobile payments, prepaid cards, and internet-based payment services) were assessed as having medium vulnerability to risks of money laundering. Conversely, the money laundering risk level for the insurance and securities sectors was rated as being low, given their relatively small size.

Priority Policy Actions

- Improve relevant laws to expand the range of sanctions available (including monetary penalties) to address noncompliance by all categories of supervised entities with mandatory AML/CFT obligations.
- Improve risk-based tailoring of AML/CFT compliance requirements for all categories of financial institutions and NBFIs to ensure that actual risks of money laundering and terrorism financing are effectively mitigated
- Upgrade supervisory AML/CFT compliance inspection systems to require supervisory officials to apply effective, proportionate, and dissuasive sanctions to address noncompliance with AML/CFT obligations by all categories of financial institutions and NBFIs.

The 2017 "Mutual AML/CFT Evaluation Report of Ghana"[16] indicates that although financial supervisors have begun to implement AML/CFT controls throughout the sector, and a relatively strong licensing system is in place, deficiencies in the regulatory framework and in the implementation need attention. For example, although BoG has the legal authority to apply monetary penalties to banks violating norms, BoG claims it lacks the legal authority to impose monetary sanctions for noncompliance with AML/CFT obligations. Given that monetary penalties are the most dissuasive of all sanctions, improvements to the legal framework are needed to expand the range of sanctions to ensure that monetary penalties are available to address noncompliance of all categories of supervised entities with mandatory AML/CFT obligations (that is, internal controls to identify, detect, and report suspicious financial activity).

There is also the need to introduce risk-based approaches to the obligatory AML/CFT controls and to improve supervisory enforcement. Improvements in risk-based tailoring of AML/CFT compliance requirements for all categories of financial institutions and NBFIs would ensure that actual risks of money laundering and terrorism financing are effectively mitigated without impinging on financial inclusion objectives. Parallel improvements are also needed to enhance AML/CFT compliance monitoring and inspection systems by BoG. Moreover, supervisory AML/CFT compliance inspection systems should mandate the that supervisory authorities apply effective, proportionate, and dissuasive sanctions to address noncompliance with AML/CFT obligations by all categories of financial institutions and NBFIs.

16. Mutual AML/CFT evaluations are conducted by a team from the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA, an institution of the Economic Community of West African States). These evaluations assess a country's compliance with international AML/CFT obligations. The AML/CFT evaluation report is published on the GIABA website (*http://www.giaba.org/*).

PILLAR II:

Access, Quality, and Usage of Financial Services

Objective: Increase the Availability and Usage of Innovative Financial Products and Services Tailored to the Needs of the Financially Excluded Population

Increase the Proximity of Financial Access Points

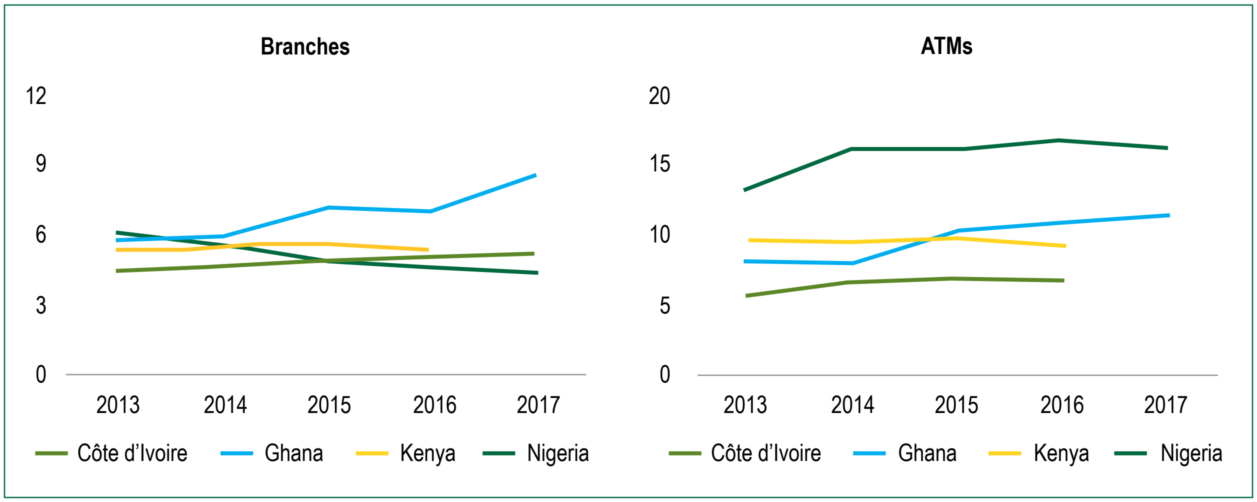
Limited physical access—particularly long distances to access points—is one of the key barriers to financial inclusion around the world. Indeed, 13.6 percent of the unbanked in Ghana reported lack of physical access as the main supply-side barrier.[17] In 2017, only 1,491 bank branches were in Ghana, or 8.6 banks per 100,000 adults; there were also 11.5 automated teller machines (ATMs) per 100,000 adults. Nonetheless, compared with its peers, Ghana fared well on the number of bank branches and had a comparable number of ATMs, with the exception of Nigeria (figure 13).

Because of an array of issues ranging from the high cost of opening bank branches to low transaction levels in rural and economically deprived areas, banks and other financial institutions are concentrated in urban and economically prosperous areas. As a result, access to financial services remains a challenge for many Ghanaians. The concentration of financial services in few locales also disproportionally affects rural households and agriculture-based livelihoods.

Given the limited numbers of financial service access points and the preexisting challenges to expanding these access points, other and more cost-effective options of providing financial services—such as agent banking—must be further promoted. By authorizing retail businesses (shops, pharmacies, and so forth) and individuals to act as agents on behalf of financial institutions (such as banks, MFIs, RCBs), agent banking enables banks to provide financial services in remote areas on a scale that is commensurate with transaction levels. In an effort to promote agent banking, BoG issued agent guidelines in July 2015 to guide the recruitment and management of agent networks by banks and electronic money issuers. Among others, the guidelines cover agent eligibility criteria and due diligence requirements, permissible activities, customer due diligence and

17. FinScope, 2010.

Figure 13: Bank Branches and ATMs per 100,000 Adults



Sources: BoG; International Monetary Fund Financial Access Survey.

protection, contracting requirements, and oversight and reporting. However, the adoption of the agent banking model has been slow. Further promotion of agent banking in Ghana is needed, including by understanding the issues constraining its wider adoption. This effort should inform the ongoing revisions of agent guidelines, which, in line with best practice and to facilitate future revisions, should remain stand-alone guidelines or regulation.

The availability of agent banking does not substitute the importance of expanding the network of bank branches, ATMs, and point-of-sale (POS) terminals, so assessing and devising a strategy of increasing financial access service points in a responsible manner are essential. To support this expansion, a strategy is needed to increase the number and geographical dispersion of access points, including through innovate delivery channels. At the same time, such a strategy must integrate a plan to ensure that the liquidity needs of the access points are met. In addition, public research—such as geospatial mapping of the spectrum of access points—could provide useful information about unmet business opportunities. The geospatial mapping of MFIs by the Rural and Agricultural Finance Program (RAFiP) is a critical starting point for understanding the geographical spread of access points. Mapping coverage needs to be updated and expanded to include all types of financial institutions and access points.

Strengthening the oversight of the credit union sector also stands to promote access to quality financial services. In 2017, there were 522 credit unions with over 550,000 members. Yet these credit unions are not properly supervised, despite mobilizing customers'

Priority Policy Actions

- Conduct an analysis on the low adoption of agent banking, and use the results to inform and finalize revisions to the Agent Banking Guidelines and promote and monitor their implementation.
- Building on prior efforts, conduct research (such as geospatial mapping) to inform access point expansion by financial institutions and other financial services providers.
- Enforce the licensing requirements and operating guidelines for credit unions, and build the supervisory capacity of the CUA.

deposits. Following the passage of the Co-operative Credit Union Legislative Instrument (L.I. 2225), BoG issued licensing requirements and operating guidelines for credit unions in March 2017. Given credit unions' potential to support financial inclusion, enforcing the new requirements and guidelines is vital in order to contribute to the consolidation of the sector and to limit the number of credit unions to be brought under the prudential supervision of the Ghana Co-operative Unions Association (CUA). It is also imperative to build the capacity of the CUA so that it can deliver on its new mandate as the supervisor of credit unions.

Expand Digital Financial Services (Including E-money)

Digital financial services hold a strong potential for increasing financial inclusion in Ghana. In fact, between 2010 and 2015, mobile money accounted for 7 of the 17 percentage-point increase in formal financial inclusion; another 8 percentage points were included by both mobile money and NBFIs. In the presence of traditional barriers for rural and geographical dispersed populations to access banks, such as the high costs to deliver services and low revenues in rural areas, mobile money emerges as a low-cost option, given the relatively high penetration of mobile phones in Ghana.

Issued in 2008, the Guidelines for Branchless Banking were the first attempt to promote the growth of DFS in Ghana. With the aim of promoting openness, interoperability, and access points, the guidelines required a bank-led model, in which three banks had to be involved in every service, and exclusive partnerships were not allowed. As a result, banks were not keen to invest in DFS, as one bank's investment could help a competitor bank. Additionally, the lack of an extensive and active agent network—combined with a restricted role for mobile network operators (MNOs) —curtailed the potential of mobile money.

With the aim of addressing the challenges imposed by the Branchless Banking Guidelines and bolstering the DFS sector, BoG issued Guidelines for E-Money Issuers in July 2015. The new guidelines enabled nonbank entities (including MNOs) to apply for licenses as dedicated e-money issuers (DEMIs) and operate independent of banks by using retail agents. The new guidelines—which were complemented by the agent guidelines—also removed mandatory interoperability, expanded permissible transactions, allowed DEMIs to pay interest earned on the e-money float, and provided for a three-tiered, risk-based approach to know-your-customer (KYC) requirements. These new guidelines led to a surge in the number of registered and active agents, which have been growing since 2012, along with the number of registered mobile money accounts and transactions.

Leveraging financial technology (fintech) should be at the core of promoting financial inclusion in Ghana. Building on the progress in the use of e-money—which has seen the volume of float accounts grow rapidly from GH¢19.6 million (US$4.6 million) in 2012 to GH¢2.3 billion (US$533.5 million) in 2017—a need exists to increase the value proposition of digital financial services by promoting other products and services, such as mobile-based unsecured lending products, savings, microinsurance, and government to people (G2P) and people to government (P2G) payments, to meet the diverse needs of consumers, particularly the excluded. Some of these products are starting to emerge. For instance, a leading MNO leveraged its customers' payment data to develop scores and offer mobile money-based loans in partnership with a finance company. It also partnered with a large bank to give its customers the opportunity to buy treasury bills using mobile money accounts.

It is important to implement the DFS Policy (2018–2020), which sets the vision to develop a broad array of digital financial services. By 2020, the DFS Policy aims to achieve the following goals: (a) all Ghanaians will have access to a broad range of suitable and affordable DFS—including payment, credit, savings, insurance and investment; (b) payment flows will have been digitized and formalized, thereby shrinking the informal economy, increasing government revenues, and making monetary policies more effective; and (c) businesses and government will have achieved greater transparency and efficiency to contribute to the economic growth of the nation. Developed by the MoF in collaboration with the Better Than Cash Alliance and Consultative Group to Assist the Poor (CGAP), the DFS Policy was informed by a comprehensive diagnostic of payment flows that identified opportunities to increase financial inclusion by moving from cash to digital payments. Various types of payments by payer and payee were covered, including government to government, government to bank, G2P, bank to government, bank to bank, bank to people, P2G, people to bank, and people to people.

The government has facilitated interoperability across payment instruments by establishing the first interoperable mobile money switch in Africa. The system went live in May 2018 as an extension of the existing Gh-link switch. It allows customers to push and pull funds across mobile money providers and between mobile money providers and banks. The Ghana Interbank Payment and Settlement Systems reported that about 800,000 cross-network mobile money transfers took place by August 2018. This is essential to expanding the network, increasing its value proposition, and cutting down barriers to accessing and using services.

Promoting transparency is another way to reduce costs. The mobile money market is currently concentrated, with one issuer controlling more than 90 percent of the market share. Pricing and allocation of costs and income among issuers and agents may not always be transparent, making it difficult to identify bottlenecks along the chain and abuses of market power that lead to higher fees and consumer exploitation. A review of the mobile money value chain and MNOs' business practices could shed light on the drivers of costs and fees. The review should not be used as a basis to regulate prices, but rather as an input for the promotion of market-based solutions and responsible business conduct.

The regulatory framework needs to be further enhanced in order to address emerging challenges in digital financial sector space. The 2015 Guidelines for E-Money Issuers represent a first step toward creating a more robust regulatory and supervisory framework for mobile money. To provide legal certainly, the guidelines need to be issued as separate regulations.

Promote Diverse and Low-cost Products and Services for Consumers

In addition to promoting financial inclusion through the expansion of access points, the financial sector must continue to innovate and diversify its products, services, and distribution channels to meet the diverse and growing needs of consumers. A large barrier to formalized savings is high fees, which create disincentives for consumers to open and use bank accounts. Consumers often have inadequate information on the fee structure for maintaining their accounts, and the requirements to open an account can be numerous. In Ghana, two-thirds of adults have no bank account. To address this challenge, Ghana could promote a basic transaction account that charges low or no fees, with the specific features to be decided by financial institutions. The basic transaction account can be opened with less stringent requirements (including KYC requirements) similar in nature to the three-tiered system in place for e-wallets, as it would have lower limits and therefore limited risk. A basic transaction account could help many households open accounts for the first time and could provide a cost-effective form of saving for those who already have an account but still find it costly and

Priority Policy Actions

- Implement the DFS Policy.
- Expand the quality of the DFS agent network by clarifying and enhancing the requirements, training, and oversight.
- Promote a broader range of digital financial products and services (such as insurance, credit, and savings) that meet the varying needs of different consumers.
- Conduct a review of the mobile money value chain and MNOs' business practices to understand the drivers of costs and fees.

not meeting their savings needs. Additional technical studies are required to assess the feasibility of creating and promoting such an account.[18]

A critical financial service that is in short supply, particularly for low-income earners, is micro-housing finance. A key challenge in financing housing in Africa is that the deposit base largely comprises demand deposits and the pool of pension funds remains small (and usually invested in government securities and short-term deposits), limiting the availability of long-term capital to fund mortgages. In addition, interest rates are high, making long-term borrowing unaffordable. As a result, homes are built in stages allowing individuals to accumulate savings for expansions and additions. Even so, such strategies are not feasible for the poor with inadequate savings. In Ghana, the share of mortgage lending is low, at 2 percent of total bank lending. There is only one specialized mortgage lender. The International Finance Corporation is currently conducting a diagnostic of the constraints and opportunities for promoting affordable micro-housing finance. The diagnostic covers the review of the regulatory framework, supply-and-demand barriers, and the institutional framework and explores innovative instruments. The government can use the recommendations of the diagnostics to promote micro-housing in Ghana.

Another financial product in short supply for the poor, financially excluded, and farmers is agrifinance, which is indispensable to the expansion of agricultural production and farmers' income. Agriculture accounts for approximately 18 percent of GDP in Ghana; however, it receives only 4 percent of bank lending. The bulk of that lending goes to commercial farmers, because small farmers often lack the collateral demanded by lenders. The ongoing development of a warehouse receipt system could increase farmers' access to credit by allowing them to pledge their commodities as collateral. Therefore, following the passage of the Securities Industry Act of 2016 (Act 929) and of the Warehouse Receipt System Regulations, it is imperative to establish an electronic platform and build awareness of the Ghana Commodity Exchange.

Government lending programs and partial credit guarantee (PCG) schemes also have the potential to increase access to finance. The government has used specialized development finance institutions (DFIs) and initiatives to fill gaps in access to finance for SMEs and other target groups. Such institutions and initiatives include the Export Trade, Agricultural and Industrial Development Fund (EDAIF);[19] Eximguaranty Company (Ghana) Ltd. (ECL); the newly launched Ghana Incentive-Based Risk Sharing System for Agricultural Lending; Export Finance Company Ltd. (EFCL); and the Micro and Small Loans Centre, among others. However, overlapping mandates among these institutions and initiatives, lack of funding, capping of interest rates, and crowding out of the private financial institutions have limited the effectiveness of government efforts.

A new approach to development finance is needed in Ghana, and it should embody the following principles: (a) leveraging the resources of private sector and international development institutions in order to reduce fiscal burden; (b) reducing private sector crowding out by mandating that DFIs play a complementary role; (c) enhancing corporate governance and oversight, including supervision by BoG; and (d) increasing efficiency and transparency. These principles should also apply to the Export–Import Bank and any new development finance initiatives. PCGs should be provided on a wholesale basis—that is, through participating financial institutions that are responsible for taking credit decisions at the retail level. Such guarantees would help reduce the moral hazard associated with PCG schemes, particularly those sponsored by the public sector.

More widely available, affordable, and consumer friendly agriculture insurance is also needed to help farmers mitigate the risks of agricultural production. Just as credit is critical to increasing agricultural production and incomes, insurance plays a key role in helping households mitigate risks associated with crop failure.

18. A leading Ghanaian indigenous bank has successfully introduced a similar account.

19. In 2016, EDAIF was replaced by the Export–Import Bank, which absorbed ECL and EFCL.

The Ghana Agricultural Insurance Pool (GAIP) was formed in 2011 to promote innovative products in agriculture and to protect stakeholders against crop and livestock losses. GAIP comprises 17 insurance and reinsurance companies and is governed by a steering committee, which is headed by the commissioner of insurance. Under GAIP, 48,466.5 acres and 4,785 farmers were insured with policies totaling GH¢6.4 million (US$1.5 million) and premiums of GH¢643,372 (US$150,475) in 2016. As the figures highlight, take-up of GAIP is low. The array of products offered by GAIP is limited, presently comprising drought index insurance, multiperil crop insurance, and poultry and cattle insurance.

GAIP faces challenges that need to be addressed in order to ensure its sustainability. The insurance premiums charged on financial institutions, agribusinesses, farmers, and other customers are very high, given the substantial risks associated with rain-fed agriculture. The high premiums reduce the demand for GAIP's insurance products and increase potential losses. Reinsurance premiums are equally high. In addition, farmers have no incentives to buy insurance, and the current legal framework (Act 724) makes no provisions for agricultural insurance. An agricultural insurance policy should be developed to guide efforts to develop the sector—including how to support the design of suitable products, establish public-private partnerships, and promote competition to reduce costs and improve affordability—and build technical and institutional capacity.

Low levels of financial inclusion also reflect the inability of financial institutions to cater to the excluded. For instance, financial institutions lack the skills or information to assess the creditworthiness of consumers and to tailor products to consumers' needs and capacity. This inability in part explains banks' limited contribution to financial inclusion since 2010, as well as solvency challenges facing the MFI sector. Measures to improve financial institutions' skills and knowledge about the unbanked segment could include tailoring technical assistance to financial institutions on credit information, as well as developing risk-sharing schemes that could facilitate risk-taking and learning.

Private equity and venture capital financing remain an underdeveloped and underused tool to support financial inclusion, particularly of innovative and fast-growing SMEs. Different categories of private equity and venture capital funds—local, West African, pan-African, and global—are increasingly operating in Ghana, targeting deals as small as US$1 million and as large as US$20 million. However, macroeconomic issues—including high T-bill rates (which make premiums on risky investments extremely high) and currency volatility—have constrained the development of private equity and venture capital. Another constraint is the typical family ownership structure of SMEs, which tends to be averse to outside equity participation and perpetuates limited disclosure of information that could facilitate valuation.

Nonetheless, the government has promoted SMEs' access to capital markets, as well as the development of private equity and venture capital. The SEC introduced the Ghana Alternative Market (GAX), a window of the Ghana Stock Exchange with less rigorous listing requirements for SMEs. Four SMEs are currently listed under GAX, and promotional activities are ongoing to attract additional listings. Given RCBs' role in promoting access to rural financial services, assessing the viability of listing sound RCBs on the GAX to help them raise capital would also be important. Furthermore, the government closed gaps in the regulatory framework with the enactment of the Securities Industry Act of 2016 and issuance of regulations on private funds. In addition, technology-based innovations—such as crowdfunding, peer-to-peer lending, and marketplace lending—might be long-term alternatives for SMEs to access finance.

Interest rates and spreads on loans to small borrowers (including SMEs) exceed the already-high market averages. They are a reflection of financial institutions' perceived risk of dealing with SMEs, especially given alternative business opportunities, such as lending to the government. Such risks arise from higher transaction costs associated with lending to smaller borrowers, as well as small borrowers' lack of collateral and information on their creditworthiness. High interest rates and spreads are also a result of the banking sector's inefficiency and lack of competition. Results of the effective interest decomposition exercise (appendix E) show that, on average, operational costs were the largest component of the interest rate spread in Ghana, accounting for 54 percent in 2015. Provisions for loan losses were the second-largest component of the interest rate spread, accounting for about 20 percent, followed by compulsory reserve requirements with 16 percent.

The sustainable reduction of interest rates and spreads is a long-term undertaking requiring structural reforms and implementation of reinforcing measures, including (a) reducing the government's crowding out the private sector; (b) promoting competition in the financial sector and leveraging technology to reduce costs and increase outreach; and (c) reducing the cost of doing business (for example, upgrading the telecommunications and electricity infrastructure). Outlined measures to strengthen financial infrastructure (such as credit information, secured transactions, and insolvency reforms) should also contribute to lower interest rates in the long run.

Priority Policy Actions

- Create, regulate, and promote a basic transaction account to be offered by financial institutions.
- Implement the recommendations of the affordable housing finance diagnostic.
- Increase access to credit for agriculture by strengthening the warehouse receipt system, including deploying an electronic platform and building awareness of the commodity exchange.
- Conduct a study on the viability of listing RCBs on the GAX.
- Develop an agricultural insurance policy to guide efforts to develop agriculture insurance in Ghana, including how to support the design of suitable products, establish public-private partnerships to reduce costs and improve affordability, and build technical and institutional capacity.
- Increase the ability of banks and SDIs to assess unconventional borrowers' creditworthiness (that is, provide banks and SDIs with tailored technical assistance about credit information and risk mitigation tools).

PILLAR III:

Financial Infrastructure

Objective: Support Innovation and Efficient Delivery of Financial Services and Increase Information on Borrowers and MSMEs

Strengthen Payment Systems Oversight

The Ghanaian payment system has become increasingly electronic, but checks and cash remain the main form of payment (figure 14), highlighting still low uptake of electronic payments. The volume of checks cleared increased 20 percent. from 6.1 million to 7.3 million between 2010 and 2017, bringing the value of checks to GH¢179.6 billion (US$41.3 billion). The volume and value of payments settled through the real-time gross settlement (RTGS) increased 271 percent and 630 percent, respectively, between 2010 and 2017. In 2017, 934,000 RTGS transactions valued at GH¢2.1 trillion (US$479 billion) were completed. Since 2011, the value and volume of Automated Clearing House (ACH) credit transactions increased by 1,768 percent and 1,341 percent, respectively, but they remain low relative to checks. In 2017, 6.1 million ACH credit transactions with a value of GH¢24.3 billion (US$5.6 billion) were cleared. Direct ACH debits—often used for expenses such as utilities, rent, or loan repayment—are used significantly less than ACH credits. In 2017, about 941,000 ACH debits were transacted, worth GH¢126 million (US$29.2 million), up from 2013, with 173,000 transactions worth GH¢22.8 million (US$9.7 million).

Other advancements in the Ghanaian financial sector include the introduction of the e-zwich biometric card. E-zwich cards can be used at any e-zwich-enabled point of sale (POS) terminal or ATM, at any bank, and for payments like salaries or pensions, which can be loaded onto a cardholder's account. The e-zwich has experienced massive uptake and usage since its introduction in 2008. As of 2017, 2.3 million e-zwich cards have been issued, with 8.4 million transactions worth GH¢3.4 billion (US$788.9 million). Since 2010, the number of cards, volume, and value of transactions have increased 376 percent, 1,715 percent, and 3,960 percent, respectively. These figures indicate that on average, 1 in 12 Ghanaians has an e-zwich card. Yet only 62 percent of the cards have value on them.

The national switch, or gh-link, offers an array of financial services. They include interbank ATM transaction switching, interbank POS switching, online payments, hosting and settlement services, and instant interbank transfer service. Gh-link's use and corresponding volume have grown exponentially since 2010. In 2017, it processed

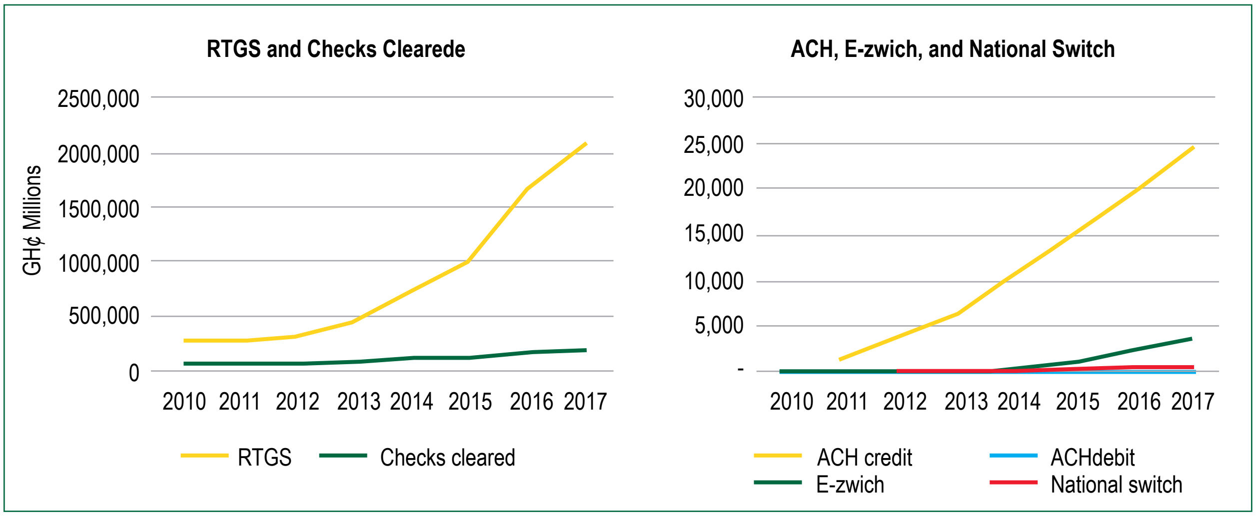
2.3 million transactions worth GH¢603 million (US$138.7 million), up from 10,295 transactions worth GH¢1.1 million (US$740,242) in 2010.

Given the role of the payment systems as the backbone of financial innovation and inclusion, it is important to ensure that the legal framework is conducive to its stability and development. The legal and guiding framework for payment systems in Ghana is based on (a) the Bank of Ghana Act (2002), which makes BoG the payment systems authority; (b) the Payment Systems and Services Act (2017), which details BoG's supervisory and regulatory authority; (c) the Principles for Financial Market Infrastructures issued by the Committee on Payment and Settlement Systems and the Technical Committee of the International Organization of Securities Commissions (2012); and (d) the Strategic Payments Roadmap for Ghana (2014).

In light of the new developments in the sector, it is critical to conduct a comprehensive review of the legal and regulatory framework and to revisit the Strategic Payments Roadmap to ensure consistency and alignment of the act with other related laws and regulations. The Strategic Payments Roadmap should also be reviewed to set new priorities, taking stock of the progress in implementation and recent developments in payment and settlement systems.

In tandem with enhancing the legal framework, it is also vital to strengthen BoG's capacity to oversee and supervise payment systems, including the use of new technologies (regtech). For example, the Payment Systems Department at BoG should provide for stand-alone status of the payment system oversight function to ensure independence for operational aspects. Capacity building will also be required, particularly on data collection and management, information dissemination, risk analysis (such as cybersecurity risk), staff training, and so forth. With the expansion of the perimeter of supervision as a result of the increasing number and diversity of payment system service providers, as well as exponential growth in the volume of data and transactions, technology must be leverage to improve the efficiency and effectiveness of oversight and compliance. In fact, BoG has partnered with regulatory technology (regtech) for the Regulators Accelerator (R2A) initiative to pilot regtech tools and solutions. Such tools can also be used in other regulatory and supervisory areas, including AML/CFT efforts and consumer protection.

Figure 14: Payment Systems in Ghana (in GH¢ Millions)



Source: BoG.

Note: ACH = Automated Clearing House; RTGS = real-time gross settlement.

Priority Policy Actions

- Build the capacity of the Payment Systems Department.
- Leverage technology to increase the efficiency and effectiveness of supervision and oversight (regtech).
- Conduct a comprehensive review of the legal and regulatory framework governing payment and securities settlement systems, and also of the Strategic Payments Roadmap for Ghana.

Bolster Payment System Platforms and Services

Given the limited increase in the use of payment systems and the growing need to provide access to financial services through electronic channels, it is important to ensure that the infrastructure is fully leveraged and can accommodate additional services. A fully interoperable retail payment system is needed to ensure that consumers can use the various payment systems to conduct transactions in the marketplace, in a manner that is most convenient or available to them. For example, one of the constraints to expanding pension coverage to approximately 9.6 million Ghanaians working in the informal sector is the limited use of platforms to collect contributions and pay benefits to small and remote contributors. Similar constraints apply to the promotion of microinsurance and agricultural insurance. It is also necessary to develop a comprehensive retail payments strategy with the deliberate aim of increasing levels of interoperability and integration of existing payment instruments and channels, focusing on the direct payment aspects and merchant acceptance.

Expanding the scope of government-to-people (G2P) payments and people-to-government (P2G) payments using electronic means (such as e-zwich and mobile money) could significantly contribute to financial inclusion and improve efficiency. Like banking, access to and the convenience of using financial services delivery points for such services as salaries, pensions, and social transfers is fraught with challenges. In particular, many people live too far from government offices and banks, where such payments are often made, or they do not have the time to travel to such access points. Digital G2P payments are also safer for individuals who currently collect payments in cash. Contributions and disbursements made in cash and other nondigitalized means are susceptible to fraud and corruption, given the lack of a paper trail and the difficulty in overseeing cash payments. Thus, building on the DFS Policy and in line with its commitment to digitalize payments, the government should aim to increase the share of P2G and other payments made through digital means. This effort should entail the identification of government services and collections (e.g., taxes, fees) that can be made digitally using existing infrastructure (such as e-money and e-zwich) and shifting them to the e-government portal, so that consumers can make safer P2G payments. It should also entail the identification of additional IT platforms and other associated systems needed to support full integration.

Remittances are a key source of income for Ghanaians in both the formal and informal labor sectors and those who have family and friends living abroad or in different parts of the country. Between 2010 and 2015, the use of regulated remittance products increased almost fivefold, from 5 percent to 24 percent. Although remittances are on the rise, access to remittance service points remains a challenge for remote populations. Going forward, it is imperative that the remittance systems fully use the payment systems and other electronic channels to help lower the cost and time burden of accessing remittance service points. Doing so should leverage existing initiatives by MNOs, implemented in partnership with banks and money transfer operators (MTOs).

A competitive environment supported by a robust payment infrastructure can significantly reduce monopolistic tendencies and lead to lower prices and greater efficiency in providing remittance services. In Ghana, MTOs involved in remittance services can only partner with banks in providing remittance services; hence, they are not licensed by BoG in their own right. This arrangement, although free of exclusivity arrangements, has the effect of reducing competition and inflating commissions charged to senders. A more flexible regime, at least for inward remittances, could be introduced, allowing sound SDIs (such as S&Ls and RCBs) to partner directly with MTOs, or MTOs to directly acquire licenses from BoG and consequently be subject to BoG's oversight. This regime would expand the number of payout points and ensure that two or fewer parties claim a share of the sender's commission, thus possibly putting downward pressure on pricing.

Increase Availability of Information on Borrowers

The lack of information on borrowers is an impediment to financial inclusion. First, it constrains the ability of financial services providers to assess customers' financial needs and creditworthiness, making it impossible to measure the risk involved in providing financial services (particularly credit). Second, the lack of information impedes client identification and compliance with KYC requirements, which is vital for reducing fraud[20] and preventing money laundering and financing terrorism.

Key to increasing information on borrowers is a unique identification (ID) system, which, among other functions connects individuals to credit histories and facilitates opening accounts and transferring money. The majority of the population in Ghana has some form of identification that can be used to conduct financial transactions. For instance, the 2010 FinScope survey found that approximately 94 percent of Ghanaian adults had a voter ID card. Possession of national ID was significantly lower—38.2 percent for urban residents and 24 percent for rural residents. The use of other types of ID impedes the unique identification of individuals and their tracking in credit-reporting systems. Therefore, more than increasing the number of Ghanaians with any type of ID, the main priority should be to ensure that the unique national ID with biometric technology is fully rolled out and used in all financial transactions (such as opening a bank account and receiving government payments).[21]

Biometric ID cards can potentially boost financial inclusion in Ghana while improving compliance with KYC requirements. By using biological traits (such as fingerprints), a biometric ID system would disproportionately benefit the financially excluded, who are often illiterate and unable to memorize and use personal identification numbers. It would also ease compliance with KYC requirements and support

Priority Policy Actions

- Develop and promote a fully interoperable retail payment system.
- Expand the scope of P2G payments using electronic means—such as e-zwich and mobile money.
- Increase competition among remittance service providers and lower costs by authorizing regulated and sound SDIs and MTOs, leveraging the payment system infrastructure, and fostering the use of electronic channels for collecting and disbursing remittances.

20. Fraud is a serious issue in Ghana. In 2016, 1,001 cases were reported that involved banks, NBFIs, and RCBs with a monetary value of GH¢244.3 million (US$57.1 million). Fraud cases reported include card fraud, documentation forgery and alterations, transactions with stolen checks, and fraudulent transfers through hacked emails, among others. BoG is establishing measures to mitigate the incidence of fraud in the financial sector.

21. The National Identification Authority is implementing the rollout of the national ID.

AML/CFT efforts by allowing service providers to better identify customers.

In the meantime, a risk-based approach to KYC should be expanded from e-money accounts to other financial products (such as bank accounts). A three-tiered, risk-based approach to KYC already applies to e-money accounts. Transaction limits increase with documentation requirements, meaning that low and less risky transaction limits are subject to less documentation (see the 2015 Guidelines for E-Money Issuers). Extending this risk-based approach to other financial products (particularly the opening of bank accounts) would likely benefit excluded groups, who tend to use basic and small-value products and services. This effort would be consistent with the Financial Action Task Force (FATF) guidelines on AML/CFT for financial inclusion. In parallel, clarification of KYC requirements among financial institutions is needed.

Ghana has developed the core legal and regulatory framework for a well-functioning credit reporting system. The credit reporting system in Ghana is governed by the Credit Reporting Act of 2007 (Act 726) and the Guidelines for Credit Reporting Bureau License issued by BoG. The act provides the framework for credit bureaus and establishes the conditions for credit. The act also contains specific dispositions for licensing credit bureaus and specifies the roles and responsibilities of credit bureaus, data providers, and credit report recipients. Furthermore, the act establishes data protection provisions, including the handling of complaints.

Notwithstanding recent advances in credit reporting, there is room for improvement and modernization. Coverage of credit bureaus in Ghana has increased from 10.4 percent in 2010 to 22.4 percent in 2018, but it is still low compared with other African countries (including Botswana, Namibia, South Africa, and Swaziland). Gaps in the Credit Reporting Act need closing, particularly by removing provisions that allow defaulters to revoke previously given consent to have their information reported to credit bureaus.[22] In addition, mandatory data reporting by nonbank credit providers (including retailers, utilities, MFIs, and so on) is needed, as well as unifying and simplifying reporting procedures and formats in order to improve data consistency and quality. To improve the regulatory framework, draft regulations of Act 726 have been developed and submitted to Parliament. Among other improvements, the regulations would extend the coverage of credit reporting to other creditors (e.g, utilities and retailers), enhance data confidentiality, strengthen corporate governance of credit bureaus, provide BoG with powers to impose sanctions, and strengthen data quality requirements. However, a full review of the act may be needed in the medium term, if the regulation alone cannot fill the gaps in the act. In addition to providing strong legal backing for the regulation, a full review of the act would also be a good opportunity to refine the credit reporting framework, incorporating lessons learned and international good practices.

An opportunity exists to leverage the potential of big data and alternative data to boost the effectiveness of credit reporting and overall access to financial services. Individuals and SMEs generate high volumes of valuable information whenever they conduct digital transactions—such as browsing the internet, using mobile money accounts, conducting online banking transactions, and shopping online. BoG should work with specialized fintech companies to explore technological solutions to address challenges in gathering data from these new sources and to extract value from them while protecting consumers against potential discrimination and bias associated with these solutions. Also, BoG may need to incorporate changes to the regulatory framework to facilitate the collection, processing, and distribution of these digital data so that credit providers can use them to tailor financing solutions to customers, particularly SMEs.

Finally, a comprehensive financial inclusion survey is a starting point to devising evidence-based financial inclusion efforts, because it provides a thorough understanding of the state of access to financial services, as well as of the needs and financial capacity of borrowers. A survey helps

22. Gaps on the revocation of consent are minimized by another clause in the same act that allows reporting of delinquent information without consent.

Priority Policy Actions

- Complete the rollout of the biometric national ID and enforce its use in all financial transactions.
- Extend the KYC risk-based approach from e-money accounts to other financial products (such as bank accounts) per FATF guidelines on AML/CFT for financial inclusion.
- Pass the credit reporting regulations to strengthen credit reporting (such as to expand coverage, improve data quality, and enforce reporting).
- Review and amend the Credit Reporting Act (2007) and other relevant legislation on the provision of credit.
- Leverage the potential of big data and alternative data to boost the effectiveness of credit reporting, including through partnerships with specialized fintech companies and changes to the regulatory framework to facilitate the collection, processing, and distribution of digital data.
- Complete a demand-side financial inclusion survey to gauge progress on financial inclusion.

identify areas that need public and private sector intervention; it also helps to measure progress on national financial inclusion by providing follow-up data. The FinScope 2010 was the last comprehensive demand-side survey conducted in Ghana. After eight years, a new comprehensive financial inclusion survey is needed, which will build on the information gathered through Findex surveys in 2011, 2014, and 2017 and the CGAP survey in 2015. As the implementation of the NFIDS begins, a comprehensive survey will be needed around 2020 to gauge progress on financial inclusion targets and evolving consumer needs.

Strengthen the Secured Transactions and Collateral Frameworks

Secured transactions have contributed to access to finance in Ghana. They are regulated by the 2008 Borrowers and Lenders Act (Act 773). The act led to the establishment of the collateral registry in 2010, which has been fully Web-based since 2012. In 2017, the registry had 151,551 collateral registrations, of which 26 percent comprised equipment and machinery, 24 percent household assets, 23 percent inventory and accounts receivable, and 6 percent motor vehicles. The number of charges reached 57,500, made by 368 institutions, mainly MFIs and RCBs. At the end of 2017 it had registered GH¢150 billion (US$35 billion) in financing backed by collateral, with 73 percent of the financing going to SMEs.

However, a stronger legal and regulatory framework is needed to enhance the effectiveness of secured transactions. Act 773 fails to harmonize disparate legislation governing securities' rights and its scope is narrow, as it only applies to regulated institutions. Additionally, financial institutions and other key stakeholders have a limited understanding of the act and its application in commercial transactions. To enhance secured transactions in Ghana, it is important to (a) pass the draft Borrowers and Lenders Bill (2019) and develop associated regulations and rules to create a unified, certain, transparent, and efficient regime for secured transactions and (b) educate government actors, legislators, the judiciary, and financial institutions about the importance of establishing a modern regulatory framework for secured transactions and developing and disseminating guidelines about its application.

In addition to passing the draft Borrowers and Lenders Bill and encouraging the use of movable and immovable financing, there is also a need to refine the movable collateral registry system itself and to further build capacity and awareness. This initiative should focus on the upgrade or introduction of features identified by users as important, including an online payment gateway, interoperability with other systems, and a streamlined fee-based system. Initiatives should be taken to further educate key economy actors and raise awareness to maximize the benefits of the law.

Priority Policy Actions

- Pass the Borrowers and Lenders Bill and update associated regulations and rules to create a unitary regime for secured transactions.
- Upgrade the collateral registry by assessing the current system and implementing priority enhancements (such as creating a streamlined fee-based system through an online payment gateway and upgrading the Web-based platform to enable interoperability with other systems).
- Educate government actors, legislators, and financial institutions, and build institutional and market capacity on a modern secured transactions system to increase movable asset-based lending, unlocking the potential of underused assets.

Strengthen the Insolvency Regime

Strong insolvency regimes mitigate creditor risk, which ultimately improves the price and availability and price of credit for both businesses and individuals. Creditors are more likely to extend credit if they can be certain that they will recover their loans upon default. Insolvency regimes are particularly important to free productive resources from unproductive enterprises and to help ensure that creditors and investors are protected if a business fails."[23] Empirical studies illustrate that an effective reform of insolvency regimes is associated with a lower cost of credit, increased access to credit, improved creditor recovery, strengthened job preservation, the promotion of entrepreneurship, and benefits for small businesses.[24]

The existing insolvency legislation in Ghana is fragmented across several pieces of legislation and does not adequately protect creditors. Consequently, the ability of individuals and SMEs to obtain finance is ultimately affected. Ghana reformed its law on the insolvency of natural persons (including merchants) in 2006 (Insolvency Act 708), but reform of the bill governing corporate insolvency has not been passed,[25] leading to several shortcomings in practice. For instance, the current legislative focus is on liquidation, and no modern reorganization framework is in place. Consequently, businesses that are still viable but financially distressed cannot be easily rescued. Similarly, the law does not provide for the continuation of essential services and has no provision permitting the business to obtain postcommencement financing—which again undermines the likelihood of the business and associated jobs being saved. Overall, creditors' rights are generally weak in Ghana's insolvency regime; for instance, no provision ensures that they can approve the appointment of an insolvency practitioner or approve the sale of substantial assets of the debtor. Thus, creditor recovery, and ultimately the cost and availability of credit, are affected.[26]

Informal debt restructuring appears to be limited and primarily involves the rescheduling of loans on a bilateral bank-customer basis.[27] Multilateral workouts reportedly occur only in practice for large companies, where several credit institutions may be involved. Debtors are not incentivized to negotiate with creditors, because judicial execution can effectively be stalled for years. Creditors therefore have a very weak bargaining position, and workouts are less likely to be used as a restructuring option. If a workout is concluded between a debtor and its creditors, the corporate insolvency regime does not provide any mechanism to convert informal workouts

23. World Bank, *Risk and Opportunity: Managing Risk for Development* (Washington, DC: World Bank, 2013).
24. World Bank, "Debt Resolution and Business Exit, Viewpoint, 2014.
25. World Bank, *Ghana: Report on the Observance of Standards and Codes (ROSC)—Insolvency and Creditor Rights* (Washington, DC: World Bank, 2011).
26. World Bank, "Doing Business" website, http://www.doingbusiness.org.
27. World Bank, "Doing Business" website.

into formal insolvency plans or arrangements. In theory, it is possible to bind minority creditors by using arrangements under legislation that addresses companies. But in practice, it appears that those arrangements are seldom used, because of their cost and the difficulties in reaching the requisite majority for approval.[28]

Effective regulation of insolvency practitioners is lacking. In particular, the qualification requirements and training of the insolvency profession appear to be very weak in Ghana. No strong standards of professional conduct apply to insolvency professionals. The office of the official liquidator and official trustee in the Registrar General's Department reportedly lacks the necessary human and material resources to effectively regulate the activity of insolvency professionals.[29] The role of insolvency practitioners cannot be underestimated, given the wide array of functions they usually perform in insolvency proceedings. Weak regulation might lead to other potential problems in the system, such as poor transparency, the ineffective administration of cases, and unfair professional practices.

Judicial training and knowledge of insolvency is weak. The judicial system is overburdened with cases, and judges lack the resources for efficient training.

Against this backdrop, the legal framework for corporate insolvency needs to be improved and modernized to reflect international best practice. Key issues to be addressed are related to weak creditor rights and the absence of any balance between liquidation and rehabilitation. In particular, Act 708 should be reviewed to incorporate innovations that deal with MSME businesses and to better address individual bankruptcy in order to encourage entrepreneurship and economic activity.

In addition, developing an out-of-court debt restructuring framework should be considered. A culture of timely renegotiation with lenders and the debtor needs to develop to encourage effective debt restructuring and remove cases from an already-overburdened court system that results in delayed execution.

Moreover, standards for insolvency practitioners need strengthening, and judicial education and training need reinforcing. In particular, clear rules should be established for licensing, regulation, ethical and professional standards, and disciplinary proceedings for insolvency professionals. Material and human resources for case management should be increased to augment the courts' effectiveness. Judges should be allowed to hire assessors and assistants who are technically competent. Judges should be trained to grant stays and delay execution only in particularly defined and narrow circumstances.

Priority Policy Actions

- Modernize the legal framework for corporate insolvency (Act 708) to reflect international best practice.
- Develop an out-of-court debt restructuring framework.
- Strengthen standards and regulations for insolvency practitioners.
- Reinforce judicial education and training.

28. World Bank, "Doing Business" website.
29. World Bank, *Ghana: Report on the Observance of Standards and Codes.*

PILLAR IV:

Financial Consumer Protection

Objective: Instill Confidence in Financial Products and Services, and Increase Accountability

Enhance the Regulatory and Institutional Framework for Financial Consumer Protection

A strong legal, regulatory, and supervisory framework for financial consumer protection (FCP) is necessary to protect financial consumers and prevent market abuses. FCP regulation should ensure that consumers receive information that allows them to make informed decisions, that they are not subject to unfair or deceptive practices, and that they have access to recourse mechanisms to resolve disputes. This protection should extend to all retail financial services and products regardless of the type of provider of those services and products. The rise of digital payments and electronic delivery of financial services—by reaching millions of financial consumers without prior interaction with financial services—raises new challenges to consumer protection, with regard to both the requisite recourse mechanisms and the resources needed to handle a large number of complaints involving various types of consumers and new types of service providers.

Financial sector regulators have the institutional mandate for FCP. BoG is responsible for regulating and supervising consumer protection in the areas of banking, NBFIs, and payment systems. The NIC regulates and supervises the insurance sector, except health insurance, which is under the National Health Insurance Authority (NHIA). Furthermore, the SEC regulates and supervises consumer protection in capital markets, while the NPRA does so for pensions.

A number of initiatives have addressed FCP gaps in Ghana, but more work is needed to enhance effective regulation and supervision. BoG has a dedicated Market Conduct Unit (MCU) in charge of FCP regulation and supervision. However, in practice, the MCU engages in limited regulatory and supervisory activity and focuses more on dispute resolution and complaints.[30] Although

30. In 2016, 605 complaints were received on the banking sector and another 409 on SDIs, of which 60 percent and 40 percent, respectively, were resolved. Additionally, capital markets and pensions received 55 and 10, of which 29 percent and 80 percent, respectively, were resolved. The underdeveloped nature of the consumer protection framework is not conducive to receiving as many complaints as consumers may actually have.

handling complaints is an important function, its effectiveness depends largely on proper regulation and enforcement of market conduct rules, which so far have not been effective. Moreover, the MCU is not involved in other related supervisory activities, such as licensing and on-site examinations. As a result, the MCU's capacity to effectively regulate and supervise market conduct rules is limited, as is the capacity of the NIC and the NHIA; the latter is still in the early stages of considering FCP issues.

The legal and regulatory framework has been strengthened. The Bank and SDI Act (Act 930) passed in 2016 expanded the responsibilities of BoG to explicitly include consumer protection. BoG issued two directives that strengthened disclosure and transparency, as well as recourse mechanisms for consumers: (a) the Disclosure and Product Transparency Rules for Credit Products and Services and (b) the Consumer Recourse Mechanism Guidelines for Financial Service Providers. Both mark an important first step for the development of guidelines for all retail products and services, including those delivered through digital means; improvement in the transparency of interest rates and fees through the development of a standard methodology for the calculation and disclosure of the effective interest rate; and the introduction of a strong supervisory function within the MCU.

The Insurance Act of 2006 (Act 724) specifies the functions and objectives of the NIC, including elements of consumer protection, but these elements are not explicitly stated. The act contains limited consumer protection provisions as well as key omissions, such as failing to ensure that policyholder liabilities have priority over other unsecured creditors. For example, insurers are required to have a documented system and procedures for receiving, registering, and resolving complaints. However, there is no definition of complaint, and specific requirements of a complaints process are not mandated. Similarly, insurance intermediaries are not required to have an internal complaints process. The NIC, however, has issued claims payment guidelines for insurance companies. The guidelines request all insurance companies to clearly display their claim payment procedures in all their offices. The NIC also established a complaints and settlement bureau in all 10 regions to create avenues for the redress of customer complaints.

Priority Policy Actions

- Develop and issue disclosure and product transparency rules for all retail products and services, including those delivered through digital means.
- Improve the transparency of interest rates and fees by developing a standard methodology for the calculation and disclosure of the effective interest rate.
- Amend the Insurance Act (Act 724) to provide the NIC with an explicit mandate for financial consumer protection, and include specific financial consumer protection provisions.

Build Oversight Capacity

Following the issuance of the two directives on disclosure and transparency as well as recourse mechanisms for consumers, BoG should develop a market conduct supervision strategy. The strategy would outline the supervisory approach and activities for BoG's MCU, as well as the resources required to build a strong market conduct supervision function. It should be accompanied by additional staffing and capacity building, including systematic data collection and analysis, structured supervisory process, and on-site examinations.

In addition, the external dispute resolution (EDR) functions should be strengthened and adequate institutional arrangements put in place. The functions should entail developing EDR manuals, training dedicated staff, and upgrading system capabilities to effectively handle the recording, workflow management, and reporting requirements. Both BoG and the NIC require specialized and dedicated staff members for their existing complaint-handling functions (without undermining their supervisory function), until adequate arrangements are put in place (such as specialized complaint-handling functions and units).

Private health insurance schemes (PHIS) should have a procedure for settling complaints from their members and their health care providers and for ensuring that those parties are aware of their right to submit complaints. As with the NIC, PHIS do not appear to have detailed procedures for internal complaint handling. Moreover, Article 106 of the Health Insurance Act calls for the establishment of an adjudication committee at the National Health Insurance Authority to deal with complaints not resolved by PHIS, but it has not yet been established.

Priority Policy Actions

- Develop and implement a market conduct supervision strategy, including a supervisory approach and activities.
- Develop EDR manuals, build staff capacity, and upgrade systems to effectively handle the recording, workflow management, and reporting of disputes.
- BoG and the NIC should assign specialized and dedicated staff members for their existing complaint-handling functions.
- Establish an adjudication committee at the National Health Insurance Authority, and ensure that private health insurance schemes have procedures for settling complaints from members and health care providers.

PILLAR V: Financial Capability

Objective: Increase Capability, Awareness, and Use of Financial Products and Services

Increase the Understanding of Financial Products and Capability to Manage Personal Finances

Increasing consumers' knowledge of and capacity to use the array of financial products and services for their personal and business needs is an important dimension for promoting financial inclusion in Ghana. Financially excluded individuals and MSMEs often have limited incomes and use cash to perform basic transactions. As a result, their understanding of the benefits of using financial services is largely limited. Additionally, approximately 23 percent of Ghana's adult population is illiterate, and these individuals have difficulty reading contracts and understanding the terms of a financial product.

Multiple initiatives have sought to promote financial capability in Ghana. Among them is Financial Literacy Week, which was launched in 2008 and aims to raise the population's awareness of products and services and how to manage finances. It is an initiative of the Ministry of Finance in collaboration with financial sector regulators and the financial industry. Other initiatives include the Financial Literacy Road Shows (2007–09), Capital Markets Week, the NPRA's Educational and Sensitization Programme on pensions, the NIC's microinsurance campaigns, and RAFiP's Financial Literacy Awareness Promotion. In addition, the government developed a National Strategy for Financial Literacy and Consumer Education in the Microfinance Sector (Ministry of Finance and Economic Planning, 2009).

Financial institutions and MNOs have also implemented various financial literacy initiatives as part of their corporate social responsibility programs or marketing efforts. However, although financial service providers are an integral part of the effort to increase consumers' capacity to make informed financial decisions, they also have incentives to increase usage of their products and services, which may not be aligned with the best interests of consumers.

Better coordination among stakeholders could contribute to the effectiveness of financial capability programs in Ghana. Although there are a few coordinated initiatives (such as Financial Literacy Week), financial capability initiatives are largely uncoordinated and disjointed, in part reflecting the diversity of promoters and their objectives. This deficiency has led to a dispersion of resources and limited effectiveness.

A national financial capability and education strategy is needed in order to set priorities and improve coordination. Building on ongoing initiatives, the strategy should guide the identification and implementation of financial literacy programs tailored to the needs of the target groups and emphasize knowledge of key financial products, financial concepts, and basic numeracy skills. To ensure that knowledge contributes to changes in behavior, the strategy should also devise plans to help change consumers' attitudes by instilling in them trust and confidence in financial institutions (which is also the product of repeated positive experiences with financial institutions), discouraging gambling, and promoting savings, among others. The strategy should include an action plan with concrete activities that will produce tangible outcomes, but also a realistic cost assessment of the initiatives to ensure adequate resources. Promoters of various initiatives should be encouraged to pool resources and implement comprehensive programs that cover multiple products. The Ministry of Finance should be assigned a coordinating, monitoring, and evaluation role.

As part of the financial capability and education strategy, a financial education curriculum should be introduced in schools. This endeavor would ensure that students at all levels have the necessary skills to effectively understand and responsibly use financial products and services. A focus on changing behavior at early age should also be included.

To facilitate the operationalization of the strategy, financial sector stakeholders need to design and implement a national financial capability campaign. The campaign should be preceded by a rapid demand-side assessment of the barriers to be overcome. It should use various media outlets—from radio to billboards and digital platforms—plus key institutions like schools. Given the array of financial products and services, it should prioritize products and topics relevant for the target group—such as microinsurance, Tier 3 pension schemes, mobile money, and consumer protection. The campaign must focus on a few simple messages and must be developed and implemented in major regional Ghanaian languages.

Rural residents—mainly farmers and those with very limited education and financial skills—need to receive particular attention. Given the geographical dispersion of rural and remote populations, efforts should be devoted to the training of trainers to ensure wider dissemination of knowledge. This approach should build on positive lessons from the RAFiP. An assessment of the RAFiP's financial literacy training targeting the agricultural sector found that training agricultural extension officers from the Ministry of Food and Agriculture to conduct financial literacy training for farmer-based organizations was instrumental in the success of the financial literacy project. Moreover, the rapid expansion of mobile phones into rural areas offers cost-effective alternatives to provide financial capability training and support to farmers and other groups (for example, using games and text message reminders).

Priority Policy Actions

- Improve coordination of financial capability programs, including by building the capacity of the Ministry of Finance to monitor and evaluate programs.
- Review existing financial capability and education initiatives, and develop a comprehensive financial capability and education strategy with a costed action plan.
- Design and implement a national financial capability campaign that targets excluded groups (rural residents, farmers, youth, poor, women, and so on) using major channels and local languages and prioritizing key products and services (such as microinsurance, Tier 3 pension schemes, mobile money, and consumer protection).
- Introduce financial capability and education curriculum in schools.

APPENDIX A:

Detailed Action Plan Matrix (2018-2023)

PILLAR I: FINANCIAL STABILITY Ensure a sound and stable financial sector capable of facilitating sustainable financial inclusion					
Objective	**#**	**Actions**	**Priority**	**Term**	**Lead**
Strengthen the regulation and supervision of banks and specialized deposit-taking institutions and other financial institutions	1	Continue to operationalize the 2016 Bank and SDI Act (Act 930) by issuing the necessary regulations and guidelines and upgrade the regulatory and supervisory framework for SDIs by revising key prudential standards and improving off-site and on-site methodologies.	High	Short	BoG
	2	Prevent the mislabeling of deposits as securities or collateral and investments by modifying the guidelines on deposit taking versus non-deposit taking institutions and clearly define what constitutes and qualifies as a deposit.	Medium	Medium	BoG
	3	Implement remedial measures (e.g., increase provisions, raise additional capital) for S&Ls and Finance Houses and resolve the problem ones.	High	Short	BoG
	4	Amend the Bank and SDI Act to strengthen provisions pertaining to the bank resolution framework, legal protection of BoG staff, license revocation, and judicial reviews of BoG decisions.	High	Medium	BoG, MoF
Strengthen microfinance companies and rural community banks	5	Strengthen oversight and tighten the licensing criteria for MFIs and RCBs, and enhance the due diligence of shareholders who are acquiring licensed MFIs and RCBs.	High	Short	BoG
	6	Resolve problem MFIs and RCBs.	High	Short	BoG
	7	Conduct a review of the entire SDI sector to identify gaps in the legal, regulatory, and supervisory framework and practices that led to the current distress, and identify lessons to inform the development of a robust framework.	High	Short	BoG

PILLAR I: FINANCIAL STABILITY Ensure a sound and stable financial sector capable of facilitating sustainable financial inclusion					
Objective	**#**	**Actions**	**Priority**	**Term**	**Lead**
Develop a resolution framework and enhance crisis management	8	After resolving problem SDIs, roll out the deposit protection scheme and implement a depositor awareness campaign.	High	Short	BoG
	9	Operationalize the Financial Stability Council and conduct a crisis simulation exercise.	Medium	Medium	BoG, MoF DPC
	10	Amend the Banks and SDI Act (Act 931) and the Deposit Protection Act to strengthen the resolution framework and depositor protection.	Medium	Medium	BoG, GoG
Enhance the soundness of the insurance, pension, and capital market sectors	11	Amend the Insurance Act to ensure compliance with international standards (e.g., on governance and internal controls, risk-based supervision, group supervision, preventive and corrective measures).	Medium	Medium	MoF, NIC
	12	Enforce pension fund managers, fund managers, and insurance companies' investment guidelines and reporting requirements to prevent excessive risk-taking.	Medium	Medium	NPRA, NIC, SEC
	13	Strengthen the NPRA's oversight capacity and powers, particularly over the SSNIT.	Medium	Medium	MoF, NPRA
	14	Set up a Committee to review all possible measures to address sustainability concerns of the SSNIT.	High	Short	MoF, NPRA
	15	Enhance the corporate governance of financial sector regulators and the SSNIT, including the enhancement of the board of directors appointment process, elimination of institutional and political representations, and increased accountability.	Medium	Medium	MoF
	16	Strengthen the corporate governance of financial sector regulators, by amending founding acts, developing board and CEO appointment processes, and piloting a formal accountability framework, among other undertakings.	Medium	Medium	MoF
Strengthen Anti-Money Laundering and Counter-Financing of Terrorism	17	Improve relevant laws to expand the range of sanctions available (including monetary penalties) to address noncompliance by all categories of supervised entities with mandatory AML/CFT obligations.	High	Medium	BoG
	18	Improve risk-based tailoring of AML/CFT compliance requirements for all categories of financial institutions and NBFIs to ensure that actual risks of money laundering and terrorism financing are effectively mitigated.	High	Short	BoG
	19	Upgrade supervisory AML/CFT compliance inspection systems to require supervisory officials to apply effective, proportionate, and dissuasive sanctions to address noncompliance with AML/CFT obligations by all categories of financial institutions and NBFIs.	High	Medium	BoG

PILLAR II: ACCESS, QUALITY, AND USAGE OF FINANCIAL SERVICES Increase the availability and usage of innovative financial products and services tailored to the needs of the financially excluded population					
Objective	**#**	**Action(s)**	**Priority**	**Term**	**Lead**
Increase the proximity of financial access points	20	Conduct an analysis on the low adoption of agent banking, and use the results to inform and finalize revisions to the Agent Banking Guidelines and promote and monitor their implementation.	Medium	Short	BoG
	21	Building on prior efforts, conduct research (e.g., geospatial mapping) to inform access point expansion by financial institutions and other financial services providers.	High	Short	BoG
	22	Enforce the licensing requirements and operating guidelines for credit unions, and build the supervisory capacity of the Ghana Cooperative Unions Association (CUA).	Medium	Medium	BoG, CUA
Expand digital financial services (including e-money)	23	Implement the DFS Policy.	High	Long	BoG, MoF
	24	Expand the quality of the DFS agent network by clarifying and enhancing the requirements, training, and oversight.	High	Short	BoG
	25	Promote a broader range of digital financial products and services (e.g., insurance, credit, and savings) that meet the varying needs of different consumers.	High	Long	BoG, MoF
	26	Conduct a review of the mobile money value chain and MNOs' business practices to understand drivers of costs and fees.	Medium	Medium	BoG, GhIPSS
Promote diverse and low-cost products and services for consumers	27	Create, regulate, and promote a basic transaction account to be offered by financial institutions.	Medium	Medium	BoG
	28	Implement the recommendations of the affordable housing finance diagnostic.	Medium	Medium	BoG, MoF
	29	Increase access to credit for agriculture by strengthening the warehouse receipt system, including the deployment of an electronic platform and building awareness of the commodity exchange.	Medium	Medium	SEC, MoTI, MoF
	30	Conduct a study on the viability on listing RCBs on the Ghana Alternative Market (GAX).	Medium	Long	SEC, BoG
	31	Develop an agricultural insurance policy to guide efforts to develop agriculture insurance in Ghana, including how to support the design of suitable products, establish public-private partnership to reduce costs and improve affordability, and build technical and institutional capacity.	Medium	Medium	NIC, MoF
	32	Increase the ability of banks and SDIs to assess unconventional borrowers' creditworthiness (i.e., provide banks and SDIs with tailored technical assistance about credit information and risk mitigation tools).	Medium	Medium	NIC, GHAM-FIN

PILLAR III: FINANCIAL INFRASTRUCTURE Support innovation and efficient delivery of financial services and increase information on borrowers and MSMEs					
Objective	**#**	**Action(s)**	**Priority**	**Term**	**Lead**
Strengthen payment systems oversight	33	Build the capacity of the Payment Systems Department.	Medium	Medium	BoG
	34	Leverage technology to increase the efficiency and effectiveness of supervision and oversight (regtech).	High	Short	BoG
	35	Conduct a comprehensive review of the legal and regulatory framework governing payment and securities settlement systems, and also of the Strategic Payments Roadmap for Ghana.	Medium	Medium	BoG
Bolster payment system platforms and services	36	Develop and promote a fully interoperable retail payment system.	High	Short	BoG, MoF
	37	Expand the scope of P2G payments using electronic means—such as e-Zwich and mobile money.	High	Long	MoF, MoF
	38	Increase competition among remittance services providers and lower costs by authorizing regulated and sound SDIs and MTOs, leveraging the payment system infrastructure, and fostering the use of electronic channels for the collection and disbursement of remittances.	Medium	Medium	BoG
Increase availability of information on borrowers	39	Complete the rollout of the biometric national ID and enforce its use in all financial transactions.	High	Medium	NIA, MoF, Regulators
	40	Extend the KYC risk-based approach from e-money accounts to other financial products (e.g., bank accounts) per FATF guidelines on AML/CFT for financial inclusion.	High	Medium	BoG
	41	Pass the credit reporting regulations to strengthen credit reporting (such as to expand coverage, improve data quality, and enforce reporting).	High	Short	BoG
	42	Review and amend the Credit Reporting Act (2007) and other relevant legislation on the provision of credit.	Medium	Medium	BoG
	43	Leverage the potential of big data and alternative data to boost the effectiveness of credit reporting, including through partnerships with specialized fintech companies and changes to the regulatory framework to facilitate the collection, processing, and distribution of digital data.	Medium	Long	BoG
	44	Complete a demand-side side financial inclusion survey to gauge progress on financial inclusion.	High	Short	BoG, MoF

Objective	#	Action(s)	Priority	Term	Lead
Strengthen the secured transactions and collateral frameworks	45	Pass the draft Borrowers and Lenders Bill and update associated regulations and rules to create a unitary regime for secured transactions.	High	Short	
	46	Upgrade the collateral registry by assessing the current system and implementing priority enhancements (e.g., creating a streamlined fee-based system through an online payment gateway and upgrading the web-based platform to enable interoperability with other systems).	Medium	Medium	MoF
	47	Educate government actors, legislators, and financial institutions, and build institutional and market capacity on a modern secured transactions system to increase movable asset-based lending, unlocking the potential of underused assets.	Medium	Medium	BoG
Strengthen the insolvency regime	48	Modernize the legal framework for corporate insolvency (Act 708) to reflect international best practice.	High	Medium	BoG
	49	Develop an out-of-court debt restructuring framework.	Medium	Medium	MoF/MoTI/ MoJ
	50	Strengthen standards and regulations for insolvency practitioners	Medium	Medium	BoG
	51	Reinforce judicial education and training	Medium	Long	MoJ

PILLAR IV: FINANCIAL CONSUMER PROTECTION
Instill confidence in financial products and services, and increase accountability

Objective	#	Action(s)	Priority	Term	Lead
Enhance the regulatory and institutional framework for financial consumer protection	52	Develop and issue disclosure and product transparency rules for all retail products and services, including the ones delivered through digital means.	High	Medium	Industry and regulators
	53	Improve the transparency of interest rates and fees by developing a standard methodology for the calculation and disclosure of the effective interest rate.	Medium	Medium	BoG, NIC
	54	Amend the Insurance Act (Act 724) to provide NIC with an explicit mandate for financial consumer protection and include specific financial consumer protection provisions.	Medium	Medium	MOF
Build oversight capacity	55	Develop and implement a market conduct supervision strategy, including a supervisory approach and activities.	High	Short	NIC, MoF
	56	Develop EDR manuals, build staff capacity, and upgrade systems to effectively handle the recording, workflow management, and reporting of disputes.	Medium	Medium	BoG
	57	BoG and the NIC should assign specialized and dedicated staff members for their existing complaints-handling functions.	High	Medium	BoG, NIC
	58	Establish an adjudication committee at the National Health Insurance Authority, and ensure that private health insurance schemes have procedures for settling complaints from members and health care providers.	High	Medium	NHIA

PILLAR V: FINANCIAL CAPABILITY Increase capability, awareness, and use of financial products and services					
Objective	**#**	**Action(s)**	**Priority**	**Term**	**Lead**
Increase the understanding of financial products and capability to manage personal finances	59	Improve coordination of financial capability programs, including by building the capacity of the Ministry of Finance to monitor and evaluate programs.	Medium	Long	MoF
	60	Review existing financial capability and education initiatives, and develop a comprehensive financial capability and education strategy with a costed action plan.	High	Medium	MoF
	61	Design and implement a national financial capability campaign that targets excluded groups (rural residents, farmers, youth, poor, women, and so on) using major channels and local languages and prioritizing key products and services (e.g., micro insurance, Tier 3 pension schemes, mobile money, and consumer protection).	Medium	Medium	MoF
	62	Introduce financial capability and education curriculum in schools.	High	Long	MoF, Regulators, Associa-tions

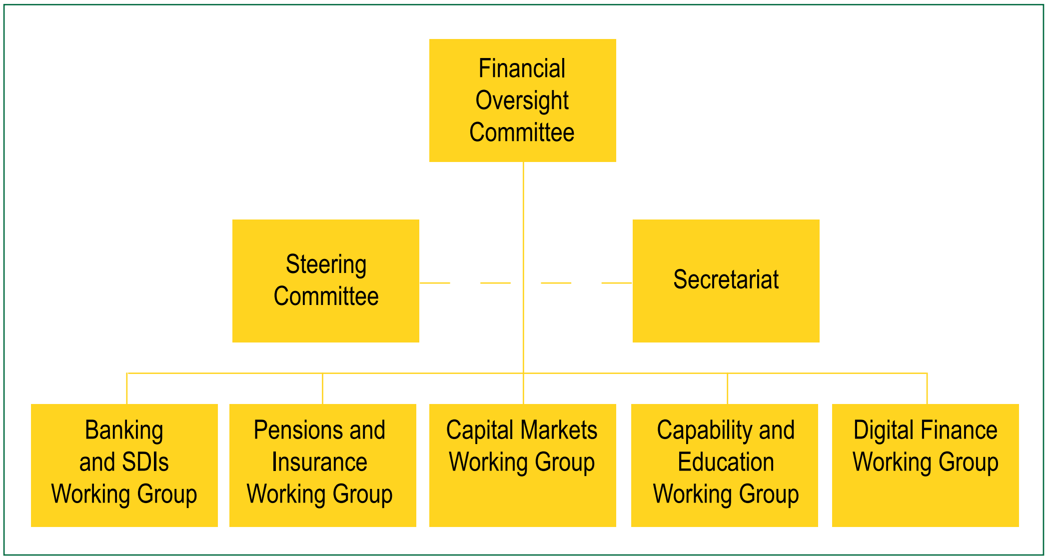
Short term: 1–2 years after approval of strategy
Medium term: 2–4 years after approval of strategy
Long term: 4–6 years after approval of strategy

APPENDIX B: Implementation Framework

Coordination and Implementation Mechanism

To operationalize the NFIDS and coordinate efforts, the Steering Committee agreed to establish an inclusive governance arrangement that includes all levels and types of stakeholders, from policymakers to technical staff across both the public and private sector. More specifically, the NFIDS has established a three-tiered governance structure, including an oversight committee comprised of high-level officials, a Steering Committee, and a Technical Secretariat (Figure 15). MoF's Financial Sector Division (FSD) will act as the Technical Secretariat. There are also technical working groups which are responsible for thematic areas (e.g., banking, pensions and insurance, capital markets).

Figure 15: NFIDS Governance Structure



NFIDS Governance Structure Membership and Roles and Responsibilities.

Membership of the NFIDS Council

- Minister of Finance (Chairman)
- Governor of the Bank of Ghana (Vice Chair)
- Minister of Education
- Minister of Communication
- The Chief Executive Officers of:
  - – The Securities Exchange Commission
  - – The National Pensions Regulatory Authority
  - – The National Insurance Commission
  - – The National Communication Authority
- Representatives of:
  - – The Ghana Bankers Association
  - – The Ghana Insurance Association
  - – The Ghana Chamber of Corporate Trustees
  - – The Ghana Security Industry Association
  - – Ghana Chamber of Telecommunications

Roles and Responsibilities of the NFIDS Council

The Council has the mission to foster financial inclusion and development. Its purpose is to ensure effective leadership and coordination of public and private stakeholders' efforts. It is also pivotal in the implementation of actions that are outside the financial sector, such as improvements in core infrastructure (e.g., the telecommunications and electricity services) in order to facilitate the expansion of digital financial sector and enable overall development of the financial sector.

The Council is responsible for securing political support needed for a successful implementation of the NFIDS. Specific responsibilities of the Council include the following:

- Approving the NFIDS;
- Setting overall policy and providing strategic direction to all stakeholders;
- Making recommendations for the earmarking of funds to support NFIDS activities;
- Regularly monitoring the NFIDS implementation progress, including establishing transparent monitoring indicators to measure progress towards the objectives of the NFIDS;
- Clarifying policy-related issues arising from implementation of the NFIDS;
- Spearheading efforts to pass legal reforms necessary to achieve the objectives of the NFIDS;
- Securing higher level political support for implementation of NFIDS; and
- Advising the Government on the best way forward to implement NFIDS, as needed;

Membership of the NFIDS Steering Committee

- Ministry of Finance (Chair)
- Ministry of Education
- Ministry of Communication
- Ministry of Planning
- Bank of Ghana
- Securities Exchange Commission
- National Pensions Regulatory Authority
- National Insurance Commission
- National Communication Authority
- Ghana Bankers Association
- Ghana Insurance Association
- Ghana Chamber of Corporate Trustees
- Ghana Security Industry Association
- Ghana Chamber of Telecommunications

Roles and Responsibilities of the NFIDS Steering Committee

The NFIDS Steering Committee provides advice and support to the NFIDS Council. Its specific responsibilities include the following:

- Advising the Council on broader policy and strategic issues on the implementation of the NFIDS;

- Advising and supporting the NFIDS Technical Secretariat and other stakeholders on the implementation of the NFIDS;
- Setting up, on a need basis, sub-committees to facilitate implementation of specific NFIDS measures.
- Ensuring that NFIDS stakeholders are consulted with respect to individual projects;
- Ensuring that monitoring and evaluation indicators for each project, and for the NFIDS as a whole, are appropriate and kept up-to-date as the NFIDS evolves;
- Bringing to the attention of the Council situations where the Council's intervention is needed to remove obstacles to implementation of the NFIDS; and
- Carrying out such other duties that the Council may assign from time to time.

NFIDS Technical Secretariat

MoF's Financial Sector Division will act as the Technical Secretariat.

Roles and Responsibilities of the Technical Secretariat

The Technical Secretariat provides secretarial support to the NFIDS implementation and continuously collect, assess and disseminate information on the progress of the NFIDS. Specific responsibilities of the Secretariat are as follows:

- Calling for meetings, coordinating activities, collecting and evaluating data on access and usage of financial services, and monitoring implementation of the NFIDS;
- Regularly taking stock of completed and ongoing NFIDS measures in order to monitor and report on the implementation progress;
- Coordinating knowledge sharing events;
- Building and maintaining a financial inclusion and development information database, analyzing and disseminating information, including through national financial inclusion and development reports, as directed by the Council/Steering Committee;
- Proposing to the Council/Steering Committee improvements to the NFIDS Action Plan or in the headline targets and indicators; and
- Carrying out other activities as directed and assigned by the Steering Committee.

Stakeholder Roles and Responsibilities

The achievement of the NFIDS' outcomes will require sound implementation arrangements, including effective governance framework, stakeholder adoption and coordination, implementation support, and monitoring and evaluation.

Governance Framework

The purpose of the NFIDS governance framework is to guide the design, implementation, and evaluation of the NFIDS efforts. A common role of the Council, Steering Committee, Working Groups, and Secretariat's work is to facilitate regular consultation with Government and private sector stakeholders to ensure that the NFIDS' priorities continuously reflect national consensus about key issues impacting financial inclusion and also financial sector advances that have the potential to impact financial inclusion. After NFIDS adoption, the Governance Framework will act as conduit for aligning various interests and ensuring strong implementation support as well as monitoring and evaluation. It will be important to ensure that the membership of the Steering Committee and working groups continuously includes relevant market players and reflects developments in the marketplace (for instance, new entrants and providers of innovative products and services).

Stakeholder Adoption and Coordination

Stakeholder buy-in and implementation coordination is essential to the operationalization of the NFIDS. Once a common agenda vis-à-vis the NFIDS is agreed upon, the various stakeholders will need to embrace and adopt the proposed agenda. If the NFIDS and its proposed actions are a side agenda to various ministries and financial sector stakeholders, little progress will made be made on implementation. Part of the coordination efforts entails ensuring that the NFIDS working groups are inclusive of all stakeholders. Additionally, regular and open dialogue with development partners is critical to coordinating support.

Implementation Capacity and Funding

Effective implementation requires not only a robust governance arrangement with clear responsibilities and stakeholder adoption and coordination, but also adequate capacity and funding. As highlighted in the Action Plan Matrix, actions are assigned to specific regulators and government entities that have other responsibilities beyond the implementation of the NFIDS. Therefore, it will be necessary to provide additional implementation support to ensure timely implementation of the actions. To this end, it is envisioned that MoF will play an active role in the mobilization of internal and external resources to support the NFIDS.

The additional implementation support complements ongoing technical assistance in various areas priorities of the NFIDS. Areas receiving substantial donor assistance include: banking and SDI supervision; bank resolution and deposit protection scheme implementation; secured transactions and credit reporting; oversight of digital financial services; pensions and insurance supervision; securities regulation; and consumer protection.

Monitoring and Evaluation

A key responsibility of the NFIDS governance framework is to develop a robust M&E framework to track progress in the implementation of the NFIDS. The M&E Framework (Table 3) will be used to gauge progress towards achieving the goals and targets of the NFIDS. Discussions of the NFIDS governance bodies should focus on results and on the identification of measures to address any implementation barriers. As part of the monitoring of NFIDS implementation, the MoF should also capture and consolidate information on ongoing initiatives (private and public) supporting NFIDS priorities.

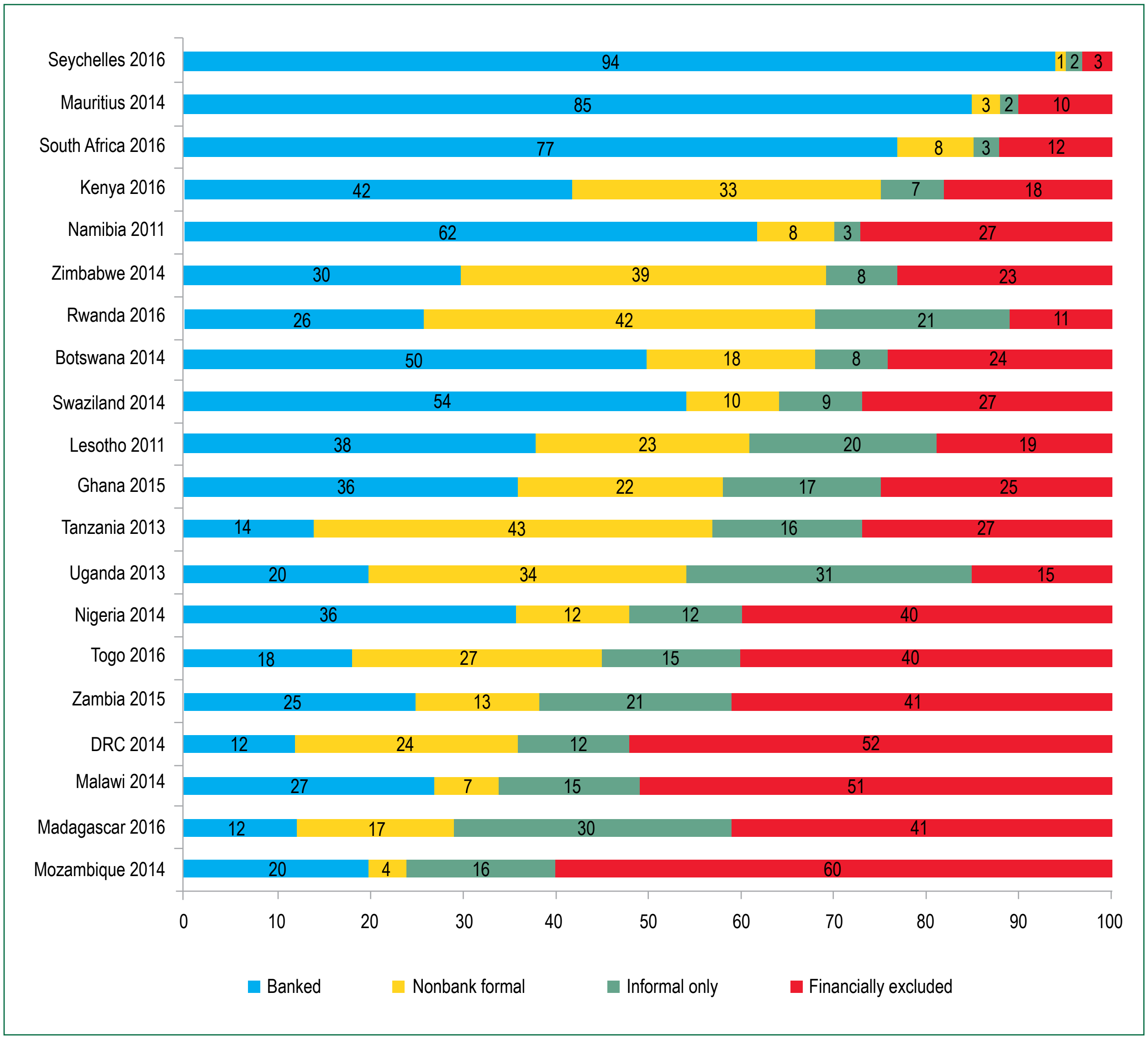
Data Collection and Institutional responsibility for M&E

The collection of data and submission of updates on the NFIDS work program implementation are critical to gauging progress on the NFIDS targets and M&E framework. As a result, the relevant government ministries and agencies, regulators, and other NFIDS-related entities must commit to sharing the requisite information on a regular basis (e.g., quarterly). To ensure such information is shared on a regular basis, the FSD will be responsible for coordinating the collection and dissemination of relevant data and information. Without effective information sharing, it will be difficult to not only monitor progress on financial inclusion, but to understand where the challenges and successes are in promoting and implementing related reforms.

To ensure that the data and information submitted to the NFIDS Secretariat is effectively used to monitor progress on the NFIDS targets and policy implementation, it is essential that the Secretariat receives support to build its capacity. This should entail upgrading of technical skills and systems to collect, consolidate, and disseminate the information shared by stakeholders.

APPENDIX C:

Financial Inclusion in Selected Sub-Saharan African Countries



Source: FinMark Trust

APPENDIX D:
Review of the Banks and SDIs Act (Act 930)

Official administrator. Official administration should be limited to systemic situations; for non-systemic situations, the Bank of Ghana must appoint a receiver and immediately initiate the resolution process. Article 107.

Receiver vs. official administrator. Bill should be clearer regarding the triggers for appointing an "official administrator" or a "receiver". Criteria to define systemic and non-systemic situations should be set. Article 107 and 123.

Powers of the receiver. Powers of the receiver regarding resolution alternatives should be limited to the total or partial exclusion and transfer of assets and liabilities; the "bridge bank" alternative should be considered only for systemic cases. Article 127.

Time limits. The receiver should have a limited period of no more than 30 or 60 days in order to apply the exclusion and transfer of assets and liabilities.

Participation of the Deposit Protection in the Bank Resolution process. It must be clearly defined that the Deposit Protection may contribute under the lesser cost rule (subject to alignment with the Deposit Protection Act).

Legal protection. Legal protection for officials who participate in the Bank Resolution process should be strengthened.

APPENDIX E:

Effective Interest Rates and Spread Decomposition

Banking System Only (Excluding SDIs and Other NBFIs)

	2010	2011	2012	2013	2014	2015
Rates						
Lending	24.8	19.3	20.1	20.2	21.8	23.9
Deposit	7.2	4.9	5.1	6.5	7.9	9.1
Spread	**17.6**	**14.4**	**15.0**	**13.7**	**13.9**	**14.8**
Reserves	2.2	1.7	1.8	1.8	2.2	2.4
Operating costs	12.2	8.4	8.0	8.3	6.7	8.0
Provisions	2.3	1.5	1.7	1.9	1.9	3.0
Tax	0.2	0.8	0.9	0.5	0.8	0.4
Profit	0.6	2.1	2.6	1.2	2.3	1.0

Source: BoG; World Bank Staff Calculations