GHANA COMMERCIAL BANK LIMITED

Quarterly Economic Review

APRIL — DECEMBER 2009 VOL.30 NO.4

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Introduction

The banking sector is considered very vital in any economy. This is because there is a positive linkage between the banking sector and the growth of an economy. This positive linkage has been given credence by some renowned economists and financial analysts. Developments in the banking industry lead to growth in businesses which tend to impact positively on economic growth and development. Rapid advancement in Information and Communication Technology (ICT) has had a profound impact on the banking industry and the wider financial sector. The ICT has become a necessary tool that facilitates banks' businesses, customer services and other related functions.

Customers have become sophisticated. Their needs and expectations have been changing with time, thereby exposing the banking industry to more challenges. Banks have therefore responded to the changing needs of the customer, thereby moving from the manual system of operations to more sophisticated Information Communication Technology (ICT) applications in their service delivery. Undoubtedly, the integration of the banking sector and the information communication technology industry has benefited the customers with respect to time, cost and operational efficiency.

Cheque is the most widely accepted negotiable instrument used in the banking system to settle transactions. Paper cheques provide individuals and businesses with alternative payments mechanism. Today, lots of cheques are written and processed on daily, weekly, monthly and yearly basis. Cheques drawn payable to a third party must sometimes go through the clearing system. A Clearing system is a set of procedures whereby financial institutions present and exchange data and/or documents relating to funds or securities transfers to other financial institutions at a single location called a clearing house. The procedure often include a mechanism for the calculation of the participants' bilateral and/or multilateral net positions with a view to facilitating the settlement of their obligations on a net or gross basis.

Over the years, consumers and businessmen have remained confident and satisfied with the use of cheques. However, cheque processing is experiencing a radical change, as the financial institutions and their customers now have more efficient ways to process and clear cheques. To respond to this change, financial institutions and many countries have developed and implemented an image-based cheque clearing system to render fast and more efficient service. Countries like the United States of America (USA), India, Oman, Thailand, and Botswana, just to mention few, have implemented the image-based cheque clearing system.

Until recently, the interbank cheque clearing system in Ghana was a fully manual paper-based operation. The method was cumbersome and clouded with delays, thereby affecting efficient market operations. Business transactions, involving the use of cheques for clearing, were fraught with delays since the receipt of money into customers' accounts depended on the clearing cycle. Also, the increases in daily cheque volumes resulting from growth in business transactions and economic activities, have added more burden to the banks. This in a way dimmed the banks' efforts to achieve excellence in their service delivery.

These problems associated with the manual clearing system are expected to be resolved under the codeline cheque truncation, also known as electronic cheque clearing system. This modernised clearing system is being introduced by the Bank of Ghana in collaboration with the Ghana Inter-bank Payments and Settlement System (GHIPSS).

Bank of Ghana and the Cashless Transaction Syntax

The Bank of Ghana in its bid to promote a cashless society is embarking on many innovative channels and developments. The Biometric Smart Card (E-zwich) was launched by the Bank of Ghana in April 2008, with the aim of moving the Ghanaian economy to electronic payment system to address the physical handling of cash in transaction activities. In collaboration with the Ghana Association of Bankers, the Bank of Ghana has established the Ghana Inter-bank Payments and Settlement System (GHIPSS). The GHIPSS has offered the following payment and settlement system infrastructure; National Switch (the Common Platform), Real Time Gross Settlement System (RTGS), and Automated Clearing House (ACH). In the light of these, the cheque codeline truncation is conceived to make a significant contribution towards the achievement of the cashless society. In this direction, GHIPSS would continue to provide efficient, robust and modern payment system infrastructure, which is expected to significantly reduce the usage of cash for business transactions, and move the economy towards electronic payments system.

Electronic cheque clearing system and the Automated Clearing House (ACH) Network

Electronic Cheque Clearing System is a cheque clearing system between two financial institutions through electronic device that is able to read data on the cheque(s) and send them to the clearing house for net settlement. An electronic cheque, on the other hand, is a form of payment used in e-commerce (the use of network technology, more specifically Internet technology, to carry out business functions). It functions in the same way as a paper cheque, and acts as a message for a bank to transfer funds to a third party. However, it has a number of security advantages over conventional cheques, since the account number can be encrypted and used to validate the payer, the payer's bank, and the account. A cheque in electronic form contains the exact mirror image of a paper cheque, and is generated, written and signed in a secure system ensuring the minimum safety standards with the use of digital signature (with or without biometrics signature) and asymmetric crypto system. A bill of exchange on the other hand is an instrument in writing, containing an unconditional order, signed by the maker, directing a certain person to pay a certain sum of money only to and to the order of a certain person or to the bearer of the instrument. The requirement of writing and signing are easily satisfied by the recognition of electronic documents and digital signatures.

The effectiveness of the electronic cheque clearing system depends on the presence of an electronic clearing house (ECH). An electronic clearing house is a place where representatives of member banks meet at specified times, to exchange instruments, electronic information and calculate the net balances against each other. It acts as a center for exchanging cheques between member banks, and setting regulations concerning inter-bank electronic cheque clearing. Furthermore, there should be a well-organized automated clearing house (ACH) network. The ACH network is highly reliable and efficient nationwide electronic funds transfer system for participating depository financial institutions. The American Clearing House Association, Electronic Payments Network, Federal Reserve and Visa act as ACH Operators, are central clearing facilities through which financial institutions transmit or receive ACH debits and credits. The ACH Network is commonly used for direct deposit of payroll and government benefits such as Social Security, direct payment of consumer bills, business-to-business payments, federal tax payments, and, increasingly, e-commerce payments.

It is also important to understand and appreciate the basic tenets of a negotiable instrument and its implications on the codeline cheque with truncation. A negotiable instrument is a specialized type of 'contract' for the payment of money that is unconditional and capable of transfer by negotiation. It consists of three types of instruments namely, promissory note, bill of exchange and cheque. As said earlier in this write-up, the major focus is cheque, as it is the mostly used negotiable instrument. A cheque is a bill of exchange drawn on a banker and expressed to be payable on demand. In other words, it is a written order from one party (the drawer) to another (the drawee, normally a bank) requiring the drawee to pay a specified sum on demand to the drawer or to a third party specified by the drawer. It may be used for settling debts and withdrawing money from banks.

Cheque truncation: This is a process by which the collecting banker sends a digital image which includes information and signature of drawer to the paying banker to verify for the completion of a cheque. Under this process, a cheque is abridged during the course of a clearing cycle, either by the clearing house or by the bank paying or receiving payment, immediately on generating an electronic image for transmission, thereby substituting the further physical movement of the cheque in writing. After the paying banker has honoured payment of the truncated cheque (electronic image), the collecting banker is entitled to retain the physical cheque, while the paying banker keeps the image-based cheque. At the end of the transaction, a certificate issued on the foot of the printout of the electronic image of the truncated cheque by the paying banker, is a prima facie proof of such payment.

Codeline Clearing in Ghana

The Ghana Interbank Settlement (GIS) system is a real time gross settlement system for the handling of large value inter-bank payments in Ghana. The system was launched and became fully operational on October 11, 2002. It is a highly secured funds transfer system which uses the Society for Worldwide Interbank Financial Telecommunication (SWIFT) service for domestic interbank funds transfers. Settlement is effected on gross and on real-time basis. Payments made are final and irrevocable. Currently, the GIS handles interbank funds transfer by banks on their own account and high value funds transfer on behalf of and for the credit of customers of banks.

The smooth flow of funds across the financial system depends on an efficient arrangement for the transmission, clearing and settlement of payments in a risk-free environment. Hence, the Bank of Ghana has strived relentlessly to provide arrangements for the timely and secured settlement of high value domestic payments. The introduction of the GIS system is in line with the central bank's policy programme to provide an efficient and safe means of domestic funds transfer that would greatly reduce payment float and also enhance the implementation of monetary policy.

At the moment, participation in the GIS system is limited to licensed clearing banks in Ghana who are members of the SWIFT. The system operates every working day between 8.30 am and 14.55 pm and ensures that payments are delivered and settled in real-time to the credit of the ultimate beneficiary the same day. In the event where a customer transfer is received less than one hour before the initial cut-off, the customer will be given value within 30 minutes of start of GIS the following working day. The system, which is owned and operated by the Bank of Ghana, is a systematically important one and complies with the Bank for International Settlement (BIS) core principles for payment systems.

Clearing Houses

The clearing of cheques and paper credit vouchers is handled by the eleven clearing houses distributed throughout the Country. The clearing houses are jointly owned by the Bank of Ghana and the banks. The Bank of Ghana operates six of them whilst the remaining five are operated by commercial banks acting as agents of the Bank of Ghana. The Accra Clearing house which handles approximately 73% of the total volume of instruments cleared nationwide is automated. The remaining ten clearing houses are manual as the volumes of instruments handled are low.

Retail Debit Clearing System: Cheques and other paper-based debit instruments are the most widely used non-cash payment media in Ghana. These instruments include personal and corporate cheques, payment orders/ banker's drafts, debit notes, dividend and interest warrants, travellers cheques and commission vouchers. Cheques constitute the most dominant payment instrument. On regular basis, individuals and businesses issue cheques to pay for bills, goods and services and other activities. On the average, about 18,000 cheques with a value of around GH¢450 million are cleared daily throughout the Country. The clearing cycle for cheques and other debit instruments depending on the proximity of the presenting bank to the clearinghouse is tabled below.

ZONE	VALUE DAY
Inner Zone	Day of deposit plus 2 working days
Outer Zone	Day of deposit plus 4 working days
Inner-Inner Zone (from one inner zone to another)	Day of deposit plus 4 working days
Outer-Outer Zone (from one outer zone to another)	Day of deposit plus 7 days

Retail Credit Clearing System

The inter-bank credit clearing system was introduced in July, 2004 to complement the "debit pull" instruments. The credit clearing system, like the popular GIRO in Europe, is based on the "credit push" principle. It has the advantages of a shorter clearing cycle and less risk of fraud from tampering. Currently, credit transfer vouchers are cleared manually throughout the Country since the volumes are relatively low for any efficient automation. The clearing cycle for credit transfer vouchers, depending on the proximity of the presenting bank to the clearinghouse is tabled below.

ZONE	VALUE DAY
Inner Zone	Day of deposit plus 1 working day
Outer Zone	Day of deposit plus 2 working days
Inner-Inner Zone (from one inner zone to another)	Day of deposit plus 2 working days
Outer-Outer Zone (from one outer zone to another)	Day of deposit plus 5 working days

The stakeholders of Ghana's payment system are the Central Bank, the commercial banks, service providers and users of the system. The Central Bank occupies an important and unique position in the payment system. It is an overseer, operator and a participant of the payment system. The commercial banks participate in the system by making and receiving payments on their own behalf or their customers. The service providers are the printers of payment instruments and telecommunication companies who provide the infrastructural arrangements for the payment system. Notwithstanding the unique role of each stakeholder, all of them are users of the payment system, including the banking public.

Cheque Codeline Clearing and Truncation - The Ghana Interbank Payment and Settlement System (GHIPSS) in September 2009 launched an electronic cheque clearing system dubbed Cheque Codeline Clearing (CCC) and Truncation. This system is believed to enhance efficiency, reliability and timeliness in the clearing of cheques, and eventually phase out the current manual paper clearing system. Prior to this, cheques to be cleared were transported to clearing houses and physically exchanged among member banks, which made their handling and processing costly, insecure and time consuming lasting for a minimum of three (3) days within the inner clearing zones, and about nine (9) days outside the inner zones.

A paper dubbed, “Banks' Swift and Sort Codes and Classification of Cheque Clearing Zones”, released in September 2009 by the Bank of Ghana has indicated a framework relating to codeline cheque clearing. According to the Bank of Ghana, this system will facilitate the efficient clearing and settlement of inter-bank payment instruments throughout the Country. Cheques and other debit payment instruments have been standardized to make them amendable to automated processing. Hence, all paper instruments presented to the clearing house must be MICR-encoded. As part of these reforms, each bank branch has been given a unique 6-digit sort code, which identifies the bank, location and branch number (and assigned to one of eleven clearing houses operated by the Bank of Ghana). Branches within easy reach of the clearing centre are classified under “Inner Zone” while those further away are classified under “Outer Zone”.

In addition, Swift Codes for banks have also been provided in the document.

The sort codes are allocated based on pre-defined criteria to identify the bank, the clearinghouse to which it is allocated and the branch number.

For example, the sort code “01- 02- 03”

- The first two digits (01 in the example above) represent the **bank's** sort code.
- The second two digits (02 in the example above) represent the **clearing zone** in which the branch is located.
- The last two digits (03 in the example above) together represent the **branch's code**.

The branch codes are usually allocated by the respective banks using their own criteria and communicated to the Banking Supervision Department of Bank of Ghana. For example, the code 01 may be assigned to the oldest branch in the clearing zone or to the largest branch.

The Clearing Cycle - The times within which value will be given to a payment instrument is referred to as the ***clearing cycle.*** These are determined according to the location of the paying and collecting bank branches.

Presently, the following clearing cycles apply for debit and credit instruments:

ZONE	CHEQUES AND OTHER DEBIT INSTRUMENTS	PAPER CREDIT INSTRUMENT
Inner zone	Day of Deposit plus 2 working days i.e. 3 days	Day of Deposit plus 1 working day
Outer zone	Day of Deposit plus 4 working days	Day of Deposit plus 2 working days
Inner - Inner Zone (i.e. from one out zone to another)	Day of Deposit plus 4 working days	Day of Deposit plus 2 working days
Outer -Outer zone (i.e. from one outer to another)	Day of Deposit plus 7 working days	Day of Deposit plus 5 working days

Since September 16, 2009, banks in Accra and Tema clearing zones (inner zone) have been clearing their customers' cheques through the fully-automated cheque codline clearing system. Cheques throughout the country will now clear in two days, as the Cheque Codeline Clearing system becomes operational nationwide from January 15, 2010. This was indicated by the Ghana Inter-bank Payment and Settlement Systems (GhIPSS). Under the current cheque codeline clearing system, the clearing cycle for cheques is Day of deposit (D) plus one day (D+1). The clearing process is as follows:

Day One (D) Customer deposits or pays in the cheque at the bank (D). **Day Two (D+1)** Banks present cheques collected from previous working day to the Clearing House and processing is completed by 9.00 a.m. and banks receive value in their accounts at Bank of Ghana.

Banks on receipt of inward cheques have to decide on whether to honour the cheques or not. Cheques that will not be honoured are returned to the Clearing House. Banks present returned cheques to Clearing House and processing is completed by 4.00 pm after which the value of returned cheques are debited to the accounts of banks. The clearing process is therefore completed by 4.00 pm on the same day (D+1) that cheques are submitted to the Clearing House by the banks. Banks are expected to credit the accounts of their customers with the proceeds of cheques collected soon after the end of the clearing cycle.

Challenges

The collecting banker retains the physical cheques, while the paying banker debits customer upon receipt of the scanned cheque (truncated cheque). The major problem or challenge that the paying bankers face is that, they give value to the cheque based on the scanned results of the physical cheque. In an instance where the cheque has been *"**cloned**"* or *"**counterfeited**"*, it becomes extremely difficult to detect it, meaning the paying banker could still go ahead to pay such a fraudulent cheque. ***Counterfeit Cheques*** are not written or authorized by legitimate account holder. The existence of counterfeit cheques is supported by new technology. Thieves use printers, copiers and newest software to make clone cheques with high resemblance to the original. Many times these are hard to recognize as false even by experts.

Rights and Liabilities of Bankers - The extent of liability of the Collecting and the Paying Banker has been clearly laid down under the Bill of Exchange Act. This must be extended to the electronic cheques clearing system. Incorporating the rights and liabilities of collecting and paying bankers in the codeline cheque clearing system would clarify the rights and liabilities of the banks.

Conclusion

Developments in the banking sector have led to growth in businesses and continue to impact positively on economic growth and development. As customers have become sophisticated, the individual banks are challenged to respond appropriately to their requests and needs, all to ensure their maximum satisfaction and comfort. Paper cheques which provide consumers and businesses alternative payments mechanism have been used extensively in the banking system. This practice of the manual clearing system by the banks over the past years was inundated with delays and other challenges. To address this, many countries have implemented the image-based cheque clearing system. A notable advantage of this system is the timely manner in which value is given to cheque(s) that are presented for clearing.

Ghana's move to implement the codeline cheque truncation was to respond to the delays in the manual cheque clearing system, take advantage of the changing paradigm in the banking environment and to further encourage growth of banks in the Country. It is important to note that few challenges would unfold as we make effort to embrace the new system. Very critical to this is the challenge of cheque cloning or cheque counterfeiting, which can result in conversion.

Banks are charged to take advantage of this new facility to improve payment system in the Country and make it impact positively on economic development. Thus, in a highly competitive and globalised economic environment, it is incumbent on the financial sector to promote efficiency and speed up economic activities, the reason for which the codeline cheque truncation system was relevant. In respect of this, the Bank of Ghana continues to take measures to improve the financial sector especially, security and efficiency of payment systems by bringing it up to international standards.

SELECTED TOPIC

Short-term Investments in Government Bills and its Impact on Government Finance

Introduction

The public has interest in government bills. Government bills such as 91-Day Treasury bill, 182-Day Treasury bill and One Year Note serve as short term investment instruments for the general public. In a broader perspective, the general public can be grouped into two - individuals and institutional investors, in the investment setting. Though, the two groups may have differences in their investment objectives, they generally aim at achieving "good" returns on their investments. Government bills or securities provide risk-free investment platform as default rate is almost non-existent or zero. In view of this, risk-averse individuals and institutions mostly prefer to invest in government bills. Others also invest in government bills in order to diversify their investment portfolios. The public investments in government securities, that is, both short-term and long-term, constitute borrowings to the government.

Governments, on the other hand, borrow to fund the fiscal budget and to retire maturing debts among others. At various times, governments borrow from the general public and other sources (overseas) to support their financial and economic activities. The borrowing results in debts which have to be settled. Governments spend on health, education, social security payments, road construction and rehabilitation and housing among others. Governments at the same time receive revenue mainly from taxes on income, duties, Value Added Tax (VAT) receipts, divestiture receipts, etc. Given that government revenues do not normally cover its expenditures, and there is a need to retire existing debts, it becomes necessary for the government to borrow.

The impact of public Investment in short-term government securities and government finance

Revenue mobilization through tax collection, foreign aid, sale of government securities on one hand, and expenditure outlays on the other, all toward the achievement of broad economic goals and development have remained a major role of many governments. These tasks are well performed through agents of the government and other private institutions. Public investments in government securities have greater implications on money supply as identified by many economists. In his book, "the Monetary and Financial System, Bankers Workbook series", Incoom S.E. (1998), underscored that the government is linked with the public via two ways;

- The public makes payments to the government in settlement of their tax obligations or for purchasing government securities and public goods. Such payments tend to reduce the level of bank deposits or money in circulation and hence increase government revenue.

- The government also continuously makes payments to the general public in settlement of goods and services purchased, transfer payments, and debts. These payments tend to increase the level of bank deposits or money in circulation, and hence increase government expenditure.

Mass payments from the general public to the government including those investments in government securities, in the short run, provide funds to the government; reduce money in circulation and consequently moderate inflation. Once the public invests in government securities, they suspend current consumption. Furthermore, there is a time lag between the receipts of government funds or revenues and government spending. Once the funds are held in the government account, money in circulation reduces and hence inflation slows down. Thus, excess money in the hands of the general public which tends to increase the purchasing power of the average citizen can be reduced when the general public invests in government securities through the banks. Hence, investments in these securities tend to reduce demand for consumable goods as marginal propensity to save generally increases. If the banks invest in government securities, its effect on money supply and inflation is very substantial.

When the government spends these monies on projects and infrastructural developments, it tends to be inflationary. Projects and infrastructural developments take a longer period to complete, and as such, for the nation to realize their full benefits. However, embarking on these projects by the government tend to put readily spendable monies at the disposal of the contractors and workers engaged. Also, the interest components of these securities paid by the government on periodic basis have the effect of increasing money supply and as such inflation.

Financing the Budget Deficit

In their write-up on the Causal linkages between Government Revenue and Spending: Evidence from Ghana, by Amoah B. and Loloh F.W (2008), the four ways of financing government budget deficit and how they impact on the economy were identified. According to them the public finance literature recognizes four broad means through which a country can finance its budget deficit;

- it can run down its cash reserves,
- it can sell some of its assets like properties, shares in companies, and even enterprises,
- it can print more currency, which in turn will increases money supply, and
- it can also borrow from central and/or Deposit Money Banks (DMBs) or from the general public internally and externally.

They noted that each method employed in financing the deficit has its own economic implications. For instance, whilst external borrowing increases an economy's external debt and therefore high interest payments, domestic borrowing does not only raise domestic debt profile but it also impinges on inflation and interest rates and hurt the long run growth path of the economy.

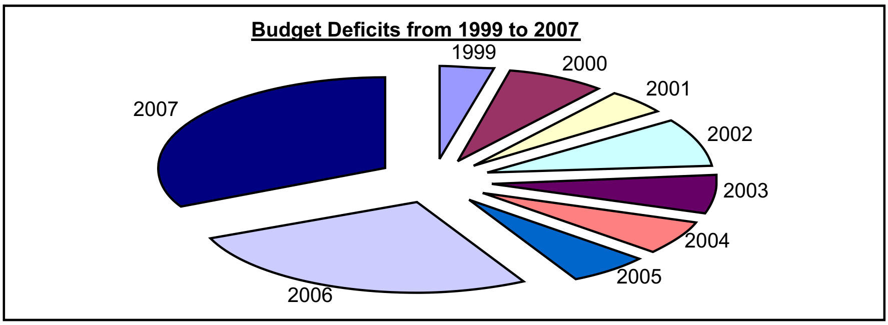
Their write-up further indicated that the Government of Ghana over the years has utilized, more or less, all the four means, but the major source of financing the budget deficit has been borrowing from both the banking and the private sector (Domestic sources) which, for the study period, averaged about 70% of the overall deficit financing.

Sources of financing of Budget Deficit

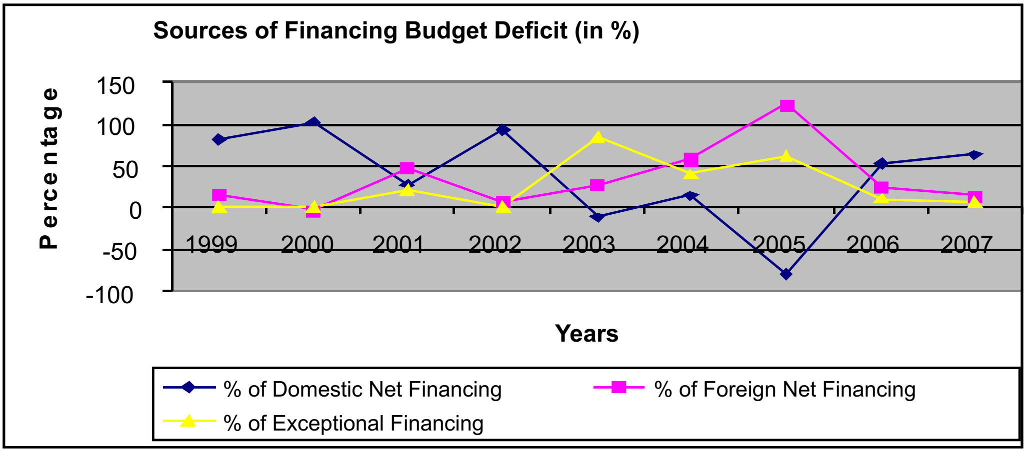
Year	Overall Budget Bal (GH¢ Million)	% of GDP	% of Domestic Net Financing	% of Foreign Net Financing	% of Exceptional Financing
1999	-133.97	6.5	83.0	17.0	0.0
2000	-234.09	8.6	102.4	-2.4	0.0
2001	-166.08	4.4	29.2	48.4	22.3
2002	-298.64	6.1	92.7	7.3	0.0
2003	-232.93	3.5	-10.6	27.0	83.6
2004	-221.34	2.8	15.1	57.3	41.1
2005	-190.02	2.0	-80.0	124.4	60.7
2006	-897.09	7.8	53.1	25.1	10.3
2007	-1,132.19	8.1	63.0	14.0	8.1

Source: Bank of Ghana Statistical Reports

The overall budget deficit increased from GH¢133.97 million constituting 6.5% of Gross Domestic Product (GDP) in 1999 to GH¢1,132.19 million, 8.1% of GDP in 2007.



Domestic financing of the budget deficit in 1999 constituted 83% of the overall financing or 5.4% of GDP. Out of the domestic financing of the budget deficit, 93 percent or 5.1 percent of GDP came from the banking sector, of which 21 percent or 1.1% of GDP came from Bank of Ghana. It is significant to note that by the year 2000, domestic financing of the deficit shot up to 102% of the overall financing or 8.8% of GDP; the banking sector's share came to 80% or 7.0% of GDP, and Bank of Ghana's share of the banking sector amounted to 94% or 6.6 percent of GDP. Such level of Central Bank financing of the budget deficit was consistent with the high inflation and the considerable macroeconomic instability witnessed between 1999 and 2000.



Figures supporting their claim did point out that, during the period 2000-2007, the composition of the deficit financing shifted. In 2001, the Government succeeded in traditional debt rescheduling (exceptional financing) of up to 22.3% of the overall deficit. Since 2003, exceptional financing relating to debt relief (Cologne terms) constitute a large proportion of the overall deficit financing, averaging over 40 percent between 2003 and 2007. Also, the emphasis shifted from domestic financing to external financing because of the restriction limit set by the West Africa Monetary Zone (WAMZ) on the Central Bank's ability to finance budget deficits. The period coincided with a disinflationary process and a considerable ease in interest rates path, resulting in appreciable macroeconomic stability.

Investment in Government Securities in Ghana

Investments in short-term government securities by the general public continue to provide a sizeable amount of funds to finance government budget deficits. This tells how important short-term government securities are in public or government finance.

Maturity Profile, Volume of Trade and Market Shares of outstanding Government Securities

	Dec-05		Dec-06		Dec-07		Dec-08	
	Volume (GH¢ m)	Market Share (%)	Volume (GH¢ m)	Market share (%)	Volume (GH¢ m)	Market share (%)	Volume (GH¢ m)	Market share (%)
91-Day Bill	127.7	7.3	225.0	9.1	245.5	6.62	843.0	18.6
182-Day Bill	194.0	11.0	129.9	5.3	134.0	3.61	665.3	14.7
1-Year Note	208.2	11.8	438.4	17.7	500.7	13.50	280.0	6.2
GGILBs	22.5	1.3	0.95	0.0	0.0	0.0	0.0	0.0
2-Year Instrmts.*	485.52	27.6	617.06	25.0	716.7	19.33	534.1	11.8
3-Year Instrmts.*	40.6	2.3	165.08	6.7	648.4	17.49	752.6	16.6
5-Year GoG Bond	-	-	75.66	3.1	268.8	7.25	268.8	5.9
GoG Petrol Bond	80.02	4.5	80.02	3.2	80.0	2.16	80.0	1.8
TOR Bond	105.49	6.0	157.37	6.4	110.0	2.97	110.0	2.4
Long-Term Inst**	495.23	28.1	582.58	23.6	1,004.2	27.08	1,003.0	22.1
TOTAL	**1,759.26**	**100**	**2,472.02**	**100**	**3,708.20**	**100**	**4,536.80**	**100**

Source: Bank of Ghana Statistical Release, various years
****Introduced in 2004. **Comprises long-term government stocks***

The table above shows end-of-year figures on outstanding Government securities from 2005 to 2008. The components of these securities are; 91-Day Bill, 182-Day Bill, 1-Year Note and Government of Ghana Index-Linked Bonds (GGILBs). The rest are 2-Year Instrument, 3-Year Instrument and 5-Year GoG Bond. Others such as GoG Petrol Bond, TOR Bond and Long-Term Instruments (comprise of long-term government stocks, Telekon Malaysia stock and revaluation stock) are also included.

Trend analysis indicates that the total amount of outstanding government securities increased from GH¢1,759.26 million in December 2005 to GH¢2,472.02 million in 2006, GH¢3,708.20 million in December 2007 and GH¢4,536.80 million in December 2008. Within the same period, the amount invested in short-term securities, that is, one year and below, grew from GH¢528.90 million in 2005 to GH¢793.30 million in 2006, GH¢880.20 million in 2007 and GH¢1,788.30 million in 2008. These short-term investments in Government securities constituted about 30.1%, 32.1%, 23.73% and 39.5% of the total outstanding government securities in 2005, 2006, 2007 and 2008 respectively.

Another noticeable trend in the investment in government securities was the shift in portfolio away from 1-Year Note to 91-Day Bill and 182-Day Bill especially in the year 2008, implying that investors were more interested in short-term liquidity investment.

Monthly Investments in Short-term securities

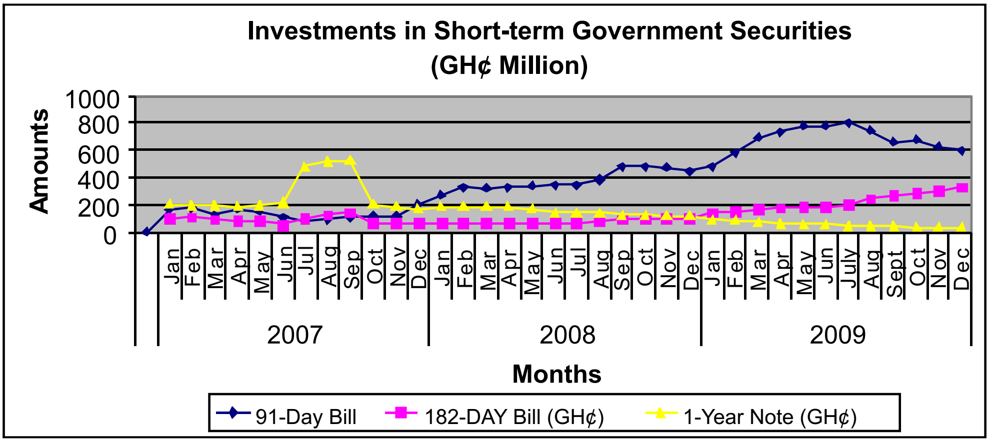
To have in-depth appreciation of the public's stake in the government short term securities, the table below shows monthly investments in 91-Day Bill, 182-Day Bill and 1-Year Note with corresponding rate over the period, January 2007 to December 2009.

Public investments in Government short-term securities (in GH¢ million)

Year	Month	91-Day Bill (GH¢)	91-Day Rate (%)	182-DAY Bill (GH¢)	182-Day Rate (%)	1-Year Note (GH¢)	1-Year Note Rate (%)
2007	Jan	173.02	9.90	95.54	10.50	201.66	12.80
2007	Feb	175.33	9.70	102.86	10.60	199.39	12.50
2007	Mar	128.05	9.60	85.38	10.60	196.28	12.50
2007	Apr	169.35	9.60	77.51	10.40	183.50	12.40
2007	May	152.22	9.70	82.96	10.30	194.08	12.30
2007	Jun	109.73	9.70	53.32	10.40	210.13	12.30
2007	Jul	83.30	9.80	98.30	10.40	480.70	12.30
2007	Aug	89.40	9.80	129.30	10.40	513.50	12.30
2007	Sep	106.60	9.80	147.00	10.40	525.30	12.30
2007	Oct	117.60	10.60	64.20	10.40	209.20	12.30
2007	Nov	115.70	10.60	62.10	10.50	185.30	12.30
2007	Dec	201.00	10.60	63.80	10.80	171.40	12.30
2008	Jan	268.00	10.80	65.80	11.00	185.90	12.30
2008	Feb	329.30	10.80	59.70	11.10	185.50	12.30
2008	Mar	325.80	10.88	58.70	11.51	189.50	12.50
2008	Apr	326.50	11.44	59.80	11.86	187.80	12.80
2008	May	343.20	13.19	61.00	13.86	166.70	14.50
2008	Jun	349.40	16.30	65.40	16.71	146.10	16.20
2008	Jul	349.40	19.80	65.80	20.50	146.10	19.00
2008	Aug	385.60	24.60	73.90	26.10	141.80	20.00
2008	Sep	481.80	24.80	85.50	26.40	125.80	20.00
2008	Oct	481.80	17.00	85.50	24.80	125.80	26.40
2008	Nov	470.40	24.70	93.90	26.30	117.30	20.00
2008	Dec	446.40	24.70	101.40	26.20	113.50	20.00
2009	Jan	485.20	24.70	145.50	26.20	87.20	20.00
2009	Feb	578.40	24.70	152.00	26.40	82.60	20.00
2009	Mar	692.80	27.80	167.00	27.80	70.90	21.00
2009	Apr	731.90	25.70	175.50	28.00	61.70	21.00
2009	May	775.60	25.70	190.20	28.20	55.20	21.00
2009	Jun	776.80	25.80	185.70	28.60	50.90	21.00
2009	July	800.20	25.90	198.30	28.90	46.80	21.00
2009	Aug	744.00	25.90	238.80	28.90	44.10	21.00
2009	Sept	661.30	25.90	271.10	28.90	41.30	21.00
2009	Oct	678.80	25.80	287.50	28.70	39.70	21.00
2009	Nov	628.50	24.90	307.90	28.00	38.30	21.00
2009	Dec	601.90	22.50	326.30	25.30	35.50	20.00

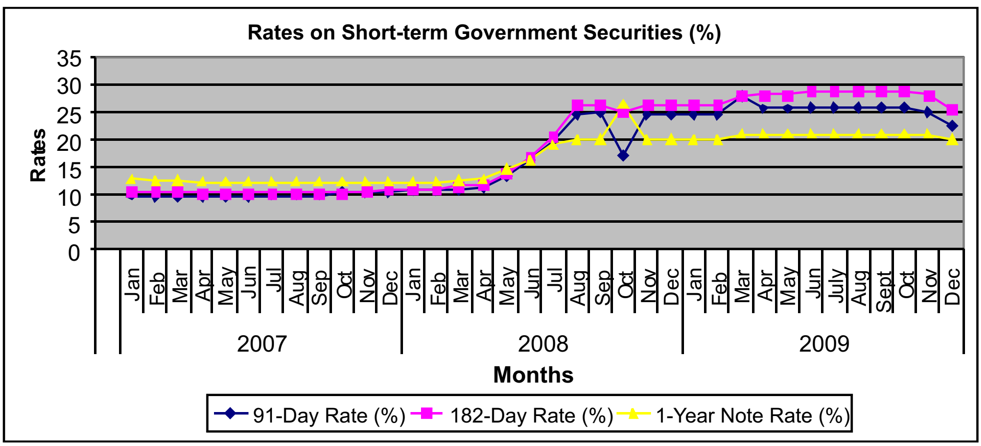
Source: Bank of Ghana Time Series Data

Generally, investment in 91-Day Treasury bill has attracted the greatest public interest as depicted on the line graph. It has shown appreciable increases over the months. Recording an investment of GH¢173.02 million in January 2007, the figure fell to its minimum of GH¢83.30 million in July 2007, after which it increased consistently to peak at GH¢800.20 million in July 2009.



The 1-Year note was highly patronized somewhere in the third quarter of 2007, after which it fell to its lows. It however, remained a little above the 182-Day Treasury bill until January 2009 from where it lagged behind the former.

In general, the rates on all the short-term securities remained low from January 2007 through to March 2008, after which they increased gradually over the period. The rate on the 91-Day Treasury bill ranged between 9.60% and 27.80%, and that of the 182-Day Treasury bill increased from 10.30% to 28.90% over the period considered. The rate on the 1-Year note was relatively stable and hovered around 12.30% and 26.40%.



There was a positive correlation between the amounts invested in government securities and rates fixed by the monetary authorities. Comparatively, investments in 182-Day Bill and 1-Year Note did not attract greater patronage by the public. However, there were some periods when investors' interest shifted from the 91-Day Bill to the 1-Year Note and the 182-Day Bill. These were periods in which the rates on these instruments were comparatively higher than the rate on the 91-Day Treasury bill, indicating that investors were very sensitive about the returns on their investments.

Conclusion

Government borrowings provide investment vehicles for the investing public. Government securities including both short-term and long-term have remained significant in budget deficit financing, even though other means such as printing of more currency have been utilized over the years. Budget deficit financing through investment by the general public has little or no impact on inflation.

Government bills or securities provide a risk-free investment platform. Because of this, risk-averse individuals and institutions prefer to investing in these securities or bills to holding cash. Other investors also hold government bills in order to diversify their investment portfolios. The immediate effect of this action is to encourage domestic savings which tends to build the nation's capital stock. On the government side, the funds borrowed from the general public via the government securities have been used to finance development projects, build infrastructure and, thus, provide enabling environment for private sector growth. These activities have a far reaching impact - accelerating economic growth and development.

Generally, investment in the 91-Day Treasury bill has attracted the greatest public interest compared to the 182-Day Bill and 1-Year Note. There has been a positive correlation between the amounts invested in these securities and rates fixed by the monetary authorities. Over the period, investments in short-term securities have contributed to more than 30% of the Government budget deficit financing. This tells why short-term government securities are important in public finance in Ghana.

International Monetary Fund (IMF) Revised Global Output Growth Forecast Upward to near 4% for 2010

The global economy which suffered from the recent financial crisis, is recovering faster than previously anticipated, with world output growth expected to rebound from the negative 0.8% in 2009 to a forecast of 3.9% for 2010, and 4.3% in 2011, the International Monetary Fund (IMF) latest forecast has indicated. The recovery is proceeding at different rates around the world, with emerging markets, led by Asia relatively vigorous, but advanced economies remaining sluggish and still dependent on government stimulus measures and packages. For the moment, the recovery is very much based on policy decisions and policy actions as indicated by the IMF. The IMF Managing Director, Dominique Strauss-Kahn, has warned that countries risk a return to recession if anti-crises measures are withdrawn too soon.

Risk appetite returning

Along with the update to its forecast, the IMF released a new assessment of global financial conditions in its Global Financial Stability Report (GFSR). It underscored that, financial markets have rebounded since the lows of March, 2009, the result of improving economic conditions and wide-ranging policy actions by governments.

The IMF holds the view that, notwithstanding the recent sell-off, risk appetite has returned, equity markets have improved, and capital markets have reopened. Nevertheless, policymakers still face extraordinary challenges as they seek to unwind the unprecedented fiscal, monetary, and financial support they provided to keep their economies and financial markets from collapsing, the GFSR update pointed out.

Strength of U.S Consumption

The World Economic Outlook (WEO) forecast held that in advanced economies, the beginning of rebuilding corporate inventories and the unexpected strength of U.S consumption had contributed to a rebound in confidence and inflation was expected to remain contained. However, high unemployment rates, rising public debt, and in some countries, weak household expenditures, present further challenges to the recovery. The IMF report iterated that the varying pace of recovery across countries called for a differentiated response in the unwinding of measures used to stimulate the economy and combat the crisis.

Due to the still-fragile nature of the recovery, fiscal policies need to remain supportive of economic activity in the near term, and the fiscal stimulus planned for 2010 should be implemented fully. However, given growing concerns about fiscal sustainability, countries should also make progress in devising and communicating exit strategies.

IMF Projections for 2010 and 2011 World Output Growth

LATEST IMF PROJECTIONS (YEAR-OVER-YEAR PERCENT CHANGE)			Projections		Diff. from October 2009 WEO projection	
	2008	2009	2010	2011	2010	2011
World output	3	-0.8	3.9	4.3	0.8	0.1
Advanced economies	0.5	-3.2	2.1	2.4	0.8	-0.1
United States	0.4	-2.5	2.7	2.4	1.2	-0.4
Euro area	0.6	-3.9	1	1.6	0.7	0.3
Germany	1.2	-4.8	1.5	1.9	1.2	0.4
France	0.3	-2.3	1.4	1.7	0.5	-0.1
Italy	-1	-4.8	1	1.3	0.8	0.6
Spain	0.9	-3.6	-0.6	0.9	0.1	0
Japan	-1.2	-5.3	1.7	2.2	0	-0.2
United Kingdom	0.5	-4.8	1.3	2.7	0.4	0.2
Canada	0.4	-2.6	2.6	3.6	0.5	0
Other advanced economies	1.7	-1.3	3.3	3.6	0.7	-0.1
Newly industrialized Asian economies	1.7	-1.2	4.8	4.7	1.2	0
Emerging market and developing economies	6.1	2.1	6	6.3	0.9	0.2
Africa	5.2	1.9	4.3	5.3	0.3	0.1
Sub-Saharan Africa	5.6	1.6	4.3	5.5	0.2	0
Central and eastern Europe	3.1	-4.3	2	3.7	0.2	-0.1
Commonwealth of independent states	5.5	-7.5	3.8	4	1.7	0.4
Russia	5.6	-9.0	3.6	3.4	2.1	0.4
Excluding Russia	5.3	-3.9	4.3	5.1	0.7	0.1
Developing Asia	7.9	6.5	8.4	8.4	1.1	0.3
China	9.6	8.7	10	9.7	1	0
India	7.3	5.6	7.7	7.8	1.3	0.5
ASEAN-5'	4.7	1.3	4.7	5.3	0.7	0.6
Middle East	5.3	2.2	4.5	4.8	0.3	0.2
Western Hemisphere	4.2	-2.3	3.7	3.8	0.8	0.1
Brazil	5.1	-0.4	4.7	3.7	1.2	0.2
Mexico	1.3	-6.8	4	4.7	0.7	-0.2

Source: IMF, World Economic Outlook Update, January 2010

Financial sector repair

Crucially, there remains a pressing need to continually repair the financial sector in advanced and hardest-hit emerging economies. In this direction, pragmatic policies are still needed to tackle bank's impaired assets and restructuring. Policymakers will need to move boldly to reform the financial sector with the objectives of reducing the risks of future instability and rethinking how the potential fallout of financial crises would be borne in the future, while at the same time making the sector more effective and resilient. Furthermore, some emerging market countries will have to design policies to manage a surge of capital inflows.

Africa Needs US$93 Billion a Year for Infrastructure

A study recently conducted in 24 African countries shows that the poor state of infrastructure in sub-Saharan Africa - its electricity, water, roads and information and communications technology (ICT), cuts national economic growth by two percentage points every year and reduces business productivity by as much as 40 percent. The study conducted by a partnership of institutions including the African Union Commission, African Development Bank, Development Bank of Southern Africa, Infrastructure Consortium for Africa, and New Partnership for Africa's Development and the World Bank, is one of the most detailed ever undertaken on the African continent. Surveys were conducted among 16 rail operators, 20 road entities, 30 power utilities, 30 ports, 60 airports, 80 water utilities and over 100 ICT operators as well as the relevant ministries in 24 countries. The results were derived from detailed analysis of spending needs (based on country-level microeconomic models), fiscal costs (which involved collection and analysis of new data) and sector performance benchmarks (covering operational and financial aspects as well as the country's infrastructural framework).

According to the study, Africa has the weakest infrastructure in the world, yet citizens in some African countries pay higher tariffs for the use of basic services than people elsewhere. It argues that well-functioning infrastructure is essential to Africa's economic performance, and that improving inefficiencies and reducing waste could result in major improvements in the lives of Africans.

The report estimates that US$93 billion is needed annually over the next decade. Almost half of this amount is needed to address the continent's current power supply crisis, which is hindering Africa's growth. The estimate amounts to about 15% of the continent's gross domestic product (GDP), comparable to what China invested in infrastructure over the last decade.

The study found out that existing spending on Africa infrastructure is much higher than previously known US$45 billion a year. Also surprising was the fact that Africa taxpayers and consumers domestically finance most of this. The study also identified a considerable waste which needed to be addressed. It was underscored that, a number of efficiency improvements could potentially expand the available resources by a further US$17 billion. However, it came to light that, even if major efficiencies were gained, there was still a funding gap of about US$31 billion every year towards power and water infrastructure. Relative to the size of their economies, the funding gap is more apparent for the region's low-income countries (who would need to spend an additional 9% of their GDP) and particularly for the region's fragile states (who would need to spend an additional 25% of their GDP). Resource-rich countries like Nigeria and Zambia face a more manageable funding gap of about 4% of GDP. Investing in Africa infrastructure is very critical for their future socio-economic emancipation. Modern infrastructure is considered the backbone of an economy and the lack of it inhibits economic growth. Investing more funds without tackling inefficiencies faced by Africa would be a waste of resources; hence reforms and policy improvements are necessary.

The report recommends addressing the US$17 billion annual efficiency gap and closing the remaining US$31 billion annual funding gap for African infrastructure. Closing the efficiency gap requires improving management of utilities, ensuring adequate maintenance, promoting regional integration, recovering cost while recasting subsidies, to enable broader access, and improving allocation and spending of public resources. To close the funding gap, a wide range of sources will be needed, including public budgets, resource rents, local capital markets, private sector and non-OECD finance, as well as traditional donor assistance.

Countries with the greatest infrastructure needs are often the least attractive to investors. Many of the countries in Africa will probably take longer than a decade to catch up on infrastructure and will probably have to use lower-cost technologies. However, action is needed urgently, the report argues, and the global financial crisis underscored the need for a massive effort to overhaul Africa's infrastructure.

“Africa's Infrastructure: A time for transformation” takes a holistic look at four crucial sectors - energy, water, transport, and information communication technology which underpin national economies and are critical for reducing poverty in Africa. Prioritizing these sectors, increasing investments and improving efficiency can help African countries avert the worsening impact of the financial crisis and begin laying the foundations for future growth as the global economy rebounds.

On the power issue, inadequate access to energy is the single largest impediment to economic growth. No country in the world has developed its economy without abundant energy supplies. Chronic power shortages affect 30 Africa countries; the entire installed generation capacity of the 48 sub-Sahara Africa countries is 68 gigawatts, no more than Spain's, and 25 percent of that capacity is unavailable because of aging plants and poor maintenance culture. At US$0.18 per kilowatt-hour on average, Africa's power is expensive to produce by global standards, yet regional trade could significantly lower costs.

On water, high hydro-climatic variability, inadequate storage, rising demand, and lack of trans-boundary cooperation undermine the African water sector. Less than 60% of Africa's population has access to drinking water and only a handful of countries are on track to reach the Millennium Development Goals. With more than 60 trans-boundary rivers in Africa, developing large-scale infrastructure to manage water-use and avoid conflicts is a huge challenge. Over the last 40 years, only 4 million hectares of new irrigation have been developed, compared to 25 and 32 million hectares for China and India respectively.

On the issue of transport, ineffective linkages between different transport modes (air, road, and rail), declining air connectivity, poorly equipped ports, ageing rail networks, and inadequate access to all-season roads are key problems facing Africa's transport system. Only 40% of rural Africans live within two kilometers of an all-season road, compared to some 65% in other developing regions. Improving road accessibility in rural areas is critical to raising agriculture productivity across Africa. Limited competition in the trucking industry keeps road freight tariffs unnecessarily high, while red tape along international trade corridors keeps the movement of freight below 12 kilometers an hour as fast as a horse and a buggy even though truck speeds can be 60km/hour.

On ICT, the number of African mobile phone users has increased from 10 million in 2000 to more than 180 million in 2007. During 1992-2005, private sector investment in ICT infrastructure reached US$20 billion but high prices of services remain a problem. In 2007, the average price of prepaid mobile services cost US$12.58 a month in Africa, six times the US$2 cost in Bangladesh, India, and Pakistan.

Global Economic Crisis Pushed 100 Million More People into Hunger

The global economic crises could push 100 million more people into poverty through lost jobs and lower earnings, leaving about one-sixth of the world's population in hunger.

The UN Food and Agriculture Organization (FAO) forecast indicated that the number of people living in hunger could reach a record high of 1.02 billion by December 2009, exacerbated by persistently high prices for staples following the food crises of 2006-2008. Not only was the global slowdown capable of negatively affecting the livelihoods in the developing world - where majority of the world's hungry live - it was also perceived to reduce aid spending from wealthy countries.

The silent-hunger crisis poses a serious risk for world peace and security, according to the FAO. Consequently, the FAO needed to forge a broad consensus on the total and rapid eradication of hunger. As a way out, the FAO and the United Nations (UN) laid bare, substantial and sustained remedial actions. This took cognizance of the Millennium Development goal - halving the number of hungry people to under 420 million by 2015. Whereas good progress was made in reducing chronic hunger in the 1980's and the first-half of the 1990s, it had steadily been on the rise for the past decade, the FAO has indicated.

The global economic crisis had left little scope for developing countries to adapt through currency depreciation or borrowing from international capital markets because it was hitting all parts of the world at the same time. Foreign investment in the developing world was also expected to fall by nearly one-third, while cash remittances from overseas fell by about 8%, reversing years of steady increases.

It was expected that the urban poor would be the hardest hit, due to job losses, but food pressure also mounted in rural areas as millions of migrants return to the countryside. This tended to increase undernourishment due to limited international food supplies. FAO figures predicted strong world cereal production in 2009, only modestly down from previous year's record output of 2.3 billion tonnes. While world food prices retreated from their mid-2008 highs, they were still high by historical standards. At the end of 2008, staple foods cost on average 24% more in real terms than two years earlier. Asia and the Pacific were the worst affected regions with an estimated 642 million people suffering from chronic hunger, followed by 265 million people in sub-Saharan Africa.

Venture Capital Targets Soya Industry

Soya bean oil is one of the leading vegetable oil traded in the international markets. Soya bean and palm oil together constitute around 68% of global edible oil trade volume, with soya bean oil constituting about 22.85%. Analysts underscore that, global production of soya bean oil has grown at the rate of 5.8% during the last decade, and the product accounts for nearly 25% of the world's total oils and fats production. Increasing price competitiveness, and aggressive cultivation and promotion from the major producing nations have given way to widespread soya oil growth - both in terms of production and consumption. Argentina, Brazil, China and India along with US are the major contributors for the growth.

In view of its importance, the Venture Capital Trust Fund (VCTF) in Ghana is seeking to replicate its successful financing model in the sorghum value chain project in a new soybean value project. The VCTF has consequently rallied stakeholders including researchers, farmers and business people, as well as officials of the Ministry of Food and Agriculture, and NGOs to explore avenues by which critical support and financing could be advanced to the soya industry.

The expectation is to identify the priorities, constraints and opportunities in the soya bean industry, as well as, identify the potential partners and stakeholders to assist in developing an acceptable business model and action plan. The model and plan will not only seek to mitigate the identified constraints but also enhance production and create a sustainable source of soybean supply, while providing the plant and equipment necessary to process them in commercial quantities. According to the Chief Executive Officer (CEO) of the VCTF, current investments in the industry largely supported processing technologies and marketing without corresponding increase in the production of the critical raw soya bean.

A research conducted by the VCTF identified a huge supply gap of at least 140,000 metric tones (MT) of soya bean annually under the current production of about 70,000MT per year.

It was realized that, even with current production level, the country's produce was price competitive. For instance, while a tonne of imported “grade two” yellow soybean cost US $771; the local produce was selling for US$340 in August 2009. Also, imported 48 percent protein rich soybean meal, required by animal feed millers, was US$ 734 compared with US$507 for the local produce, while imported refined soya oil was US$ 1,216 as against the local product of US$ 1,000.

In financing a value chain on soya bean, the VCTF is poised to support at least four major industries including the food industry, which uses soy cholesterol-free edible oil, milk, soy flour for bread, tofu and soy source. Other beneficiary industries would be the poultry and fish industries which use soy cake for feed and the paint industry, which uses soy resin. Soybean is said to do well in all the maize growing areas, from the northern part of the country down to the south.

These activities are believed to open opportunities for job creation. According to the CEO of VCTF, the decision to explore investment opportunities in the soybean value chain was a result of the success achieved under the sorghum value chain project, and the good lessons learnt from it as financiers. The VCTF currently supports over 7,000 farmers in its sorghum Value Chain Project, in the Upper West, Upper East, Northern and Brong Ahafo Regions.

In the first year of financial support in 2006, farmers improved their total yield from the yearly average of 100MT to over 900MT. Currently sorghum farmers are producing over 2500MT annually and yields have doubled from 800kg per hectare before VCTF's intervention to a current level of 1700kg per hectare. It was the aim of the VCTF to support the production of 4,000MT of sorghum by end of 2009, through the extension of financial support as well as the provision of farm equipment such as tractor and threshers to farmers to enhance production.

In a related development, the World Bank Group has recounted Ghana's ability to triple its earnings from horticultural export products from the present US$100 million. Currently, Ghana meets only one-third of demand, presenting a buoyant potential for the country's horticultural produce market. The Managing Director of the World Bank Group who made these observations advocated the leverage of more private investments in commercial agriculture given Ghana's comparative advantage of having two coastal cities, Tema and Takoradi, with good access to markets.

Ghana's horticultural crops, which include pineapples, pawpaw and mangoes, appear promising because of their high labour intensity and the expanding demand for fruits in Europe and the United States of America. Experts contend that the horticultural sector, especially the fruit, vegetable and ornamentals presents an opportunity for needed diversification, modernization and capable of accelerating economic growth due to its high potential economic returns. The horticultural industry plays an important role in supporting the government's efforts toward achieving wealth-creation and poverty reduction. To achieve a middle-income status by 2015, the country should not only increase its traditional agricultural export but also diversify and modernize the agricultural sector; more specifically, the horticultural export industry as indicated by experts.

The country's horticultural industry has grown rapidly within the last decade, enabling the country to establish itself among the top six exporters of horticultural produce to Europe. Its total export, which stood at 9,800 metric tones in 1992, increased to 57,000 metric tones in 2000. By the end of 2006, the volume of horticultural export reached 153,000 metric tones. The value of exports also increased from US$28 million in 2000 to US$75.6 million in 2006. Approximately 37,900 metric tones of horticultural crops, primarily pineapples were exported from the United States Agency for International Development (USAID) assisted farms, a special project spearheaded by the Agency to enhance and promote the development of horticultural produce in the country. The value of horticultural exports increased by US$6.5 million in 2008 over the 2007, rising to about US$38 million in the United States of America market.

Considering the socio-economic potential of the African continent, which is currently underutilized, experts hold the view that the use of improved agricultural methods, private sector engagement, as well as access to financial support could help transform the sector.

Mobile Phone Subscriptions in Ghana Hit 15 million

The mobile phone operators have added more than four million active new SIM card users to their networks to bring the total number of subscribers in the Country to 15.1 million as at December, 2009. Data from the Country's telecom regulator, National Communications Authority (NCA) shows that more than two thirds of the estimated 25 million Ghanaians have access to telephone services. A growing number of people, however, own more than one line.

SCANCOM Limited, operator of MTN, remains the market leader in subscriptions, with a market share of 52%. TiGo and Vodafone follow with 22% and 14% respectively, while Zain had a market share of 8% and Kasapa 2%. Consistent increases in the mobile subscription figures have made the telecom industry one of the most exciting sectors in the country. Competition in the telecommunication industry has surged following the acquisition of mobile operating licenses by Kuwaiti Company, Zain Ghana Limited and Nigeria based Globacom. This brought the number of mobile operators to six, with the Country recording a total teledensity of about 58% at the end of December, 2009. Also many mobile phones and accessories with moderate prices are available on the Ghanaian market.

On the average, the mobile phone operators recorded increases in subscribers on monthly basis for the second half of the year 2009. This notwithstanding monthly subscriptions registered declining growth rates in the first four months of the year. For example, subscriptions declined by 2.5% in February and 1.8% in April, but the rate shot up by 7.0% in May (the highest for the year); where about 900,000 new subscribers were registered to bring total subscribers to 13.5 million.

Mobile Phone Subscribers from July to December 2009

JULY-DECEMBER 2009						
	July	**August**	**Sept**	**Oct**	**Nov**	**Dec**
Kasapa	331,320	319,356	308,776	293,867	283,169	262,259
Millicom(TiGo)	3,323,010	3,276,334	3,332,899	3,335,605	3,361,223	3,420,354
Scancom(MTN)	7,278,267	7,347,848	7,408,580	7,558,276	7,744,464	8,000,946
Vodafone mobile	1,893,738	1,845,877	1,982,599	2,085,479	2,170,332	2,132,119
Zain	1,178,764	1,249,564	1,209,622	1,239,016	1,250,465	1,293,238
Glo Mobile Ltd	-	-	-	-	-	-
Total Mobile	14,005,099	14,038,979	14,242,476	14,512,243	14,809,653	15,108,916
Month to Month Growth	0.6%	0.2%	1.4%	1.9%	2.0%	2.0%

Source: National Communications Authority

In all, the fourth quarter of 2009 ended well for operators in both the mobile and fixed-line sectors with a record of 15,376,305 telephone subscriptions in the Country. This was made up of 15,108,916 mobile cellular subscriptions and 267,389 fixed-line network subscriptions. Mobile network subscriptions increased from 14,242,476 in the third quarter to 15,108,916 in the fourth quarter, representing 6% growth. The high growth in fourth quarter was greatly influenced by the high purchases during the Christmas festivities.

On the other hand, the fixed networks saw a reverse growth from 267,432 access lines in the third quarter to 267,389 lines, representing a negative growth of 0.02%. Obviously, people are abandoning their fixed-lines for cellular service as a result of the convenience derived from using mobile phones.

It must be noted that, the popularity of mobile phones among Ghanaians has aroused the interest of the Government and other stakeholders to begin a process that will require all mobile phone users to register their SIM cards. People can buy a SIM card from street-hawkers and many shops without producing their identification details. This practice as identified by experts is not good for the Country's development. They hold the view that details or identification information on mobile phone subscribers could further improve the nation's communication industry.

Government Introduced 5% Stabilization Levy

A five percent levy on the profit before tax of specified companies as a temporary measure to raise additional revenue to meet critical expenditures, has been passed by Parliament. The levy called the National Stabilization Levy will be paid quarterly beginning September 2009, till December 2010 when it shall cease to exist.

According to the Minister of Finance and Economic Planning, the proceeds of the levy will be used to bridge the current fiscal gap of about GH¢209 million. The levy to be collected by the Internal Revenue Service (IRS) on behalf of government shall be paid only by banks (excluding rural and community banks), non-bank financial institutions, insurance companies, communications companies, mining companies and breweries. This will raise the annual tax paid by these companies, within the specified period to 30 percent, up from the going 25 percent. The levy is a form of a national call to the companies involved as part of their extra social corporate responsibility. The Country is faced with a fiscal gap which demands that additional revenue be raised to meet the gap. The tax is a direct tax chargeable after declaration of net profit before tax, and should therefore, not be passed on to consumers.

According to some experts, the Bill was largely handled under a bi-partisan basis since Members of Parliament realised the need to stabilize the economy, which is currently faced with wide fiscal and monetary imbalances. They contended that the new levy is a replica of the National Reconstruction Levy imposed by the New Patriotic Party (NPP) Government between 2004 and 2006. Concerns raised range from the impact of the levy on business expansion, motivational packages for the selected companies, employment creation, and the openness of the Government to remove the levy at the end of the stipulated time.

The global crisis has posed many challenges to the domestic economy, which calls for more innovative ways of running the affairs of the nation. The National Stabilization Levy is, therefore, an inventive tax machinery to raise additional revenue to support the national budget.

The Performance of the Ghana Stock Exchange Market in 2009

The Ghana Stock Exchange market ended the year 2009 with abysmal performance compared to the same period in 2008. The GSE All-Share index decreased from 10,431.36 in 2008 to 6,599.77 in 2009, representing a Year-to-date change of -46.58% (loss) as against a year-to-date change of 58.06% (gain) in 2008. The total market capitalization also moved downward from 17,895.12 in 2008 to 15,941.92 to close the year 2009. No additional equities were listed, hence the total number of companies on the bourse remained at 35.

Share price movements

Twenty-three (23) equities had their share prices depreciating. Significant among them were; Cal Bank Ltd (66.67%), Ecobank Transnational Ltd (66.67%), Benso Oil Palm Plantation (52.00%) and GOIL (46.88%). Eleven (11) equities traded flat, while the only equity that recorded price increase (23.33%) was Fan Milk Ltd.

Market Outlook

The prospects of the Stock Market do not look promising compared to the last three consecutive years. Some analysts hold the view that, the gains achieved over the period cannot be carried over into 2010 based on the abysmal performance of the bourse in 2009.

Others also contend that the anticipated 'good' performance results to be released by the listed Companies could cause prices of some equities, especially the financial services, to surge, at least, for the first half of the year.

Year to date change as at December: 2002 - 2009

Year	2009	2008	2007	2006	2005	2004	2003	2002
GSE Yr to date Gain (%)	-46.58	58.06	31.84	4.97	-29.85	91.32	154.67	**45.96**

Source: Ghana Stock Exchange Market Statistics

SELECTED ECONOMIC INDICATORS

	UNIT	DEC 2007	MAR 2008	JUNE 2008	SEPT 2008	DEC 2008	MAR 2009	JUNE 2009	SEPT 2009	DEC 2009
1. COCOA PRICES (LONDON)	£ per Metric									
(a) End of Period	"	1,056.0	1,377.0	1,607.0	1,523.3	1,657.1	1,853.0	1,685.2	1,966.5	2,248.0
(b) Av. for the Period	"	995.5	1,267.0	1,379.0	1,430.1	1,438.4	1,857.0	1,780.2	1,805.8	1,898.1
2. GOLD PRICE (LONDON)										
(Annual AV.)	US $ per ounce	697.1	927.3	912.2	897.5	871.9	909.0	908.1	925.3	968.9
3. MONEY SUPPLY										
(End of Period)	GH¢'000									
(a) Total Money Supply (M1)	"	2,947,900.0	2,826,300.0	2,789,800.0	3,032,000.0	3,802,000.0	3,384,727.4	3,450,100.0	3,506,800.0	4,159,600.0
(b) Currency Outside Banks	"	1,318,400.0	1,130,300.0	1,130,100.0	1,236,000.0	1,664,000.0	1,421,266.6	1,399,000.0	1,516,200.0	2,084,400.0
(c) Demand Deposits	"	1,629,500.0	1,696,000.0	1,659,700.0	1,796,000.0	2,138,000.0	1,963,460.8	2,051,100.0	1,990,600.0	2,075,200.0
4. DEPOSIT MONEY BANKS CREDIT										
(End of Period)	GH¢'000									
(a) To Public Institutions	"	857,900.0	880,626.1	743,200.0	868,273.8	1,106,922.4	1,177,790.0	1,153,220.0	1,069,950.0	1,274,680.0
(b) To Private Sector	"	3,295,600.0	3,560,456.7	3,967,300.0	4,510,239.8	4,884,343.8	5,391,930.4	5,641,970.0	5,663,430.0	5,653,960.0
(c) For Cocoa Finance	"	44,000.0	43,455.1	40,400.0	32,494.2	59,727.2	58,555.9			
5. CONSUMER PRICE INDEX										
(a) National	Av. 2002=100	229.8	240.4	260.5	262.3	271.5	289.8	314.6	310.5	314.8
(b) Food		211.3	225.7	249.1	243.8	246.7	267.5	287.8	275.0	275.9
(i) Clothing & Footwear	"	173.2	179.9	187.3	190.3	202.4	212.2	233.8	285.2	239.9
(ii) Rent, Fuel & power	"	351.8	347.1	365.8	382.9	386.1	382.2	390.1	273.0	392.6
(iii) Transport & Communication	"	397.3	409.9	452.0	456.9	441.1	410.0	449.0	237.1	487.2
(a) Accra city	"	234.1	240.8	263.0	264.6	278.7	302.2	328.0	304.8	301.8
(b) Urban Index	"	227.7	235.9	253.0	255.2	269.8	289.7	321.9	N/A	N/A
(c) Rural	"	238.1	251.1	275.1	276.7	280.5	302.4	326.2	N/A	N/A
6. EXCHANGE RATE										
(End of period)	GH¢									
GHCedi Equivalent of one US $										
(a) Inter Bank Exchange Rates	"	0.9704	0.9767	1.0212	1.1190	1.2134	1.3699	1.4549	1.4553	1.4340
(b) Forex Bureaux rates	"	0.9900	0.9900	1.0500	1.1562	1.2457	1.4102	1.4807	1.4757	1.4624
7. INTEREST										
(End of Report)										
(a) Bank Rate %	"	13.5	14.25	16.00	17.0	17.0	18.5	18.5	18.5	18.0
(b) Savings Deposits %	"	0.75 - 7.5	0.75 - 7.5	3.25 - 10.50	3.25 - 10.50	3.25 - 10.50	4.25 - 13.50	4.50 - 14.50	4.50 - 14.50	4.50 - 14.50

Notes :
1. Commercial Banks & established Forex Bureaux were allowed to quote freely their foreign exchange rates from March 1988
2. In March, 1998, Commercial Banks were allowed to fix their own savings and other interest rates.
3. G.C.B. Ltd. Savings rates/Average saving rate of Commercial Banks
4. Since 1998, the Consumer Price Index has been operating under a new series. The series differ on account of changes in the weighting of the sub-groups and the composition of the basket.
5. Previous data in cedis have been redenominated to GH¢

BANK'S FOREIGN EXCHANGE RATES
(GHCedi Per Currency)

	US DOLLAR		POUND STERLING		JAPANESE YEN		SWISS FRANC		EURO	
MONTH	End Month	Monthly Average	End Month	Monthly Average	End Month	Monthly Average	End Month	Monthly Average	End Month	Monthly Average
Dec 2005	0.9110	0.9078	1.5881	1.5873	0.0077	0.0077	0.6934	0.6955	1.0795	1.0782
Mar 2006	0.9106	0.9100	1.5849	1.5894	0.0078	0.0078	0.6993	0.6974	1.1046	1.0943
Jun 2006	0.9162	0.9144	1.6769	1.6861	0.0080	0.0080	0.7270	0.7396	1.1640	1.1583
Sept 2006	0.9204	0.9204	1.7191	1.7362	0.0078	0.0079	0.7351	0.7404	1.1657	1.1721
Dec 2006	0.9210	0.9210	1.8100	1.8093	0.0077	0.0079	0.7542	0.7622	1.2136	1.2169
Mar 2007	0.9255	0.9244	1.8106	1.8014	0.0078	0.0079	0.7589	0.7596	1.2280	1.2252
Jun 2007	0.9265	0.9244	1.8548	1.8401	0.0075	0.0076	0.7589	0.7510	1.2465	1.2425
Sept 2007	0.9384	0.9372	1.8989	1.8886	0.0081	0.0079	0.8011	0.7785	1.3294	1.2885
Dec 2007	0.9704	0.9548	1.9511	1.9938	0.0086	0.0079	0.8455	0.8325	1.4398	1.4075
Mar 2008	0.9767	0.9426	1.9530	1.9488	0.0096	0.0097	0.9645	0.9618	1.5162	1.5115
Jun 2008	1.0212	1.0108	2.0379	1.9849	0.0097	0.0095	1.0039	0.9436	1.6007	1.5695
Sept 2008	1.1190	1.1092	2.0730	1.9987	0.0106	0.0104	1.0321	1.0014	1.6475	1.5975
Dec 2008	1.2134	1.1946	1.7589	1.7853	0.0135	0.0131	1.1480	1.0512	1.7103	1.6180
Mar 2009	1.3832	1.3821	1.9909	1.9431	0.0140	0.0143	1.1959	1.2104	1.8357	1.7943
Jun 2009	1.4549	1.4421	2.4179	2.3614	0.0152	0.0149	1.3446	1.3349	2.0503	2.0218
Sept 2009	1.4553	1.4605	2.3390	2.3852	0.0162	0.0160	1.4082	1.4028	2.1258	2.1249
Dec 2009	1.4340	1.4354	2.3115	2.3308	0.0156	0.0157	1.3918	1.3933	2.0687	2.0965

Note: The Exchange Rates represents the mid-rates between buying and selling rates quoted by Banks

All exchange rates have been quoted in GH¢

Source : Bank of Ghana

SHARE PRICE MOVEMENT ON THE GHANA STOCK EXCHANGE
(Closing Price at the end of the Period in GH¢ per share)

	Dec 2007	Dec 2008	Dec 2009
BANKS			
Standard Chartered Bank	26.00	38.00	30.00
Societe Gen - Social Sec (SG-SSB)	1.25	1.35	0.45
Ghana Commercial Bank (GCB)	1.00	1.10	0.74
Trust Bank Ltd. (Gambia)	1.33	1.33	1.33
CAL	0.44	0.60	0.20
EBG	2.00	4.50	2.80
ETI	0.26	0.45	0.15
MORTGAGE FINANCE			
H. F. C.	0.54	0.62	0.62
BREWERIES			
Accra Breweries Limited (ABL)	0.12	0.12	0.10
Guiness Gh. Ltd. (GGBL)	1.23	2.00	1.35
DIVERSE INDUSTRIES			
P. Z.	0.83	1.12	1.10
Unilever	2.11	4.00	3.40
P.B.C.	0.24	0.21	0.19
CMLT	0.17	0.16	0.16
SWL	0.03	0.03	0.03
BOPP	0.49	1.00	0.46
Clydestone	0.08	0.08	0.08
GWEB	0.06	0.05	0.05
TRANSOL	0.12	0.11	0.09
Starwin Products Ltd (SPL)	0.05	0.05	0.05
UT Financial Services	-	0.33	0.21
Golden Star Resources Ltd	-	3.10	3.10
DISTRIBUTION			
C. F. A. O	0.04	0.04	0.03
Mechanical Lloyd (MLC)	0.21	0.21	0.20
FOOD/CONFECT			
Fan Milk ltd. (FML)	2.39	4.50	5.55
CPC	0.05	0.05	0.03
INSURANCE			
Enterprise Insurance (EIC)	1.30	3.14	2.20
MANUFACTURING			
Aluworks (ALW)	0.71	0.61	0.44
AYRTN	0.10	0.16	0.13
MINING			
AngloGold (AGA)	30.00	30.00	30.00
Pioneer Kitchenware (PKL)	0.08	0.07	0.07
OIL DISTRIBUTION			
Total (GH)	5.49	7.60	6.80
PAPER PRODUCTS			
Super Paper Products (SPPC)	0.03	0.10	-

Source: Ghana Stock Exchange

INTEREST RATES FOR TREASURY BILLS AND OTHER SECURITIES (End of Period)

GOV'T OF GHANA BILL/BONDS	Dec 2007	Dec 2008	Dec 2009
1. 91 Day Treausury Bill	10.26 - 10.78	24.40 - 24.74	19.40 - 22.16
2. 182 Day Treausury Bill	10.53 - 11.08	25.99 - 26.31	23.46 - 24.72
3. 1- Year Treausury Bill	10.15 - 12.3	19.00 - 20.00	18.50 - 20.00
4. 2- Year Fixed Rate Note	12.30 - 12.8	21.00	22.00 - 23.10
5. 3- Year Fixed Rate Bond	-	-	-
6. 2 - Year Floating Rate Note	-	-	-
BANK OF GHANASECURITIES			
1. 28-Day Bank of Ghana Bill	-	-	-
2. 56-Day Bank of Ghana Bill	-	-	-
2. 91-Day Bank of Ghana Bill	-	-	-
3. 182-Day Bank of Ghana Bill	-	-	-
4. 1-Year Bank of Ghana Bill	-	-	-

RESULTS OF TENDER HELD ON DECEMBER 31, 2009 FOR TREASURY BILLS AND NOTES

SECURITIES	TOTAL AMOUNT OFFERED	TOTAL AMOUNT SOLD
GoG T/ Bill & Notes	GH¢178.00 MILLION	GH¢165.89 MILLION
2 Year Fixed Rate Note	GH¢30.00 MILLION	GH¢21.50 MILLION

Source : Bank of Ghana

List of Banks in Ghana

A. CENTRAL BANK
BANK OF GHANA

B. UNIVERSAL AND OFFSHORE BANKS
BARCLAYS BANK OF GHANA LIMITED

C. UNIVERSAL BANKS
ACCESS BANK (GHANA) LIMITED
AGRICULTURAL DEVELOPMENT BANK
AMALGAMATED BANK LTD
BANK OF BARODA
BANQUE SAHELO – SAHARIENNE POUR L'INVESTISSEMENT ET LE COMMERCE (BSIC)
CAL BANK LTD.
ECOBANK GHANA LIMITED
FIDELITY BANK LIMITED
FIRST ATLANTIC MERCHANT BANK GHANA LTD.
GHANA COMMERCIAL BANK LTD.
GUARANTY TRUST BANK (GHANA) LIMITED
HFC BANK (GHANA) LIMITED
INTERCONTINENTAL BANK (GHANA)
INTERNATIONAL COMMERCIAL BANK LTD
MERCHANT BANK (GHANA) LIMITED MERBANK
NATIONAL INVESTMENT BANK LIMITED
PRUDENTIAL BANK LTD
SG-SSB LIMITED
STANBIC BANK GHANA LTD.
STANDARD CHARTERED BANK GHANA LTD
THE TRUST BANK LTD.
UNIBANK GHANA LIMITED
UNITED BANK FOR AFRICA (GHANA) LIMITED
UT BANK LIMITED
ZENITH BANK (GH) LTD

D. OTHER BANKS
ARB APEX BANK LTD

Source: Bank of Ghana.

List of GCB Branches and Agencies

HIGH STREET ZONE
High Street

ACCRA ZONE
1. Liberty House
2. Ring Road West
3. Kaneshie Industrial Area
4. Kaneshie Market
5. Derby Avenue
6. Boundary Road
7. Accra New Town
8. Osu / Royal (agency)
9. Ministries
10. Korle-Bu
11. Trade Fair Site
12. Burma Camp
13. Makola Branch
14. Kwame Nkrumah Circle
15. Republic House
16. Dome Branch
17. Kasoa Market
18. Tantra Hill
19. Abelenkpe
20. Kasoa Main
21. Accra North
22. Dansoman
23. Kisseiman
24. Nima

TEMA ZONE
1. Tema Main
2. Tema Market
3. Tema Industrial Area
4. Tema Fishing Harbour
5. Ashaiman
6. Legon
7. Madina
8. Tetteh Quarshie Circle
9. Aburi
10. Mampong Akwapim
11. Akropong Akwapim
12. Ada
13. Somanya
14. Akosombo
15. Akuse
16. Safebond
17 Nungua
18 Adenta Market
19 Spintex

SUNYANI ZONE
1. Sunyani
2. Berekum
3. Dormaa Ahenkro
4. Drobo
5. Techiman Main
6. Wenchi
7. Nkoranza
8. Kintampo
9. Akumadan
10. Duayaw-Nkwanta
11. Bechem
12. Hwidiem
13. Goaso
14. Mim
15. Sankore
16. Tepa
17. Sampa
18 Techiman Mkt
19 Sunyani Mkt

TAMALE ZONE
1. Tamale
2. Tamale Market
3. Bolgatanga
4. Bawku

5. Navrongo
6. Tumu
7. Wa
8. Bole
9. Damongo
10. Yendi
11. Salaga
12. Kete-Krachi
13. Bimbilla
14. Lawra
15. Walewale
16 Tamale Hosp

KUMASI ZONE
1. Kumasi Main
2. Ahinsan
3. Kejetia
4. Asafo Market
5. Jubilee House
6. KNUST
7. New Edubiase
8. New Offinso
9. Nkawie
10. Mampong Ashanti
11. Effiduase
12. Ejisu
13. Ejura
14. Agona Ashanti
15. Yeji
16. Obuasi
17. Bekwai Ashanti
18. Dunkwa-on-Offin
19. Harper Road
20. Bantama
21 Sefwi-Wiawso
22.Tech Junction

KOFORIDUA ZONE
1. Koforidua
2. Suhum
3. New Tafo
4. Asamankese
5. Akim Oda
6. Kade
7. Nsawam
8. Kibi
9. Anyinam
10. Nkawkaw
11. Mpraeso
12. Donkorkrom
13. Konongo
14. Agogo
15. Juaso

HO ZONE
1. Ho
2. Hohoe
3. Dzodze
4. Aflao
5. Keta
6. Akatsi
7. Sogakope
8. Kpando
9. Peki
10. Jasikan
11. Kadjebi
12. Krachi-Nkwanta
13. Abor
14. Ho Market
15. Dambai
16. Ho Poly

TAKORADI ZONE
1. Takoradi Main
2. Takoradi Mkt Circle
3. Takoradi Fishing Hbr
4. Sekondi
5. Tarkwa
6. Axim
7. Half Assini
8. Dadieso
9. Enchi
10. Samreboi
11. Prestea
12. Bogoso
13. Elubo

CAPE COAST ZONE
1. Cape Coast Main
2. Cape Coast University
3. Saltpond
4. Mankessim
5. Abura Dunkwa
6. Twifo Praso
7. Agona Swedru
8. Assin Foso
9. Winneba
10. Breman Asikuma
11. Elmina

Agencies

1. Diamond House, Accra
2. KIA
3. Kwae
4. AFGO/Aviance (Long Room)
5. Aflao
6. Akanmu
7. Evergreen
8. Kpoglo
9. Paga
10. Kulungugu
11. Elubo - GCNET
12. Takoradi - GCNET
13. Kumasi - GCNET
14. Tema (Long Room)
15. Tema - Jubilee

Zonal Distribution of Branches and Agencies

Zones	Branches	Agency
Accra	25	-
Tema	19	3
Koforidua	15	1
Ho	16	3
Kumasi	22	1
Tamale	16	2
Sunyani	19	-
Takoradi	13	2
Cape Coast	11	-
High Street	1	3
Total	**157**	**15**