**OMFIF SECOND AFRICA PUBLIC INVESTOR MEETING**

**18TH OCTOBER, 2016**

**Welcome Address**

**By**

**Mr. Millison Narh,**

**First Deputy Governor, Bank of Ghana**

Fellow Central Bank Governors,

Fellow Public and Sovereign Investors

Distinguished Delegates,

Ladies and Gentlemen,

All protocols observed

- It gives me great pleasure to extend a warm welcome to you all on behalf of the Bank of Ghana, and to express our gratitude to the Official Monetary and Financial Institutions Forum (OMFIF) who graciously agreed to hold the Second Africa Public Investment meeting, here in Accra-Ghana. This Forum offers the platform to discuss pertinent issues that relate to Africa's growth path. The diversity of participants from central banks, sovereign wealth funds and experts from OMFIF provides some insights on the interactive nature that is expected from participants.

- Africa's growth agenda has traversed many paths. From the 1980s through the 1990s, the policy agenda for Africa focused mostly on economic and structural adjustment programmes, financial sector and regulatory reforms. The intention for pursuing such programmes was to improve macroeconomic fundamentals, needed to spur the growth process. Broadly, these policies helped improve macroeconomic stability in some African economies, thereby setting the path for growth. Also, the commodity boom in the late 2000s provided additional impetus for growth acceleration, especially in natural-resource endowed African countries.

- The decade from 2000 to 2010 was touted as Africa's best in terms of economic growth. Real GDP growth increased significantly over the period, almost doubling the growth records of the 1990s. Real GDP rose 4.9% per year from 2000 to 2008, almost double what it was in the 1980s and 1990s. Some progress was also made on implementing structural, legal and regulatory reforms. These reforms led to improvements in the political and regulatory environment, and in turn attracted significant foreign investor participation to continent, especially in the telecommunications, banking, construction and retail service sectors.

- A recent study by Barton and Leke (2016) grouped some African countries based on macroeconomic stability, economic diversification, as well as political and social stability. Countries such as Côte d'Ivoire, Ethiopia, Kenya, Morocco and Rwanda were grouped as the "growth stars" accounting for about one-fifth of Africa's GDP. In particular, these countries do not depend on natural resources for growth, but instead economic reforms and boosting competitiveness to attract investments.

- The second group was defined as unstable growers and included Angola, the Democratic Republic of the Congo, Nigeria and Zambia. These accounted for 43% of Africa's GDP and experienced high growth rates over the past five years, driven largely by the natural resource boom. However, these countries have been affected by the bust in commodity prices, with adverse consequences on economic performance and political and social stability.

- It is a well-known fact that is Africa is naturally endowed with vast amounts of resources. It is estimated that Africa holds more than 40% of minerals such as chromium and cobalt, over 50% of the global diamond reserves, as well as at least 15% of the global gold reserves. Also, around 60% of the world's uncultivated arable land is found in Africa, adding to it, approximately 8% share of the global oil and gas reserves. These abundant resources have served as the potent force in attracting foreign direct investments to the continent. For instance, between 2000 and 2008, foreign direct investments increased from $9 billion to $62 billion.

- The challenging geopolitical and economic headwinds following the global financial crisis, Eurozone debt crisis, the Arab spring among others, broadly dampened foreign direct investment flows in the mid-2000s. In lieu of these developments, FDI to Africa fell by 8.4% in 2014, but remained above 2008 levels. However, there are emerging signs of recovery in recent times. According to the 2016 FDI report, FDIs into Middle East and Africa went up by 0.6% in 2015. Africa recorded 156 FDI projects, almost double what came through in 2014. South Africa was the top destination for inward FDI by project numbers with 118, followed by Kenya with 86, Nigeria 51 and Ghana with 40.

- Particularly for Ghana, the records show that foreign direct investments have averaged around $3 billion since the discovery of oil in 2007 from averages of $400 million in the years before. Growth in Ghana has generally paralleled that of other African countries. Growth conditions worsened in the 1980s and picked up slightly in the 1990s as economic adjustment and structural reform programmes gained hold. In the late 2000s, Ghana's growth prospects received a major boost from the discovery and subsequent production of crude oil in commercial quantities which pushed real GDP growth up to 14% in 2011, from 7.9% a year earlier. Since then, growth has averaged 6.1% over the period 2012 to 2015, driven largely by the Services and Industrial sectors.

- Africa has also gained significantly from information, communication and technology (ICT). The evolution of ICT has significantly shifted the banking industry in Africa and is widening access to financial services especially for the rural population, and contributing immensely to financial inclusion and economic growth. The development of the financial market infrastructure, led by real time mobile money technology and agency banking models in East Africa (especially Kenya) continues to gather momentum and hence, providing a framework to grow domestic savings and investment in Africa.

- The example of the Kenyan M-PESA, which was launched in 2007, stands tall in leveraging ICT for financial sector development. The M-PESA enables customers to quickly and cheaply transfer money without needing a bank account. This kind of mobile money framework is gaining popularity in neighbouring countries such as Uganda and Tanzania, albeit at a more gradual pace. While it has been less successful in other sub-regions such as Central Africa, mobile money technology has also made significant progress in Ghana. For instance, in 2015, the number of registered mobile money customers was 13,120,367, indicating a year-on-year growth of 83.1%. The cumulative active registered agents of the four mobile money operators in Ghana stood at 56,270, more than double the previous year's position of 20,772. Also, the total value of mobile money transactions amounted to GH¢35.44 billion, compared with GH¢12.12 billion in 2014. These positive developments point to the Bank of Ghana's efforts at developing a resilient and efficient market infrastructure to facilitate financial intermediation and growth.

- Mr. Chairman, one of the constraints identified as hampering Africa's growth prospects is infrastructural development. Various studies have acknowledged that infrastructure investment is critical if the full and sustainable growth potential is to be realised on the continent. A study by the World Bank has indicated that Africa's weak infrastructural base in terms of electricity, water, roads, information and communications reduces economic growth by some two percentage points yearly, and cuts business productivity by some 40%. To close the infrastructural gap, it is estimated that about $93 billion is needed over the next decade to revamp sub-Saharan African infrastructure.

- In addition to this huge financing constraint required to close the infrastructure gaps, recent headwinds from the global financial markets, have moderated the pace of growth and weakened economic fundamentals of some African countries, especially those heavily dependent on natural resources. To some extent, these external vulnerabilities have partly muted Africa's successful growth and development stories. I therefore see this gathering as an opportune time to rethink strategies in this era of global uncertainties that would help unlock Africa's growth potentials.

- In this regard, let us make good use of this platform provided by OMFIF to explore the policy options needed to develop and sustain Africa's growth process. Such strategies, which may emerge out of the broad topics to be discussed today, should however place emphasis on long-term policies that would stand the test of time and inure to the benefit of the continent at large.

- In concluding, let me add that Africa's growth and development, largely depends on Africans. Therefore, in the spirit of cooperation, we must work together to surmount the challenges and nurture our vast resources, which includes human capital, for growth and prosperity of the continent. I wish you fruitful discussions and thank you for the attention.