REPUBLIC OF GHANA

WELCOME ADDRESS DELIVERED BY

HON. MINISTER OF FINANCE (HON. SETH TERKPER)

AT THE "FINANCING THE FUTURE" CONFERENCE, ACCRA

Theme:

Financing the Future: Fresh Perspectives on Global Development

At

La Palm Hotel, Accra

On

17TH MARCH, 2015

Mr. Chairman,

Governors from various Central Banks

CEOs of Various Financial Institutions

Senior Managers from Various Financial Institutions

Development Partners

Representatives from Academia

Distinguished Speakers and Invited Guests

Distinguished Ladies and Gentlemen

Friends from the Media

1. It is my distinct honour and high privilege to welcome all of you to this unique gathering, which brings together key representatives from the UN, IMF other development finance institutions as well as key specialists on development issues.

2. I find this conference as a unique opportunity to share experiences on best practices and policies, on how international public finance can contribute to accelerating progress in development. We will make specific contributions to the financing for development (FfD) process and attempt to influence decision-makers ahead of the Addis Ababa conference on Financing for Development in July 2015.

3. Global growth remains in low gear and downside risks persist of both public and private sectors. Advanced economies are recovering at a slow pace, mostly hindered by constraints on both the demand and the supply sides. Emerging markets are still in the lead, although they are slowing down from elevated levels in recent years definitely in some instances, to avoid bubbles and alter the direction for development. A key source of risk to growth and financial stability in several of these economies is the unwinding or tapering of the unconventional monetary policies in advanced economies – even as their use is put in gear in some of these economies.

4. In the face of these global developments, some developing countries, especially African countries, are seeing a paradigm shift. They are focusing on improving their infrastructure and managing their natural resource wealth to achieve broad based inclusive growth. These economies are also seeking to strengthen the implementation of structural reforms in order to maintain annual average growth rates around the 5

percent that they have achieved over the past few years. The process for inclusive growth involves simultaneous improvements in the MDG goals, especially the quest to improve human capital through health, education training to significantly reduce poverty in the medium-term.

5. The current development finance paradigm emphasizes on a set of principles that defined official development assistance (ODA) in order to distinguish ODA from other types of financial relationships and avoid being subjected to or exposed to - patronizing at times, market - much stronger and larger commercial opportunities and interests. South–South cooperation principles focus on a package of mutual interests that deliberately mixes various financing options to blur the distinctions of ODA and commercial opportunities. It is typically characterized by a lead of ODA and commercial products to constitute preferential windows that benefit advanced country financial institutions. This phenomenon raises interesting issues in the context of the paradigm shifts that are occurring in financing the future.

6. In addition to securing bilateral and multilateral funding, there will be the need to identify alternative and innovative sources of funding as we move into the future. In this regard, emerging powers are also attempting to be a significant source of new financing in the development process eg. Badea, China Exim, CDB, Turkey Exim, ADB/AfDB, BRIC Bank. These emerging powers will generally provide their resources as part of integrated packages involving trade, investment, and other commercial ventures.

7. Market mechanisms and private-sector contributions also provide significant sources of funding. Therefore, I will urge this forum to debate the long-term impact of new and potential flows from the capital markets and emerging power institutions on the overall architecture of development financing.

8. The future envisaged for the next generation is one that must be sustainable, inclusive and innovative. It must prepare some of our "Africa Rising" countries to manage the risks posed by the capital markets in particular. In this regard, capital markets play an important role by ensuring that growth is not about maximization, but optimization of an economy. It is worthy of note that the capital markets as part of the financial system is critical to the economic development of a Raising Africa.

9. Many African economies did relatively well during the global financial crisis, which threatened European and the US economies. According to the IMF's January 2015 World Economic Outlook, growth in Sub-Saharan Africa remained robust in 2014 at 4.8 percent and even expected to accelerate in 2015 and beyond. Yet the hard reality is that they can continue to be brutally bowed by the same exposure to fall in advance elements that make commodity prices and economies volatile.

10. The Ghanaian economy has been stable over three decades and expanding, combining improvements in macroeconomic management, progress in social intervention and strong export growth in the last decade. Economic growth has pushed Ghana into the Lower Middle Income bracket and accelerated poverty reduction. Consistent economic growth since 2000 has nearly cut poverty levels in half, as of 2006, using 1990 as the base year. Ghana is consequently on track and has met her MDG target of halving extreme poverty well before the 2015 target.

11. In spite of the recent strong economic growth and prospects, the Ghanaian economy has had to contend with some challenges. There has been policy mismanagement (eg. wages and subsidy and external shocks. Poverty levels are still relatively high, the country's infrastructure base needs to be expanded (despite investments that has exposed the country to high debt levels in recent years; the economy needs to be upgraded to keep pace with its middle income status. Given the country's current fiscal space constraint, there is a significant financing gap.

12. Since the country attained its middle income status, access to concessional financing has decreased significantly. Inflows from our development partners (DPs) are highly volatile showing a cyclical effect (especially in election year when DPs adopt a wait-and-see approach to aid delivery). These developments together with government's quest to sustain its national economic policy objectives (as contained in the Ghana Shared Growth and Development Agenda), are compelling us to diversify our sources of financing and also improve on its delivery.

13. The case of Ghana, a country that is experiencing several paradoxes:

- Poor in many respects yet classified as lower middle income country (LMIC)

- Has huge opportunities in expanding services sector, resuscitation of agriculture, the advent of modest crude oil exports and use of gas to improve the power situation – yet learning hard that it has to diversify and add value rapidly to avoid being brought to its knees by the very risk it has known over generations being hammered by the volatility by the prices;
- Of reference to out gathering here a healthy exposure to the capital market that comes with a very intense focus on its short term challenges – leading to downgrades and harsh commentaries that ignores its bright medium term prospects;
- An attempt to resolve its challenges through orthodox means while by our LMIC status we can only explore concessional financing options even for commercial projects and state enterprises.

14. The challenges that the so-called "lions" face in an emerging African is the lack of a developmental model for the so-called "countries in transition". It appears that the development finance institutions in particular have not devised a package from the Asian tiger and eastern European or EU assisted experience to guide the "Africanisation". This is a preeminent challenge for this gathering and one of our key challenges.

15. Lessons from BRIC and emerging countries that Ghana is using as a model are as follows:
    - Concessional/grant for social infrastructure
    - Capital markets and development banks for commercial projects
    - On-lending/escrows
    - GIIF/SWF for harnessing oil resources, leveraging markets for projects finance
    - Shift from unfettered sovereign guarantees

16. In 2013 and 2014, Government tapped the Eurobond market to obtain long-term funds for debt restructuring, counterpart funding and financing of capital expenditure. This is in line with the objective of diversifying sources of funding, extending the tenor of public debt and reducing the overall cost of borrowing.

17. The traditional approach to the funding of projects through tax revenues, domestic borrowing, external loans, foreign grants and donor support, have to be complemented by other financing strategies. Government therefore has to strike a balance between borrowing levels that will not jeopardize the country's credit rating and solving the overarching problems of infrastructure development, hence the need for a Public-Private Partnerships.

18. The PPP concept introduces private capital to execute public projects; improving the delivery of public services, both in terms of cost and quality. The PPP approach allows closer partnership between the private and public sector and represents a new way to work with the private sector. It also brings together the expertise of the Government and the private sector to meet the needs of the public effectively and efficiently, and in a cost-effective manner.

19. In addition, Government has established the Ghana Infrastructure Investment Fund to mobilize, manage, coordinate and provide financial resources for investment in commercial infrastructure projects, thus reducing the burden of public debt.

20. Government's medium term policy direction is to work in close collaboration with the private sector to expand opportunities for all and continue to strengthen the foundation for an accelerated socio-economic transformation. In this quest, Government is working assiduously to harness all resources towards the achievement of this objective. Options available to emerging economies should not distract from ODA – it is about diversification and not replacement, it is about a healthy balance and not shunning away from traditional sources.

21. It is now my pleasure to formally welcome you all to this conference and wish you fruitful deliberations.

22. Thank you for your attention.