6
Ghana
Reformist Politicians Drive Basel Implementation

Emily Jones

Introduction

On the face of it, the trajectory of Basel implementation in Ghana is puzzling. Ghana has a reputation as an open economy with a government that is quick to adopt international norms, yet it was relatively slow to implement international banking standards. The Ghanaian government has pursued a series of financial sector reforms since the late 1980s in close collaboration with the World Bank and IMF, with a relatively high presence of foreign banks. Ghana was an early implementer of Basel I, but attempts to move towards Basel II in the mid-2000s faltered. The IMF assessed Ghana as having a low level of compliance with the Basel Core Principles relative to other countries in Sub-Saharan Africa (Marchettini et al., 2015, p. 28). This pattern changed dramatically in 2017 when the government embarked on a radical reform of the banking sector, implementing major elements of Basel II and III and catapulting Ghana to among the most ambitious implementers of Basel standards among our case study countries.

This chapter attributes the stop-start nature of Basel implementation in Ghana to different interests and policy ideas among Ghana's two main political parties, which meant that the approach to international banking standards varied according to which political party was in power. In common with many developing countries, Ghana adopted Basel I as the result of World Bank driven reforms in the 1990s. While the adoption of Basel I was externally driven, the more recent drive for Basel II and III adoption was domestic and came from politicians of the New Patriotic Party (NPP). The NPP sought to turn Ghana into an international financial services hub and perceived the adoption of international standards as vital for pursuing this vision. Strikingly, the IMF pushed back against early moves towards Basel II implementation in the 2000s, advising the Government of Ghana not to proceed with Basel II until it had addressed fundamental weaknesses in its basic supervision. The NPP government pressed ahead but implementation stalled when the government changed in 2009 and the National Democratic Congress (NDC) assumed office. It was only after

Emily Jones, *Ghana: Reformist Politicians Drive Basel Implementation* In: *The Political Economy of Bank Regulation in Developing Countries: Risk and Reputation.* Edited by: Emily Jones, Oxford University Press (2020).
 DOI: 10.1093/oso/9780198841999.003.0006

the NPP regained power in early 2017 that the implementation of Basel standards resumed in earnest, as part of a radical reform of the banking sector.

The different approaches of the NDC and NPP towards international banking standards reflects differences in their ideas about the role of the financial sector in development as well as the material interests of the businesses groups they are aligned with. As a party the NPP has deliberately set out to position Ghana as a financial services hub for the West Africa region, seeking to attract international investors into the financial sector and develop strong domestic banks and financial firms that can capitalise on the sector's expansion. In contrast, NDC prioritised directing credit to productive sectors of the economy and supporting indigenous banks; the implementation of a complex and costly set of international standards was simply not a priority.

The fact that convergence is policy-driven is surprising because such regulatory decisions fall under the exclusive mandate of Ghana's central bank (the Bank of Ghana), which has a high level of formal independence from the executive branch and hence from political parties. Yet close scrutiny shows that, in practice the central bank has become increasingly responsive to changing policy agendas. Since the early 2000s it has become the norm for central bank governors and their deputies to step down within a few months of a new political party assuming office, even when their official terms have not ended. In tandem, it has become commonplace for senior technocrats at the central bank to leave office or be moved. The politicization of government institutions has been observed in other areas too (Appiah and Abdulai, 2017; Gyimah-Boadi and Yakah, 2012). While some argue that this undermines the quality of central bank decisions, others argue that it makes the institution more accountable to Ghana's democratically elected leaders.

Despite being the target of these various regulatory initiatives, banks have not played a major role in shaping the trajectory of Basel implementation in Ghana. In the context of a highly profitable and so-far weakly supervised banking sector, foreign banks would not derive any competitive advantage from the implementation of more complex regulatory standards. Meanwhile, domestic banks are yet to venture overseas in a meaningful way, so they have little reason to support implementation of more cumbersome regulations. Although implementation entails substantial costs for these banks, they have not been a source of strong opposition to implementation, perhaps because they have not expected rigorous enforcement.

Although both political parties have taken different approaches to the adoption of international banking standards, the actual supervision and enforcement of banking regulation has historically been lax under both parties. This only started to change after 2016 when a snap audit of the banking sector (required as part of a new loan arrangement with the IMF) revealed fragility and poor corporate governance of several banks, Following its election in 2017, the NPP government made a series of moves to strengthen supervision and enforcement.

The analysis in this chapter is based on a review of the secondary literature, official documents, media reports, and twenty-one semi-structured interviews conducted in Accra in March 2016 and April 2017. Interviews were conducted with current and former representatives from the Bank of Ghana and Ministry of Finance, senior representatives from eight banks (headquartered in Ghana, other African countries, and the UK), an international accounting firm, a representative of the Ghana Association of Bankers, a member of the Board of the Bank of Ghana, a member of the Monetary Policy Committee, and an MP serving on the Parliamentary Finance Committee. Interviews are not directly attributed, in order to preserve the anonymity of participants.

The next sections explain the wider political economy context and Ghana's adoption of Basel standards and compliance with Basel Core Principles, and then explains the political economy of Basel implementation. The chapter concludes by situating the findings and arguments in the wider literature on political economy dynamics in Ghana.

Political economy context: mutual dependence between banks and government

Ghana has a middle-sized economy relative to others in Sub-Saharan Africa, and is renowned within the region for its vibrant democracy. It experienced high growth rates in the 2000s, partly as a result of the worldwide commodity boom and international debt relief, and has achieved one of the best records of poverty reduction in Sub-Saharan Africa. In 2011, it moved into the category of lower-middle-income countries and has a GDP per capita of close to US$1,400 (Table 6.1).

Despite high growth and attempts to diversify its economy, Ghana remains heavily reliant on the export of primary commodities including gold, cocoa, and,

Table 6.1 Ghana: key indicators

Ghana	
GDP per capita (current US$)	1,641
Bank assets (current US$)	10.17 bn
Bank assets (% of GDP)	27.3
Stock market capitalization (% of GDP)	11.7
Credit allocation to private sector (% of GDP)	19.7
Credit allocation to government (% of GDP)	10.4
Polity IV score	8

Note: All data is from 2017 unless otherwise indicated.

Source: FSI Database, IMF (2018); GDI Database, World Bank (2017); Polity IV (2014) following recent discoveries, petroleum. As a result of macro-economic shocks relating to commodity dependence, as well as high levels of pre-election spending, successive governments have struggled with rising public sector indebtedness. In 2015 the IMF and the World Bank declared Ghana to be at 'high risk of debt distress' and the Ghanaian government entered into an extended credit facility arrangement with the IMF (IMF and World Bank, 2015).

The banking sector has grown rapidly since 2000, with total assets increasing from just under US$4 billion (22 per cent of GDP) in 2005, to more than US$10 billion (27.3 per cent of GDP) in 2017. The nature of the banking sector has also changed as the result of policy reforms. The first wave of reforms occurred in the late 1980s and early 1990s under a World Bank Financial Sector Adjustment Programme (FSAP) which restructured distressed banks, reformed bank regulation and supervision, and opened the banking sector to new entrants (Antwi-Asare and Addison, 2000; Aryeetey, 2003; Aryeetey et al., 1997). A second wave of reforms in the early 2000s included the introduction of universal banking, which allowed banks to engage in commercial, development, merchant, and investment banking without the need for separate licenses (Quartey, 2005).

The reforms led to a substantial adjustment in bank ownership patterns (Table 6.2). In the 1990s the banking sector was dominated by government-owned banks and by 2017 government-owned banks only controlled one fifth of assets. Domestic private banks expanded to fill the space, with their market share increasing to one third of assets in 2017. Since the early 2000s, about half of banking sector assets have been controlled by foreign-owned banks. Although the share of foreign ownership has remained relatively stable, European banks have ceded share to recent entrants from Nigeria and South Africa. The dramatic NPP-led consolidation of the banking sector during 2017 and 2018, which cost the taxpayer more than GhC12billion (more than US$2billion), led the number of banks to decline from thirty-four in mid-2017 to twenty-three at the end of 2018 (Bank of Ghana, 2019; Dontoh, 2019).

Table 6.2 Ghana: changing patterns of bank ownership

	2010		**2017**	
	Number of banks	**% of total assets**	**Number of banks**	**% of total assets**
Government-controlled	5	28.9	3	16.6
Domestic privately controlled	7	17.7	11	32.2
Foreign privately controlled	14	53.4	17	51.3

Source: Author's calculations based on data from IMF databases (2018)

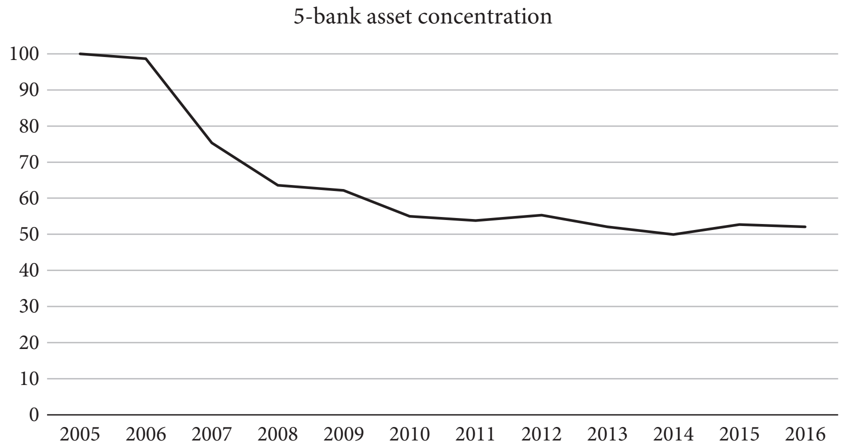

Figure 6.1 Ghana: banking sector concentration .
Source: Global Financial Development Database, World Bank (2018a)

Banks in Ghana have business models that rely overwhelmingly on the domestic market, with domestic assets accounting for more than 90 per cent of the sector's assets (Bank of Ghana, 2017a). Only one Ghanaian bank operates internationally.[1]

Early banking reforms in Ghana were heralded as one of the most successful in Africa (IMF, 1999a). Yet, as in other countries, the reforms have not fulfilled their ambitions of creating a competitive banking industry that lends to the private sector. Despite an increase in the number of banks and the corresponding reduction in market concentration (Figure 6.1), Ghana's banking sector remains uncompetitive, short-term, and expensive, with unusually high interest rate spreads and profits (Adjei-Frimpong et al., 2016; Biekpe, 2011; Buchs and Mathisen, 2005). Like the banking sector in many other African countries, it is also very profitable (Figure 6.2). Since the global financial crisis, return on equity in global banking has hovered around 8-10% while it has been twice as high in Africa (Chrionga et al. 2018) Although lending to the private sector increased to just above 20 per cent of GDP in 2015, this was well below the average of 29 per cent for Sub-Saharan Africa (Figure 6.3).

High interest rate spreads, highly profitable banks, and a low level of lending to the real economy are arguably due to the government's reliance on the banks as a source of short-term finance (Figure 6.3). A strong appetite of successive governments for domestic borrowing has led banks to invest heavily in high-yielding short-term government securities. Between 1998 and 2003, for example, government securities accounted for 25 per cent of bank assets, while net loans were only 34 per cent (Buchs and Mathisen, 2005). Similarly, in mid-2018, government

[1] Fidelity Bank opened a wholly owned subsidiary in Malaysia in 2012.

Figure 6.2 Ghana: bank profitability.
Source: Bankscope and Orbis Bank Focus, Bureau van Dijk (2018)

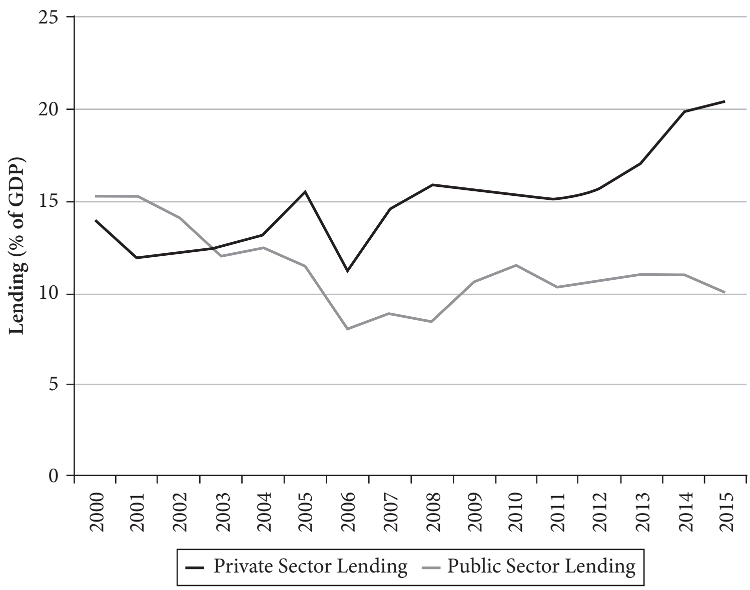

Figure 6.3 Ghana: patterns of bank lending.
Source: World Bank (2018b, 2017)

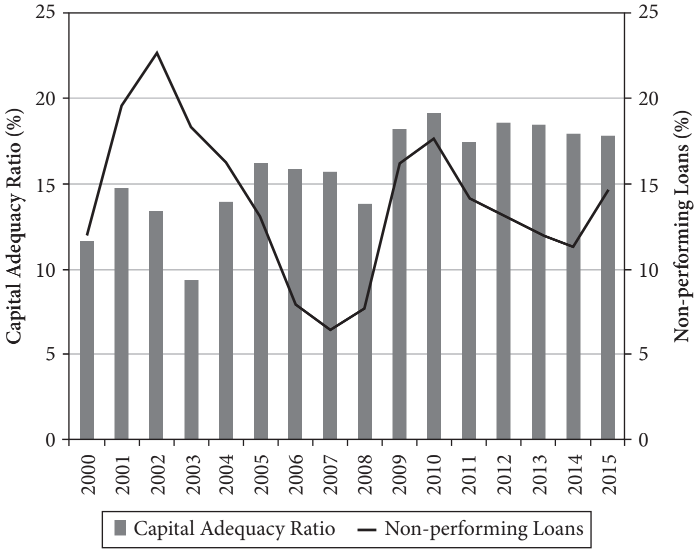

Figure 6.4 Ghana: capital adequacy ratios (CAR) and non-performing loans (NPLs).
Source: Financial Soundness Indicators Database, IMF (2018)

bills and securities accounted for 36 per cent of bank assets, while net loans were only 33 per cent (Bank of Ghana, 2018a).

The dominance of short-term, high-yielding government securities on the books of Ghana's banks has contributed to banks being relatively safe, well capitalized, and highly liquid. Average levels of capital have substantially exceeded the prudential requirement of 10 per cent of risk-weighted assets (Figure 6.4) and capital adequacy and liquidity levels in Ghanaian banks have been well above regional peers. However, the quality of assets in the banking sector has varied, with spikes in the level of non-performing loans (NPLs) (Figure 6.4). NPLs have been caused by a mix of macro-economic shocks and arrears in government payments to contractors. They have plagued all types of banks, including reputable international ones (IMF, 2011a).

While concerns had been raised about the high levels of NPLs, it was only when the IMF demanded an asset quality review of all banks in 2016 as part of a loan package that it became clear that headline figures masked a high level of variation at the level of individual banks. Crucially, the asset quality review used a more stringent approach to loan classification than had been the norm. Historically, the Bank of Ghana had not required banks to classify loans as non-performing if they originated from government or had a government guarantee (Bank of Ghana, 2016). When reviewed under the stricter prudential standards, eight banks were found to be insolvent, illiquid, or both, and a series of corporate governance failures and regulatory breaches were revealed (Bank of Ghana, 2018a).

The results triggered a slew of reforms, first under the NDC (2015–16) and then under the NPP (2017 onwards). Reforms included new legislation, new regulations in areas ranging from minimum capital requirements to corporate governance, the closure of seven banks, and mergers between banks that couldn't meet the new minimum capital requirements.

Interviews in 2016 revealed a lax supervisory environment. Banking supervision, carried out by the Banking Supervision Department of the Bank of Ghana, was by several interviewees to be relatively weak, with supervisors always playing 'regulatory catch-up'.[2] Interviewees noted that the Bank of Ghana faced significant shortages in the number of supervisors with the requisite expertise. Supervisors were reported to rely heavily on auditors' reports, but, as auditors were reported to have a very cosy relationship with the banks, interviewees intimated that the under-reporting of NPLs was common. Moreover, when they detected problems, supervisors were often reluctant to initiate any action, particularly when banks were politically connected.[3] Investigations following the IMF-promoted audit revealed a series of regulatory breaches, corporate governance failures, insider dealings, and accounting and financial improprieties, and led the Bank of Ghana to close seven banks during 2017-8. As part of wider reforms to the sector, the Bank of Ghana created an Office of Ethics and Internal Investigations to strengthen the quality of supervision (Bank of Ghana, 2018b).

Ghana's adoption and implementation of the Basel banking standards

Since its first Financial Sector Assessment Programme (FSAP) in the late 1990s, the government has been under pressure from international financial institutions to improve its compliance with the Basel Core Principles. Ghana was relatively quick to adopt and implement Basel I. Yet, despite making moves to implement Basel II as early as 2004, it was only in January 2019 that elements of Basel II and III came into force (Table 6.2).

Basel Core Principles

Since the 1990s, Ghana has been criticized by the IMF and World Bank for weak compliance with the Basel Core Principles. Ghana's banking regulation and supervisory practices were first evaluated against the Basel Core Principles in the late 1990s (IMF, 1999a). A joint IMF–World Bank FSAP evaluation in 2000 found

[2] Interviews with senior government officials and representatives of private banks, Accra, March 2016.
[3] Interview with private sector representative, Accra, 21 March 2016.

Ghana to be 'largely compliant' with the Basel Core Principles, but highlighted a series of legal changes needed to bring the Ghanaian framework 'closer to international practices'. The FSAP team criticized the Bank of Ghana's limited independence and stressed the need for supervisors to 'act more aggressively in enforcing prudential standards as they had instead tended to favour moral suasion' (IMF, 2003).

The level of compliance with the Basel Core Principles declined during the 2000s. Another FSAP was conducted in 2010 and assessed Ghana to be non-compliant or materially non-compliant with fourteen of the twenty-five Basel Core Principles—substantially below the average in the sub-region (IMF, 2011b, p. 49). It found that, despite the financial sector reforms of the 2000s, financial stability risks had heightened, non-performing loans were high, and commercial banks' internal controls and risk management practices had not kept pace with the industry's growth and changing risks. Even a moderate deterioration in the asset quality of banks would have led to the insolvency of several banks (IMF, 2011b; Marchettini et al., 2015, p. 28). The Bank of Ghana disputed the IMF's assessments, judging itself to be non-compliant or materially non-compliant with eight of the Core Principles, not the fourteen identified by the IMF (Bank of Ghana, 2013).

Basel I, II, and III

Ghana was an early adopter of Basel I, adopting prudential regulations based on the standard in 1989, only a year after they had been agreed by the Basel Committee. Ghana's Banking Act (1989) introduced capital adequacy requirements at 6 per cent of risk-weighted assets. These requirements were modelled on Basel I, although the Bank of Ghana's criteria for risk-weighting assets were simpler, with only two categories of risk weights rather than a spectrum (World Bank, 1994, p. 54). The Bank of Ghana's capital adequacy requirement was lower than the 8 per cent stipulated in Basel I but, because the method for calculating capital adequacy ratios was more conservative, in practice banks were required to maintain capital levels in excess of the Basel minimum (IMF, 2003, 1999b; World Bank, 1994).[4] From 1992, the Bank of Ghana started to implement Basel I to assess credit risk; from 1998 it introduced an assessment of operational risk; and from 2000 it started to assess market risk (focusing on the foreign exchange exposure of banks).[5]

[4] The Bank of Ghana standards apply higher risk weights for some assets, such as interbank loans, and because fixed assets and certain investments are deducted from both the numerator and the denominator of the ratio (IMF, 2003).

[5] Interview with government official, Accra, 17 March 2016.

The Bank of Ghana also looked like it would be an early adopter of Basel II. Ghana was one of the first countries in Sub-Saharan Africa to initiate risk-based supervision, as a precursor to implementing Basel II (Dosoo, 2006). The Bank of Ghana Act (2004) provided for risk-based supervision and all banks were required to implement risk-based management practices from 2007 (Bank of Ghana, 2007). In 2007, the Bank of Ghana undertook a series of preparatory steps towards implementation of Basel II including a readiness and gap analysis of banks, identifying champions in the banking sector to lead implementation efforts, and preparing guidelines for the calculation of the minimum capital requirements. It set a target date of 2010 for the full implementation of Basel II (Bank of Ghana, 2015; IMF, 2009).

Following extensive consultations, the Bank of Ghana and local banks mutually agreed to adopt the Basel II standardized approaches for credit, operational, and market risk (IMF, 2009). A joint committee comprising Bank of Ghana officials and representatives from the banks was formed to oversee Basel II implementation, and the committee met quarterly to discuss progress (IMF, 2009).

If these plans had come to fruition, Ghana would have been an early adopter of Basel II among our case study countries. But implementation was 'placed on hold' for six years from 2009 to 2015 (Bank of Ghana, 2015).[6] It was only in 2015 that implementation resumed, although at a slow pace. The Banks and Special Deposit-Taking Institutions Act (2016) provided the Bank of Ghana with enhanced powers to resolve banks and laid the foundations for the implementation of Basel II (Asiama, 2017) and the Bank of Ghana announced 2017 as the new target date for full implementation (Business and Financial Times, 2017b; PWC, 2016). However interviews in 2016 suggested that it was unlikely to happen as neither the regulator nor the banks appeared to be ready. A banking survey carried out by PricewaterhouseCoopers in early 2017 revealed that the majority of banks did not have a detailed plan for how to transition to Basel II and were waiting on the Bank of Ghana to issue guidelines (PWC, 2017).

In a move that took banks and observers by surprise, in September 2017, the Bank of Ghana announced that all banks had fifteen months to meet a three-fold increase in minimum capital requirements, which rose from GhC120 million (approx. US$25 million) to GhC400 million (approx. US$80 million). This was quickly followed in November 2017 with the issuance of new draft capital requirements based on core elements of both Basel II and Basel III. Following a consultation period with banks, the Capital Requirements Directive was issued in June 2018 and came into effect in January 2019 (Bank of Ghana, 2018c). The directive required all banks to comply with the capital requirements of Basel II (the standardized approaches to credit, operational, and market risk) as well as the capital-related requirements of Basel III (Table 6.3).

[6] This was confirmed in interviews.

Table 6.3 Ghana: adoption of Basel standards

Basel component	Adoption	Implementation—issuance of regulations and guidelines	Implementation—regulations and guidelines take effect
Basel I (modified)	Banking Act 1989	Credit risk—1992 Operational risk—1998 Market risk—2000	
Risk-based supervision (precursor to Basel II)	Banking Act 2004	2007 for all banks	
Basel II	Bank of Ghana has requisite powers under Banking Act 2004 and 2016	June 2018—Capital Requirements Directive • Credit risk—standardized approach • Operational risk—standardized approach • Market risk—standardized approach	Entered into force 1 January 2019
Basel III	Bank of Ghana has requisite powers under Banking Act 2004 and 2016	June 2018—Capital Requirements Directive • Basel III definitions of capital • Capital conservation buffer • Countercyclical buffer • Leverage ratio • D-SIB	Entered into force 1 January 2019

The political economy of Basel standards in Ghana

Four sets of actors are central to explaining Ghana's response to the Basel framework: the regulator (Bank of Ghana); the IMF and the World Bank; Ghana's two main political parties (the NDC and NPP); and its banks.

In its capacity as regulator and supervisor of banks, the Bank of Ghana has the mandate to decide whether and how much of the suite of international banking standards to adopt, implement, and enforce. The Bank of Ghana, along with the Ministry of Finance, has a reputation for being a strong and effective government institution, with a high level of technical expertise. Although formally independent, it is heavily influenced by party politics. Crucially, it has become the norm for central bank governors and deputies to step down within a few months of a change in government, under considerable pressure from the incoming government, to make room for the appointment of governors who are closely linked to the incoming party. These links are illustrated in two instances when central bank governors have later been appointed as the country's vice president when the political party that they served under regained power.

As an institution, the Bank of Ghana has cultivated strong links with the international policy community of the international financial institutions, generated through successive IMF and World Bank-supported financial sector reform programmes. There is a 'revolving door' at the level of senior staff: all five central bank governors that were in office between 2000 and 2018 previously worked for the IMF, World Bank, or African Development Bank. The Bank of Ghana is also closely linked to its peer regulators within Africa through its participation networks of supervisors, and has particularly strong bilateral relations with the Central Bank of Nigeria. It is also engaged in the Financial Stability Board's Regional Consultative Group for Africa, and closely engaged in international policy discussions at the Bank of International Settlements.

Below I trace the political economy dynamics behind Ghana's stop-start implementation of international banking standards and the role of the Bank of Ghana, politicians from the two main political parties, the IMF and World Bank, and domestic and foreign banks. The analysis is split into four chronological periods, each with distinct dynamics.

World Bank in the driving seat: PNDC and NDC era (1980s to 1999)

Following the economic and financial crises in the 1980s, financial sector reforms started in earnest in 1987 under a World Bank Financial Sector Adjustment Programme (FINSAP). In addition to restructuring, privatizing, and liberalizing the banking sector, the reforms sought to improve Ghana's banking regulations and supervisory capabilities. Bank of Ghana and World Bank officials in consultation with 'banking, accounting and other professional bodies in Ghana and abroad' drafted a new banking law, and provisions were '*broadly patterned upon those of the Basel guidelines*' (emphasis added, World Bank, 1995, p. 5). The Basel I standard was adapted to suit Ghana's relatively simple banking sector and the low level of supervisory resources in the Bank of Ghana, with only two categories of risk weights (0 per cent and 100 per cent) rather than a spectrum (World Bank, 1994, p. 54).

Implementation of Basel I standards started in earnest in 1992, with the introduction of assessments of credit risk, and this was followed by the introduction of assessments for operational risk in 1998 and market risk (foreign exchange exposure) in 2000.[7]

While there are few documents verifying the politics of banking sector reform during this period and few interviewees could recollect details, the available evidence suggests that the World Bank and the IMF played a crucial role in introducing Basel I and the Basel Core Principles to Ghana.

[7] Interview with government official, Accra, 17 March 2016.

Bank of Ghana drives through Basel reforms: NPP era (2001–8)

The IMF, World Bank, and donor community continued to exert influence over policy reforms in Ghana in a variety of policy areas during the 2000s, with varying efficacy (e.g. Abdulai and Hulme, 2015; Whitfield, 2010). A fantasticating aspect of financial sector reforms was that the NPP pursued a vigorous reform agenda that was sometimes at odds with the IMF.

The NPP's drive for financial sector reforms reflected a specific mix of interests and policy ideas. The NPP is widely perceived to be a party that supports the business class, with strong international connections, and several of its most prominent financiers have come from the financial sector. Upon its election in 2001, the NPP government proclaimed that it would usher in a 'golden age of business' and its three policy priorities were improved governance, extensive government divestiture, and the development of an efficient financial sector with proper supervisory standards.

The NPP government's vision for the financial sector, as articulated in the 2003 Financial Sector Strategic Plan, was to diversify, grow, and *globalize* Ghana's financial system (Mensah, 2015). The strategic plan set out a vision for 'a financial sector that is…fully integrated with the global financial system and supported by a regulatory system that promotes a high degree of confidence' (Ministry of Finance and Economic Planning, 2003).

A cornerstone of the NPP's vision for the banking sector was to position Ghana as a financial services hub for the West African region. The NPP government perceived an opportunity because Ghana's two main competitors were weak: Nigeria had a much larger financial market but its regulatory and legal institutions were weak and it lacked policy credibility, while Cote d'Ivoire suffered from political instability.[8] In line with this vision, the NPP government introduced new laws that, *inter alia*, raised minimum capital requirements, permitted the issuance of universal banking licenses, and increased the level of independence of the central bank (Biekpe, 2011; IMF, 2011b).

Reforms were led by Paul Acquah, governor of the central bank, who had been deputy director of the IMF's Africa Department, and was recruited by the NPP to head up the central bank. Interviewees repeatedly stressed the pivotal role he played in driving through financial sector reforms. According to one interviewee who was privy to discussions in the top echelons of the NPP government, Acquah 'had a vision [for the financial sector] and he sold it to the NPP leadership…it was a vigorous reform agenda that sought to liberate the economy'.[9] Scrutiny of the policy documents at the time bears this out: the vision and rationale for a financial

[8] Interview with former government official, Accra, 22 March 2016, interview with former government minister, Accra, 22 March 2016.

[9] Interview with former government minister, Accra, 22 March 2016.

services hub was articulated in greatest detail by Paul Acquah and his senior officials. They argued that creating a financial services centre would help insert Ghana into the international financial system, opening the economy up to cross-border capital flows and global financial markets (Acquah, 2007; Bank of Ghana, 2008).

Acquah's financial sector vision was strongly supported by the president and key ministers, and followed an agenda that was closely aligned with the interests of the NPP's financial supporters, whose capital was invested in the financial services sector.[10] It was also supported by international private investors, who honoured Acquah with the Emerging Markets award for the African Central Bank Governor of the Year in 2005 (Hammond, 2005). The implementation of Basel II and other international standards was seen as vital for attracting international investors into the financial sector. As one former official who had worked closely with Acquah explained, 'If you have adopted best practices, they [investors] will be attracted. Investors like to see good practices'.[11] The standards were also perceived to be important for managing the increased risk that would come with closer integration into global finance.[12]

In preparation for Basel II, officials at the Bank of Ghana assessed the risk management systems of banks, and found them to be extremely weak. As a former official of the Bank of Ghana noted, 'Their systems were really simple—the banks just looked to see if the borrower had collateral or not. At most they assessed credit risk. For anything complex, international banks sent the analysis to their headquarters to do'.[13]

The Bank of Ghana set a target date of 2007 for implementing a risk-based supervisory approach as a precursor to the full implementation of Basel II (Dosoo, 2006). The Bank of Ghana was aware that a shift to risk-based supervision and then to Basel II would be demanding. Ghanaian regulators received extensive technical support from the IMF, the World Bank, and the West African Institute for Financial and Economic Management (WAIFEM).[14] The Bank of Ghana also sent staff to the UK and Canada to study their approaches to risk-based supervision (Bank of Ghana, 2004). It decided to emulate the Canadian approach and for several years the Canadian government provided technical assistance to support Basel II implementation.[15]

While the NPP's interest in financial sector reforms broadly aligned with the priorities of the IMF and other major donors, the NPP's determination to

[10] Financial supporters included Databank Ltd, a local financial services company whose CEO would become the Minister of Finance under the NPP government in 2017.
[11] Interview with former government official, Accra, 22 March 2016.
[12] Interviews with senior government officials, Accra, 17 and 22 March 2016.
[13] Interview with former government official, Accra, 22 March 2016.
[14] Interview with government official, Accra, 17 March 2016.
[15] Interviews with government official, 17 March 2016, and former government official, 22 March 2016, Accra.

implement Basel II received push-back. The IMF reportedly tried to deter the Bank of Ghana from implementing Basel II, arguing that it was too ambitious and that Ghana should focus on complying with the Basel Core Principles.[16] However, as one interviewee explained, the governor and senior officials had a different view: '[Their] philosophy was that because Ghana's financial system is still quite simple, now is the time to play with concepts so that we are ready when the financial system gets more complex. [Ghana's] financial sector is developing fast'.[17]

The Bank of Ghana went ahead despite the IMF's reservations, setting a target for the full implementation of Basel II by 2010 (IMF, 2009). It undertook a series of preparatory steps, including conducting a readiness and gap analysis of banks, identifying champions in the banking sector who would lead implementation efforts, preparing guidelines for the calculation of the minimum capital requirements for pillar 1 for credit, operational, and market risk, and designing Basel II reporting formats (Bank of Ghana, 2015).

Strikingly, throughout this period there was no appetite among foreign or domestic banks for Basel II implementation. Foreign banks operate as locally incorporated subsidiaries and are regulated under the purview of the Bank of Ghana. Although foreign banks would have been able to comply with Basel II standards more easily than domestic banks, in Ghana's highly profitable banking sector they had no incentive to capitalise on this advantage. Only one domestic bank operates internationally, and only since 2012 when it opened a subsidiary in Malaysia. Although some domestic banks were raising international finance and seeking international credit ratings, this did not translate into support for Basel implementation. Interviews with such domestic banks revealed that while they were strong advocates of the move to adopt IFRS standards, as they perceived this would dramatically improve their creditworthiness in the eyes of foreign investors, they did not perceive investors or credit ratings agencies to have any interest in Basel implementation.[18]

IMF in the lead under the NDC (2009–16)

Following elections, an NDC government assumed office in January 2009 with a markedly different vision for the financial sector. The NDC is a social democratic party and its financial sector strategy focused on encouraging lending to priority sectors of the economy including agriculture, industry, and fisheries (NDC, 2008). The party's elite have a much stronger nationalist tradition than the NPP, seeking to protect and support indigenous businesses, and are less connected to international

[16] Interview with senior government official, Accra, 21 March 2016.
[17] Interview with former government official, Accra, 22 March 2016.
[18] Interview with senior bank representatives (Ghanaian bank), Accra, 17 March 2016.

policy circles and the international investment community. While its financial supporters operate in a range of economic sectors, they are much less involved in the financial sector than those connected to the NPP.

Although there is passing mention in the NDC's 2008 manifesto to creating a financial services hub (NDC, 2008), interviewees made it clear that the NDC did not share the NPP's ambition of globalizing Ghana's banking sector. In particular the NDC was critical of the NPP's moves to further liberalize the banking sector. As a senior NDC figure explained during an interview, 'Paul Acquah [the central bank governor under the NPP] thought "capital was capital" and issued lots of foreign bank licenses…but it isn't safe to have all the banking sector in foreign hands…Two Nigerian banks entered in this way—they were poorly regulated and he let them in'.[19] Financial sector reforms continued under the NDC but at a slower pace, and the implementation of Basel II standards stalled.

The dramatic shift in the pace of reforms illustrates the impact of party politics and a change in policy priorities on the ostensibly independent central bank. The incoming NDC government reportedly perceived the Bank of Ghana to be overly aligned with the previous NPP administration. Paul Acquah stepped down and was replaced by Kwesi Amissah-Arthur who had previously served as the NDC's deputy finance minister and was widely perceived to be a close ally of the President. Senior officials who had worked closely with Governor Acquah felt under pressure to leave, even including those who were not politically aligned.[20] Those who had acquired expertise on Basel II and championed its implementation left, and enthusiasm for Basel II implementation among the technical officials waned. Many of the remaining officials were 'risk-averse and thought the standards were too advanced for Ghana', while others had lost faith in the Basel standards following the global financial crisis.[21]

This shift in the pace of Basel II implementation is clearly reflected in correspondence between the Government of Ghana and the IMF. In the 2009 Letter of Intent to the IMF written while Acquah was still in office, the Government of Ghana committed to implementing the Standardized Approach of Basel II by 2010 (IMF, 2009). Once Acquah had left, the IMF encouraged the Bank of Ghana to slow down Basel II implementation. As one interviewee explained, 'when Paul Acquah left, the IMF came in and wanted to put the brakes on [Basel II implementation]. They didn't get the rationale'.[22] The IMF's (2011a) report states that: 'The planned adoption of the standardized approach of the Basel II framework *should not proceed* without meeting certain pre-conditions. The transition to Basel II will require sound project management by the [Bank of Ghana], including

[19] Interview with senior banking sector representative, Accra, 21 March 2016.
[20] Interview with former government official, Accra, 22 March 2016.
[21] Interview with senior government official, Accra, 21 March 2016.
[22] Interview with former government official, Accra, 22 March 2016.

extensive technical analysis and some policy decisions' (emphasis added, IMF, 2011b, p. 24). Following a highly critical Financial Sector Assessment Programme report, the IMF wanted the Bank of Ghana to focus on improving compliance with the Basel Core Principles before moving onto Basel II.

The NDC had a much less clearly defined financial sector strategy than the NPP and, although the new team at the central bank had some experience with the IMF, their professional links were much less extensive than those of the outgoing team. Together with the loss of technical expertise, interviewees argued that these differences resulted in the IMF having much greater influence over Ghana's financial sector reforms. As a former NPP Minister explained, 'During Paul Acquah's time the IMF was cautious as they knew Paul had experience with the IMF. [The] IMF would listen because they knew Paul had done his homework…Now the team is weak and they don't push back.'[23]

Under pressure from the international community, the NDC government reversed steps that the NPP had taken to establish Ghana as an offshore financial centre. In 2009 Ghana underwent a peer-review by the inter-governmental Group Against Money Laundering in West Africa (GIABA), which revealed numerous shortcomings in Ghana's implementation of Financial Action Task Force (FATF) standards, judging Ghana to be 'compliant' or 'largely compliant' with only five of the forty-nine standards (GIABA, 2009). Shortly after, the OECD warned Ghana of the risks of becoming a tax haven (Mathiason, 2010). Following this criticism from the international community, the Bank of Ghana withdrew the only offshore banking license it had issued, held by Barclays Bank, and took steps to improve its compliance with FATF standards. As the governor explained: 'At a time that Ghana was gaining a reputation for laundry, we did not want to confirm this misperception' (Dogbevi et al., 2011).

When Ghana entered into an IMF Extended Credit Facility Arrangement in 2015 following a macro-economic crisis, the IMF took the opportunity to pressure the government to improve the quality of supervision in the banking sector and increase compliance with the Basel Core Principles. The IMF Programme included a series of structural benchmarks aimed at overcoming the weaknesses that had been flagged in the 2010 FSAP, including a requirement that the government would complete an asset quality review of banks and introduce new legislation to increase the central bank's independence and improve prudential supervision (IMF, 2015, p. 74).

The IMF's push for an asset quality review is significant, as loan classification had been an source of tension between the Bank of Ghana and the IMF for many years (IMF, 2011b). Crucially, the Ghanaian authorities did not classify loans as non-performing if the loan originated from the government on the basis that

[23] Interview with former government minister, Accra, 22 March 2016. This view was corroborated in interviews with senior officials in the Bank of Ghana.

ultimately 'the government will pay'.[24] In a context where banks were heavily exposed to the government, interviewees explained how severe fiscal imbalances had led to erratic government payments and the build-up of arrears to contractors and other private sector companies, and this in turn posed a major source of risk for the banking sector.[25] However, the Bank of Ghana was reluctant to punish individual banks for problems that ultimately originated from the government's persistent fiscal problems.

In line with the conditions attached to the IMF financing agreement, the IMF and Bank of Ghana undertook a joint asset quality review of all banks in 2015. In the words of one interviewee, this 'snap audit' was 'very revealing'. It showed that 'the auditors were in bed with the banks', the level of non-performing loans in many banks was substantially higher than had been reported, and the risk management systems of many banks were very weak.[26] The IMF criticized the Bank of Ghana for its regulatory forbearance, particularly with regard to the impairment of loans originating from state-owned companies. Following a second asset quality review that revealed several banks to be severely undercapitalized, the government and the IMF agreed that the Bank of Ghana would review banks' recapitalization and restructuring plans, and initiate resolution procedures for banks found to be unviable (IMF, 2016).

As per the IMF loan conditions, the government also passed two new banking sector acts in 2016. The Banks and Specialized Deposit-Taking Institutions Act, 2016 (Act 930) provided the Bank of Ghana with greater independence and enhanced powers to resolve banks that are deemed to be unviable, while the Ghana Deposit Protection Act, 2016 (Act 931) introduced a new deposit insurance scheme. Perhaps because these changes have made Ghana more compliant with Basel Core Principles, the IMF started to strongly support a move to Basel II, providing technical assistance and supporting the Bank of Ghana in its aim to implement Basel II by mid-2017 (IMF, 2016).

NPP resumes office and implements Basel II and III (2017–present)

Following elections in late 2016, the NPP resumed office and the central bank governor and both deputies stepped down, reportedly under pressure, and despite not completing their scheduled terms in office.[27] The NPP appointed Ernest Addison as the new governor. He had been a senior official at the central bank

[24] Interview with senior government official, Accra, 15 March 2016.
[25] Interview with senior bank representative (foreign bank), Accra, 17 March 2016.
[26] Interview with government official, Accra, 17 March 2016.
[27] The governor stepped down in March 2017 (three months into the new administration), one deputy governor in July 2017, and the other in December 2017.

during the previous NPP administration and had left to work at the African Development Bank when the NDC assumed office.

The change of government ushered in a shift in financial sector strategy as, once again, the NPP's election manifesto prioritized repositioning Ghana as an international financial services centre, citing Mauritius as a model (NPP, 2016). This vision was championed by Ken Ofori-Atta, the newly appointed Minister of Finance, an investment banker who had worked for Morgan Stanley and founded Ghana's leading investment banking group. In repeated public appearances, Ofori-Atta emphasized the government's determination to turn Ghana into an international financial services hub, citing Singapore as an example (Business and Financial Times, 2017a). In the 2017 budget statement he set out a vision for positioning Ghana as an international financial services centre, so that it would become the preferred headquarters for all international banks operating in the sub-region, and the hub for financial technology and payment systems, and international private equity and venture capital firms (Ofori-Atta, 2017). In early 2018 Ofori-Atta led a delegation of senior politicians and officials to Singapore and Hong Kong 'to study best practices to inform Ghana's plan to become a regional financial services hub' (Ministry of Finance, 2018).

As before, while the NPP government continued with banking sector reforms agreed with the IMF, it was more ambitious than the NDC had planned to be and the IMF demanded. The NPP government sought structural changes in the banking sector, rather than simply improving the performance of the existing banks. An important first move by the NPP government was to impose far higher minimum capital requirements in a deliberate move to spur the consolidation of the banking sector. Announced in September 2017, the new requirement of GhC400 million (approx. US$80 million) was almost double that which had been planned under the NDC (Bank of Ghana, 2017b; Dzawu, 2017). While justified as a move to improve the resilience of the financial sector, analysts noted that smaller local banks would struggle to raise the capital needed to comply and would either need to exit or merge. In public speeches Ofori-Atta, the finance minister, and Ernest Addison, central bank governor, explained that they wanted to stimulate the creation of large Ghanaian-owned banks to ensure that Ghanaians directly benefited from the positioning of the country as an international financial services hub (Business and Financial Times, 2017a). The example of Nigeria was frequently invoked in policy and media discussions, where consolidation in the banking sector in the 2000s led to the creation of large banks that expanded overseas and acquired a major share of the regional market.

While foreign banks were able to meet the new capital requirements relatively easily, local banks petitioned the president for an extension of the deadline, but it was not granted. The Bank of Ghana revoked the licences of seven domestic banks (closing two and amalgamating assets of five others into a new government-owned consolidated bank). The bank closures, voluntary winding-up of another bank, and several mergers resulted in the number of banks in operation shrinking from thirty-four in 2017 to twenty-three at the end of 2018. Leading figures in the NDC criticized the NPP's approach, with the former finance minister arguing that the bank closures and related job losses were unnecessary. The NDC would have supported the small indigenous banks to recapitalize, rather than closing them down (Appiah, 2018).

Alongside the consolidation exercise, a raft of regulatory reforms were implemented to bring Ghana in line with international standards. As the central bank governor explained, 'the global financial system is continually evolving and Ghana cannot continue to lag behind in transforming its banking sector in line with international standards and practices' (Ablordeppey, 2017). A new Capital Requirements Directive (June 2018) incorporated major elements of Basel II (the standardized approaches to credit, operational, and market risk), as well as the capital-related elements of Basel III, and banks were given only six months to comply (Bank of Ghana, 2018c). The Bank of Ghana also issued new guidelines on financial reporting to ensure common standards in line with IFRS 9 (June 2017), a new directive on corporative governance based on Basel Core Principles (May 2018, revised in December 2018), revisions to anti-money laundering guidelines (July 2018), and a directive on the voluntary winding-up of financial institutions (September 2018).[28]

The reforms were widely welcomed by international investors and the international policy community. The issuance of the new Capital Requirements Directive was deemed 'positive' by Moody's (Ashiadey, 2018), while Governor Addison reported that the banking reforms contributed to Standard and Poor's decision to upgrade Ghana's long-term rating from B- to B (Addison, 2018). Meanwhile, the IMF's Managing Director praised the banking sector reforms as 'courageous steps' (Lagarde, 2018). For the first time, some of the larger banks also offered public support for the reform agenda and implementation of international standards, arguing that it would help them access international capital. As a senior executive from a locally incorporated foreign bank argued, 'To ensure that Ghana becomes and remains an important global player on global financial markets, our markets must also conform to international standards. Other African markets including Nigeria are in the process of getting their laws amended to improve their adherence to international norms and we need to ensure that we are not left behind in our bid to attract and retain capital' (Owusu Kwarteng, 2018).

Implementation of the regulatory reforms is expected to be challenging. In 2016, interviewees had been sceptical that Basel II could be implemented easily, suggesting that many domestic banks as well as the Banking Supervision

[28] A list of directives is available at: https://www.bog.gov.gh/supervision-a-regulation/banking-acts-and-directives.

Department of the Bank of Ghana did not have the requisite capacity.[29] A survey of banks revealed that while international banks already reporting under Basel II and III expected a relatively easily transition, domestic banks anticipated shortages of expertise, the need to upgrade information technology systems, and challenges in securing the high-quality data required by the Bank of Ghana (PWC, 2017).

The Bank of Ghana was keen to emphasize that it intended to enforce the new regulations. Many of the weaknesses revealed in Ghana's banking sector by the IMF-driven audit were due to regulatory breaches, rather than weaknesses in the regulatory framework per se. Supervision and enforcement by the Bank of Ghana had been lax and banks were found to have obtained licenses through false pretences, circumvented single obligor limits, concealed related party exposures, and mis-reported financial data. To safeguard the reforms, the central bank governor emphasized the need for strict enforcement, and greater levels of regulatory and supervisory vigilance (Addison, 2018). As the deputy governor explained, 'the culture of regulatory forbearance that once prevailed will not be countenanced' (Annerquaye Abbey, 2018) and the Bank of Ghana created an Office of Ethics and Internal Investigations to improve the quality of supervision and enforcement.

The focus of the NPP's reforms was on ensuring financial stability and improving the reputation of the sector in the eyes of citizens and international investors. Much less attention has been paid to increasing bank lending to the productive economy. As discussed in Chapter 2, critics of the Basel standards argue that implementation may deter banks from lending to the private sector for productive investments. A survey of bank executives in 2017 revealed that they anticipated reducing their lending to high-risk sectors including agriculture, real estate, and downstream energy in order to comply with the new Basel II and III regulations. As Ghana's financial sector remains heavily bank-based, this prompted concerns that some sectors of the real economy might be negatively affected by the implementation of Basel standards (PWC, 2017).

These expectations appear to be borne out in the data, which shows that the immediate reaction of banks to the new regulations was to reduce the volume of lending to the real economy and increase holdings of government securities. Between October 2017 and 2018, the share of bank assets comprising net advances (loans) reduced from 36 per cent to 29 per cent, which resulted in a 15 per cent contraction of credit to the private sector in real terms. Meanwhile, banks dramatically increased holdings of government securities (Bank of Ghana, 2018d). However, the NPP government hoped that the consolidation of the banking sector would create larger banks that can more readily finance major projects, and it has taken steps to restructure the state-owned National Investment Bank and Agricultural Development Bank to support industrialization and agricultural

[29] Interview with senior bank representative (foreign bank), Accra, 16 March 2016, interview with private sector representative, Accra, 21 March 2016.

development. Whether the reforms lead to higher levels of investment in the productive sectors of the economy remains to be seen.

Conclusion

In Ghana, the IMF has exerted a strong influence over bank reforms throughout the period under review. Yet the drive to converge on international standards came from a small group of NPP politicians and closely aligned officials in the Bank of Ghana. For the NPP government, positioning Ghana as an international financial services centre has been a priority, and implementation of the latest international banking standards has been perceived as central to attaining this goal. This vision was not shared by the NDC, and implementation of international standards stalled when it was in office. This difference between the two political parties with respect to the adoption of international standards stemmed from differences in policy agendas and material interests.

The policy differences between the two political parties were reflected in regulatory decisions because the Bank of Ghana is less immune to political changes than the formal legal framework suggests. While the central bank has a high level of independence on paper, governors and deputy governors routinely resign, reportedly under pressure, within a few months of the election of a new political party. As some interviewees argued, this arguably makes the central bank more accountable to the electorate than the IMF-driven model of independence, which seeks to insulate the central bank from party politics.[30] Neither the foreign nor internationally oriented domestic banks advocated for Basel implementation and, although small domestic banks opposed some elements of the reform agenda, their complaints went unheeded.

This analysis of the politics of banking regulation speaks to the wider literature on political dynamics in Ghana. Ghana's politics has been described as competitive clientelist as the distribution of power is diffuse and political parties compete in tightly fought elections by prioritizing policies that distribute spending among voters (e.g. Abdulai and Hickey, 2016; Whitfield, 2011). In many issue areas this leads the main parties to converge on very similar policy agendas (Abdulai and Hickey, 2016; Whitfield, 2018, 2011). While this is the first research to systematically examine the politics of financial regulation, other studies have also revealed how ideational differences and the orientation of the NPP towards international capital have resulted in policy divergences, including in the oil sector (Abdulai, 2017; Hickey et al., 2015; Mohan et al., 2018). An interesting area for future

[30] E.g. interview with former government minister, Accra, 22 March 2016.

research is to tease out the conditions under which policy divergence occurs between the two main parties.

The Ghana case study provides two important insights for this volume. First, it shows the importance of policy ideas in shaping the responses to Basel standards. The main driver for implementing Basel standards has been the development strategy of the NPP, a party with strong ideological and material connections to international finance, and a vision for repositioning Ghana as a financial services hub for West Africa. A similar vision is shared by politicians in Pakistan, Rwanda, and Kenya. Second, it suggests that a high level of foreign bank presence will not necessarily create incentives for the implementation of Basel standards. Foreign banks in Ghana are domestically oriented, with highly profitable business models that, like local banks, depend on investing heavily in short-term government securities. As domestic banks have yet to expand overseas, there are no strong market incentives to advocate for Basel standards, although this may change with the consolidation of the banking sector. If this leads to the creation of large, internationally active banks, as it did in Nigeria and Pakistan, this may generate market incentives for convergence on international standards.

References

Abdulai, A.-G., 2017. The political economy of regional inequality in Ghana: Do political settlements matter? *The European Journal of Development Research* 29, 213–29. https://doi.org/10.1057/ejdr.2016.11.

Abdulai, A.-G., Hickey, S., 2016. The politics of development under competitive clientelism: Insights from Ghana's education sector. *African Affairs*. https://doi.org/10.1093/afraf/adv071.

Abdulai, A.-G., Hulme, D., 2015. The politics of regional inequality in Ghana: State elites, donors and PRSPs. *Development Policy Review* 33, 529–53. https://doi.org/10.1111/dpr.12124.

Ablordeppey, S.D., 2017. Banks' new minimum capital to reflect their risk exposure. 11 August, *Graphic Business*, Accra. https://www.graphic.com.gh/business/business-news/banks-new-minimum-capital-to-reflect-their-risk-exposure.html.

Acquah, P., 2007. *Ghana at 50: The achievements, challenges of the financial services sector and expectations of the next 50 years*. Speech at Annual Dinner of the Chartered Institute of Bankers (Ghana), 15 December. Accra, Ghana.

Addison, E., 2018. *Address by Dr Ernest Addison, Governor, Bank of Ghana*. Speech at Annual Dinner of the Chartered Institute of Bankers (Ghana), 1 December. Accra, Ghana. https://www.bog.gov.gh/privatecontent/Speeches/GOVERNOR'S%20SPEECH%20-%20CIB%20DINNER%20DANCE%202018.pdf.

Adjei-Frimpong, K., Gan, C., Hu, B., 2016. Competition in the banking industry: Empirical evidence from Ghana. *Journal of Banking Regulation* 17, 159–75.

Annerquaye Abbey, R., 2018. No turning back on banking reforms—central bank. *Business and Financial Times*, Accra, Ghana, 25 April. https://thebftonline.com/2018/headlines/no-turning-back-on-banking-reforms-central-bank/#.

Antwi-Asare, T.O., Addison, E.K.Y., 2000. *Financial Sector Reforms and Bank Performance in Ghana*. Overseas Development Institute, London.

Appiah, D., Abdulai, A.-G., 2017. *Competitive clientelism and the politics of core public sector reform in Ghana*. ESID Working Paper No. 82, The University of Manchester, UK. http://www.effective-states.org/wp-content/uploads/working_papers/final-pdfs/esid_wp_82_appiah_abdulai.pdf.

Appiah, E., 2018. Gov't had ¢20bn plan to avert 'needless' bank collapse—Terkper. *JOY FM News*, 4 September. https://www.myjoyonline.com/business/2018/September-4th/govt-had-20bn-plan-to-avert-needless-bank-collapse-terkper.php.

Aryeetey, E., 2003. Recent developments in African financial markets: Agenda for further research. *Journal of African Economies* 12, ii111–52. https://doi.org/10.1093/jae/12.suppl_2.ii111.

Aryeetey, E., Nissanke, M., Steel, W.F., 1997. Financial market fragmentation and reforms in Ghana, Malawi, Nigeria, and Tanzania. *World Bank Economic Review* 11, 195–218. https://doi.org/10.1093/wber/11.2.195.

Ashiadey, B.Y., 2018. Moody's backs Bank of Ghana's new Capital Requirement Directive. *Business and Financial Times*, 4 July. https://thebftonline.com/2018/headlines/moodys-backs-bank-of-ghanas-new-capital-requirement-directive.

Asiama, J., 2017. *Bank of Ghana's monetary policy in 2017*. Speech by Johnson P. Asiama, 2nd Deputy Governor of the Bank of Ghana, Kempiski Hotel, Accra, Ghana, 11 January 2017. https://www.bog.gov.gh/privatecontent/Speeches/Monetary%20Policy%20_%202017%20-%20Fin.pdf.

Bank of Ghana, 2004. *Annual Report 2004*. Bank of Ghana, Accra.

Bank of Ghana, 2007. *Developments in Banks and Non-Bank Financial Institutions (Annual Report and Accounts)*. Bank of Ghana, Accra.

Bank of Ghana, 2008. *Offshore Banking and the Prospects for the Ghanaian Economy*. Research Department, Accra.

Bank of Ghana, 2013. *Assessment of BOG's Compliance with the BCPs*. Bank of Ghana, Accra.

Bank of Ghana, 2015. *Basel II Implementation—Ghana*. Bank of Ghana, Accra.

Bank of Ghana, 2016. *Transcript of the Press Conference of the Monetary Policy Committee, held on July 18, 2016*. Bank of Ghana, Accra.

Bank of Ghana, 2017a. *Banking Sector Report—July 2017* (No. Vol. 2.3). Bank of Ghana, Accra.

Bank of Ghana, 2017b. *Notice to the Banks and the General Public: Notice No. BG/GOV/SEC/2017/19, New minimum paid up capital*. Bank of Ghana, Accra.

Bank of Ghana, 2018a. *Banking Sector Report: July 2018*. Bank of Ghana, Accra.

Bank of Ghana, 2018b. *Bank of Ghana Establishes Ethics and Internal Investigations Unit to Strengthen Good Governance within the Bank (Press Release)*. Bank of Ghana, Accra.

Bank of Ghana, 2018c. *Capital Requirements Directive*. Bank of Ghana, Accra.

Bank of Ghana, 2018d. *Banking Sector Report—November 2018*. Bank of Ghana, Accra.

Bank of Ghana, 2019. *Update on Banking Sector Reforms (Press Release)*. Bank of Ghana, Accra.

Biekpe, N., 2011. The competitiveness of commercial banks in Ghana. *African Development Review* 23, 75–87. https://doi.org/10.1111/j.1467-8268.2010.00273.x.

Buchs, T.D., Mathisen, J., 2005. *Competition and Efficiency in Banking: Behavioral Evidence from Ghana*. International Monetary Fund, Washington, DC.

Bureau van Dijk, 2018. *Bankscope and Orbis Bank Focus*. Bureau van Dijk, London.

Business and Financial Times, 2017a. Ofori-Atta pushes for Ghana as an international financial centre. *Business and Financial Times*, 14 August. https://www.myjoyonline.com/business/2017/August-14th/ofori-atta-pushes-for-ghana-as-an-international-financial-centre.php.

Business and Financial Times, 2017b. BoG to implement Basel II/III in 2017. *Business and Financial Times*, 7 December. https://www.ghanaweb.com/GhanaHomePage/business/BoG-to-implement-Basel-II-III-in-2017-399102.

Chironga, Mutsa et al. (2018) *Roaring to life: Growth and Innovation in African Retail Banking* McKinsey Available here: https://www.mckinsey.com/~/media/McKinsey/Industries/Financial%20Services/Our%20Insights/African%20retail%20bankings%20next%20growth%20frontier/Roaring-to-life-growth-and-innovation-in-African-retail-banking-web-final.ashx

Dogbevi, E.K., Emmanuel, K., Quandzie, E., 2011. There is perception of money laundry, low interest in Ghana's offshore banking—BoG. *Ghana Business News*, February 23. https://www.ghanabusinessnews.com/2011/02/23/there-is-perception-of-money-laundry-low-interest-in-ghanas-offshore-banking-bog.

Dontoh, E., 2019. Ghana settles banking cleanup as most lenders meet demands. *Bloomberg Markets*, 4 January. https://www.bloomberg.com/news/articles/2019-01-04/ghana-settles-banking-cleanup-as-most-lenders-meet-new-demands.

Dosoo, L.V.L., 2006. *Risk-based supervision*. Keynote address by Mr Lionel Van Lare Dosoo, Deputy Governor of Bank of Ghana, at the 'Regional seminar on risk-based supervision', Accra, 24 April. https://www.bis.org/review/r060824g.pdf.

Dzawu, M.M., 2017. Ghana's banks need more capital than its markets can provide. *Bloomberg Markets*, 4 October. https://www.bloomberg.com/news/articles/2017-10-04/ghana-s-banks-need-more-cash-than-its-markets-can-provide.

Food and Agriculture Organization, 2015. *Country fact sheet on food and agriculture policy trends*. FAO, Rome.

GIABA, 2009. *Mutual evaluation report: Ghana*. GIABA.

Gyimah-Boadi, E., Yakah, T., 2012. *Ghana: The limits of external democracy assistance*. UNU-WIDER Working Paper 40/2012, UNU-WIDER, Helsinki. https://www.wider.unu.edu/publication/ghana-0.

Hammond, E., 2005. Paul Acquah is African Central Bank Governor of the Year. *GhanaWeb*.

Hickey, S., Abdulai, A.-G., Izama, A., Mohan, G., 2015. *The politics of governing oil effectively: A comparative study of two new oil-rich states in Africa*. ESID Working Paper No. 54, University of Manchester. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2695723.

IMF, 1999a. *Ghana: Enhanced structural adjustment facility policy framework paper 1999–2001*. IMF, Washington, DC.

IMF, 1999b. *Ghana: Selected issues (IMF Staff Country Report No. 99/03)*. IMF, Washington, DC.

IMF, 2003. *Ghana: Financial system stability assessment update, including reports on the observance of standards and codes on the following topics: Banking supervision, insurance regulation, and securities regulation*. IMF, Washington, DC.

IMF, 2009. *Ghana: Letter of intent, memorandum of economic and financial policies, and technical memorandum of understanding*. IMF, Washington, DC.

IMF, 2011a. *Ghana: Financial system stability assessment update, IMF Country Report*. IMF, Washington, DC.

IMF, 2011b. *Ghana: Financial system stability assessment update, IMF Country Report No. 11/131*. IMF, Washington, DC.

IMF, 2015. *Ghana: Request for a three-year arrangement under the extended credit facility; staff report; press release; and statement by the Executive Director for Ghana*. IMF, Washington, DC.

IMF, 2016. *Ghana: Letter of intent, memorandum of economic and financial policies, and technical memorandum of understanding*. IMF, Washington, DC.

IMF, World Bank, 2015. *Ghana: Request for a three-year arrangement under the extended credit facility—Debt sustainability analysis*. IMF, Washington, DC.

Lagarde, C., 2018. *Ghana: Planting economic seeds for future prosperity*. IMF, Washington, DC.

Marchettini, D., Mecagni, M., Maino, R., 2015. *Evolving banking trends in Sub-Saharan Africa: Key features and challenges* (No. 15/8). IMF African Departmental Paper.

Mathiason, N., 2010. Tax haven risks corruption, OECD warns Ghana. *Guardian*, 19 January. https://www.theguardian.com/business/2010/jan/19/ghana-oecd-tax-haven-warning.

Mensah, J.M.K., 2015. *Banking regulatory framework in Ghana: 'Strengths, Weakness, Opportunities and Threats'* (SSRN Scholarly Paper No. ID 2572976). Social Science Research Network, Rochester, NY.

Ministry of Finance, 2018. *Monthly newsletter: February 2018*. Accra.

Ministry of Finance and Economic Planning, 2003. *Financial sector strategic plan*. Accra.

Mohan, G., Asante, K.P., Abdulai, A.-G., 2018. Party politics and the political economy of Ghana's oil. *New Political Economy* 23, 274–89. https://doi.org/10.1080/13563467.2017.1349087.

NDC, 2008. *NDC Manifesto 2008*. NDC, Accra.

NPP, 2016. *Change: An agenda for jobs (New Patriot Party Manifesto for Election)*. NPP, Accra.

Ofori-Atta, K., 2017. *The Budget Statement and Economic Policy of the Government of Ghana for the 2018 Financial Year*. Government of Ghana.

Owusu Kwarteng, G., 2018. Bank of Ghana needs our support. *Graphic Business*.

Polity IV, 2014. *PolityProject*. Center for Systemic Peace.

PWC, 2016. *Ghana Banking Survey*. PWC, Accra. https://www.pwc.com/gh/en/assets/pdf/2016-banking-survey-report.pdf.

PWC, 2017. *Risk-based minimum regulatory capital regime: What it means for banks in Ghana (2017 Ghana Banking Survey)*. PWC, Accra. https://www.pwc.com/gh/en/assets/pdf/2017-banking-survey-report.pdf.

Quartey, P., 2005. *Financial sector development, savings mobilization and poverty reduction in Ghana*. World Institute for Development Economics Research 32.

Whitfield, L., 2010. The state elite, PRSPs and policy implementation in aid-dependent Ghana. *Third World Quarterly* 31, 721–37. https://doi.org/10.1080/01436597.2010.502692.

Whitfield, L., 2011. *Competitive clientelism, easy financing and weak capitalists: The contemporary political settlement in Ghana*. DIIS Working Paper 2011:27, Copenhagen. http://pure.diis.dk/ws/files/110319/WP2011_27_Competitive_Clientelism_Ghana_web.pdf.

Whitfield, L., 2018. *Economies after colonialism: Ghana and the struggle for power*. Cambridge University Press, New York.

World Bank, 1994. *Ghana financial sector review: Bringing savers and investors together* (No. 13423-GH). World Bank, Washington, DC.

World Bank, 1995. *Project completion report, Republic of Ghana, Financial Sector Adjustment Credit I*. World Bank, Washington, DC.

World Bank, 2017. *World Development Indicators*. World Bank, Washington, DC.

World Bank, 2018a. *Global financial development database* [WWW Document]. URL https://datacatalog.worldbank.org/dataset/global-financial-development (accessed 24.11.18).

World Bank, 2018b. *International Financial Statistics*. World Bank, Washington, DC.