

Address Delivered by the Hon Minister for Finance and Economic Planning, Hon Dr Kwabena Duffuor at the Cocoa Trade Finance Agreement Signing Ceremony

12 September 2012

Mr Chairman,

Honourable Ministers of State,

Your Excellency Ghana's High Commissioner to the UK,

Distinguished Guests from mandated Lead Arrangers and Club of Banks,

Stakeholders in the Cocoa Industry,

Ladies and Gentlemen,

I am deeply honoured and indeed privileged to have the opportunity to once again address this gathering for the signing of USD1.5 billion receivables-backed trade finance for the purchase of cocoa in the 2012/2013 cocoa season. On behalf of His Excellency, President John Dramani Mahama, Government, and the people of Ghana, I wish to express my profound gratitude to our financiers, both local and foreign, for the confidence shown in the Ghanaian economy in general and the cocoa industry in particular.

Ladies and Gentlemen, permit me to share with you a few thoughts about our dear country and the economy which I believe will be of interest to investors like you. First, as some of you may know, Ghana has stood out for its peaceful and stable democratic governance. The country has established its reputation as one of Africa's most stable and democratic states. Indeed, Ghanaians have frequently demonstrated that they cherish democracy. The parliamentary and presidential elections in December this year will give the country another chance to reassert its stable and democratic credentials.

Second, Ghana's political maturity has also been matched by the strength of the economy in recent years. The country has maintained macroeconomic stability in spite of pressures from the global economic environment and the recent volatility in the domestic foreign exchange market. Gross domestic product (GDP) grew by 14.4% in real terms in 2011, making the country one of the fastest growing economies in the world. The provisional estimate of real GDP growth in the first quarter of this year is 8.7%.

Ghana's fiscal deficit has shrunk significantly since 2008 and stood at 4% of GDP in 2011, supported by a remarkable revenue performance and prudent expenditure management. Inflation has been kept in single digit continuously for over 25 months and is expected to be kept relatively stable in the remaining period of 2012, ending the year with still a single digit. The recent depreciation of the value of the domestic currency, reflecting excess demand for foreign exchange, has been reined in after the Central Bank had introduced several measures including raising the money market rates to shift investor preference to money market instruments.

Third, in the past, the country's fiscal deficits have been particularly high in election years, followed by painful adjustments in subsequent years. To break the cycle, the NDC Government has committed itself to fiscal consolidation, and our ministries, departments, and agencies have been instructed to guard against unbudgeted expenditures and recognize the need for fiscal responsibility.

Ladies and Gentlemen, government is determined to manage the situation in spite of the election challenges. The economic fundamentals remain very strong and investors' confidence in the economy continues to grow. This is exemplified by the performance of the 3-year and 5-year bonds issued by the government in recent months.

The sharp drop in the coupon rates of the government's long term securities and the Euro bond in the secondary market is a reflection of strong economic fundamentals in place which has given rise to the huge appetite that both domestic and foreign investors' have for Ghanaian risks.

Mr. Chairman, Ladies and Gentlemen, as you probably know, the cocoa sub-sector has been the backbone of the Ghanaian economy, having its footprints in every aspect of Ghanaian life. The cocoa industry will continue to play its important role in the economy despite the coming on stream of oil and gas. To this end, COCOBOD, with the support of the government has provided incentives that have resulted in a major boost of the cocoa industry.

Ladies and Gentlemen, today, we have witnessed the signing of USD1.5 billion receivable-backed trade finance for the COCOBOD. The annual cocoa trade-financing arrangement has been in existence for the past 19 years. It commenced in 1993 for an amount of USD140 million when our own local bank, the Ghana Commercial Bank and Chemical Bank were the lead managers. Since then, the size of the syndicated facility has increased every year, reaching USD2.0 billion for the first time during the 2011/2012 cocoa season, even at a time when the global economy was going through difficult crisis.

Mr Chairman, it is noteworthy that the receivables-backed trade-finance is not backed by government guarantee, but by the produce it seeks to support. This has been made possible by the hardworking cocoa farmers who always ensure that the produce is available for sale to pay back the loan.

The government's economic policies and COCOBOD performance have always led to the receivables-backed trade-facility being heavily over-subscribed, and this year's is no exception. Your participation in this year's arrangement is therefore not only opportune but a reflection of the confidence that you have in the government and the economy.

In conclusion, Ladies and Gentlemen, I wish to emphasize that the medium term growth prospects of the Ghanaian economy remain favorable. Investors, both domestic and foreign, have demonstrated a strong confidence in the economy. And indeed, Ghana has emerged as one of the frontier' economies with the potential to attract significant foreign investment. I wish to assure the international community

of government's continued commitment to ensure a stable and friendly environment for business.

To all the banks participating in this year's syndication, I say thank you for the interest and confidence you have shown in the Ghanaian economy and the cocoa industry. And to all of you assembled here, I say thank you and May God bless us all.