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A political economy analysis (PEA) of capital account management (CAM) measures in Ghana

By Peter O'Flynn, Stephany Griffith-Jones, and Stephen Spratt

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A Political Economy Analysis (PEA) of Capital Account Management (CAM) measures in Ghana*

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Abstract

The growth of the financial sector is pivotal for all emerging economies. However, the relative success of reform measures in the financial sector, including those related to their regulation, usually depend on political factors, which influence reform choice, design and implementation (Spratt, 2017). This study applies a Political Economy Analysis (PEA), based off an adaption of Moncrieffe & Luttrell (2005) multi-level framework approach, to understand how Ghana manages its Capital Account and engages in Capital Account Management (CAM) measures to better regulate financial flows, and meet the country's foreign exchange demands.

Keywords: Ghana; Capital Account Management (CAM); Political Economy Analysis (PEA); Capital Controls

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Acronyms and Abbreviations

BOG	Bank of Ghana
CAM	Capital Account Management
CARs	Capital-Account Regulations
CFMs	Capital Flow Measures
ESRC	Economic and Social Research Council
DFID	Department for International Development
FDI	Foreign Direct Investment
FEA	Foreign exchange accounts
FINSAP	Financial Sector Adjustment Programmes
FOREX	Foreign Exchange
FX	Foreign Exchange
GDP	Gross Domestic Product
IMF	International Monetary Fund
LICs	Low-Income Countries
MOF	Ministry of Finance
NDC	New Democratic Congress
NPP	New Patriotic Party
NPRA	National Pensions Regulatory Authority
ODA	Overseas development Assistance
PEA	Political Economy Analysis
SDR	Special Drawing Rights
SSA	Sub-Saharan Africa

Introduction

The growth of private capital flows to emerging and developing economies has brought significant questions on their effect on their recipient economies. As noted by Bonizzi (2013) *"When considering emerging markets, the asymmetric nature of the international monetary system must be stressed."* (pp. 3) This means that the rules of the game are different for developed, emerging and low-income countries.

The impact of liberalising the capital account (and resultant private capital flows) is mixed. Some studies cite positive impacts on economic growth and FDI Inflows (Massa, 2014), substitution effects against countries with capital controls (Giordani et al, 2014) and the reverse (Alley; 2017).

Gradually, this debate has become more nuanced, recently Griffith-Jones et al (2018) noted, based on econometric work, which draws on a unique and original data base, that the impact of capital flows is dependent on both the nature of flows and sector dependent; for the latter, capital flows to Sub Saharan Africa into the construction & real estate sector enhancing total factor productivity, while flows into agriculture and infrastructure sector FDI are, somewhat surprisingly, associated with reduction in productivity.

What is known is that increased capital inflows and outflows provide significant potential benefits, but also big challenges. With the positive impact of increased capital flows and investment into the economy, there also comes increased macroeconomic risks – such as currency fluctuation, which contribute to changes in current account imbalances, interest rate fluctuation, and inflation risks, leading to increasing potential for volatility of capital flows, which creates financial stability risks, as well as risks to sustainable growth (Kawai and Takagi, 2008). Sometimes these risks can lead to financial and/or banking and/or debt crises. In particular *"LICs continue to experience strong pro-cyclical swings in external financing in terms of availability, maturity, and cost"* (Tyson and Beck, 2018 pp. 7), The debate about the role of Capital Account Management (henceforth CAM)[1] measures to stabilise these flows has been prominent amongst academics and policymakers in the wake of the 2008 financial crisis. It will be increasingly important in the framing of sub-Saharan Africa's rising risk of a debt crisis (Mustapha & Prizzon, 2018).

Proponents of CAM Measures (Ocampo & Griffith-Jones, 2008; Chowla, 2011; Gallagher et al., 2012; Ocampo, 2015; ; Griffith-Jones and Ocampo,2018; Tyson & Beck, 2018) note the ability of CAM measures to promote market stability, and macro-economically sustainable growth, as well as place automatic stabilisers on capital flows and thus help compensate for pro-cyclical tendency of capital flows. For instance, Subbaro (2013) notes the ability of CAM measures to stop emerging markets from adopting financial products that proved "toxic" (pp. 4) in advanced economies. Other, broadly diminishing, especially after the 2007/2008 financial crisis, proponents see any type of capital account management measures as a hindrance to the free movement of capital and therefore reducing the efficiency of the financial system as a whole to move to allocate capital effectively to the right projects

[1] Note for those searching for evidence on this literature may also find similar language with regards to Capital-Account Regulations (CARs), Capital Flow Measures (CFMs)

(and right countries) (Habermeier et al, 2011; Kitano, 2011). This argument posits that capital controls run counter to the allocative efficiency of capital, where the rate of return on capital can be maximised, for society as a whole.

The IMF has been crucial in this debate, particularly because of their influence on the international monetary system as a whole, including in their position in lower income economies where there is a push to liberalise the capital account to bring in FDI. Their institutional view has softened significantly (IMF, 2012), noting that:

"Capital flow liberalization is generally more beneficial and less risky if countries have reached certain levels or thresholds of financial and institutional development…. liberalization needs to be well planned, timed, and sequenced in order to ensure that its benefits outweigh the costs, as it could have significant domestic and multilateral effects. Countries with extensive and long-standing measures to limit capital flows are likely to benefit from further liberalization in an orderly manner. There is, however, no presumption that full liberalization is an appropriate goal for all countries at all times." (IMF, 2012. PP.1)

Some commentators have argued that this change in guidance has given 'carte blanche' (Blundell-Wignall, 2016) to incorporate some level of CAM measures.

The IMF's position nowadays reflects that there is a greater role for context to be a major part of the CAM debate, i.e. "*that there should exist country-specific characteristics for capital controls to be effective. From this simple perspective, this rationalizes why some capital controls were effective and some were not"* (Magud et al, 2011 pp. 1).

This study, funded by the ESRC-DFID Growth Research Programme, specifically looks at the context of one country, Ghana, a country with democratic stability. A country with strong resource endowments, and an almost completely liberalised capital account (bar some restrictions on the minimum maturity length of debt securities held by foreign residents) (Brafu-Insaidoo et al, 2019).

While some scholars (Egbuna et al, 2013; Jahan & Wang, 2016) have found that liberalisation of Ghana's Capital Account (starting in 2005/2006) has been beneficial to growth within the country – something not found more generally in low-income countries, as this IMF study found (Jahan & Wang, 2016), the purpose of this paper is not mainly to evaluate the benefits and costs per se of capital account liberalisation. Rather, it intends to examine the decision-making process behind decisions relating to the capital account, and address the 'discourse space' for CAM measures in the SSA context, i.e. whether such CAM measures could even be implemented as part of the policy options available to governments.

Massa (2016) notes that there is insufficient evidence in this issue, for LICs: *"the types of capital account management tools that have been used in LICs over time, as well as on the effectiveness of such policy measures, is extremely limited and in some cases it is completely missing. This represents a severe constraint for policy-makers in LICs who cannot learn from previous capital account management experiences in peer countries."* We also note the relative success of reform measures in

the financial sector usually depend on political factors (Spratt, 2017a). Thus, this study intends to provide a context-heavy, deep dive into the core stakeholders, issues of the day, and determinants of decision making, by using a Political Economy Analysis (PEA) framework, and based on in-depth interviews, many carried out in Ghana itself.

The rest of this paper will be as follows. Section 1 outlines the core methodology, as well as provides a brief introduction to PEA in Ghana. Section 2 focuses on a stylised country level analysis of Ghana, incorporating some of the most current macroeconomic fundamentals, which is/are key for determining policy space and whether CAM measures are applicable. Section three provides a sector level analysis, starting with a stakeholder mapping of the core actors in determining CAM measures, their linkages and their motivations. Section 4 goes into a series of core issues with regards to CAM, including CAM measures currently in place; the political economy of sterilising larger capital flows (primarily the annual syndicated loan for CocoBoard); the backlash against CAM measures placed in 2014 when the Cedi appeared to be in freefall; as well as the role of wider macro-prudential policy (such as the political economy of the 2018/2019 push to increase the minimum capital requirements of banks operating in the domestic market).

1. Methodology

The methodology from this report leans heavily on the approach developed by Spratt (2017a). In developing his framework, Spratt argues that finance is crucial for growth and development but can also foster instability and crises (see also Griffith-Jones and Gottschalk, 2016). As a result, financial sector development, needs to have as aims both growth and stability within its own specific context. However, the potential for finance is not being met as a result of reform attempts not achieved or fulfilled across these contexts, as well as limitations in finance itself. PEA is a framework that can address this, in analysing the processes of power; rational choice; cost benefit; and political structures, so that finance reforms can be appropriately designed and implemented. While this report may only be looking at one country's context, a deep understanding of these dynamics, can also help countries facing some similar challenges, suggesting benefits from collaboration amongst groups working under similar conditions (for instance in this case, volatility and political dynamics of large financial flows, and the mechanisms to manage those flows).

Put simply *"All PEA tries to understand why people act (and don't) as they do, and how this is affected by institutional factors (structure and agency). Precise details of how this is done may be less important than ensuring it is done consistently and well"* (Spratt, 2017b; pp. 12)

In his approach, Spratt argues for a multi-level framework, comprising of the national (understanding the history and context of institutions and macroeconomic fundamentals), sectoral (comprising of the understanding of organisations, institutions and actors, with a defined stakeholder mapping exercise), and most importantly (and most relevant for a deeper understanding of CAM political economy) policy-level analysis. In this, he builds on frameworks by Moncrieffe & Luttrell (2005), Moore (2001), and World Bank (2008). This analysis, works with these approaches, but also attempts to simplify further in ease of reading and analysis, by breaking out the national level analysis to the core features relevant

for CAM, applying a detailed stakeholder analysis, and then providing the policy/problem level analysis through a series of core topics related to CAM – to provide sufficient depth into issues of the management of the capital account in the Ghanaian Context. These steps can be broken into the following:

1. *Determine data sources and methods*
2. *Undertake country context analysis (i.e. Ghana's Macroeconomic Outlook), or obtain recent existing analysis (i.e. for national or non-finance sector PEA)*
3. *Define sector and stakeholders*
4. *Specify stakeholders' role, interests and influences*
5. *Map relationships between stakeholders*
6. *Map policymaking process*
7. *Final stage. In light of the above = design policy (which 'go with the grain') and implement through 'action framework':*

Adapted from Spratt (2017).

Regarding data sources for this report, a mixture of academic and grey literature has been sought through a structured process (as per Hagen-Zanker & Mallett 2013). This includes media reporting as a particularly strong channel in the influencing of public debate. Additionally, 23 core stakeholders representing a wide range of individuals across the senior policy, academic, banking, and forex arena were interviewed at length across two weeks of fieldwork in Ghana in January 2019, as well as long phone interviews after.[2]

Limitations to the study from this reporting is that we did not get access to some stakeholders during fieldwork i.e. importers and exporters, who have substantial lobbying power when it comes to exchange rate controls, as well as some academics and civil society groups engaging with policy debate with the Bank of Ghana (BOG) and Ministry of Finance (MoF) with regards to CAM. Furthermore, our structured literature review process has attempted to capture both voices dissenting and supporting CAM measures in Ghana, however, the analysis has broadly been limited to published material online, therefore some newspaper reports around CAM measures may be missing. We recognise this limitation when addressing our core issues and therefore have muted our overall findings as a result.

1.1. Ghanaian Context

The Republic of Ghana was the first colonial nation in Africa to gain its independence in 1957. It has a presidential constitutional democracy and a population of 28.1 million (CIA, 2018). Ghana is in Western Africa and is bordering the Gulf of Guinea, between Cote d'Ivoire and Togo, with Burkina Faso to the North.

[2] A full list of interviewees can be found in Annex 1.

The country transitioned to a multi-party democratic system in 1992. The current president of Ghana is Nana Akufo-Addo of the NPP (New Patriotic Party), taking over from incumbent John Mahama of the NDC (National Democratic Congress party) in 2016 winning by a margin of 9.45%. Ghana uses a first past the post electoral system, which tends to produce fewer political parties, with the main parties being the NPP and NDC. Interviewees expressed that in many ways the political parties are similar in terms of economic policy, however with the NPP being more centre-right, and the NDC being more left of centre.

Ghana has high levels of freedom of the press, with it ranking the highest rated African countries in the World Press Freedom Index 2018. As a result, vibrant debate is placed on economic and fiscal policy, as well as on the decisions and actions of local politicians. The state is split into three branches as per the 1992 constitution: The Executive, the Legislature and the Judiciary and indicates boundaries for the performance of their respective powers. Devolvement of power to local authorities to district assemblies occur frequently (AninverInfraPPP, 2017).

Ghana's central bank, the BOG is independent and is the supervisory and regulatory authority regarding all of the country's financial institutions, as well as defining monetary policy, including interest rates, typically at a medium-term target of 8% (BOG Website, 2019).

The Cedi is the official currency of Ghana and English is the official language.

1.2. Political Economy Analysis in Ghana

While several reports focussing on Ghana's political economy have been written, few have focused on the dynamics of the financial sector. The breakdown of PEAs can be broken down into three segments. Firstly, looking at a specific stakeholder. For instance, CCD/ODI conducted a series of policy briefs, focussing on the middle class (Luckham et al, 2005), faith-based organisations (Crook, 2005), traditional institutions (Crook, 2005b). This complements a political economy analysis of civil society conducted by Tsikata et al (2013). Secondly, there have been those PEAs focussing on processes; such as drivers of change (Booth, 2005) and corruption (Agbele, 2011). Thirdly, there are those that have focused on sectors – for instance on the coastal sector (Aninver InfraPPP, 2017), Fisheries (Eriksen et al, 2018), and Oil (Philips et al, 2015).

The relatively most relevant reference to the political economy in Ghana in relation to capital account management appear to be those based on both the budgetary process (Killick, 2005), economic reform (Issahaku, 2000), as well as studies touching on political economy such as Conteh & Ohemeng's (2009) comparison of privatization decisions in Botswana and Ghana; and Abdallah (2015) on the strength of the supervisory and regulatory environment in Ghana.

In these papers, there is a mix of viewpoints that appear. Killick's (2005) speaks of a "democratic deficit" in budgetary processes, which highlights a lack of civil society and other actors to engage in macro-economic issues. After multiple IMF programmes, this seems to have improved significantly, except around election time according to interviewees. Similarly, Issahaku's (2000) paper has issues that it is still based on a previous reality of Ghanaian political economy under the Rawlings regime and focuses primarily on the structural adjustment programme. However, it does highlight the role that

multilateral development actors – such as the IMF have had on Ghana's growth trajectory. Something that continues to this day under the recent IMF programme.

"The IMF and its sister organization, the World Bank, wield more influences over economic development and environmental quality than any other single institution on earth. It is seen that IMF policy prescriptions and the conditionality accompanying these programs aim at assisting a country in balancing its internal budget and in reducing its balance of payments deficits -this is an impossible task as long as massive debt relief is not forthcoming. Instead, nothing short of a drastic slashing of domestic expenditures and the relentless pursuit of exports is what is demanded of Ghana by IMF policies, with little regard for the social and environmental consequences." Issahaku (2000; pp. 22).

2. Ghana's Macroeconomic Outlook (a national level analysis)

Ghana's relatively strong financial performance (and at times, high capital inflows) is something that can be viewed as very positive in the marketplace (see below). However, SSA countries have experienced periods of strong inflows followed by large capital outflows before. Prudent CAM measures, as well as adequate macro-prudential regulations, and appropriate fiscal policies can be seen as requirements for either limiting the pace of this flow, or for acting as an automatic stabiliser when capital flows reverse (as they have a tendency of doing). This has been strongly addressed in the literature; this literature also stresses that portfolio flows (as well as short-term debt) are more volatile than other capital flows (Massa, 2013; Griffith-jones and Ocampo, op cit) – and therefore there is greater risk in the Ghanaian economy.

Macroeconomic Performance

Ghana's overall macroeconomic position has improved substantially over the past few years, though there are some concerns. GDP growth rates were up from 2.9% in 2014 to a projected growth rate of 7.6% in 2019, which is mostly oil-driven (see Figure 1). Ghana's relative political stability, high natural resource endowment, overall good economic policies and functioning legal system has made it a relatively attractive investment to foreign investors seeking stable returns, as well as improving its footing in terms of ease of doing business (World Bank, 2019).

Core to this natural resource endowment is gold and oil, which combined accounted for over 68% of Ghana's export values (UN COMTRADE, 2019), this means that Ghana's fortunes are to an important extent driven by commodity prices. Notably, while gold output is relatively stable, oil is likely to have drastic differences in the impact on the capital account, particularly in more recent times when new oil fields have been found. This is leading to super-natural growth that some commentators do not expect to last beyond the medium term (Fröhlich, 2019). The services, manufacturing and financial sector are also top performing sectors in the economy (ibid).

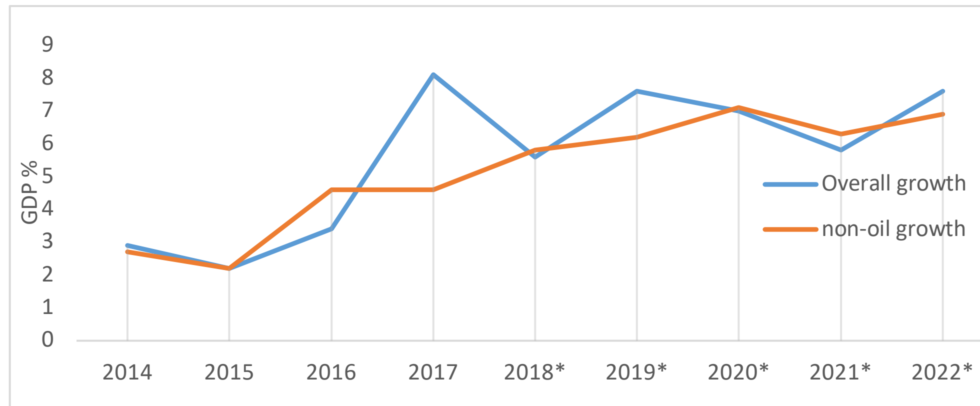

Figure 1: Ghana's Growth Trajectory 2014-2022 Projected (Osei-Assibey, 2019)

Inflation has fallen in Ghana to single digits for the first time in recent months (9.47% in May 2019 from nearly reaching 18% in 2016). Monetary policy is aimed at keeping inflation below 10%, with the interest rate in January 2019 being 16%.

The 2015-2019 IMF programme arrangement of SDR 664.20 million has reached its conclusion in March 2019 (IMF, 2019a) and has been perceived to be a success by the Government (according to a transcript of Ken Ofori-Atta to parliament in March 2019 (Moses, 2019)), with the fiscal position improving (albeit with substantial deficits corresponding with the 2016 election despite the IMF programme), foreign exchange reserves rising, consolidation in the banking sector, and sovereign spread reducing. There are still risks from a fiscal perspective from a revenue standpoint however, with significant work required (IMF, 2019b).

However, despite the IMF programmes relative success, there are still also questions on the sustainability of Ghana's Debt Profile, with domestic debt tripling between 2013 and September 2018, and external debt going up by a similar ratio (MOF, 2018). The majority of Ghana's external debt is in dollars, and therefore has significant implications for debt service in foreign currency and for the capital account (Jubilee Debt Campaign, 2018). Ghana has become more reliant on foreign investors in order to service its debt (see Tables 1, 2, and 3), and thus Ghana has higher exposure to changes in market sentiment alongside exchange rate risk (as well as rollover risk).

Table 1: Holding Structure of Domestic Debt (GH¢ millions), 2014 – 2017; Source: Osei-Assibey (2019b) from Bank of Ghana and Ministry of Finance

	2014	2015	2016	2017
A. Banking system	**18,745.5**	**19,280.4**	**27,834.4**	**23,319.2**
Bank of Ghana	9,293.5	8,851.2	13,056.2	13,009.3
Deposit Money Banks (DMBs)	9,452.0	10,429.1	14,778.2	10,309.9
B. Non-Bank Sector	**9,900.7**	**12,830.3**	**13,486.6**	**17,557.8**
SSNIT	1,563.6	1,502.6	1,463.4	1,403.4
Insurance Companies	63.3	80.9	179.0	340.5
Other Holders	8,273.8	11,246.8	11,844.1	15,813.9
Rural Banks	494.1	567.5	633.3	300.7
Firms & Institutions	5,093.3	6,602.3	7,864.1	10,807.8
Individuals	2,686.4	4,077.1	3,346.8	4,705.4
C. Foreign sector (Non-Residents)	**5,974.7**	**6,717.4**	**11,594.4**	**25,665.6**
TOTAL(A+B+C)	**34,620.9**	**38,828.1**	**52,915.4**	**66,542.6**

Table 2: External Debt Stock by Creditor Category (in millions of US$) Source: Osei-Assibey (2019b) from Bank of Ghana and Ministry of Finance

	2013	2014	2015	2016	2017
Total External Debt	**11,901.97**	**13,871.84**	**15,781.89**	**16,460.99**	**17,160.41**
Multilateral Creditors	**4,557.92**	**4,900.73**	**5,379.45**	**5,547.96**	**6,436.84**
Bilateral Creditors	**1,114.91**	**1,127.81**	**1,096.32**	**1,136.47**	**1,210.67**
Export Credit Agencies	**1,119.38**	**1,158.43**	**1,176.29**	**1,315.22**	**1,461.23**
Other Concessional	**1,750.48**	**1,883.56**	**1,811.32**	**1,730.13**	**1,769.35**
Commercial Creditors	**1,828.76**	**2,270.80**	**2,788.00**	**2,782.20**	**2,403.20**
International Capital Market	**1,530.51**	**2,530.51**	**3,530.51**	**3,949.01**	**3,879.12**

Table 3: Selected External Debt Indicators (US$' million), Source: Osei-Assibey (2019b) from The Bank of Ghana

Year	***2012***	***2013***	***2014***	***2015***	***2016***	***2017***
External Debt (million US$)	9,153.58	11,901.97	13,871.84	15,781.89	16,460.99	17,160.41
External Debt to GDP ratio	22.90	26.89	39.13	43.73	41.31	36.80
External Debt to XGS ratio	54.45	73.44	90.89	152.91	94.58	101.71
External Debt Service to D. R	6.66	7.04	10.44	19.08	19.66	23.04
External debt service to GDP	1.37	1.41	2.20	3.34	3.44	3.67

NB: *D.R= Domestic revenue (narrow); XGS= Export of Goods and Services*

The Cedi has declined ever since it was rebased (in 2007) with a rate of 1 Ghana cedi = $1.05, to in February 2019 1 Ghana cedi = $0.19 (see Figure 2). The cedi depreciated by 11 percent between January 2018-2019, the slowest in recent years. The strong depreciation of the cedi is usually linked to Ghana's declining terms of trade during the last ten years (particularly within major commodities including cocoa), though there have been improvements in the current and trade accounts of Ghana.

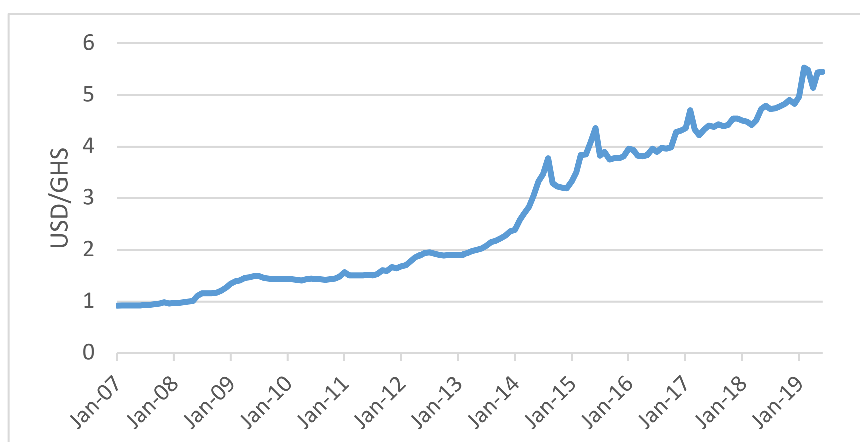

Figure 2 USD/GHS 2007-2019 Depreciation of the Cedi

Naturally, the rise of the dollar's strength over the past decade is partly behind this, but also Ghana's declining terms of trade and repeated balance of payment deficits. Interviewees noted how the exchange rate in Ghana is very politically charged and influential, and a marker for success through elections, with for example the decline of the Cedi between 2013-2014 placed firmly at the feet of President Mahama's government by the opposition.

Ghana's has had some successes in recent years in raising private international finance, introducing its first Eurobond in 2007, which made Ghana the first African country to borrow from the international capital markets after South Africa. There have been several since, the most recent in 2019 (Dzawu, 2019), which have been increasing in tenor. The 2019 bond issuance was for 30 years, attempting to push the yield curve further in West-Africa (FT, 2019). Naturally the spending of such Eurobond financing is crucially important (i.e. whether spending is on productive investment as opposed to less productive investment or consumption), as well as the pricing of the bonds themselves. Other actors have noted that this longer-term debt profile allows for greater fiscal responsibility, as long-term bonds allow the government greater fiscal space. Ghana's credit profile has been relatively stable, with Standard and Poors rating Ghana a B rating since 2010 until 2019, it briefly dropped to a B- from 2014-2017 prior to the IMF loan (Standard and Poors, 2019).

Furthermore, while there was an attempt to provide long-term signals to the market, the African Financial Markets Initiative notes that out of 6 potential benchmark maturities: 3-month, 6-month, 1, 2, 3 and 5 years, only the three- and six-month tenors serve as real benchmarks to the marketplace, due to infrequent provision, or issuance sizes being too small (AMFI, ND), though this is expected to have grown. However, the increasing role of foreign investors in local bond markets (anything above two years), development of longer-term bonds, (upwards of ten years), and the development of a secondary market has been seen as part of a positive outlook for Ghana as a whole (and will further help investors in having a relative baseline to price yield against). At the start of 2017, sovereign spreads were approximately 600 basis points, reduced to 350 basis points at the end of the year, which shows the volatility of such spreads (Addison, 2018).

Overall, the picture is quite positive, but as the debt statistics show, excessive borrowing is taking place in 'the good times'. As the risk of a 'debt crisis' across Africa becomes more likely, and when other problems arise, CAM measures may be required in order to stop/discourage short-run flows of capital and constitute part of the policy toolkit available to the central bank. Furthermore, greater caution in borrowing in "good times" may have been desirable.

2.1. Capital Account Management and Ghana

Ghana has a fairly liberalised capital account, starting back to its structural adjustment programmes in 1986, then further engagements in the Financial Sector Adjustment Programmes (FINSAP) 1 and 2, as well as the Ghana Investment Promotion act in 1994. A seminal moment, however, was in 2005/6 under the new Foreign Exchange Act (Act 723). This partial liberalisation of the capital account "*was a watershed development. It opened up the longer end of the market to non-resident investors and has helped accelerate development of Ghana's domestic (particularly bond) capital markets*" (Bawumia et al, 2008; pp. 1).

This is demonstrated in Figure 3 – which demonstrates the important increase in FDI post liberalisation,

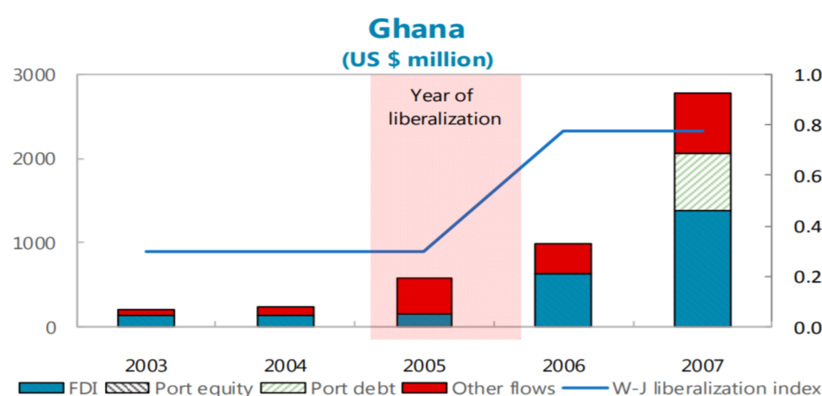

Figure 3: Timeline of FDI and other flows into Ghana 2003-2007 Source: Jahan & Wang (2016)

The act allowed non-residents to buy government securities of periods three years or greater, with a minimum holding period of a year (Murinde, 2009). This was in tandem with debt restructuring, and reforms in the debt and stock markets, and mechanisms to try and promote interbank money systems, and strengthen regulation in the financial sector. Continued efforts are still there to date, with the securities and exchange commission being spun out of the BOG in 2016 (Act 929).

Importantly – this 2005/6 legislation set forth the provisions of what would be possible in managing the capital account in the fact that only *temporary imposition of exchange controls* to restrict payments for a period of three months (between residents/non-residents and payment to and from the country alike) with provisions for power of exemption with the governor and minister (BOG Act 723). This is essentially a CAM measure, or 'capital flow management measure', which is stated as *"a temporary instrument embedded in an overall strategy of financial opening, the organization insists on the general advantages of financial liberalization, which poses serious limits to emerging economies' policy space….The [IMF] keeps on stressing a separation of prudential financial regulation, which should be permanent, and temporary CFMs"* (Fritz & Prates, 2014).

Subsequent liberalisation that has taken place, as well as efforts in strengthening both financial supervision and the domestic capital market, building up the debt and stock market, as well as a reasonable macroeconomic environment post financial crisis, has seen capital flows into the country increase, and then plateau (Figure 4). There are those, including a senior official and researcher of the IMF, who note that it was this liberalisation that "induced fiscal excesses and the subsequent volatility in the exchange rate" (Ostry et al, 2015); even though such volatility was seen before, it was certainly not at the same rate.

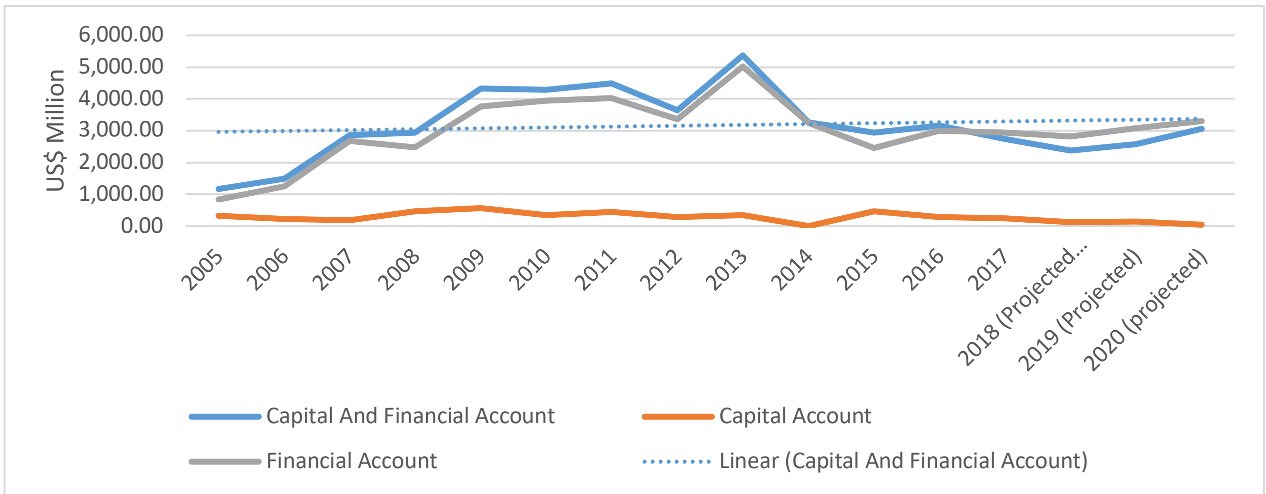

Figure 4: Capital and Financial Account 2005-2020 (projected) Source: Bank of Ghana (2016) & IMF Projections (2018)

There were also changes in capital flows – with official inflows having less relevance as a response to Ghana no longer being a LIC in 2010, and therefore a requirement for greater engagement with the international capital markets as there was less cheap concessional finance available from multilateral agencies (at least until the IMF loan). *"During the last decade ODA (Official Development Assistance) support to Ghana has continued to decline, reaching values well below 5% of Net ODA disbursements as a percentage of Gross Net Income (this ratio peaked in 2004 with 16.5%). Net ODA disbursements per capita oscillates in the range USD 50-70 per year."* (Aninver InfraPPP, 2017). Other reasons for this growth of private international finance include, the Global Financial Crisis of 2008, leading to returns low in advanced economies, capital flows to emerging markets rose. Figure 5 demonstrates the role of commodity markets and seasonality also having a major role in Ghanaian capital flows each year (and thus the requirement for sterilisation of capital flows).

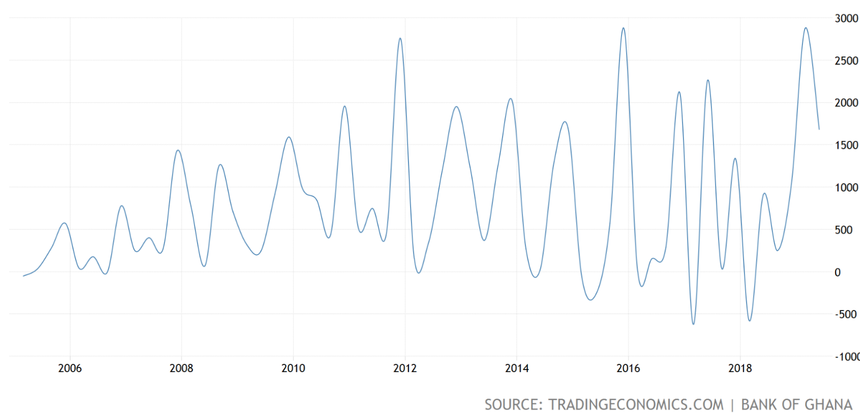

Figure 5: Net capital Flows (Capital and Financial Account Balance) USD Million Source: Trading Economics/Bank Of Ghana

Figure 6 shows that while gross domestic savings have been rising in recent years, and could potentially be used as a source of finance.

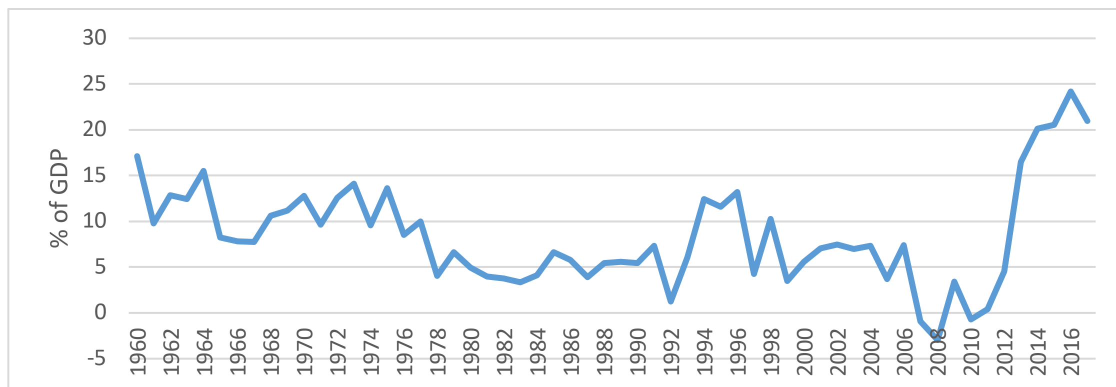

Figure 6: Gross domestic savings (% of GDP) Source: World Bank Indicators

While the uptick in capital flows that occurred was welcomed, there was still the acknowledgement that these are volatile, and the Bank of Ghana Act (Act 918) set the precedent for the Governor of the BOG to restrict payments, acquisitions, and the frequency of foreign exchange purchases in the economy. Some interviewees noted that this act, while generally perceived to be a net positive, ensuring the independence of the BOG from political influence, also potentially gave too much power with regards to controlling and limiting capital flows. On the other hand, the IMF recognised volatility of capital flows, and suggested that in the Ghanaian context, maintaining some form of limited capital controls may have merit, though suggested that sound macro-prudential regulatory policy was also important (IMF, 2008).

This underlies the fact that the FX interbank market has deepened in recent years, though the IMF rightly notes that it remains dominated by BOG's actions (IMF, 2019a). This is partially due to the BOGs role in transactions relating to cocoa and oil (to address shortages in the dollar).

Crucially, a counterfactual to Ghana's capital account liberalisation is not known, what is known from earlier IMF reports is that *"Interestingly, Ghana is the only main recipient of increased private capital flows to have liberalized its capital account during the recent rise in flows—others either liberalized earlier but experienced rising inflows later (e.g., Uganda, Zambia) or have received inflows despite continuing significant restrictions (e.g., Mozambique)"* (IMF, 2008 pp. 29).

2.1.1. Application of CAM policies in Ghana, and policy options available

Substantial controls were not really imposed between 2006-2014, the main trend being the further opening of the capital account, with non-resident investors being able to participate in the issuance of medium term domestic sovereign bonds. Now this requirement has been reduced so that non-residents can invest in bond securities with a maturity of greater than three years – this is in order to limit the flows of "hot" money into the economy. Though yields are relatively high compared to western markets, however the volatility of the domestic currency remains an issue. The concern of a reversal of capital flows was noted by interviewees at the BOG and the MOF as a concern, particularly when US interest rates rose in 2016, but not so much that there was an overwhelming concern as to warrant

capital controls, with some arguing the possible reputational damage in international markets as a much worse alleged long-term cost to attracting capital to the country.

Ghana did implement some “soft” controls in 2014[3] (which are addressed below), as a response primarily to the currency crisis.

Post-2014 and after joining the IMF programme, Ghana accepted (under IMF Article VIII) to “not impose restrictions on current payments or discriminatory currency practices, and to maintain the convertibility of foreign-held balances and furnish information such as data on FX reserves consistent with IMF requirements.” (Dun & Bradstreet, 2017). This does not refer to CAM, but to current transactions. In terms of CAM Policies explicitly available in the Ghanaian context, Narh (2015) separated them into three main functions:

1. **Direct Policies**
   - These include foreign exchange controls to stabilize the cedi in 2014 and discourage dollarization, the policies (below) were negatively received and mostly reversed in a six-month period
2. **Sterilization of the capital account for significant inflows**
   - These typically happens for the annual cocoa syndicated loans, where there is a role of this transaction securing the country’s foreign exchange.
3. **Regulatory policies, including macro-prudential policies**
   - The most prominent of these in recent times has been banking regulation occurring across 2018, further increasing the minimum capital requirements of the banks, which was raised to 400 Million Cedis, and which banks were required to meet by the end of December 2018.

We should note that these features do not explicitly match up with those of Massa (2013),Griffith-Jones and Ocampo,(2018) and other international studies, including by the IMF, which note potential value of i.e. quantity-based capital controls or price-based capital controls. Furthermore, they reflect the use of a wider policy toolkit, i.e. macro-prudential regulation (as well as fiscal policy, and regulatory supervision). This highlights the apparent different policy space available in the Ghanaian context, which also may relate to what Ghanaian policymakers perceive.

1.3. Dollarization

Dollarization (or partial dollarization) of the Ghanaian economy has also been one issue that is hard to avoid when speaking about foreign exchange measures in Ghana (Laary, 2014; Ablordeppey, 2015). In Ghana – dollarization is a politically charged issue –with connotations for sovereignty, but also for future economic performance.

[3] The term “soft” capital controls hasn’t been adequately defined in the literature, though its broadly understood that it is a weaker form of either “market based” capital controls on inflows, controls on outflows and controls on inflows, in the fact that it doesn’t expressly limit capital leaving an economy, but increases the difficulty, scope of level of requirement to move capital out or into the economy. In the case of Ghana in 2014, this measure was in order to limit outflows that would further depreciate the currency.

Dollarization is a major issue for managing capital flows in developing economies as it reduces the ability of monetary policy to influence the economy. Transactions conducted using foreign exchange (to act as a hedge against inflationary pressures), as seen across major transactions is exacerbated due to Ghana's exchange rate liabilities exceeding its foreign exchange assets, this means that the *"balance-sheet effect of changes in the exchange rate is opposite to the effect of changes in relative prices, and the cumulative effect of the weakening exchange rate on economic growth can be negative. The systemic risk for the financial system increases, at least for two reasons. First, financial dollarization reduces the central bank's capacity as the ultimate lender since it increases the probability of foreign exchange liquidity deficit in the financial system in stress situations. Second, since banks extend loans in foreign currencies not only to exporters, financial dollarization causes foreign exchange inconsistencies that increase credit exposure in foreign currencies, including by corporates"* (Demidenko*, 2017; pp.1)*

What does this mean for the capital account and capital account management? It means that the capital account may be undermined, as transactions are taking place in dollars, and not being converted into cedis, this places further pressure on the cedi.

2. Stakeholder Mapping (Sector Level Analysis)

Figure 7 outlines a stylised stakeholder mapping of the core actors in the debates on CAM in Ghana, and their core mechanisms for influencing policy (in formal and informal manners). These stakeholders are influenced by, and potentially influential for CAM related issues.

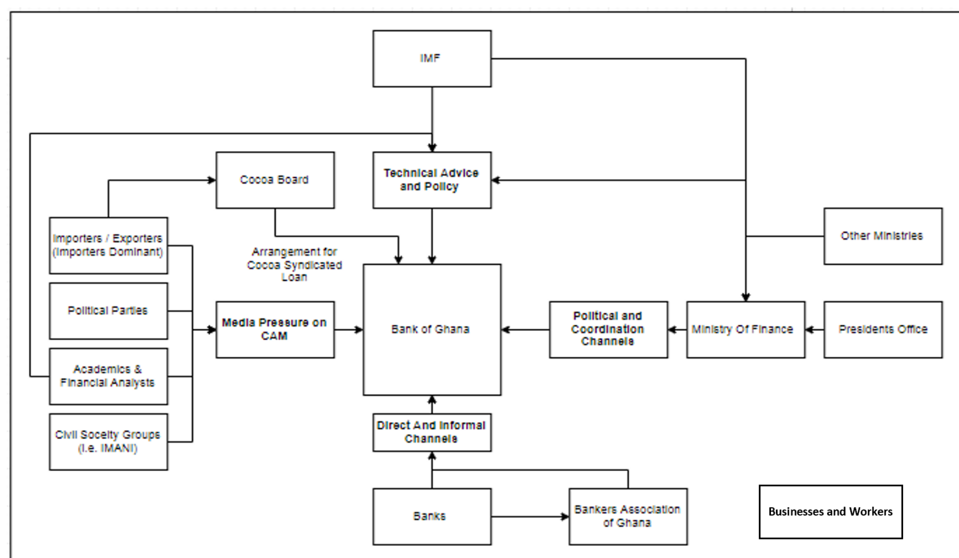

Figure 7 Stylised Relationship Channels between Bank of Ghana and Major Stakeholders on Capital Account Management

Naturally, key actor in this segment is the **Bank of Ghana**, particularly in its role (as stated above) in determining CAM policy, at least through temporary measures at a point in time. The BOG's power comes from several core policies, including the Bank of Ghana act (Act 612), and subsequent Acts

(i.e. 918 & 930)[4]. It was noted by some interviewees that the central bank is very powerful in certain arenas, though spinning out the Securities and Exchange Commission (SEC) partially rectified this silo-ing (SEM, 2018). This policy making authority however is placed under pressure from multiple angles, from the political left and right, as a source of unelected and technocratic power (Tucker, 2018). The BOG however is influenced by this wide array of actors. Each has a different pressure gauge on the BOG. Here we will focus on the core actors stated in Figure 7.

Firstly, the **Ministry of Finance**, where there is a strong rationale for coordination between the central bank and the Ministry. It is through this channel that most other government departments seek coordination with the BOG, hence there are political ties as well (particularly from the president's office). There is also a supervisory connection, through board representation – which is in one of the banking acts. While the central bank is independent, this coordination channel, and the nature of the political economy surrounding the performance of the cedi means that typically when there is a new president – a new governor of the BOG comes in within six months.

Interviewees noted that the mechanisms for retaining this control, is typically that the MOF do what they need to do to make the Governors position to stay on untenable i.e. neglecting to invite the governor to high level meetings for instance. While this happens for the very top positions, interviewees noted that this does not occur at lower levels in the bank. For instance, Saigal (2016) notes in an interview with a political risk analyst in Ghana in 2016, when the Mahama government has some macro-economic fallout, stating "*The minister will be easier to remove and replaced by the president. The central bank governor will be a little more difficult, but by no means impossible"* (Ibid), this came to pass, with the then governor Dr. Kofi Wampah, forced to take an early retirement in early 2016. His successor, Dr. Abdul Nashiru Issahaku only lasted a few months into the Akufo-Addo administration, after the election in late 2016.

This link between the Central Bank independence and the MOF has also been challenged in the past. The IMF under the extended credit facility, pushed for a new piece of legislation (i.e The New Public Financial Management Act, Act 921), in order to increase the Central Bank's autonomy. This was not done from a personnel viewpoint, but more from a fiscal perspective, where the previous law allowed the BOG to finance the government with the amount boing capped at 10% of annual tax revenue. However, this cap had been breached with some regularity (Economist Intelligence Unit, 2016). In 2012-2014 monetary financing of the deficit grew, further limiting the scope of monetary policy. For instance, domestic borrowing to total revenue (and grants) reached 42.6% in 2012, and 36.3% in 2013. To note how tied these actors are, a quote from Chief Executive Officer of Dalex Finance, Kenneth Thompson clearly noted this tie *"The BoG is independent, but at the same time it has to assist government in achieving national objectives"* (ibid). It should be stressed that this latter is common practice in Central Banks, including in developed economies. The Minister of Finance also previously had the power to elect individuals onto the Monetary policy committee, which has benefits including the coordination between monetary and fiscal policy, however it does exacerbate political

[4] All Acts relating to the Bank of Ghana can be found here: https://www.bog.gov.gh/banking/banking-acts

influence in the BOG. As a result, pressure on CAM policy comes through major factors such as political pressure to stop the cedi from depreciating, as well as the pressure to attract FDI and other capital flows.

Above, we discussed the role of **the IMF** regarding the most recent graduation from the IMF programme. As the crisis was principally fiscal, engagement primarily was linked through the MOF, however the IMF did place pressure on the central bank, and according to some interviewees had significant influence with regards to CAM policies. In 2014, they were very vocally against CAM measures implemented to stabilise the currency, according to one interviewee with the Washington Ghana desk apparently going "Ballistic". The IMF acts through multiple pressure points, one being IMF annual reporting on compliance to capital flow management measures, acting as a barometer for the investors and policy makers alike. It appears that these CAM measures are discussed in unison with the BOG and IMF, taking from the 2015 annual review of the Ghanaian Credit Facility: *"The IMF staff report for the Request for a Three-Year Arrangement Under the Extended Credit Facility by Ghana states that, as of March 23, 2015, Ghana maintained one exchange restriction and an MCP subject to IMF approval."* (IMF, 2017 pp.23). The IMF also continues to work with the BOG with regards to supporting sterilization operations (IMF, 2012).

As is natural for central banks, several of the senior staff were previously staff members at the IMF, and typically hold the IMF's viewpoint, but not in all cases (see below). This may further help in promoting the institutional view with regards to capital account management, which has evolved and become more favourable to CAM, since 2012. The IMF has been influential in improving aspects of capital account management in Ghana, with their research leading to increased review of the debt situation in Ghana. Furthermore, they have been influential in the asset quality review of the banks, which has led to an increase in macroprudential policy.

The **banks** and the Banker's Association of Ghana have significant formal and informal oversight on upcoming laws and legislation with regards to BOG policy. This grants them the ability to help revise language and present concerns. With regards to macro-prudential policy, the increase of the minimum capital requirements of the banks has led to a substantial change in the structure of the Ghanaian Financial system, going down from 36 to 23 banks. This naturally is a contentious decision and as links to concerns over the political nature of which banks were supported through Government sponsored schemes, and which were not.

Naturally, formal and informal ties occur with regards to CAM policy between the private banks and the central bank. Firstly, the central bank has staff that move in and out of the private sector. The banks have their association, the Ghana Association Of Bankers. This advocacy group will meet with the central bank quarterly (as a forum), as well as act in a focal point for when the banking associations agree on policy. In turn, interviews with the central bank noted that new draft legislation or policies are often sent to the association (or individual members) where would allow for a round of feedback, depending on how the measures proposed may impact the banking sector. This appears to be a norm but does not always happen (i.e. in Section 4.1. in 2014 when CAM measures were abruptly put in

place). Here the role between the central bank as representative, as well as regulator – ensuring compliance, conducting asset quality review, submission of daily rates and banking fundamentals, interface with the financial stability department, as well as direct interface with senior personnel, ensures that these two institutions can be at odds – particularly when macro-prudential regulation has led for the capital requirements of the banks to be increased, and hence consolidation of the banking sector has occurred (see below). The bankers association primarily acts as a formal body.

Importers and Exporters hold substantial power when it comes to capital account management, as these groups will be one of the first to be affected by any policy decisions. Interviewees noted that given Ghana's declining terms of trade the importers are substantially more powerful, and more affected by capital controls in relation to the purchases of foreign assets. These actors particularly when purchasing dollars are warning against hoarding. (Ghanaweb, 2014). In 2014, when responding to direct measures to stabilise the cedi, a former deputy governor during interviews explained how he had to a group of importers who marched to the BOG, demanding an audience on what they can do with removing "probative capital controls." There is also a feedback mechanism on stabilising the cedi, by importers and exporters placing political pressure through campaign donations.

For instance, the BOG Governor has expressed concern that the economy remains at the mercy of both importers (as well as foreign investors), and cyclical depreciation of the Cedi (Addison, 2019). For importers, the situation has improved post the repatriation requirements being loosened , as well as liquidity in the marketplace increasing in 2016, with the IMF reporting a doubling in transactions and increase in trade volumes (IMF, 2019). This improved performance, does not underpin the channels that these actors play in agenda-setting when it comes to policy regarding the cedi. For instance, in early 2019, some importers pushed for the country to return back to a fixed exchange rate regime, which was rejected by the BOG's Governor (Joy Business, 2019). The currency primarily used for importing is the dollar, so the BOG has attempted to diversify to the Yuan, but found demand was weak by importers.

The Ghanaian **Cocoa Board** (Cocoabod), is unique in its arrangement with the central bank (bar some oil/mining legislation) where there are close ties between the BOG and Cocoabod, with the latter having to hand over its export proceeds for sterilisation into the economy in order to prop up the currency. It also accounts for one of the largest flows coming in/out of the country, and therefore has the potential to be subject to political motivations, this will be reviewed in section 4.3.

With regards to media and research space. **Political Parties** are particularly sensitive to the movement of the cedi. Substantial pressure (through media and political challenge) is placed on political performance with regards to the Cedi, therefore the sequencing and volume of significant financial flows can be placed under significant scrutiny and lead to decision making. Although several interviewees noted there isn't a hard line distinction between the parties – though one is seen as more "pro-market". As noted by one interviewee "*When the stakes get high, the [parties] blame each other. The performance of the Cedi will expose you."* The trade-offs associated with increasing foreign

exchange reserves, or engaging in macroprudential policy is weighed against both the election cycle, but also how that capital could be used to help the local population.

Similarly, **Academics & Financial Analysts** have a substantial role in pressuring through media channels and elsewhere, particularly regarding the depreciation of the cedi. Similar to the banks, some economists and commentators have close relationships with the BOG, conducting consultancies, providing independent assessments or trainings, and attend high level meetings (such as the Senchi Consensus). These actors are vocal about changes to regulation in the FX market, but may have less direct channels at influencing policy. For instance, such actors are vocal in calls for regulation in the FX market, as well as on black market trading (Ghanaweb, 2019) and dollarization in the local economy (Abrokwah, 2014).

Also, there are **Civil Society** actors, such as the Institute of Economic Affairs, IMANI Centre for Policy and Education, the civil society platform on the IMF package in 2015, which have proved invaluable in safeguarding of pro-poor development spending during the period. Some of these actors have primarily been against capital account management tools blocking restrictions on foreign bank accounts (IMANI Economic Freedom Audit, 2018).

Finally, there are **businesses & workers** as a stakeholder group (including farmers). These are the individuals that ultimately are affected by capital flows and CAM related issues (for instance, any booms/busts, volatility etc), though as represented in the diagram, they have little or no influence in the actual policy-making decision process of CAM, or their interests may be represented only indirectly through political parties etc. This relates to a potential lack of interest in measures in CAM, as such policy-making falls outside of their activities. They have no influence from a PEA perspective.

3. Core Issues

Ghana's liberalised capital account, as well as declining terms of trade, means that the Cedi's weakening has been a major issue for the local political economy, especially before elections. However, relatively few interviewees spoken to during fieldwork and later interviews advocated for further CAM measures. This viewpoint can be explained for two reasons: 1) The experience felt during the "soft" controls placed in 2014, and the backlash faced from international investors as a result of the short term measure 2) The influx of capital from liberalising the capital account has led to major capital inflows into the local economy between 2005-2019, and Ghana's macro-economic environment is seen to have become stronger, partly as a result of these flows. Estimates however, vary on whether Ghana's capital account liberalisation has led to growth. Sakyi et al (2015) and (Owusu-Antwi et al (2013) state positive impact; whereas Klobodu et al (2015) found long-run capital flows had a negative impact on growth.

The rapid development seen such that Ghana was allegedly the fastest growing economy in the world in 2019, could perhaps be seen to have some lower growth if capital controls were to be imposed. This was noted as a concern that some actors felt during fieldwork, as the long-term effect on the country are relatively unknown, though there is a clear history, both in the African region and in other economies that excessive, especially short-term flows,can lead to financial and debt crises. The

current consensus among actors interviewed was that improving macro-prudential regulatory policy seemed sufficient in order to limit excessive inflows and stop the future reversal of flows. How true this is however is contingent on the international economy, on the country's policy environment, and Ghana's macro-economic fundamentals moving forward. This problem cannot be understated, as it determines the scope of future policy space, including on capital account management.

> "*Capital controls, such as minimum maturity and holding periods, are reasonable responses for Ghana to the risks of sudden swings in capital flows, at least initially, but elsewhere their effectiveness has decreased over time."* (IMF, 2008; pp. 35)

This section has based itself from former Deputy Governor Millison Narh's (2015) understanding of capital account management and the mechanisms used in the Ghanaian context to manage capital flows – namely direct policies, sterilization of the capital account, and macro-prudential policies. In particular, a period of focus will be on the "soft" direct, exchange controls period of 2014, in order to provide useful lessons of what occurred, and what could have been different.

3.1. Direct Policies to Manage the Capital Account, and the Backlash

The last time that Ghana previously engaged in CAM measures, these were put in place on the 6th February 2014 and explicitly targeted Foreign Exchange Accounts (FEA) and Foreign Currency Accounts. This came at a time where the Cedi was depreciating rapidly, losing about 14.5% of its value over 2013-2014 (Bawumia, 2014). The CAM measures occurred alongside a 200 basis points rise in interest rates (to 18%) at an emergency meeting held at the BOG's Monetary Policy Committee. The CAM measures put in place were:

A. *"No cheques or cheque books shall be issued on the FEA and FCA.*
B. *Cash withdrawals over the counter from FEA and FCA shall only be permitted for travel purposes outside Ghana and shall not exceed US$10,000.00 or its equivalent in convertible foreign currency, per person, per travel.*
C. *Authorised dealers shall not sell foreign exchange for the credit of FEA or FCA of their customers.*
D. *Transfers from one foreign currency denominated account to another are not permitted.*
E. *All transfers outside Ghana from FEA and FCA shall be supported by relevant documentation.*

Margin Account for Import Bills

F. *Foreign exchange purchased for the settlement of import bills shall be credited to a margin account which shall be operated and managed by the bank on behalf of the importer for a period not exceeding 30 days.*

Foreign Currency Denominated Loans

G. *No bank shall grant a foreign currency denominated loan or foreign currency linked facility to a customer who is not a foreign exchange earner.*

H. *All undrawn foreign currency denominated facilities shall be converted into local currency with the coming into effect of this Notice. However, existing fully drawn foreign currency denominated facilities and loans to non-foreign exchange earners shall run until expiry." (BOG, 2014 pp. 1)*

As noted by Magud and Reinhart (2006), there are four core reasons for countries to adopt CAM measures 1) fear of appreciation 2) fear of hot money 3) fear of large inflows 4) fear of loss of monetary autonomy (the so-called "trilemma"). Two more are addressed by Coelho and Gallagher (2010). Ocampo and Palma (2008) note the fear of asset bubbles, and Grabel (2003) and Epstein (2005), notes the fear of capital "flight" whereby capital may rapidly leave a nation in the event of a crisis or because of contagion.

The situation in Ghana is very different, requiring a re-framing of the language. Instead of fear of appreciation, Ghana has to deal with realised depreciation of the currency; its fear of loss of monetary autonomy is related with issues with regards to the partial dollarization in the economy. Therefore these controls were placed on outflows only. This meant that in 2014 there was a clear rationale to stabilise the Cedi. The legislation hit exporters and importers alike.

Obviously one of the most crucial issues here was the transfer of foreign currency denominated facilities, which was quickly dropped in a clarifications to the issuance sent on Thursday 13th February 2014**.**

"All balances in Foreign Currency Accounts (FCA) and Foreign Exchange Accounts (FEA) will continue to be held in foreign currency, and will not be converted into Ghana Cedis. However, except for travel purposes, withdrawals out of these accounts over the counter will be paid in Cedis at the existing exchange rate" (BOG, 2014b, pp.1).

The reaction to these currency controls was, as could be expected, profound from the international community, Christiensen (2014) noted them as "Draconian"; Razia Khan, head of Research for Africa at Standard Chartered bank, said, *'Restricting access to foreign exchange is not going to be great for confidence.'* (FT, 2014); and Duodu (2014), noted that "In their cumulative effect, the measures give the impression that Ghana is reintroducing exchange control by the back door." Such controls were perceived negatively by the IMF (as stated previously).

Furthermore, amongst international commentators, the discussion was that the legislation was to be ineffective in its objective. For instance, Fitch Ratings noted that the run on the cedi was ultimately due to Ghana's fiscal issues. "Ghana's budget deficit has averaged 11% over the past two years and is the root cause of these imbalances. The current account deficit increased to 12.3% of GDP in 2013, up from an average of 5.7% in the two years prior to 2012's election-related fiscal blowout. This has constrained the BOG's capacity to add to reserves, which have hovered around three months of import cover." (Fitch, 2014). Elsewhere, measures such as the cash withdrawal over the counter limits, were suggested to be ineffective also, as traders were not complying with the policy ""If someone brings in $20,000 to change, who would turn it down?" asked the trader, who wished to remain anonymous." (BBC, 2014).

Stakeholder interviews noted that there was no warning of the likelihood of these controls, little guidance sought from the BOG at the time to any other actors within the industry. It should be pointed out, however, that in no country effective capital controls can be discussed ex-ante, because they will inevitably lead to capital flight. And market sentiment across Ghana – for what were essentially very light capital controls measures, fell significantly. In interviews with BOG staff members – staff preferred not to answer which individuals were in support of these controls at the time.

On 16 June 2014, after repeated backlash, an additional amendment to Rules on Foreign Exchange Operations, was made, followed by a press statement . This led to a quick reversal of these measures (some which were lightened after a few weeks, the remainder coming in September in 2014). Key events occurring to lead to this collapse include "importers marching on Cedi House [BOG's headquarters]" according to a former Deputy Governor. Furthermore, there was the Senchi Consensus in May 2014, which was a national economic forum over challenges facing the Ghanian economy, with representatives from a range, of political, commercial, civil society, religious groups and otherwise. The Senchi Consensus stated *"BOG should expedite work on the assessment of the recently announced foreign exchange measures and take speedy and appropriate action to restore confidence and relieve the unintended consequences of the measures"* (National Development Planning Commission, 2014 pp. 18). This led to the President announcing that the measures were not working in stabilising the Cedi around that time.

The BOG in its reversals of these measures did their own analysis finding that "*The analysis of data did not support the notion that the measures caused a reduction in foreign exchange inflows. There was a decline in inflows in February but this was reversed in March 2014 in line with observed seasonal patterns. Developments in the GHS/USD exchange rates have shown that the pace of depreciation has slowed. Monthly depreciation declined steadily from a peak of 7.8 percent in January, to 2.7 percent in May 2014. The analysis further showed that certain aspects of the new measures were constraining the businesses of exporters and importers. Therefore, there is the need to streamline these aspects in order to plug the leakages and enhance the supply of foreign exchange to the markets"* (BOG, 2014).

It is noteworthy that in an interview with Reuters (2014), Benjamin Amoah, then head of financial stability at the Central Bank, noted that foreign exchange inflows would be boosted by the government asking mining and oil firms to operate retention accounts. He also said the bank would also ask the government to direct mining and oil firms to operate retention accounts in Ghana to boost foreign exchange inflows. This is something that was mentioned in the Senchi Consensus (below).

"*Mining Contracts or Agreements Review: To ensure steady supply of foreign exchange in the economy, and to go beyond the seasonal one-off supply of foreign exchange from cocoa proceeds in October and December of every year, there is the need to critically review the retention provisions in the various mining agreements currently in place. The re-negotiation of these mining agreements should serve the best interests of the country. Some moral suasion and additional regulations or measures (for instance, mining companies should sell part of their foreign exchange proceeds to*

BOG) may be required to ensure that the mining companies comply" (National Development Planning Commission, 2014).

It should be noted that the use of CAM measures during this period was ad-hoc, not appropriately explained to the wider public, and a response to panic on the further depreciation of the cedi. This came out clearly during interviews. The intention of the current establishment within the BOG is to continue on the path to full capital account liberalization, seeing the risks to volatility in the currency as less detrimental in the long term than the effect of capital account management tools that would limit flows. In this, there is substantial effort to ensure that macroprudential policy is sound enough to protect from any changes in investor sentiment.

While many of these direct controls were quickly reversed, a number still remain according to the IMF's 2018 taxonomy database of Capital Flow measures – the following are still recorded on their database:

CFM on inflow or outflow	**Type of CFM**	**Date**	**Change of status**	**Description of measure**	**Changes to measure**
Outflow	Limit	Feb-14	Eased (Jun and Aug 2014) - In place	Cash withdrawals over the counter from foreign currency accounts (FCAs) and foreign exchange accounts (FEAs) were permitted only for travel outside Ghana, and cannot exceed US$10,000 or its equivalent in convertible foreign currency per travel. External transfers over US$10,000 a year from these accounts required documentation.	In June 2014, cash withdrawals over the counter from FCAs and FEAs up to a limit of US$1,000 or its equivalent per transaction in foreign currency were allowed. Such limit was eliminated in August 2014. A limit of US$10,000 withdrawal per travel and annual transfer without documentation remained in place.
Outflow	Ban	Feb-14	Eased (Jun 2014), removed (Aug 2014)	All undrawn foreign currency-denominated facilities must be converted to local currency. However, existing fully drawn foreign currency-denominated facilities and loans to non-foreign exchange earners may run until expiration. Servicing of existing foreign currency-denominated loans to residents by resident banks must be in cedis converted at the average interbank foreign exchange rate prevailing on the day of conversion.	In June 2014, undrawn balances on foreign currency-denominated facilities were allowed to be drawn in the original currency.
Outflow	Surrender requirement	Feb-14	Eased (Jun 2014), removed (Jul 2016)	On receipt of export proceeds, banks must within 5 working days convert the proceeds to cedis based on the average interbank foreign exchange rate prevailing on the day of conversion with a spread not exceeding 200 pips.	The 5-day surrender requirement for all exports was reversed in June 2014, but a surrender requirement for mineral and cocoa export proceeds remained in place.

Table 4: Ghana 2018 Taxonomy of Capital Flow Management Measures (CFMs) Souce: IMF 2018b

When pressed on the period of the 2014 measures in 2015, the BOG's governor said the following:

> *"Governor: On the forex market policy, it was not successful because the general public didn't want to make it work. For me it was a distraction from the policies we were undertaking so repealed them but there are good policies in there which would have been beneficial for the nation if we had stuck to them. That is behind us. For now, the emphasis is on how to stabilise the economy and reduce inflation such that people are indifferent between holding dollars or demanding payment in dollars or cedis." (BOG, PP.5)*

In terms of other direct measures affecting the Capital Account. 1) In Ghana, there are restrictions limiting non-resident purchases of government securities to shorter maturity instruments of two years or less (down from three years), as well as developments in the secondary market (though it is still rather illiquid). Additionally, as of 2019, there have been indications from the proportion of government debt sold to non-residents has been limited: *"to reduce our vulnerability to portfolio investors by reducing the portion of domestic debt that we sell to non-resident portfolio investors."* (MPC Press Briefing, 2019). This is important, as external debt has risen 44% between 2013 and 2017 alone (BOG Data, 2018).

As noted by Brafu-Insaidoo et al (2019):

> *"The maintenance of some restrictions on short-term foreign debt, namely that foreign residents are not allowed to purchase money market instruments and government securities with a maturity of less than three years, applies to and may directly reduce short-term foreign borrowing of the central government. However, its impact on other public sector short-term borrowing and private sector short-term borrowing is not clear. For instance, commercial banks and other credit institutions, importers and exporters, among other resident organizations, also borrow from overseas. It is not clear how much of their foreign borrowing activities form part of the total short-term foreign debt profile of the country. The implication of this is that easing restrictions on long-term capital and maintaining some restrictions on short term borrowing (which apply to central government borrowing via the minimum maturities of Treasury bills and Government securities) may be effective in reducing short-term government foreign debt but may not be effective in reducing other short-term public sector foreign debt and short-term private sector foreign debt." (Ibid, pp. 11)*

The implication of this seems to be that some additional controls/regulations may be desirable on short term private borrowing abroad, but have not been implemented.

3.2. Sterilisation of the Capital Account

Sterilisation of the capital account (through Open Market Operations in local bond markets) in Ghana has primarily been used for management of large capital flows in and out of the country. This has been used for two purposes in Ghana: 1. To shore up the exchange rate and 2. To slow inflationary pressure. It is a short-term measure typically, but it can have significant effects in ensuring that a run against the currency does not occur, and that inflation remains in a manageable level. Sterilisation of

flows happens across three major cycles: A. Through interactions with the Ghana Cocoa Board B. Through cyclical demand in the economy and C. Through the infrequent inflows from the Eurobond market. We shall look at all three.

The Ghana Cocoa Board and the syndicated loan

The Ghana Cocoa Board (Cocobod) is a Ghanaian government-controlled institution that fixes the buying price for cocoa in Ghana, the world's second largest producer of the commodity. The price-fixing is intended to protect farmers from the volatile prices on the world market. Cocobod borrows via a syndicated loan from international banks every year, for over 25 years, primarily for bean purchases, but also to engage in value chain improvements, such as building roads. In 2017, the syndicated loan was for roughly $1.8 billion, and in 2018, this was for approximately $1.3 billion (fluctuation due to global commodity prices). Cocobod expected to buy at least 900,000 tonnes of cocoa from farmers.

The syndicated loan signified the largest pre-export soft commodity financing facility in sub-Saharan Africa. In 2018 it was oversubscribed by $550 million, or 42 percent, with 21 international banks (including Amro Bank, Barclays, Bank of China, Standard Chartered Bank, Industrial and Commercial Bank of China, and Ghana International Bank) engaging in the loan facility.

There are several reasons that Cocobod use international financing:

1) Cheaper interest rates – because the syndicated loan is based off the future price and is relatively constant, Cocobod repay at an interest rate of Libor plus 0.625 percent. This is substantially cheaper than the ability to get loan financing on the domestic market (with rates around 16-18%), unless a major devaluation takes place.
2) Insufficient capitalisation of the domestic banks to provide the loan (even if the interest rates were cheaper). In fact, interviewees noted that this would be larger than the loan book of the domestic market, and involve too much risk in the economy.
3) It is a significant source of FX to the local economy, temporarily helping the ailing Cedi. The loan facility is in Dollars, which needs to be converted into Cedi's to pay farmers. This means that Cocobod have a direct agreement with the BOG.

This third point cannot be understated – as Cocobod has an agreement with the BOG that export proceeds are surrended to the central bank. This was weakened in 2016 to only cover the syndicated loan, and not other FX receipts. Furthermore, the syndicated loan is subject to parliamentary approval, which makes the decision regarding both the amount as well as how the proceeds are spent, more politically motivated and accountable. However, these operations are now being auctioned to commercial banks for sale on the forex market, highlighting further liberalisation (Imirhe, 2016).

Note that according to interviews with current and former BOG staff, that the proceeds being arranged through the central bank was seen as a departure from IMF institutional view, which wanted the facility to be managed through the domestic banks in the economy.

> *"To prevent the potential impact of such large amounts of inflows on the domestic currency, all these moneys were sterilized and the disbursements made in tranches to the board for*

onward payment for cocoa beans….Beyond serving as ready cash for the payment of cocoa purchased from farmers, the coming in of the loan is timely, as it helps shore up the country's reserves and consequently help stabilize the cedi. The loan also helps improve liquidity in the system….Similar treatment has also been given to the Eurobond issues." (Narh, 2015 pp. 33)

However, during times of pressure on the Cedi, pressure comes to shore up the currency sooner than expected. Similarly, pressure comes because the price of Cocoa is derived from global commodity prices, so there is pressure both on the amount of the syndicated loan, and the response to those wider capital flows. What is not known at this stage, is that this facility is required every year, and new facilities have been added (such as a medium-term facility for inputs) (Reuters, 2018). Some interviewees questioned the lack of political will to change against the requirement of maintaining the cedi. As noted in an post Monetary Policy Committee meeting in 2015 with the then Bank Governor Dr. Wampah:

"Question: Last year when the cedi was depreciating it took the inflow of the Eurobond and the cocoa syndicated loan to bring some measure of stability. This year we are also relying on these. For how long are we going to depend on the Eurobond and the cocoa syndicated loan to stabilize our cedi?

Governor: I agree with you that we should wean ourselves off those but there are medium-term prospects. The cocoa loan is a permanent measure unless COCOBOD decides to find a different way of financing the crop because it is really, a prepayment for export. It is backed by exports so it is not a loan in the right sense of the word. Formerly we used to finance it by bills – cocoa bills, cedi bills. Then the flow would come throughout the year to the same amount that would come from the Eurobond. It is just that now it is bunching in at one point and then we will pay it over the year so that one will always be there once we produce cocoa. It is the Eurobond that may not be there always and that is why we need to also build our reserves." (BOG, 2015)

The nature and timing of this sterilisation is well known among individuals in the Forex market, with these open market operations typically occurring around October-November. This is a planned facility, unlike the Eurobonds, which are less frequent in their provision,and indeed may not be available in the future, or only at a far higher cost; they require different management with regards to sterilisation of major capital flows to ensure there isn't too much "hot" money entering the economy.

The Senchi Consensus (discussed previously), had the recommendation that the BOG should consider allowing Cocobod to directly get involved in the inter-bank foreign exchange market as a counterparty. However, given the societal role that the syndicated loans plays in propping up the currency, that may be unlikely in the short term.

3.3. Sterilisation and the Eurobond Market

Ghana first entered the Eurobond market in 2007, in a move that was considered in Ghana as ground-breaking for a sub-Saharan economy, taking advantage of the cheaper credit available to them on

international markets, in foreign currency, than was available in the domestic economy. Since then, it has been an important source of financing for government expenditure, however there are risks associated, as it is also adding to the debt burden. Furthermore, as the Eurobonds are issued in dollars, the increased exchange rate risks placed on the Ghanian economy and exposure to market sentiment (when coupled against burgeoning public sector debt), makes this a difficult issue especially in relation to how such money is spent, spread, and distributed through the economy. Table 5, looks at the seven bond issuances to date.

Table 5: Eurobond Issuances to-date by the Ministry of Finance, Sources: Ministry of Finance, Bank of Ghana, Haque et al (2017); Amoah-Darkwah (2019).

Year	Amount Issued (Millions USD)	Maturity	Coupon	Public Sector Debt (% GDP)
2007	750	2017 (bullet)	8.5%	31.0%
2012/2013	1,000	2023 (bullet)	7.88%	55.9%
2014	1,000	2026 (bullet)	8.125%	69.3%
2015	1,000	2030 (bullet)	10.75%	71.6%
2016	750	2000-22 (3 annual instalments)	9.25%	66.9%
2018.1 2018.2	1,000 1,000	2028 2048	7.62% 8.62%	59.3%
2019.1 2019.2	1,000 1,000	2026 2031	7.88% 8.13%	TBD

As noted by Griffith-Jones & Ocampo (2018), ratings agencies have looked poorly on the excessive borrowing, incurred by most Eurobonds in SSA, a problem that is particularly acute for commodity exporters (of which Ghana is clearly one). But it should be noted that these Eurobonds should not be looked at on their own and have an underlying political reality linked to the fiscal deficits up until 2015. Partially linked to the IMF programme, the 2015 bond issuance received a partial guarantee of US$400 million from the World Bank's International Development Association (IDA) (World Bank, 2015).

These major injections of local currency into the Ghanaian economy need also to be sterilised. Re-paying such debt also has fiscal considerations, as investment with the finance from the Eurobonds should go into productive assets, and not for current consumption such as salaries, something that Ghana engaged in with earlier Eurobonds, and is being questioned on subsequently (Mutiso, 2016; Adongo, 2019). The timing of entry of such capital into the economy can help in the short term secure greater stability of the cedi, when combined with the Cocoa syndicated loan according to currency analysts (Ghanaweb, 2015). When such Eurobonds are not available, or they do not come on-board in time to help bridge existing budget commitments, the Ghanaian government has approached other actors, such as Standard Bank and Standard Chartered in bridge loan arrangements (Wallace, 2019). However, such short-term loans make the Ghanaian economy even more vulnerable to debt and Balance of Payments crises.

This concern about the debt profile, capital flows use, and the role of fiscal prudence affects investor willingness to engage in these loans at all in the future (initially affecting the coupon rate to incorporate that risk, which can rise significantly). It should be seen as a positive that in 2017 Ghana did not issue a new Eurobond, but redeemed some maturing debt, which it was able to recoup while yields were low. A final note is to explore the nature of raising capital from capital markets within the country, which would require further development of domestic capital markets.

Sound macro-prudential policy is an imperative in a liberalised capital account system, the less prudent the capital account management is, then the greater likelihood that adverse effects are felt when capital flows sharply out of a country. Ghana has sought to address and improve macro-prudential policy through the BOG in many ways, not least through the promulgation of the Bank of Ghana Act by parliament in 2002 and through achieving a sovereign rating standard back in 2005.

By restricting liquidity through its tight monetary stance, the BOG has restricted demand for forex strictly to necessary transactions, while at the same time ensuring the adequate supply of forex on the local market to meet that demand, through a combination of direct interventions by funding the market whenever required and local forex market reforms which have increased the supply of forex from private sources.

A number of measures that Ghana has implemented include (but are not limited to):

- The Petroleum revenue act (Act 815), a mechanism where gains from Ghana's petroleum sector are re-invested in the local economy
- The BOG extending its supervisory operations to micro finance institutions (BOG, 2011)
- 9% mandatory reserve requirements in domestic currency on both foreign and domestic currency deposits (held by the BOG) (Narh, 2015).[5]
- A reduction in the daily single foreign currency exposure limit from 15 to 10 percent of the capital base (IMF, 2008b).
- Banks are required to hold 100 per cent domestic currency reserves on some accounts since they had started holding such monies for speculative purposes (World Bank, 2012)
- Initiatives to improve financial operations – such as the collateral registry, and credit reference bureaux (Narh, 2015)
- Provision of a bank resolution framework to help in resolving issues of insolvent financial institution (The Banks and Specialised Deposit Taking Institution Act (2016).
- Pension funds regulations have also been reviewed to ensure that there is sufficient domestic capital in both the money and capital markets in the country – administered through the National Pensions Regulatory Authority (NPRA).

Naturally, a lot of these measures have significant benefits, ensuring productive use of assets, financial stability, and opportunities for countercyclical financing (namely through the petroleum revenue act). This is in addition to other more passive benefits such as Ghana's legal system being

viewed relatively positively in international markets, with property rights being maintained (World Bank Doing Business, 2019).

Regarding the political economy of strengthening banking regulation policy, one area that has had implications for the capital account in recent times is with regards to the banking sector. In fact, before 2015 the minimum capital of banks in Ghana had been raised twice (Narh, 2015). This was to be raised further as a response to asset quality reviews undertaken by both the BOG and the IMF. The banks were undercapitalised, and in some cases assets on the balance sheet were overestimated, and more generally, a proportion of the banks were not in compliance with Basel II and Basel III. Non-performing loans were as high as 18%, and there was a requirement for consolidation of the banking sector, which the central bank oversaw.

This led to a revision to the currently scheduled rise in the minimum capital requirement of the banks from 120 million cedi, rising to 400 million cedi. The ability of the banks to raise this capital in the short term was mixed, particularly as the deadline for the capitalisation of the bank was quite short. In order to help achieve this target BOG has set up a special purpose vehicle (in correspondence with the MOF), with the Tier Three pension services (private pension pots) in order to help the banks, meet this requirement (the Ghana Amalgamated Trust) There has also been a consolidation in the banks from 36 to 23.

This posed multiple issues for banks to reach this capitalisation. Naturally, political discussions occurred with regards to which banks received funding and which didn't, as well as the role of domestic versus international banks (and the role of state support). But overall, the policy has been deemed (at least in the short term) a success, for the relative role of clarity and clearness that the BOG had. The intention behind this is to ensure that the Banking industry is sound, and as a result, be a safer haven for investors. However, as some of these companies increasingly relied upon restructuring to hit the minimum reserve requirement, questions about the standards raised of whether this mechanism really strengthened the banks, as may make them less flexible for delivering to certain markets (namely infrastructure and SMEs).

However the effect of such interventions by the bank of Ghana, while prudent, does not completely shelter them and the broader economy from exogenous events, especially in case capital flows reverse, though should be helpful in such circumstances.

4. Conclusion and Policy Recommendations

Ghana's positive macroeconomic performance in recent years, and its movement out of the IMF programme, with increasing capital flows, can be attributed in part to its liberalisation of the capital account in 2006 with the foreign exchange act. However, unfettered access to capital markets can be considered a poisoned chalice with its roots based in political economy. Flows to a country can reverse, as has occurred many times both in Sub Saharan Africa and in other regions of the world, both emerging and developed. If large, such a reversal can cause a country to have a large debt and/or Balance of Payments crisis, which can undermine future growth and development, as has occurred many times.

Some of the risks are exogenous to Ghana, such as when US interest rates started to rise in 2018, and there was a net outflow of approximately 1% of GDP (US $516 million) across six months. Market sentiment means that Ghana itself is now vulnerable to this market volatility. Here the space of CAM measures becomes a useful tool for policymakers, though as Murinde (2009) notes *“Controls on capital inflows may at times play a useful role in giving policymakers additional room for manoeuvre, but this space is very limited in practice.” (pp. 28).*

We see in the nature of mechanisms for policy interventions on CAM (direct controls especially, but also sterilisation of foreign exchange inflows), that there are inherent political economy constraints that affect how policymakers can interact. For example, with direct controls in 2014, a concern about loss of monetary autonomy (dollarization) and a declining cedi, drove government action on CAM measures, which backfired through poor implementation. With sterilization, we see the political economy about the Cocoabod syndicated loan, and Eurobond borrowing. With bank regulation policy, we see a blending of that term with formal CAM measures, due to the limited space to engage in direct controls on the capital account, tying the hands of policymakers. However, this seems to have produced some positive effects in terms of banking regulation.

A negative attitude to CAM measures by many of the actors interviewed is a concern. Interviewees, with some limited exceptions, stressed that while the capital account may have been liberalised too quickly (relative to the status of the economy at the current time) essentially there is no going back now, and that the status quo is to operate within these liberalised markets.

However, there is also recognition that capital flows may reverse, particularly with negative market sentiment on Ghana’s debt profile, which is very high, and with questions of how flows have been used, ultimately with the potential to cause pain for all stakeholders involved. This means that a wider discussion regarding the potential of placing temporary provisions on inflows/outflows needs to occur through stakeholders. A discussion also needs to occur on how to use Eurobond financing to support investments and/or industries that can generate foreign exchange directly or indirectly.

Stakeholders have mobilised on banking regulation policy, and in macroeconomic management (such as the Senchi Consensus). This demonstrates a power within Ghana regarding stakeholders’ ability to influence government policy, though it remains contained in a complementary activity to pure CAM measures. The diversity of the stakeholders involved is not unique to Ghana, and the concerns facing the economy hold relevance for other contexts, though relative power between actors may differ.

A broad conclusion is that in the case of Ghana, there does not have been sufficient prudence in the level of external borrowing by the Government itself, not have there been sufficient capital account regulations to restrict excessive borrowing by the private sector. This unfortunately could make Ghana more vulnerable to future Debt or Balance of Payments crises. We have argued in this study that this resistance to CAM measures in Ghana, in spite of a now fairly favourable attitude to such measures by the IMF, is more linked to the political economy and history of Ghana, rather than to an economic analysis, drawing on most recent international evidence.

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Annex 1: List of Interviewees

Name	Title	Organisation
Joseph France	Head of Financial Stability	Bank of Ghana
Millison Narh	Former Deputy Governor	Bank of Ghana
Philip Abradu-Otoo	Head of Research	Bank of Ghana
Van-Ess Oppong	Research Department – Balance of Payments Transfers	Bank of Ghana
Stephen Opata	Head of Financial Markets	Bank of Ghana
Gershon Incoome	Head of Macroprudential Policy	Bank of Ghana
Jerome Kuseh	Editor	CediTalk
Yofi Grant	CEO	Ghana Investment Promotion Centre
Dr. Touna Mama	IMF Representative to Ghana	IMF
Osa Ahinakwah	Economist – IMF Office	IMF
Eric Osei-Assibey	Senior Research Fellow	Institute of Economic Affairs (IEA) Ghana
Sampson Akligoh	Economic Advisor to the Minister	Ministry of Finance
Peter Enti	Partner	Nubuke Business Investment Advisory
Paul Ababio	Deputy Director General	Securities and Exchange Commission
Sam Mensah	Executive Chairman	SEM Group Limited
Kisseh Antonio	Partner	Sentinel Global
Samuel Atuobi Twum	General Manager – Investments	SSNIT
Kwamina Asomaning	Head: Corporate and Investment Banking	Stanbic Bank
Francis Ayisi	Head, Business Management	Stanbic Bank
John Awyah	CEO	UMB Bank
Professor Peter Quartey	Head of the Economics Department	University of Ghana
F Ebo Turkson	Senior Lecturer – Department of Economics	University of Ghana
J. Atsu Amegashie	Associate professor of Economics	University of Guelph, Canada
Alexander Darku	Associate Professor of Economics	University of Lethbridge

Annex 2: List of Questions from Interviewees

The interviews followed a Semi Structured Interview Process, relevant to the person's position and awareness of Capital Account Management. Themes are presented in the prompts below. In this, the approach tries to elicit: A. Historical Roots and Capital Account Management mechanisms previously/considered to be in place B. Stakeholder Analysis – where does decision-making power lie, who are the core stakeholders in Capital Account Management Decision-Making C. National Interests and 4. Other considerations.

Note that interviews typically were an hour and a half conversation with each individual actor to capture some of the wider interests

1. History
    a. Capital Controls in Ghana (or Macroprudential Regulation)
    b. Application and Revision over time
    c. Structural features
    d. Ghana Investment Promotion Council Act in 1994 established
    e. Role of the 2006 Foreign Exchange Act
    f. Increased capital flows from 2009 and then reversal later on
    g. Managing capital inflows and flight

i. Commodity risks
ii. Remittances
iii. Sources of Capital Inflows (countries/sectors)
iv. Currency volatility
v. Eurobond market

h. Mechanisms to manage capital flows
   i. Economic Sterilisation (changes reserve requirements, open market operations, transferring government deposits to central bank)
   ii. Macroeconomic Policy – exchange rate, fiscal policy
   iii. Macroprudential policy
   iv. Direct Policies
   v. 2014 Ghana's central bank tightened controls on foreign-currency-denominated accounts and raised interest rates by 200 basis points. provide documentation for transfers outside Ghana and will only be able to withdraw up to the equivalent of $10,000 for travel abroad.
   vi. Drivers of which policy – (fear of appreciation, fear of "hot money", fear of large inflows; fear of loss of monetary autonomy

2. Stakeholders
   a. Who is involved in the process of capital control decision making (formal and informal power)
   b. Internal stakeholders and wider stakeholders
      i. Roles and responsibilities within the bank and determining formal/informal power
      ii. Organisational structure/leadership and management
      iii. Finance and spending (lobbing etc.)
      iv. Incentives and motivation
      v. Capacity
   c. Role of power and dominant ideologies (i.e. Relationship with the IMF)
   d. Nature of relationships between players (i.e. Presidents office, ministry of finance, and Bank of Ghana)
      i. How players influence the policy process and act as drivers of change?
      ii. Policy formulation, negotiation, and implementation
      iii. Responsiveness and channels of accountability

3. National Considerations: Geopolitics, history, geography and other factors have shaped economic, political and institutional structures, and how these relate to the constellation of influential stakeholders in the country, who may promote or obstruct considerations
4. Wider contexts to be aware of – Any dominant narratives taking hold (informing existing power relationships); where is best practice with regards to capital controls coming from (other countries? Etc.); Who are capital control reforms for (political)?; what best practice has been learnt so far?; foundational (long-term); institutional (medium-term); and government capacity & accountability (short-term) considerations. Challenges seen regionally (or across SSA) vs. those that are Ghana specific; any personal ties; regulatory capture. coercion, competition, learning, and emulation