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**“BRIDGES ACROSS BORDERS”  
Fostering Outsourcing Partnership  
in  
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**Accra, Ghana**

**OUTSOURCING SUPPLY  
CAPACITY IN GHANA**  
FOR FINANCIAL AND ICT SERVICES



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**'BRIDGES ACROSS BORDERS'**  
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**Assessment Of The Financial  
Sector**



**The Thrust of Ghana Government Policy**

**'Making Ghana The Financial Hub of West  
Africa'**

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# STRUCTURE OF FINANCIAL SECTOR IN GHANA



## ◆ Bank of Ghana

A

Commercial Banks  
Universal Banks  
Merchant Banks  
Development Banks

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B.

Rural Banks  
Community Banks

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C.

Foreign Exchange Bureaux  
Micro-Finance Institutions  
Non-Bank Financial Institutions

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◆ **National Insurance Commission**

- Regulates the Insurance Companies under the supervision of the Ministry of Finance and Economic Planning

◆ **Securities and Exchange Commission**

- Supervises and regulates activities of firms in the securities industry

**Financial Institutions By Services Provided**

CATEGORY	INSTITUTION
DEPOSITORY INSTITUTIONS	Commercial Banks Merchant Banks Development Banks Savings and Loan Companies Mortgage Finance Companies Credit Unions Building Societies Discount Houses
NON-DEPOSITORY INSTITUTIONS Non-bank Financial Institutions	Finance Companies Leasing Companies Installment and Hire Purchase Acceptance Companies Mortgage Finance
Securities Industry	Stockbrokerage Investment Management
Contractual Savings	Insurance Companies Pension Funds
Collective Investment Schemes	Mutual Funds Unit Trusts

**Some Recent Significant Developments**

- ◆ Banking (Amendment) Act of June 18, 2007 provides framework for an international services gateway that would provide access to a diversified range of financial instruments and services on a global scale
- ◆ Provided the basis for establishment of the International Financial Services Centre (IFSC);
- ◆ Credit Reporting Act has been passed.

## Range of Services



- ◆ deposit banking
- ◆ money transmission
- ◆ provision of foreign exchange
- ◆ trade finance
- ◆ credit facilities
- ◆ investment custody
- ◆ investment management
- ◆ fund management
- ◆ trustee services and corporate administration
- ◆ structural financing
- ◆ mutual funds
- ◆ company funds
- ◆ security listing on stock exchange

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## Financial Services Export Capacity (by Mode)



### ◆ Mode 1

- significant volume of financial services transmitted by cross-border electronically, in hard copies by courier covering transactions in banking, non-bank and bank- like financial services
- Highest volume to EU, but generally to other destinations worldwide

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## Financial Services Export Capacity (by Mode)



### ◆ Mode 2

- Foreign visitors and residents in Ghana consume services such as banking, insurance, stock brokerage, investment, etc
- Countries of origin are worldwide, with the greatest transactions flow coming from Western Europe, USA, South Africa and the Far East

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## Financial Services Export Capacity (by Mode)

### Mode 3

- ◆ Ghanaian financial service providers hardly invest in branches outside Ghana;
- ◆ Banks and other financial institutions would rather work through foreign brokers
- ◆ On the contrary, foreign banks have opened branches in Ghana
- ◆ Majority of banks in Ghana having foreign origin with origins from UK, Nigeria and South Africa.

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## Financial Services Export Capacity (by Mode)

### ◆ Mode 4

- Ghanaian financial service providers do travel abroad to provide consultancy services and negotiate contracts
- Destinations are mainly the West African sub-region and to some extent, South Africa and Western Europe

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## SWOT ANALYSIS

### ◆ STRENGTHS

1. Increased competition leading to a quest for innovation, application of efficient technologies and strive for excellence
2. New financial instruments have been introduced, e.g asset-backed securities, dollar-denominated bonds, inflation-indexed bonds, etc
3. Improved regulation and supervision of financial institutions, e.g. revamping of the National Insurance Commission, establishment of Securities and Exchange Commission
4. Introduction of off-shore banking, opening new channels in business and options in the sector

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## Weaknesses

1. Lack of long-term debt market, representing lost opportunities;
2. Excessive industry concentration whereby 4 banks out of 17 hold 68% of total bank deposits
3. Off-shore insurers are doing business in contravention of provision that an insurer or re-insurer shall utilize all available local capacity before recourse to foreign reinsurance
4. Financial sector is small relative to the rest of the economy

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## Opportunities

- ◆ Establishment of off-shore banking provides new opportunities for expanding and diversifying financial services exports
- ◆ The relatively underdeveloped financial services sector in neighbouring countries is an opportunity for financial services firms Ghana to supply needed services in those countries

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## Threats

1. Recent establishment of the Regional Stock Exchange in Abidjan could divert some business from the Ghana Stock Exchange (GES)
2. The size of the Nigerian Stock Exchange and its use of advanced technology could also divert some business from the GES
3. Predilection for neighbouring French-speaking countries to promptly seize opportunities and internalize them within the CFA zone

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## Some Competitiveness Drivers for the Financial Sector



### ◆ Human Capital Availability and Potential

- Availability of skilled professional in the financial sector is 'satisfactory'
- University of Ghana Business School, Ghana Institute of Management and Public Administration, National Banking College, Chartered Institute of Bankers (Ghana)
- Ghana Stock Exchange
- Private Training Providers
- NIC Training Institute on still on the drawing board
- Few private consulting firms offer training programmes on finance

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### ◆ ICT Infrastructure in Financial Services

- Increasing deployment of ICT infrastructure to enhance competitiveness and efficiency of operations

### ◆ Legal and Regulatory Environment

- Bank of Ghana
- National Insurance Commission
- Securities and Exchange Commission

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## Assessment Of The ICT Sector



### ◆ Government Policy

Ghana ICT for Accelerated Development (ICT4AD), 2003

- Sets out Vision for Ghana in information age
- Provides road map for development of Ghana's information society and basis for facilitating the socio- economic development of Ghana in the emerging information knowledge and technological age

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## Range of Services

- ◆ 24-hour call centre operations
- ◆ Professional development support
- ◆ Outsourced services
- ◆ Microsoft Navision ERP Solutions
- ◆ HR & Payroll solutions
- ◆ Custom business software built on Microsoft Navision
- ◆ Financial Analysis & Reporting
- ◆ Cash Book and General Ledger A/C
- ◆ Inventory Management
- ◆ Purchasing & Payable Management
- ◆ Fixed Asset Management
- ◆ Multi-currency functionality

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- ◆ Timber industry vertical solutions (log inventory, export documentation, vehicle management, etc)
- ◆ Microfinance management
- ◆ Agric Smallholder Scheme Management
- ◆ Website design and hosting
- ◆ ICT Consulting Services
- ◆ Activity-based Costing
- ◆ Clocking
- ◆ Manufacturing
- ◆ Project Management & Evaluation
- ◆ Brokerage & Asset Management
- ◆ Etc

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## X'tics of the ICT Sector

- ◆ Low but improving level of computer literacy and awareness
- ◆ Insufficiently developed ICT infrastructure
- ◆ Low teledensity (less than 2 telephone lines per 100 people)
- ◆ Low teleaccessibility (measure of households access to telecom services)
- ◆ Mobile telephony rapidly supplementing fixed lines
- ◆ Inadequate infrastructure of mobile networks resulting in oversubscription and poor services

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## X'tics of the ICT Sector

- ◆ Increasing improved ICT infrastructural backbone;
- ◆ Technology parks in the offing to provide subsidized bandwidth support and more competitively priced access to floor space to BPO operations;
- ◆ Many small and medium sized internet providers, cyber cafes, software developers, dealers in hardware, internet based service providers,
- ◆ Many training institutions providing world class ICT training, e.g. Ghana Telecom University, Ghana-India Kofi Annan Training Centre of Excellence in ICT, IBM, etc

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## SWOT ANALYSIS

### ◆ Strengths

- Ghana's official language of English is a universal language for computer applications
- Workforce is quite-well educated and computer-based skills are being rapidly developed
- Relatively peaceful political stability
- Business friendly Government policies with respect to FDI
- Competitive labour costs

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## Weaknesses

- ◆ Weak ICT infrastructure and narrow band width (process underway to increase bandwidth)
- ◆ Monopoly of Ghana Telecom in ICT sector not helpful for competition
- ◆ High bandwidth cost adversely affects cost structure of internet-based services
- ◆ Erratic electricity supply
- ◆ Limited and expensive floor space for setting-up modern ICT business

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## Opportunities

- ◆ Huge Potential for outsourcing opportunities from the US and UK
- ◆ Opportunity to use Ghana as gateway to access West African market of 250 million

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## Threats

- ◆ Strong competition from world market leaders like India and Philippines with competitive cost structures, infrastructure
- ◆ Occasional lack of respect for and enforcement of labour laws has potential to undermine the stable development of BPO businesses
- ◆ Rapidly changing technologies in ICT is a challenge to ICT firms

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## ICT Export Capacity by Modes

- ◆ **Mode 1**
  - Medical transcriptions, insurance records, call centre operations and other forms of data are provided by firms in Ghana and transmitted to clients in US via the internet
  - Other forms of ICT consultancy services are provided and transmitted to clients abroad

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### ◆ Mode 2

- Foreign visitors, residents and establishments in Ghana spend foreign exchange directly or indirectly consuming Ghanaian-produced ICT-related services
- Such services are provided through internet cafes, software development or customization, programming, ICT training, etc
- Clients include tourists, diplomatic missions, international agencies, mining companies and other corporates of foreign origin

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### ◆ Mode 3

It is not the usual mode of operation of ICT-related firms to establish branches outside Ghana

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### ◆ Mode 4

A few Ghanaian ICT firms are known to have won substantial ICT contracts in some African countries (e.g. Giant International Ghana Ltd. in Gabon and Congo)

Contract involved movement of natural persons (consultants) to the target countries

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## Competitiveness Drivers

### ◆ Electricity

Supply situation being resolved on a long-term basis

### ◆ ICT Backbone & Bandwidth

Government is receiving Chinese support to rebuild infrastructure and peripherals

### ◆ Training & Professional Development Capacity

Many ICT training institutions like India-Ghana Kofi Annan Centre of Excellence, GT University College, IPMC and several others. (Need to set-up and enforce quality standards for the industry)

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## ◆ Legal & Regulatory Environment

- Legal and regulatory framework set-up to manage transition from state-dominated monopoly to competition;
- Focus was creation of a competitive market and rights of new entrants;

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Ghana needs a legal and regulatory framework that will take advantage of the rapidly changing technologies, promote innovation, and enhance consumer choices, while reinforcing fair competition in the industry;

- Focus of on-going reforms is on regulating cyber activities to address promotion of electronic commerce, protection of intellectual property, data protection and security, dealing with cyber fraud and generally integrating Ghana into info age.

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## Investment in the ICT Industry

- ◆ Government and the Ghana Investment Promotion Centre taking measures to fashion a climate that will mobilize technology and finance into the sector;
- ◆ Focus is on investments that have knowledge and expertise transfer;
- ◆ Joint ventures between local and foreign companies are being encouraged to foster resource mobilization and technology transfer into the industry

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## Financing ICT Development

- ◆ Under the Micro, Small & Medium Enterprise (MSME) Project with World Bank support, there is a dedicated financing window for supporting development of ICT industry;
- ◆ EDIF is undergoing restructuring to take on board more directly the financing of export-related activities of service firms, including ICT firms

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## CONCLUSION

- ◆ Ghana's Financial and ICT Sectors provide considerable outsourcing possibilities for both local and foreign firms;
- ◆ Infrastructural support systems are being improved to enhance national competitiveness in outsourcing;
- ◆ Legal and regulatory framework undergoing strengthening to promote competitiveness, enforce standards and provide further protection for investments.

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**END.**

**THANK YOU**

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