



# INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Interviewer: Itumeleng Makgetla

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MAKGETLA: My name is Tumi Makgetla. It's the 18<sup>th</sup> of September, 2009. I'm in Accra, Ghana, here with Dr. Paul Acquah, who has served two terms as a governor of the Bank of Ghana from 2001 to the present.

Thank you very much for joining us and being part of this set of interviews.

ACQUAH: *You're welcome.*

MAKGETLA: Before we begin, can I just confirm that I have your consent that this is a voluntary discussion?

ACQUAH: *Yes, it is a voluntary discussion, and I'm pleased to participate.*

MAKGETLA: Excellent, thank you. Can we begin with your giving me a brief overview of your career, and how you came to assume the position of governor of the Bank of Ghana?

ACQUAH: *Well, I had the opportunity to work as an economist at the International Monetary Fund, and went through their ranks to become a Deputy Director in the Fund, but mostly in that capacity, responsible for Africa. That brought me into dealing with macro fiscal policy—actually, with economic policy in general. And I had the privilege of being invited to assume this position as governor, and that's how it began.*

MAKGETLA: When you think back to the first days in your position as governor, what were the main challenges that you regarded as the priorities of your new job?

ACQUAH: *I was coming into a central bank, and I had been working in the Fund [International Monetary Fund], doing a lot of mission work, which means discussing programs with member countries and so on. I had a pretty good idea about what a central bank is supposed to do. So, from the specific perspective of Ghana, I thought it was important to build on the analytical capacity of the institution, build up its capacity to provide empirical data and analytical information to the public, because I knew that we wanted to move into some kind of an inflation-targeting new framework.*

*I had already discussed some of this framework in the context of our work in the Fund on South Africa. So I thought it would be good to establish the foundations for inflation-targeting at the Central Bank, and that requires a lot of work. It means that you've got to organize, and restructure the organization, to adapt to the objectives that you have set. I had put a lot of emphasis on staff and organizational change. In fact, very early on, I knew that I had to trim down the staff and focus the culture of the organization on economics and economic work, because central banks in a lot of African countries have tended to develop a culture which emphasized accounting rather than economics.*

*I wanted to reshape the culture of the organization to make it more oriented towards economic analysis and policy making. That involved looking at the work of the District Division and restructuring the various departments, and creating a focus for analytical work. Actually, within the Research Department, I created a Special Studies Section and then created an External Finance Division to focus on the relationship of the bank with external financial institutions, including the Fund, and the bank, and all of those institutions.*

*I did that while introducing competitive selection procedures, which means I did not just reassign staff, but I filled those special units with people selected on a*

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*competitive basis, so it became a center for change. And then I should say that I came at the end of a very exciting election. There had been a change of government, one that brought in a party that had been in opposition for a long time to power. And for Ghana, it was the first time that one political party had given way to another political party. I think that there was a general sense of renewal of democracy here. It was a period of considerable enthusiasm, a surge in expectations about democracy. The new government was talking about accountability, zero tolerance for corruption, strengthening democracy, all those new principles that seem to galvanize new governments in power.*

*I found a sense of empowerment, and I thought everything was possible. I had to set a few key objectives. I remember my board was asking for a medium-term strategy plan. And I explained to them what I wanted to do, that I thought that this was a very old institution with an established culture and certain principles and practices had become rooted. This is a central bank which had quite an influence and a good reputation in society. It's a much-revered institution as far as Ghana is concerned.*

*Implementing change, I thought, was going to be very difficult. Plans that are put on paper will still have to be implemented somehow. So I thought that the way to implement change was to introduce measures that could be explained. Let me take, for example, the one major policy measure that I introduced, that was reducing the size of the staff. Actually, today we have a staff of 1,400. When I came here, we had about 2,500. I decided that we had to mechanize certain procedures, for example the currency processing system. We used to have a lot of currency counters, so we mechanized the currency processing system. I re-mechanized it while the staff was still in place. It turned out at the end of the mechanization procedure that there was de-facto redundancy. They saw all these machines doing the work very efficiently and smoothly. So there was a rationale for asking the staff associated with the currency processing to leave voluntarily, and I think that that helped.*

*I use that as an example. And then I said, "Well, you need to protect the personnel and assets of this institution." You can see today that this bank is well secured. You probably saw the procedures that you have to go through in order to get access to the bank. That program was implemented both to ensure that there is security of personnel and the security of assets. In doing so, we have been able to establish almost a new culture in the organization. The place is very calm.*

MAKGETLA: What was it like before then?

ACQUAH: *Before then, there was a lot of traffic in and out of the place, and therefore there was a lot of distraction as well. But because of that system of protecting assets and staff, we have really built a bank that is worthy of being called a center with the environment of a central bank.*

*And today, because of some of the computerization systems that we have also introduced, we have been ISO [International Organization for Standardization]-certified. This shows that not only is the environment reasonably pleasant, but that our systems are also robust, and procedures and practices are up to international best standards. I'm talking about the institution now. I think the institution itself has to be strong and disciplined in order to deliver on its mandate.*

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*I've put a lot of emphasis on these institutional changes and the way we do business. And I think perhaps that that's something that is not publicized. It's not publicized, because you really have to come to the Central Bank to see that, yes, it is a central bank, both by the way we work and the way we project ourselves.*

*Now, obviously, I came to do monetary policy. I was fortunate that the bank was empowered by the introduction of the promulgation of the Bank of Ghana Act, which actually gave independence to the bank in the conduct of monetary policy. I think that armed me to emphasize that the mandate, the core business of the Central Bank, has shifted; it's new. And therefore, we have to do work that allows us to deliver on that mandate, which is that the culture of the institution is now shifting from pure currency operations and accounting to real monetary policy. And once you are doing monetary policy, then all your internal training procedures, and so on, have to be managed in order to support the monetary policy functions of the bank.*

*From that perspective, then you ask, how could monetary policy be effective. So you build a lot of information and analysis, empirical work, in order to communicate with the public. And this is actually strengthening the foundations for what I described as the inflation-targeting regime that we have set up. That is really the normal work of the Central Bank.*

*And then you say that if monetary policy is going to be the transmission, to be effective, there should be a framework for the transmission process to work well. And so you emphasize the development of the banking system itself, and the payment system infrastructure supporting the system. And so we promoted a spate of legislation to establish the legal and regulatory framework to support the banking system.*

*But how do you get support for this spate of legislation? Do we maintain a close relationship with Parliament, especially the Finance Committee of Parliament? And to do that, we had to do a lot of the background work supporting the legislation. If you want to introduce anti-money-laundering legislation, or you want to introduce a new banking act to strengthen the regulatory powers of the bank, you have to provide that work, and have seminars with the Finance Committee of Parliament, because they are the ones who are really going to pass the legislation. So, we did. We spent a lot of time doing some of this background legislative preparatory work for the Parliament. And I think that probably explains why we are able to reform the legislative and regulatory framework.*

*And then, in order to implement some of these reforms, you definitely need the support of the Executive. I think the Executive gave a lot of confidence to the Central Bank by promoting all of these reforms. We acted with the full recognition that we had a lot of support.*

MAKGETLA: How was that support manifest? What did that mean for you?

ACQUAH: *Well, the support comes by way of endorsement of proposals and ideas. Take for example the key major initiative, which is the re-denomination. We knocked off four zeros from the arithmetic, where we said 10,000 Ghana cedis to one new Ghana cedi, while maintaining the external value unchanged. This was a very major reform. There's no way any central bank could implement that reform without providing a convincing rationale to the Executive and other fiscal authorities. Because if the Executive did not have confidence that one, maybe your argument is sound, and two, that you have the capacity to do it, it would*

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*prevent the Executive from giving an endorsement. I think some people call it the law of unintended effects.*

*First, it has political and other implications, where I think the Central Bank had to demonstrate a certain degree of credibility in its ability to implement such measures. And I think because we had delivered successively on a number of key issues, we were able to get the endorsement to do it. But that is to say that even though the Central Bank has statutory independence, there is need for consultations and communication with other stakeholders and with the parliamentarians and with the Executive, the government.*

*I have not mentioned the public. Well, consultation with the public, or communication with the public, has been key. By the medium of our monetary policy process, we really provide a lot of information. Over the last eight years, we provided a lot of information to the public on the economy, both in terms of written, published information, and in exposing ourselves to questions by the press almost every two months. So, I think that channel of communication has been there.*

*But more importantly, I think that communication has been useful because we've been able to deliver on the policy of engineering macro-stability, because we started with very high inflation. We made it known that our focus would be on price stability derived from the new mandate given to us by the Bank of Ghana Act. And I think from 2002 to 2006, you could see very steady disinflation taking place, and relative stability in prices and the exchange market. So, to some extent, my staff reassured the public that the Central Bank perhaps knew what it was doing, which means that we were beginning to be heard.*

*And so, when we introduced a new measure, the public considered it credible. That has made it possible for the bank to evolve and grow into an effective institution.*

MAKGETLA: Did you see your engagement with the public primarily focused on giving them information that was important regarding, say, the economy indicators, or would you say that you were also attempting to build popular support? Was that something you were concerned about, or was it more about just ensuring that they had relevant information on the bank's activities?

ACQUAH: *I think we built popular support by the force of our communication. I'll tell you why. This is a very open society. We have many radio stations. There's a lot of public discussion on things that are very important, and things that are very trivial. So, personally, I thought that the framework often brought opportunity and also risk.*

*The opportunity is that the public is tuned in, and therefore, you can get public attention anytime you want. The risk is that there's so much going on that the Central Bank's voice could be drowned in the noise, which meant that the communication had to be strategic. It had to be strategic, so that when the bank enters the domain, people listen. So, with that concentration in mind, we have not been over-present so that everywhere you go you see the bank.*

*We've been quite strategic in making interventions. It's my view that people might say that this governor does not like to talk too much, but I consider this really a strategic approach to communicating with the public. So the strategy was to create a premium on the message that the Central Bank has to communicate to the public. And I think this is how we managed our relationship with the public.*

MAKGETLA: Talking of popular perceptions, I'd like to ask how you managed the initial reforms that you described for reducing the staff size and focusing it on its analytic capacity. Many people have said to me that it's difficult to dismiss people in the Ghanaian context. That it's quite a difficult thing to do. Was that something you found? Were there any challenges? Did you have to talk to associations for employees? Can you describe that process please?

ACQUAH: *It was difficult. First of all, we looked at the age distribution of the staff. This is an old institution. We just celebrated our 50<sup>th</sup> anniversary two years ago. Some people have been with the bank for a very, very long time, so you look at the age distribution of the staff, and you see that maybe some of them are very close to retirement, and therefore a voluntary retirement program might be attractive, depending upon the measures of the package. After undertaking this analysis, you explain to the staff that our mandate has changed. In the context of this core mandate, there are certain things that we cannot afford to continue to do. Certain activities will have to be de-emphasized, and some will have to be done more efficiently, for example, currency printing, and so on, and so forth.*

*The discussion centered on the new mandate of the Central Bank. Obviously, it still generated a lot of discussion, including even a couple of demonstrations and various staff reactions. Vodafone was trying to do something, and the Labor Commission came in.*

*So we went to the public to explain why there was need for a voluntary retirement program. We called it "reshape"; it was a reshape program. We were trying to reshape the bank. We didn't call it redundancy or anything. We were trying to reshape the bank. We also went to the public to say we have a new core mandate, this is how we intend to approach it, and our new mandate makes it essential for us to look at the structure of the staff, to reorganize it, so that we can better focus on it. And when our statement was printed in the papers, we got a lot of support.*

*And, of course, I had just come recently, so there was an implicit support for the new governor to do his work. And I think that that happened. So there was a lot of discussion inside, certainly a lot of resistance. Certain activities had already become redundant. When the "reshape" actually was being implemented, some of these activities were already redundant, and since nobody told the staff not to come to work, they came. And so it required a lot of discussion. I wouldn't say that it was smooth, because there was a lot of resistance. In fact, we were taken to court, just us. The bank was taken to court to challenge the Voluntary Departure Program.*

MAKGETLA: Was this by individuals, or by a group of employees?

ACQUAH: *The group.*

MAKGETLA: What was the outcome of that case?

ACQUAH: *The outcome was—we won ultimately. Fortunately, the court did not stay the exercise pending adjudication. So we were able to go along with the process whilst the court case was being handled, because the issue's whether a voluntary redundancy on that scale is a redundancy or not, and if we said redundancy, then we're subject to the negotiations and discussions with the unions, and so on and so forth. And we had taken the position that the labor law allowed a voluntary departure program without real negotiation, but one had to*

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*ensure that the package supporting the redundancy program was attractive enough for it to be successful. And I think it was attractive enough, because we got a number of people to participate in the redundancy program.*

MAKGETLA: And you had sufficient funds within your budget to cover that?

ACQUAH: *Yes, because we had budgeted for it.*

MAKGETLA: You described this process of reshaping that also involved attracting new skills to the bank, and I'd like to ask whether you faced any challenges in doing that. Did you work with a core team, say at a senior level, to assist your work in taking some of these reforms forward?

ACQUAH: *First of all, I have extraordinary support from the board. The board was an enthusiastic board and a very distinguished group of people who had excelled in their own professions. We had a very understanding and cooperative board, so I had very strong board support to the point that if I wanted an emergency meeting, I was almost certain to get all of them, provided that they were in town. That's how supportive and cooperative they were.*

*Obviously, you have to work with the heads of department very closely. I have tried to work with the heads of departments closely, and I have tended to use taskforces to implement policies. We set up a taskforce consisting of experienced, very good staff to address particular issues. With recruitment, for example, we set up a panel to do the recruitment, to interview prospective staff members and economists. But since we were thinking of raising the entry qualifications, we started tapping the young MAs from the local universities, such as the Department of Economics at the University of Ghana in Legon, and so on. We have some very sharp people graduating from the various universities, and we go there to recruit from the top.*

*Also, we began to open up a recruitment process for external residents by advertising, for example, in *The Economist*, and so on. And through that process we were able to get one or two, which was encouraging, because it's not easy to attract non-resident Ghanaians back to the local market.*

MAKGETLA: How do you think you were able to attract them?

ACQUAH: *Well, I think they must have followed what we are trying to do, because we built quite a good website that provided a lot of information on the Bank of Ghana and its activities. One of our people was once a graduate student in Nottingham University, and he was following our website very closely. So, yes, we were able to attract a couple of people. Since we had downsized, we became very selective in the recruitment process, first for the technical skills that we needed, and as we were moving towards major computerization of the bank, moved towards the IT people with IT skills.*

*Actually, I think one wholesale recruitment that we did was regarding the IT personnel, because we have a really major, highly integrated system that we now operate at the bank, so we needed people with IT skills. And I think that we brought on board about six or so; that's a major recruitment.*

*So, yes, you have to work with special taskforces to focus on particular measures. But I must add that the bank has put a lot of emphasis on training, both local training and training abroad, which means sending staff to courses and programs abroad. We have a very good training budget, and we make sure that*

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*people get exposed to some of these programs in other countries. Certainly, most of the financial analysis courses provided by the Fund and the World Bank and Bank of England, we try to participate in, but we have shifted towards giving more of that training within the Bank, in our own training institutes.*

*Just last year, I established the Center for Professional Training and Development.*

MAKGETLA: In the bank?

ACQUAH: *In the bank. The bank has always had a training school, but we modernized the center and shifted its focus, so that in terms of content, you get something akin to what you would obtain in various courses abroad. I believe that it is better to bring one or two experts to deliver the courses here for the benefit of a greater number of people than to send one or two bright staff members out there and try to come back and impart their knowledge to their colleagues here. I don't know how much retention is there, but you believe that if they are able to absorb 110%, they might not be able to come in and diffuse more than 60% to their colleagues. So the Center can get facilitators to come and provide training on special courses to the staff.*

MAKGETLA: Our program, Innovations for Successful Societies, is designed to help other people engaged in reform learn from the lessons of people such as yourself about the challenges that they faced in developing institutions. Is there anything you'd like add that you think we've missed in that context?

ACQUAH: *When I reflect on the strategy for the change, I probably will say that my strategy has been one that has been dependent on activities. And I'm saying that because you will not find in this building the Governor's strategy for change in one book. The approach has been that you have an objective, but what activity do you have to achieve that objective, or to reinforce the impact that will allow you to achieve that objective?*

*So, as I said, if I had perhaps written that I wanted an institution, a very slim institution with a staff of not more than 1,000, a building where access is limited and difficult, and the assets of the institution are protected, a central bank that can announce to the public interest rate decisions with credibility and all that, you know, it would have been difficult. Why? Because I think it's a system of stakeholder relationships, so I tended to emphasize the positive aspects and the rationale of a policy measure. I guess my first thing was to erect this wall that we see here to reduce access to the system.*

*The objective was to protect the assets of the bank and to protect the staff. But it also addressed the problem of strangers coming in and loitering around. I don't want loitering in this bank, but I say, "Look, I think we have to be protected," and if you are introducing a measure to protect the staff and the assets of the bank, then it will be very difficult to oppose it. But it also addresses the issue of loitering, either by staff or strangers on the premises.*

*But you are not going to see that in a written policy, an overall policy, or a strategy. And maybe I should say that to some extent, I may have been influenced at any given period by the way the Fund does business, because I worked at the Fund for a long time. I really never saw a strategy for developing adaptation. It was only recently that the Fund has been working on a strategy for reform. But the Fund, as an organization, has been evolving on the basis of policies that are tailored towards achieving specific objectives. And I think with*

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*that type of approach, you set an objective and establish a way to achieve it. A taskforce system, you know, has actually worked.*

*It has worked for me, because if you talk about payment system reforms, the latest measure we introduced—called E-Swift, a biometrics smart card—is a common platform for the banks that we thought would be a good way to promote financial inclusion, so we set up a taskforce to try to implement this smart card system, and it has been done successfully. However, you are not going to see in our literature at the bank that the governor said there's an objective to achieve financial inclusion, and therefore, we have to implement the E-Swift biometric platform.*

*But I think you develop policies to adapt to and influence the direction of growth of the organization. And probably the advantage is that you deal with stakeholder resistance in a specific context. If I'm going to introduce a biometrics smart card, what kind of resistance do I have to deal with? I have to deal with the inertia of the banking system, because the banks themselves may want to introduce their own products, but the products will not serve the public good that the Central Bank wants to promote.*

*If I can defend this public good product that we are introducing, then I have won the battle. It's a focused strategic battle with the banking system to get them to cooperate. But imagine if I put all these things together, and I'm fighting the banks on smart card, and fighting the staff on redundancy, and fighting this on that, and I'm fighting the public or the business sector on interest rate decisions, I have a serious problem. So in a sense, perhaps what I'm saying is that I use policy actions as instruments one at a time, one instrument to achieve one objective, instead of putting all sorts of objectives in a bowl and trying to devise various instruments to achieve them.*

MAKGETLA: Given the importance of a taskforce for this strategic approach, how were they constituted? Were they from the bank, or did they have stakeholder representation?

ACQUAH: *When it centered on Central Bank activity, mostly people in the bank. But when it had stakeholder implications, we brought people from outside of the bank. For example, for the E-Swift platform, we brought people from outside of the bank as part of the taskforce to identify the type of identification and procurement process. And then we had to do the education and the communication with the banks directly through a series of meetings to explain why we wanted to introduce it and the type of support that we wanted.*

*And in the case of the re-denomination, which affected the wider society, we brought people from outside, because currency operation has a lot of security dimensions, so we brought everybody from the security services and individuals representing them, but we also brought real experts to be part of the logistic team. As for public education, we brought people from the Ministry of Communications and people from the civil society to take part. And we took responsibility for the training, to give focus to the activity and their participation. So it depends upon the activity.*

MAKGETLA: Did you set their mandate, and did these taskforces report back to you?

ACQUAH: *Yes, they reported directly to the bank, and to the board also.*

MAKGETLA: Thank you very much for your time. This has been a very interesting discussion.

ACQUAH: *Thank you very much.*