



**ENGINE BUSINESS NETWORK MICRO, SMALL, AND MEDIUM SIZED
ENTERPRISES (MSME) DAY FORUM**

THEME:

**“MSME MANUFACTURING CAPABILITIES, RESPONDING TO COVID-19
AND OPPORTUNITIES BEYOND”**

KEYNOTE ADDRESS

BY

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VIRTUAL CONFERENCE

The President of the ENGINE Business Network (EBN), members of the EBN, distinguished speakers, invited guests and participants, good morning.

1. I am very honoured to join you today, and I thank the Executives and members of the EBN for inviting me to deliver the keynote address.
2. This important forum falls on no less a day than the day set aside by the UN General Assembly to recognize the contributions of micro, small and medium-sized enterprises (MSMEs) around the world, and to identify ways in which they could be supported to help achieve the UN's 2030 Agenda for Sustainable Development.
3. In just two years of its existence, the EBN, formed by alumni of the DfID/UKAID - funded Engine programme, has leveraged its network of partners from the public and private sectors and international organisations, to provide significant support to its members through capacity building, partnerships, and advocacy, with a special focus on youth employment and women's economic empowerment. I applaud the vision of the founding members of EBN, and the tireless contributions of its over 500 members to our nation's development.
4. Over the years, MSMEs have played and continue to play a critical role in Ghana's socio-economic development by producing critical goods and services, creating jobs, and helping to reduce poverty and promote economic growth. It is estimated that MSMEs represent about 85 percent of Ghana's private sector and contribute about 70 percent of annual GDP. In terms of employment, MSMEs account for an estimated 85 percent of manufacturing jobs in the country. The MSME sector has also provided women and the youth opportunities to harness their economic potential, and it is estimated by the World Bank that about a third of all MSMEs in Africa are owned by women. These contributions notwithstanding, MSMEs have always faced severe constraints that stifle their growth. For example, it is estimated

that the MSME financing gap in Ghana is approximately 13 percent of GDP, according to a World Bank 2019 Report on improving access to MSME financing in Ghana.

5. Today's forum under the theme, "MSME Manufacturing Capabilities, Responding to COVID-19 and Opportunities Beyond" is timely and appropriate. We are all witnesses to the unfolding impact of the COVID-19 pandemic on human lives around the world, and the significant disruptions in the global economy. These are certainly unusual times, and for many of us, unprecedented times.
6. There is recognition around the world that the economic impact of COVID-19 has been disproportionately felt by the MSME sector, owing to a number of factors. First, on the supply side, MSMEs have faced many challenges including (i) disruptions in their production cycles due to employees and suppliers infected by the virus; (ii) a shortage in raw materials and other inputs due to global supply chain disruptions; and (iii) increased costs of production due to a shortage of inputs, and spending on new health and safety protocols. On the demand side, MSMEs have experienced revenue losses and severe liquidity stress arising from weak consumer demand due to closure of businesses in the hospitality, tourism, aviation, education and food industries, among other things. With little or no savings, MSMEs have had difficulty paying their workers and suppliers, paying rent and utility bills, and servicing their loans with financial institutions. This is, in many ways, an existential threat for the sector.
7. MSMEs are not the only ones impacted. Major businesses, and multinationals in some cases, have all been hardly hit. Corporate insolvencies around the world have increased exponentially due to the pandemic, and national economies are reeling from the loss of tax revenues and increased Government expenditures on health and safety and other measures to help contain the effects of the pandemic. In Ghana, the impact of the pandemic on businesses,

Government revenues and expenditures, and on inflation, have compounded the problems of the MSME sector.

8. Many countries around the world have responded to the economic impact of the pandemic with policy measures to cushion the impacts on small businesses. Similarly, the Government of Ghana has provided some GH¢600 million through the NBSSI to cushion MSMEs against the devastating effects of the pandemic. Through partnerships with banks and other financial institutions, this amount could potentially increase to GH¢1 billion to provide even more support to this sector. Other interventions by Government, including the absorption of electricity and water bills of consumers, have also helped to support the MSME sector.
9. The Bank of Ghana has also taken a number of measures to help alleviate the economic pain from the pandemic. By reducing its monetary policy rate from 16 percent to 14.5 percent in March 2020 and providing regulatory reliefs to release capital and liquidity to banks and specialised deposit-taking institutions (SDIs), the Bank of Ghana has provided a major boost to these financial institutions to provide economic relief to their customers, particularly those in the MSME sector.
10. The successful completion of major reforms in the banking, savings and loans and microfinance sectors by the Bank of Ghana prior to the onset of the pandemic, has played a significant role in cushioning the impact of the pandemic on our economy. Banks and other financial institutions are now better able to support their customers at this critical time. Smaller financial institutions, however, are themselves at high risk given that many of their clients are MSMEs who are significantly impacted by the pandemic and as a result have had difficulty in servicing their loans. Regulatory reliefs recently provided by the Bank of Ghana to the savings and loans, microfinance, and rural and community bank sectors, were therefore designed to help ease the burden on them and by extension their clients.

11. It is encouraging to see that banks and SDIs have responded to policy and regulatory measures recently announced by the Bank of Ghana. For example, bank and SDI lending rates have declined on average by about 2 percentage points (200 basis points) since the end of March 2020, and banks have recently advanced new loans in the region of GH¢3 billion to support manufacturers of pharmaceutical products and PPEs, to help in the fight against the pandemic. What is more, banks and SDIs have agreed to defer some customer loan repayments by granting moratoria from about 3 months to 12 months. Fees on a number of electronic payments and related transactions have also been waived or reduced.
12. While these policy and regulatory interventions have been the initial responses to help contain the impact of the pandemic, the real work lies ahead of us all. How will our economy recover from this unprecedented major shock? How will our MSME sector recover? What would the post-COVID economic landscape in Ghana look like?
13. As challenging as the current situation is, we must not lose hope. No one knows how long the pandemic will last for, but surely a day will come when we can put it behind us. It is important, in the meanwhile, that intentional efforts are made to keep the MSME sector alive so that it can support the post-COVID economic recovery effort. It represents, after all, 85% of our national economy.
14. Notably, the MSME story in Ghana has not been a single-sided story. In spite of the enormous challenges the sector faced before and during the pandemic, the resilience of this sector has also been evident. Even during the lockdown, small food processing businesses, eateries, and others worked hard under very difficult and risky conditions to produce food and other products and services for households and other clients. Micro and small fashion businesses very quickly stepped in to help produce face masks for use by the public. Production of hand sanitizers and other health and safety products suddenly became possible in Ghana. With the continued easing of COVID-related restrictions, it is heart-warming to see that the MSME sector is slowly, but surely, bouncing back.

15. **This is a part of the MSME story that needs to be amplified.** I have always been intrigued by the relentless spirit of the Ghanaian entrepreneur, who against all odds, always finds a way to move forward in their business endeavours. It is this spirit that needs to be promoted and supported to help build a stronger and more resilient Ghanaian economy, post-COVID 19.
16. In planning for the post-COVID economic recovery, we need to address a few critical issues. How can the MSME sector be supported and positioned to help turn the disruptions in global supply chains into a national advantage, and thereby build a more self-reliant and resilient economy? How can we ensure that the post-COVID Ghanaian economy leaves no one behind?
17. To do this, we need critical public-private sector investments in key infrastructure over the medium-term to increase the manufacturing capacity of our economy. We need to re-tool and re-equip the MSME sector to leverage technology for more innovation. We need to increase access to finance for MSMEs. We need a renewed focus on equitable and inclusive growth to ensure that the MSME sector, and in particular, women and youth entrepreneurs are not left behind. I am very glad to see that you have lined up very distinguished speakers who will be speaking on these issues at this forum.
18. As I earlier mentioned, the Bank of Ghana has taken steps to improve access to credit for MSMEs through the banks, savings and loans companies, microfinance companies, and rural and community banks. I encourage all EBN members to approach their financial institutions to explore financing and other opportunities available for MSMEs, and in particular for youth and women entrepreneurs. In addition to financial services, a number of these financial institutions are increasingly providing technical, entrepreneurial, and market access support to MSMEs to help make their businesses more viable. I encourage you also to engage actively with the Ghana Association of Banks, and industry associations representing the savings and loans companies, microfinance companies, and rural and community banks, to help

these institutions better understand the needs of EBN members and to fashion out specific products and services to support you.

19. We are at the Bank of Ghana, are committed to ensuring that our policies and regulatory measures help to promote macroeconomic stability and growth, not only for a few, but for all Ghanaians. By promoting monetary and financial stability, we seek to create an enabling environment that supports all economic players to contribute their fair share to socio-economic development and nation-building.
20. In addition to bringing down inflation and interest rates over the last three years, the Bank of Ghana has cleaned up the banking and SDI sectors, promoted emerging technologies to support digital financial services that make retail payments more convenient and that expand access to critical financial services such as savings, loans, insurance, and pensions even for the informal sector. We have also successfully launched the Ghana Deposit Protection Scheme, which helps to protect hard-earned savings of entrepreneurs like yourselves, so that you are not left vulnerable in the event that your financial institution collapses.
21. The Bank of Ghana has also recently launched the Ghana Sustainable Banking Principles in partnership with the Ghana Association of Banks and the Environmental Protection Agency. These are a set of seven principles adopted by banks in Ghana in November 2019, by which they commit to scaling up lending to five key sectors of the economy¹ in a manner that promotes good environmental management practices and social justice including through gender equity and access to finance for all.
22. My simple message to the EBN and its members, therefore, is that while the impact of COVID-19 on your sector has been severe, there is much hope. There is recovery ahead, and there are enormous opportunities in the post-COVID world. What is more, policy makers in Ghana have made interventions to help cushion the impact of the pandemic on the MSME sector. A lot more work

¹ Agriculture & Forestry, Mining, Oil, & Gas, Construction & Real Estate, Energy & Power, and Manufacturing

is ongoing, as we explore all available means to further stabilise the sector and the economy as a whole, while preparing for a major recovery in the medium-term. The financial sector is well-positioned to continue to support the MSME sector, while efforts continue to be made to expand access to innovative financial services and products for all.

23. In turn, MSMEs must strive to reposition themselves to lead in the post-COVID economic recovery. It is time to rethink your business models, to be more innovative, to embrace technology to help improve quality, efficiency, and management practices, and diversify the range of products and services for the local market, even daring to branch into the ECOWAS sub-region and beyond. It is also important for MSMEs to prioritise compliance with laws, standards, and ethical business principles, to help build strong foundations for robust growth and lasting impact. The current pandemic provides a lot of opportunities for MSMEs to reengineer themselves and to participate more fully in the national, regional, and global economy.
24. In conclusion, thank you for inviting me. I wish you fruitful deliberations at this forum, and very best wishes in all your endeavours. Ghana needs a strong and viable MSME sector, and EBN and its members must continue to soldier on, leveraging the opportunities available and creating new ones for themselves and future generations of entrepreneurs. God bless us all!