



# The Social and Economic Impact of Standard Chartered Ghana

A report by Prof. Ethan B. Kapstein and Dr. René Kim

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**STANDARD CHARTERED IS AN IMPORTANT FINANCIER OF TRADE AND HELPS TO CONNECT GHANA TO WORLD MARKETS**

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## About the report and acknowledgements

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Standard Chartered commissioned this report to gain an understanding of its economic impact in Ghana. The bank believes it should contribute directly to the economies in which it operates. To this end, it hopes this report will help to inform its future strategy, in Ghana and elsewhere.

The report was produced between January and July 2010 and is based on the 2009 financial year. It draws mainly on official Ghanaian government statistics and corporate data from Standard Chartered Ghana. The exchange rate used is USD 1 = GHS 1.41. The authors wish to thank the management of Standard Chartered Ghana for its support of this project, as well as the customers and other stakeholders of the bank who gave their time during interviews.

The authors received feedback and input from SustainAbility, a think tank and consultancy. SustainAbility facilitated workshops with employees of some of Standard Chartered Ghana's key stakeholders, such as customers, non-governmental organisations (NGOs), policy makers and opinion leaders. Appendix II at the end of this report includes more information on SustainAbility and its contribution.

The authors are solely responsible for the contents of this report. It does not express the views of Standard Chartered Bank Ghana Limited, Standard Chartered Plc or INSEAD.

## Foreword by Peter Sands, Group Chief Executive, Standard Chartered

PETER SANDS



If anyone needed convincing on the importance of taking a sustainable approach to business, then the extraordinary dislocation and disruption in financial markets over the last couple of years provided dramatic proof.

Banks with unsustainable business models collapsed or were rescued by governments. While the worst of the global financial crisis appears to be over, the real economy is clearly still suffering the impact. Unemployment has increased sharply in most parts of the world and the global economy is still afflicted by macroeconomic imbalances that will be difficult and painfully slow to unwind. Given the uncertainties about the prospects for sustainable growth, not surprisingly, public trust and confidence in banks and political support for the industry has declined sharply.

In this context, we know we must play our part in restoring trust in the financial system and in supporting recovery in the real economy. This requires honesty and rigour in acknowledging what has gone wrong, it requires a clear articulation of the essential role banks play in the economy, and it requires carefully prioritised actions by regulators and banks themselves.

To understand how banks and we in particular can contribute more to economies and societies, we commissioned an independent study, focused on Ghana to assess our impact on the country. The study, and subsequent further studies looking at our impact in other countries, will assist us in building a clearer picture of our impact across economies and societies, and will help us understand how to maximise this contribution.

Banks enable people in their everyday lives to buy goods and services, to save and invest, to buy homes and grow their wealth. We help businesses to set up, to expand and to trade internationally. We help economies to prosper, to build infrastructure and to lift their citizens out of poverty. By doing these things in the right way, banks can be an extraordinarily powerful force for good throughout the economy.

In assessing our impact on a local economy, it is important to look beyond the most obvious contributions such as domestic credit provision and payments. We play other crucial roles – enabling trade and investment flows around the world, making markets in commodities and financial instruments, helping our clients manage the risks they face in an ever more volatile world. This is especially important for economies such as Ghana, where economic development is tied to international trade and investment flows. As evidenced by this study, Standard Chartered Ghana was the first and is still the leading bank in Ghana to offer its customers commodity, interest rate and currency hedging. The bank also plays an important role in financing Ghanaian exports and in supporting of projects such as the Jubilee Oilfields that are set to transform Ghana's economic prospects.

The point is that international universal banks, such as Standard Chartered, can add value to local economies in many ways, not just by lending. We spur competition by introducing new products and technologies. We create employment opportunities, train staff, pay taxes and invest in local communities. We raise the bar on environmental and social issues by ensuring that these are fully taken into account whilst financing projects. Our community initiatives, including employee volunteering, have a direct positive impact on critical social and public health issues.

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SUPPORTING OUR  
CLIENTS AND  
CUSTOMERS AND  
CONTRIBUTING TO  
THE COMMUNITIES  
IN WHICH WE LIVE  
AND WORK**

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**FOREWORD BY PETER SANDS,  
GROUP CHIEF EXECUTIVE,  
STANDARD CHARTERED**

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For the first time in our history – with this study – we attempt to measure these effects and map our contributions.

Why Ghana? After 114 years, Ghana is still a strategically important market for Standard Chartered. A stable democracy with peaceful political transitions, Ghana provides an environment in which business can thrive. In 2009, Standard Chartered in Ghana was one of our top three most profitable businesses in Africa.

Through their work on this study, Professor Kapstein and Dr. Kim have brought valuable new perspectives, as well as highlighting a number of challenges that we will face. This is extremely helpful as it provides us with powerful insights that we can incorporate into our strategic thinking for Ghana, as well as for our other markets across Asia, Africa and the Middle East.

Amongst other things, the report shows the significant impact that financing of small and medium-sized enterprises (SMEs) can have on job and output creation. Throughout the recent financial crisis, we stayed open for business, increasing our global lending to the SME sector by 14 per cent to USD 13.3 billion in 2009. We will continue to invest in strengthening our banking services to SMEs in Ghana and elsewhere.

In Ghana and across all our markets, we are committed to being 'Here for good'. We have a clear strategy – to become the world's best international bank, leading the way in Asia, Africa and the Middle East. We have a powerful culture, with a pervasive sense of shared values and shared stories. Standard Chartered is committed to building a sustainable business as a bank, simultaneously creating value for our shareholders, supporting our clients and customers and contributing to the communities in which we live and work.



**Peter Sands**  
Group Chief Executive  
Standard Chartered

## Executive summary

This report sets out to assess the socio-economic impact of Standard Chartered in Ghana. To the best of our knowledge, it is among the first such studies to be conducted for a major international financial institution.

Standard Chartered wants to play a key role in stimulating economic and social development across Asia, Africa and the Middle East, through the products and services it provides. The report examines this goal by analysing the impact of the bank in one of its key African markets.

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THROUGH ITS  
CORE BUSINESS  
ACTIVITY**

Standard Chartered Ghana has been operating in Ghana for 114 years. Ranked consistently among the top three banks in the country, it has 21 branches, 800 staff and 160,000 customers. It offers a comprehensive range of wholesale and consumer banking services. But what is the wider effect of its activities on Ghana's economy and society?

To answer this question, the study draws on a combination of quantitative and qualitative assessments. The quantitative analysis focuses on the bank's operations and onshore lending from Ghanaian savings. Using a social accounting matrix – a well-established tool applied by governments the world over – we assess Standard Chartered Ghana's data in an attempt to quantify the direct, indirect and induced impacts on employment and value-added, also known as the multiplier effect, of these activities.

As part of its core banking activities, Standard Chartered Ghana also facilitates offshore financing – meaning financing from Standard Chartered Group – for Ghanaian trade and major Ghanaian projects. Furthermore, it invests in Ghanaian government bonds and lends to other financial institutions. However, the multiplier effect of all these contributions has not been quantified for statistical reasons which are explained in the report. Also not analysed quantitatively, but included in the qualitative assessment of other contributions, are the impacts of the bank's trade services, financial innovation, human resources development and sustainability programmes.

Standard Chartered Ghana creates economic output directly by hiring workers, paying taxes and purchasing goods and services from the local economy. In 2009, this spending resulted in a net direct contribution of just over USD 55 million of value-added to Ghana. When the effect of the economic output created by its onshore lending is included – that is spending by the clients it finances – the bank generated or helped to generate almost USD 222 million of value-added for the economy.

But Standard Chartered Ghana and its clients also create value-added indirectly, as the money they spend is re-spent by their suppliers. Furthermore, the bank and its clients create an induced effect in the form of the total household expenditure that results from their activities. Added together, the direct, indirect and induced impacts of Standard Chartered Ghana's operations and onshore financing – equal to about one third of its total financing – amounted to USD 400 million of value-added in 2009, or about 2.6% of Ghana's GDP. Meanwhile, the bank's activities supported a total of almost 156,000 jobs in the country, or around 1.5% of the Ghanaian workforce.

The report shows that Standard Chartered Ghana plays a significant role in mobilising financing crucial to Ghana's economic development. From onshore and offshore savings, the bank provided Ghanaian businesses, consumers and government agencies with nearly USD 900 million of financing in 2009, more than any other commercial bank. Standard Chartered Ghana is also an important financier of Ghanaian trade and – through comprehensive trade services – helps to connect Ghana to world markets.

In terms of financial innovation, Standard Chartered Ghana has been responsible for a large number of firsts – such as ATMs, SMS banking and VISA debit cards – that have played a critical part in the country's socio-economic development. Likewise, Standard Chartered Ghana's extensive employee training programme is a significant contribution to the public good, as it benefits the whole of the Ghanaian financial sector. To illustrate this, 13 alumni of the bank hold key positions in the banking sector, including four who are CEOs.

The study also assesses Standard Chartered Ghana's efforts to build a sustainable business in Ghana, echoing Standard Chartered's global commitment to the long-term development of its markets. Steps taken by Standard Chartered Ghana include the launch of new products that widen the access to finance, such as basic current accounts benefiting thousands of previously unbanked Ghanaians. The bank has also committed to environmental targets, introduced sustainable finance criteria, launched measures to tackle financial crime and invested in numerous community projects.

To conclude, Standard Chartered Ghana has played a significant role in Ghana's economic development, and will continue playing that part as it looks to the future. It mobilises important onshore and offshore capital, aside from being an innovator in the financial sector, a generator of talent to the entire banking industry, a safe haven for deposits and a responsible lender to households, firms and foreign investors in Ghana.

Multinational companies are often perceived as capital extractors. Likewise, despite its major presence, Standard Chartered Ghana continues to be viewed by many Ghanaians as a financial institution primarily serving the needs and interests of global corporations. This study should go some way to provide these and other stakeholders with a more balanced view of Standard Chartered Ghana and its contribution to the country's ongoing development.

Standard Chartered believes it can make the greatest contribution to the countries in which it operates through its core business activity. The findings of this study should deepen the bank's understanding of how and to what extent it contributes to host countries, at the same time as providing it with ideas for how to stimulate sustainable economic development in future.

The report highlights a number of ways in which Standard Chartered Ghana could deepen its socio-economic impact further:

First, it encourages Standard Chartered Ghana to work with the Ghanaian authorities and other private firms to ensure more favourable conditions for small and medium-sized companies. Second, it urges Standard Chartered Ghana to continue to support diversification in the Ghanaian economy. Third, it recommends Standard Chartered Ghana to align its community investment programmes more closely with its core skills, products and services. Fourth, it encourages Standard Chartered Ghana to continue to provide its employees with world-class training opportunities. Finally, it suggests that Standard Chartered Ghana should collaborate with the Ghanaian government, with business associations and with its clients to ensure that Ghana continues to improve its business infrastructure and access to vital support services such as positive credit reference agencies.

# 1 Introduction

Banks often talk of their importance to economies and communities. In fact, few have a precise measure of their effects on the countries in which they operate. To the best of our knowledge, this study is among the first of its kind conducted for a major international financial institution. It sets out to measure the socio-economic footprint of one bank, Standard Chartered Ghana, in one country, Ghana in West Africa.

The task is far from straightforward. To capture the economic impact of a single enterprise, it is necessary to take into account not only its direct effects, but also the indirect and induced effects that result from its activities. A bank and the clients it finances create economic output and jobs directly by hiring workers, paying taxes and purchasing goods and services from the local economy. But they also create output and jobs indirectly, as the money they spend is re-spent by their suppliers. Furthermore, they create an induced effect in the form of the total household expenditure that results from their activities.

When these indirect and induced effects are added, the impact of the bank's activities extends far beyond its loan book and payroll. Understanding this wider reach, or multiplier effect, is a must for anyone interested in assessing how banks can play a greater role in societies.

## GHANA – LOOKING BEYOND THE TIP OF THE ICEBERG

### Direct impact

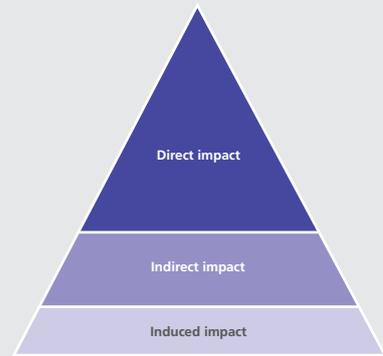
- Direct impact I** Value-added due to spending by the bank as it hires workers, pays taxes and purchases goods and services
- Direct impact II** Value-added due to spending by the clients financed by the bank as they hire workers, pay taxes and purchase goods and services

### Indirect impact

- Indirect impact I** Value-added created by the suppliers of the bank as they re-spend the money they receive through the direct effects
- Indirect impact II** Value-added created by the suppliers of the clients financed by the bank as they re-spend the money they receive through the direct effects

### Induced impact

- Value-added created by the expenditure of households, enabled by the incomes generated by the direct and indirect effects



## GHANA – THE MULTIPLIER EFFECT OF THE BANK ON JOB CREATION

### Direct impact

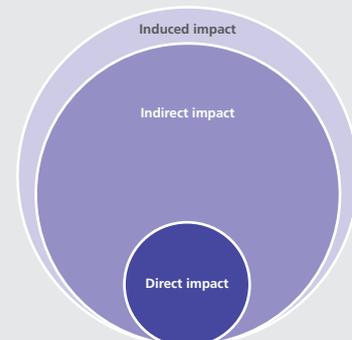
- Direct impact I** Employees of Standard Chartered Ghana
- Direct impact II** Jobs created by the bank's clients as a result of its financing

### Indirect impact

- Indirect impact I** Jobs created by the suppliers of the bank
- Indirect impact II** Job created by the suppliers of the clients financed by the bank

### Induced impact

- Jobs created as a result of expenditure by households, enabled by the incomes generated directly and indirectly by the bank's activities



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**INTRODUCTION**


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What is Standard Chartered Ghana's contribution to Ghana's economy? How many Ghanaians depend on jobs created through the bank's activities? What is the wider importance of Standard Chartered Ghana to the country's development? And, knowing this, what can the bank do to deepen its socio-economic impact in Ghana? These are some of the main questions the report sets out to address.

**1.1****Methodology**


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The report draws on a combination of quantitative and qualitative assessments. The quantitative analysis focuses on Standard Chartered Ghana's operations and onshore lending – that is lending from Ghanaian savings. Using a social accounting matrix (SAM), a well-established economic modelling tool applied by governments the world over, we assess Standard Chartered Ghana's data in an attempt to quantify the direct, indirect and induced impacts on employment and value-added – also known as the multiplier effect – of these activities.

In constructing the required economic input-output model, we have made use of government data in order to ensure objectivity. Also, when interpreting the results of the model, we have been careful not to overestimate the economic impact of Standard Chartered Ghana. For example, the employment and value-added created by a Standard Chartered Ghana client has only been included to the extent that the bank finances that company, i.e. if the client receives 10 per cent of its financing from Standard Chartered, we have included 10 per cent of the job and value-added that it generates. The results derived in this way give a prudent picture of the economic activity that is associated with Standard Chartered Ghana – especially since we have limited the economic modelling to aspects that can be safely quantified, namely the bank's operations and onshore lending.

It should be emphasised that – primarily based on the 2009 financial year – this study is a snapshot and, as such, does not track the development of Standard Chartered Ghana over time. Neither does it benchmark the bank against other financial institutions operating in Ghana. For more information on the modelling approach, assumptions and limitations, please refer to Appendix I.

Aside from its operations and onshore lending, Standard Chartered Ghana contributes to the Ghanaian economy in other important ways, notably by facilitating offshore financing of Ghanaian trade and major Ghanaian projects – meaning financing from Standard Chartered Group. It also lends to other financial institutions in Ghana and invests in Ghanaian government bonds. However, the multiplier effect of these contributions has not been quantified for the following reasons:

1. Just over two thirds of the offshore financing that Standard Chartered Ghana facilitated in 2009 was project finance to the Ghana Cocoa Board (Cocobod) and the Jubilee Oilfields project, the latter of which is in the exploration and pre-production stages with few measurable effects to the economy so far. Also, the assumptions made in our economic modelling are suitable for a large portfolio of loans but not for a small number of very large loans whose characteristics may not be representative of the broader economy. Consequently, including offshore finance in the quantitative analysis could cause statistical errors.
2. Standard Chartered Ghana's holding of government bonds is excluded from the analysis, because the bonds are marketable securities that serve to finance government operations. The type of quantitative analysis conducted in this report does not lend itself to calculating any multiplier effect associated with the buying and selling of these securities.
3. To quantify the effects of Standard Chartered Ghana's loans to other financial institutions in Ghana (USD 12 million in 2009), it would be necessary to know in detail how that money was lent onwards by the institutions in question. As that falls beyond the scope of this study, the impacts of the loans, in terms of value-added and employment, have not been captured.

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**1.1**  
**Methodology continued**

Also not quantified, but included in the qualitative assessment of Standard Chartered Ghana's other contributions, are the impacts of its trade services, financial innovation, human resources development and sustainability programmes. In the long run, these aspects undoubtedly have an impact on the economy, but they cannot be quantified using our economic model, which is based on how the economy currently functions. For example, in terms of financial innovation, the precise channels through which this feeds into the economy can be hard to predict and it typically takes time before the effects can be observed and measured. For that reason the impact of these services cannot be modelled in the way that we model the impact of Standard Chartered Ghana's operations and onshore lending.

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**1.2**  
**Scope**

The report extends over five chapters following this introduction. Chapter 2 and 3 set the context for the study, profiling Ghana's economy and Standard Chartered Ghana's role within it. Chapter 4 details the main findings, quantifying the socio-economic impact of Standard Chartered Ghana and making a qualitative assessment of other significant contributions. Chapter 5 takes a closer look at Standard Chartered Ghana's commitment to building a sustainable business, and the concluding Chapter 6 provides an overall assessment of the bank's footprint in Ghana, while suggesting a number of ways in which it could deepen its socio-economic impact. Finally, Appendix I elaborates on the modelling approach used for the study – explaining its assumptions and limitations – while Appendix II details the contribution made to the report by SustainAbility, a think-tank and consultancy.

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## 2 The Ghanaian context

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### 2.1

#### Economic profile of Ghana

In recent years, Ghana has come to be seen as one of the developing world's success stories. Democratic elections and peaceful changes of government have created the macro-economic stability favoured by investors and entrepreneurs.

The country is on the cusp of what could be a prolonged resource boom, as new gold supplies are being tapped alongside the development of offshore oil fields. Indeed, Ghana is now being observed by many economists as a test case of whether the so-called natural resource curse – the tendency for resource-rich countries to suffer poor economic growth – can be avoided with good governance. In this respect, Ghana has a head start. First, unlike many developing world economies that depend heavily upon a single commodity, Ghana's economy is relatively well diversified between agriculture, industry and services. Second, because Ghana is a democracy, the actions of the government can be judged by the voters, and academic research suggests that this should encourage greater transparency when it comes to the use of oil revenues.

## 2.1 Economic profile of Ghana continued

**TABLE 1**  
KEY ECONOMIC INDICATORS OF GHANA

<b>Population 2009 (est.)</b>	<b>23.9 million</b>
<b>Size of workforce 2009 (est.)</b>	<b>10.3 million</b>
<b>Nominal Gross Domestic Product 2009</b>	<b>USD 15,187 million<sup>1</sup></b>
<b>Gross Domestic Product PPP 2009 (est.)</b>	<b>USD 36,580 million</b>
<b>GDP per capita 2009</b>	<b>USD 635</b>
<b>Trade as % of GDP</b>	<b>100.0%</b>
Exports (FOB) as % of GDP	36.3%
Imports (FOB) as % of GDP	70.8%
Trade balance	-34.5%
<b>Domestic government revenues as % of GDP</b>	<b>27.9%</b>
<b>Sector breakdown of GDP<sup>2</sup></b>	
Agriculture	33.6%
Industry	25.9%
Manufacturing, Utilities & Construction	20.3%
Mining	5.6%
Services	31.8%
Indirect taxes	8.7%
<b>Consumption breakdown of GDP</b>	
Domestic demand	93.0%
Private consumption	74.9%
Government expenditure	18.1%
<b>Real investment</b>	<b>34.0%</b>
<b>Net exports of goods and services</b>	<b>-27.0%</b>
<b>International receipts as % of GDP</b>	
Remittances	0.8%
Foreign Direct Investment	6.0%
Overseas Development Assistance	4.8%

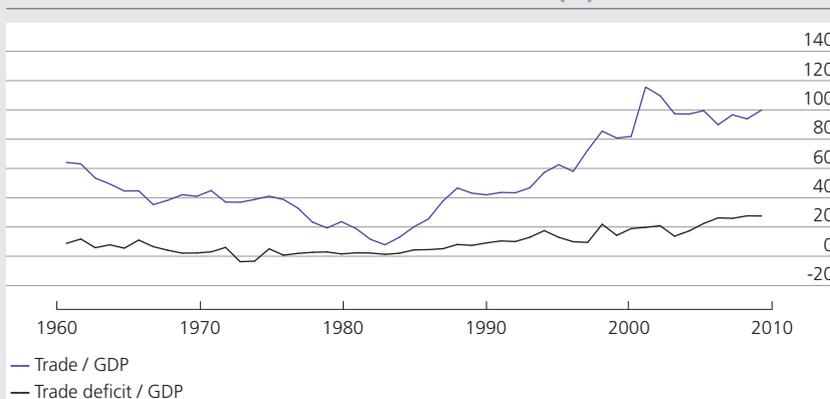
Source: Annual Report 2008, Central Bank of Ghana

1. Currently a rebasing of Ghana's economic statistics is taking place which will likely render the economy substantially larger than hitherto estimated.

2. Ghana Statistical Service.

For more than two decades after independence in 1957, the economic situation in Ghana was volatile. The data shows that not until 1983, after the adoption of a World Bank and IMF designed Structural Adjustment Programme, did the economy stabilise, and GDP growth ever since has hovered around 5.5% per annum. The programme sought to liberalise the economy while restoring its outward orientation. The resulting change to the economy is visible in the share of trade in GDP after 1983, as shown in Exhibit 1. The diagram also shows that as trade increased, so did the trade deficit, with imports being roughly twice as large as exports.

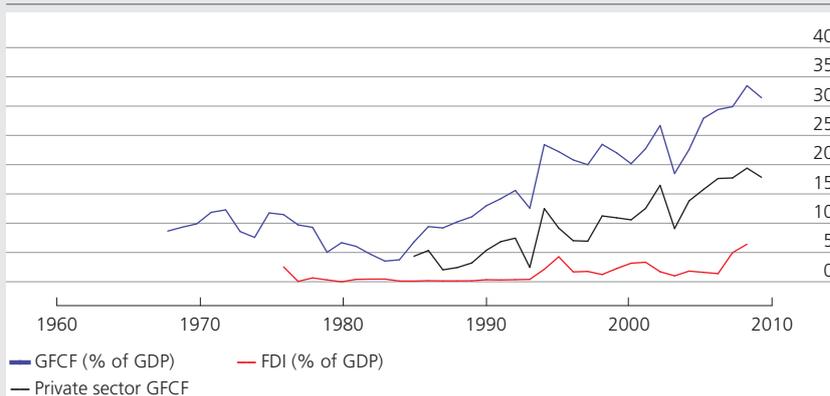
**EXHIBIT 1**  
TRADE AND TRADE DEFICIT AS PERCENTAGE OF GDP (%)



## 2.1 Economic profile of Ghana continued

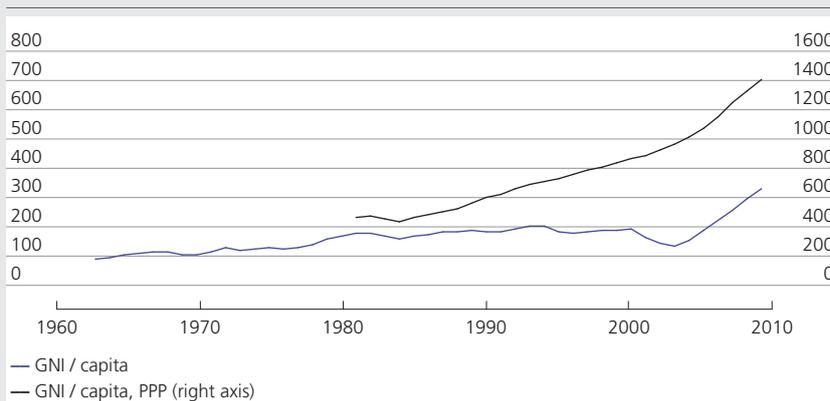
As a consequence of greater economic stability and growth, capital formation started to increase again after 1983, as indicated in Exhibit 2. In recent years, the private sector has accounted for about 60% of capital formation. Foreign direct investment has picked up since 1993, rising to more than 6% of GDP.

**EXHIBIT 2**  
GROSS FIXED CAPITAL FORMATION (GFCF) AND FOREIGN DIRECT INVESTMENT (FDI) AS PERCENTAGE OF GDP (%)



Despite the more stable economic situation since 1983, it is only after 2001 that gross national income (GNI) per capita has started to grow significantly (see Exhibit 3), due to an increase in GDP on the one hand, coupled with a decline in population and improvements in the policy environment for private sector investment on the other.

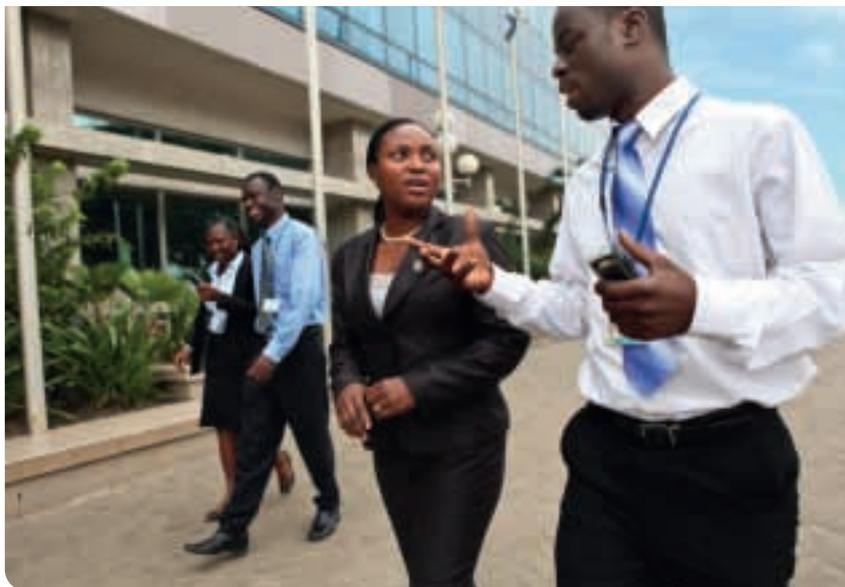
**EXHIBIT 3**  
GROWTH OF REAL GROSS NATIONAL INCOME<sup>3</sup> (GNI) PER CAPITA<sup>4</sup> IN CURRENT USD



3. In Ghana GNI and GDP are virtually identical.  
4. World Bank data.

## 2.1

## Economic profile of Ghana continued



5. The HDI is a composite measure of three dimensions of human development: living a long and healthy life (i.e. life expectancy), being educated (i.e. adult literacy and enrolment at the primary, secondary and tertiary education level) and having a decent standard of living (i.e. purchasing power parity (PPP) income).

In 2010, Ghana ranked 92 out of 183 in the ease of doing business category of the World Bank's Doing Business Report, giving it the seventh highest rank among Sub-Saharan countries. Ghana also ranked 152 out of 182 countries in the UNDP Human Development Index (HDI)<sup>5</sup>, which attempts to measure social well-being by incorporating such variables as health, income and education. Among African countries, Ghana is placed below a very few states like Mauritius, but above a large number of nations which are still classified as having low levels of human development. Given its international rankings, the country has a strong incentive to accelerate its economic growth.

The discovery of offshore oil is expected to provide revenues to meet a wide range of social and economic needs in Ghana. However, the revenue flow associated with oil exports could result in the strengthening of the Ghanaian Cedi. This in turn would make importing goods and services even more attractive, further increasing the trade deficit and undermining domestic, import-competing industries in the process. This so-called Dutch disease has been observed in many resource-rich countries around the world (starting in the Netherlands following the discovery of natural gas, hence its name). It constitutes part of the wider syndrome of the natural resource curse mentioned above. For the government of Ghana, this potential challenge makes it more important than ever to safeguard the diversification of the Ghanaian economy. Recovery from the country's substantial fiscal deficit of 2008 presents another challenge for Ghana in the short term.

## 2.2

## The role of banks in Ghana

Banks are crucial to Ghana's economic development, primarily through their dual functions of mobilising and allocating capital. Capital mobilisation involves gathering a pool of domestic and international savings and placing them under the bank's control, while the objective of the capital allocation process is to channel those savings to their most efficient use.

Like many developing countries in Africa and elsewhere, Ghana lacks the domestic savings required to meet its growth objectives. This shortage of savings requires it to import capital from abroad in order to fill what development economists call the investment gap, i.e. that domestic savings are insufficient to fund investments. Ghana

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## 2.2 The role of banks in Ghana continued

imports foreign savings in several different forms, including official development assistance, foreign direct investment, remittances from citizens working abroad and offshore bank loans (see Table 1). A main function of foreign banks in Ghana is to bring in this overseas capital, enabling the economy to generate more investment and output than it could otherwise. In essence, foreign loans help loosen the domestic savings constraint on investment levels.

However, matching savers and borrowers through the mobilisation and allocation of capital is not the only important role played by banks operating in Ghana. They also perform a corporate governance function by requiring Ghanaian companies to become formalised and ensuring that they have appropriate management structures in place for monitoring performance. This formalisation of companies contributes to the domestic economy as it ensures that taxes are paid on corporate earnings. Thus it can be seen as something of a public good, in that the benefits of formalisation are not captured entirely by the banks themselves.

Furthermore, banks help corporate clients hedge their risks by providing a variety of financial instruments, such as forward contracts. They also help companies identify and enter new markets, which is particularly significant for smaller economies such as Ghana, whose businesses need larger markets. Of great importance, banks also offer a variety of products that make it possible for individuals to expand their opportunities, allowing them to build up human capital and future earnings potential. Again, these types of products essentially have a public good element to them, in that the social benefits they generate are greater than the private benefits captured by the banks.

Over the past two decades, with solid economic growth on the one hand and liberalisation of the financial sector on the other, Ghana has seen a steady increase in the number of both foreign and domestic banks operating in the country. Today, some 26 banks are licensed to trade. As a result, market competition has increased dramatically.

Traditionally, major international banks like Standard Chartered Ghana and Barclays focused much of their lending activity on the large corporate sector, while also meeting the needs of a wide range of consumers. Although these banks have always met the needs of small and medium-sized enterprises (SMEs) through dedicated teams, new market entrants have focused much of their effort on banking to that segment.

Despite increased competition, Standard Chartered Ghana, Barclays and the Ghana Commercial Bank (GCB) still hold more than 35% of total bank assets. According to the Ghana Banking Survey, in 2009, GCB held 14.3%, with Standard Chartered Ghana at 10.5%. However, there is room for substantial growth in the financial sector. At present, only an estimated 15% of Ghanaians have bank accounts, suggesting that the process of extending banking services to households and businesses – also known as financial deepening – remains in its infancy.

Ghana's banking system is strongly influenced by the government's macroeconomic policies. High real interest rates have made it attractive for banks to accumulate treasury bonds, while those same rates have contributed to an increase in non-performing loans among private sector borrowers. Between September 2008 and September 2009, for example, the banking sector's holdings of government securities increased from USD 0.8 billion to USD 1.1 billion, according to the Bank of Ghana. These developments have raised concerns among business executives that the government could inadvertently crowd out the private sector with its extensive borrowing requirements, driven by persistent fiscal deficits. Over the long run, this could have severe consequences for the country's competitiveness, especially since the budget deficits result from spending rather than investing.

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## 3 Standard Chartered in Ghana

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### 3.1 A brief history

Standard Chartered Ghana has been operating in Ghana since 1896, when it was known as the Bank of British West Africa (BBWA). In the late 1800s as the country's trade with the world increased, demand for credit rose. However, Ghana lacked capital markets, severely constraining its growth. Recognising this gap in the economy, a group of merchants created BBWA, which ultimately became Standard Chartered Ghana in 1985.

The oldest bank in the country, Standard Chartered Ghana has continued to operate and lend throughout Ghana's various economic cycles, including during the global financial crisis of 2008-2009. This can largely be attributed to the bank's sound risk management practices. Through its history, Standard Chartered Ghana has played an important role as a safe haven for deposits. No bank can operate without the trust of its depositors and clients. But building and maintaining trust has proved difficult even in the advanced industrial economies of the west – witness the consumer response to the great recession of 2008-2009, which led to the collapse of several major banks across the United States and Western Europe. The task of building and maintaining trust is even more challenging in the developing world, where traditionally weak regulatory structures and social safety nets have made consumers justly wary of placing their scarce savings in depository institutions.

Standard Chartered Ghana's approach to business is reflected in the brand promise of Standard Chartered Group, 'Here for good'. Working from a sustainable business model, it aims to contribute to the real economy of Ghana, and to deliver long-term shareholder value.

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### 3.2 Current profile

Standard Chartered Ghana is ranked consistently among the top three Ghanaian banks. It has 21 branches, 42 ATMs and 800 staff. With wide-ranging wholesale and consumer banking products, distribution channels and systems, it serves more than 160,000 customers, including individuals, large corporates and SMEs.

Within Standard Chartered Group, Standard Chartered Ghana is also the operational hub for West Africa, covering Nigeria, Sierra Leone, Cote d'Ivoire, Gambia and Cameroon. As such, it facilitates over 37,000 transactions per month, more than 65% of which are on behalf of customers outside Ghana.

In 2009, Standard Chartered Ghana made a net profit after tax of USD 40.7 million. Its dividend for the year (paid out in 2010) was USD 33.6 million. Just over 30% of this went to the bank's shareholders in Ghana.

## STANDARD CHARTERED IN GHANA

### 3.2 Current profile continued

THE OLDEST BANK  
IN GHANA,  
STANDARD  
CHARTERED HAS  
21 BRANCHES,  
42 ATMS AND  
EMPLOYS  
800 STAFF



#### 3.2.1 Wholesale banking

As shown in Table 2, Standard Chartered Ghana's key contribution to the Ghanaian economy is the mobilisation of foreign savings, or offshore funds, on behalf of major domestic projects, including most recently the development of the oil and gas sector. Standard Chartered Ghana has also used its capacity to mobilise offshore funds on behalf of borrowers like Cocobod, benefiting tens of thousands of farmers who depend upon Cocobod's advance purchases of their crop.

**TABLE 2**  
STANDARD CHARTERED GHANA'S  
FINANCING BY SEGMENT AND SOURCE  
(YEAR END 2009)

Client segment	Financing from domestic savings (USD million)	Financing from foreign savings (USD million)	Total financing (USD million)
Small & Medium-sized Enterprises	17.2	–	17.2
Commodity Traders & Agriculture	22.1	277.0	299.1
Global Corporates	63.6	332.4	396.0
Local Corporates	96.6	–	96.6
Financial Institutions	12.0	–	12.0
Consumer Loans	76.1	–	76.1
<b>Total</b>	<b>287.6</b>	<b>609.4</b>	<b>897.0</b>

3.2.1  
Wholesale banking continued

STANDARD  
CHARTERED  
GHANA HELPS A  
NUMBER OF  
SMEs EXPAND  
INTO LARGE  
CORPORATES



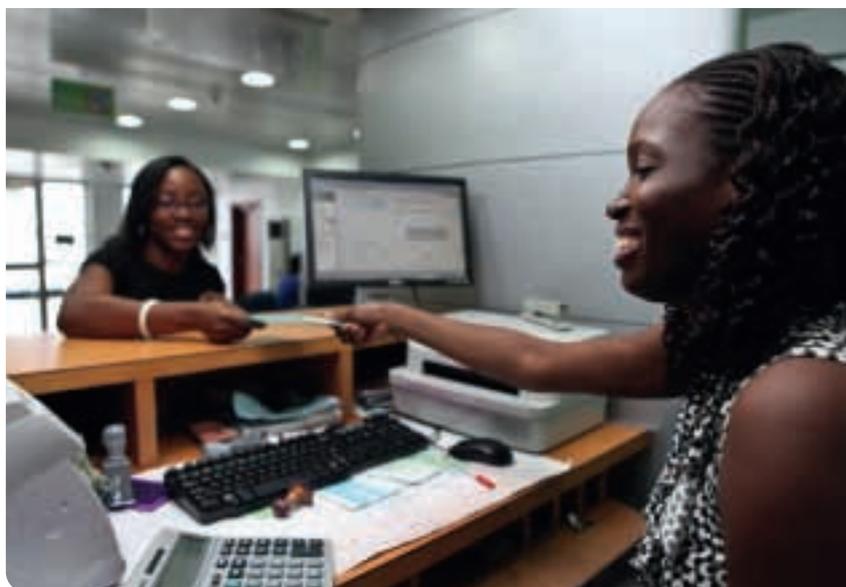
But any assessment of Standard Chartered Ghana's operations that focused solely on its mobilisation of offshore funds would be misleading. In 2009, for example, net interest income represented 65.4% of Standard Chartered Ghana's operating income; in contrast, fee income and gains on foreign currency trade constituted 20.4% and 14.2% respectively. These figures suggest that banking to Ghana's corporate sector remains a vitally important activity to the bank. Table 2 shows that Local Corporates account for the greatest proportion, or 33%, of outstanding onshore financing. Standard Chartered Ghana also provides significant lending to Ghanaian SMEs, equivalent to 6% of its total onshore loans. The socio-economic impact of Standard Chartered Ghana's SME financing is assessed in further detail in 4.1.3.

In total, from onshore and offshore savings, the bank provided Ghanaian businesses, consumers and government agencies with nearly USD 900 million of financing in 2009, more than any other commercial bank.

Standard Chartered Ghana offers a wide range of trade finance products and services, supporting both importers and exporters. It provides financing for imports of critical goods and services, such as crude oil and commodities, to state-owned entities. In addition, it arranges syndicated facilities for these entities on the international markets. Standard Chartered Ghana is also the main trade finance bank to many multinational companies, local corporates and SMEs. In 2009, its trade finance loans amounted to just over USD 193 million, around 80% of which was mobilised offshore.

3.2.2  
Consumer banking

STANDARD  
CHARTERED  
MANAGES  
THE DEPOSITS  
OF 156,000  
INDIVIDUALS  
IN GHANA



Standard Chartered Ghana is far from just a wholesale bank. Its consumer banking area manages the savings of more than 156,000 individuals, out of an estimated 3.5 million people in Ghana with bank accounts. At year end 2009, Standard Chartered Ghana's deposits, 60% of which are from consumer banking, amounted to USD 595 million, equivalent to 9% of total bank deposits. The bank's retail customers earn an average income of USD 250 a month and represents a diverse segment of Ghanaian society. About 50% are public sector employees, 22% professionals, 13% students and 15% self-employed or in other occupations.

Standard Chartered Ghana is also a source of loans for Ghanaians seeking to educate their children or to buy cars and other consumer goods. Through special arrangements with several Ghanaian employers – including many government agencies – the bank makes credit available to workers earning above USD 170 a month. Through these loans, which average USD 1,500 over 36 months, Standard Chartered Ghana continues to play an important role in financial deepening.

Also part of its consumer banking area, Standard Chartered Ghana provides extensive banking services to SMEs, helping a number of these grow into large corporates. The bank currently serves more than 11,000 SME customers. Services include current and saving accounts, fixed deposits, trade finance, term loans, overdrafts, internet banking and foreign exchange services. A relationship manager is assigned to lending customers with a minimum turnover of USD 150,000 (USD 100,000 for non-lending customers). Recently, Standard Chartered Ghana launched the China-Africa Network, targeted at providing solutions to Chinese companies doing business in Ghana, and also to Ghanaian companies looking to take advantage of the growing trade corridor between China and Africa. In support of this initiative, the bank employs a Mandarin speaking relationship manager in Ghana.

# 4 Standard Chartered Ghana's socio-economic footprint

## 4.1 Quantifiable socio-economic impacts

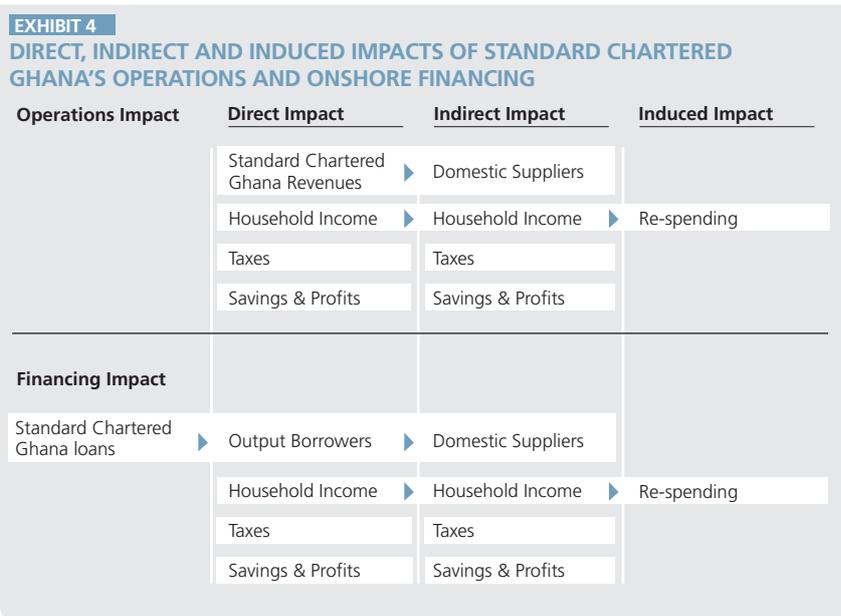
As a company deeply embedded in the Ghanaian economy, Standard Chartered Ghana creates socio-economic impacts in three different ways:

1. Through its operations, the bank creates employment and value-added directly. That is to say, the bank hires workers and buys a wide variety of goods and services from the local economy, while its employees spend a large share of the wages they earn in Ghana, paying taxes and supporting local businesses. Further, since Standard Chartered Ghana's direct suppliers and their employees spend their earnings, value-added and jobs are created indirectly as well.
2. By taking deposits from Ghanaians, Standard Chartered Ghana is able to make local loans. These loans provide capital to companies which is then transformed into value-added (e.g. by transforming raw materials into finished products) and employment, through the companies' own operations and through those of their suppliers.
3. Finally, as a subsidiary of an international banking group, Standard Chartered Ghana mobilises offshore financing to Ghanaian and foreign companies, successively creating direct and indirect socio-economic impacts.

As explained in the introduction, only Standard Chartered Ghana's direct operations and domestic lending portfolio have been analysed using an economic model. Exhibit 4 summarises how Standard Chartered Ghana creates direct and indirect impacts through its own operations and through the onshore financing it provides. The induced impact is the final demand due to households re-spending the money they have earned as wages. Though this is also an indirect effect, economic convention obliges us to classify it separately as an induced effect.

### 4.1.1 Contribution to value-added

Standard Chartered Ghana creates economic output directly by hiring workers, paying taxes and purchasing goods and services from the local economy. In 2009, this spending resulted in a net direct contribution of just over USD 55 million of value-added to Ghana. When the effect of the economic output created by its onshore lending is included – that is the direct spending by the clients it finances – the bank generated or helped to generate almost USD 222 million of value-added for the economy.



4.1.1 Contribution to value-added continued

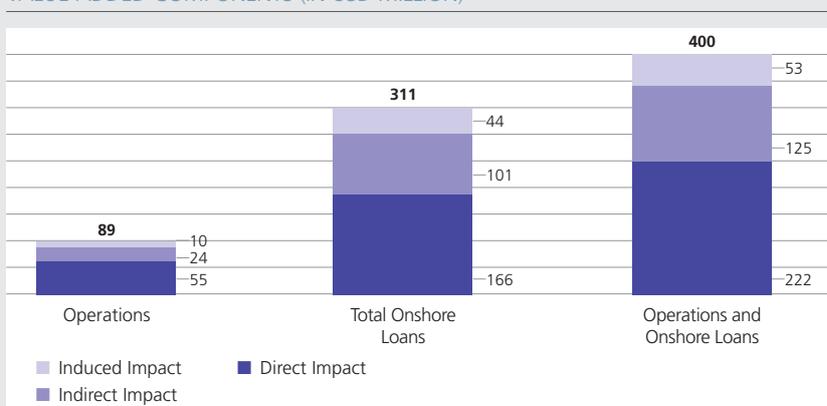
THE BANK AND ITS CLIENTS CREATE AN INDUCED EFFECT IN GHANA IN THE FORM OF HOUSEHOLD EXPENDITURE RESULTING FROM THEIR ACTIVITIES



But Standard Chartered Ghana and its clients also create value-added indirectly, as the money they spend is re-spent by their suppliers. Furthermore, the bank and its clients create an induced effect in Ghana in the form of household expenditure resulting from their activities. Added together, the direct, indirect and induced impacts of Standard Chartered Ghana's operations and onshore financing – equal to about one third of its total financing – amounted to USD 400 million of value-added in 2009, or about 2.6% of Ghana's GDP (see Table 1). Exhibit 5 provides an overview of the different components of value-added.

Perhaps not surprisingly, Standard Chartered Ghana's biggest impact (78%) comes from its financing of companies and not from its own operations (22%). About 56% of the total value-added impact is created directly – either by Standard Chartered Ghana's own operations (14%) or by the recipients of Standard Chartered Ghana financing (42%).

**EXHIBIT 5**  
**BREAK DOWN OF VALUE-ADDED THROUGH STANDARD CHARTERED GHANA'S OPERATIONS AND ONSHORE FINANCE IN 2009**  
 VALUE-ADDED COMPONENTS (IN USD MILLION)

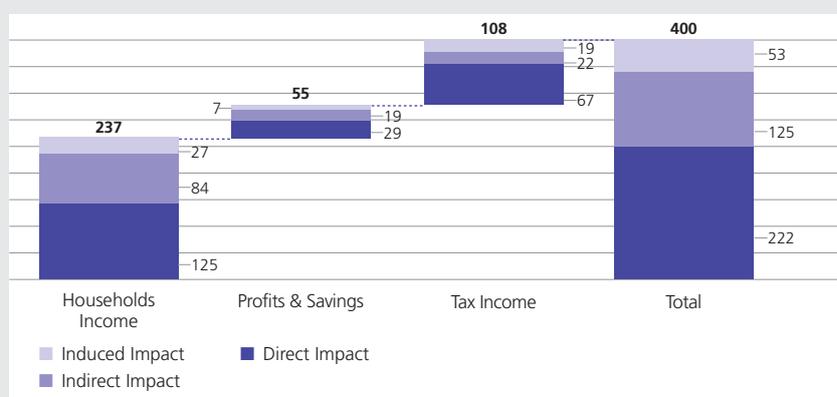


4.1.1 Contribution to value-added continued

6. Domestic revenue of the government in 2008 was USD 4,048 million according to the Bank of Ghana (see Table 1).

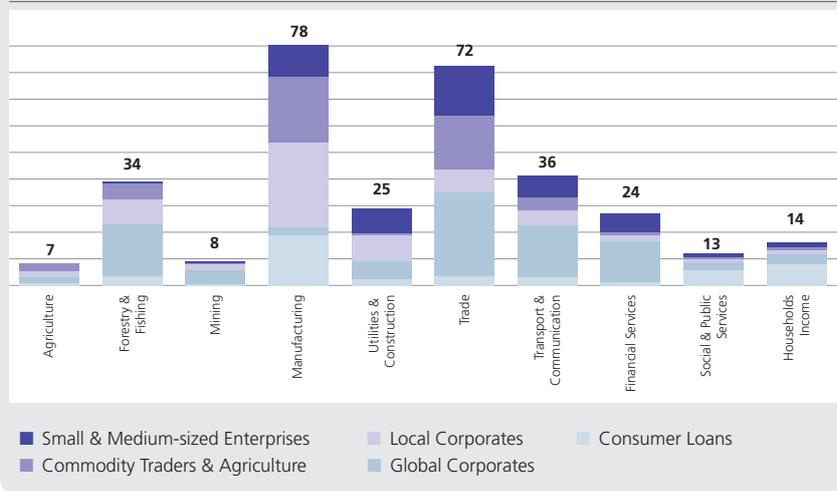
Exhibit 6 shows a breakdown of the recipients of the USD 400 million of value-added. Households receive most (59%) of the total. Government (mostly through taxes) and companies (in the form of profits and savings) receive 27% and 14% respectively. The taxes of USD 108 million represent about 2.6% of the government's domestic revenue<sup>6</sup>. According to Standard Chartered Ghana's financial data, only 23 million of the USD 108 million are taxes paid directly by the bank (corporate taxes, VAT and employment taxes), reflecting the fact that the bulk of a bank's economic impact stems from enabling other companies to create value-added and thereby pay taxes.

**EXHIBIT 6**  
DIRECT, INDIRECT AND INDUCED VALUE-ADDED GENERATED BY STANDARD CHARTERED GHANA'S OPERATIONS AND ONSHORE FINANCE VALUE-ADDED COMPONENTS (IN USD MILLION)



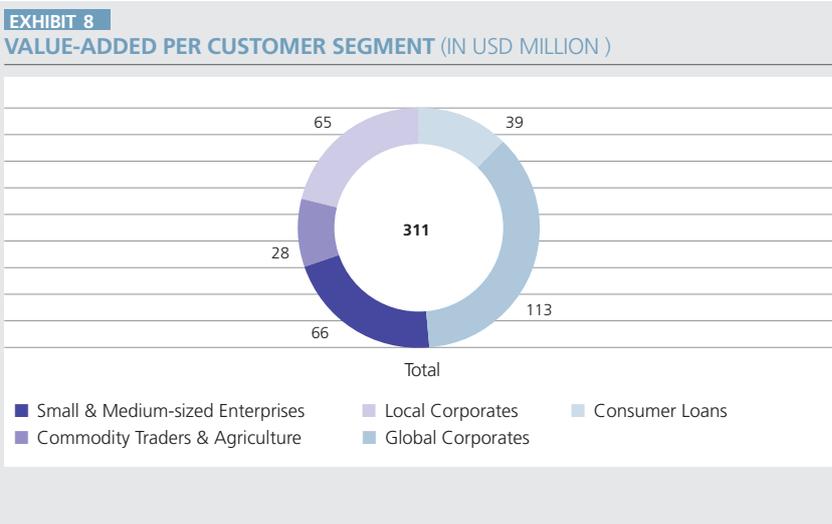
Finally, Exhibit 7 and 8 provide a breakdown of the value-added created by Standard Chartered Ghana's lending. The total of USD 311 million corresponds to the figure for total onshore loans indicated in Exhibit 5. Manufacturing and trade are the two sectors where most value-added is created. The small amount of financing to the agricultural sector explains the low value-added there.

**EXHIBIT 7**  
VALUE-ADDED FROM STANDARD CHARTERED GHANA'S ONSHORE LENDING PER ECONOMIC SECTOR AND PER CUSTOMER SEGMENT (IN USD MILLION)



STANDARD CHARTERED GHANA'S SOCIO-ECONOMIC FOOTPRINT

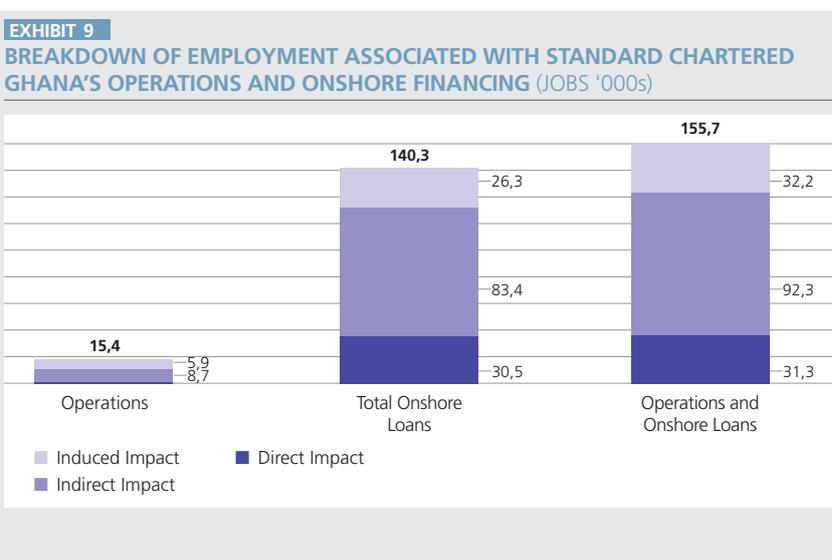
4.1.1 Contribution to value-added continued



4.1.2 Contribution to employment

According to its 2009 Annual Report, Standard Chartered Ghana employs about 800 people in Ghana, but its operations generate a total of 15,400 jobs when the indirect and induced employment effects are taken into account. In the same way, the bank's clients employ 30,500 directly as a result of its onshore financing, but a total of 140,300 jobs are created when indirect and induced effects of the financing are included. Relative to Ghana's total workforce of 10.3 million (see Table 1), the total impact of the bank's operations and onshore lending, almost 156,000 jobs, amounts to 1.5%.

The Ghana Statistical Service (GSS) has published several surveys covering the size and allocation of the labour force in Ghana. For this report, we have used the data from the Ghana Living Standards Survey, fifth round, which was published in September 2008. Based on the size of the labour population of 10.3 million and the output per sector detailed in the SAM (see Appendix I), we have determined the employment intensity for 12 sectors in the Ghanaian economy. Although GSS reports that there is substantial uncertainty around the employment figures, the resulting breakdown represents the best available information. Based on these inputs to our model, we have determined the employment associated with Standard Chartered Ghana's operations and onshore financing, and the results are shown in Exhibit 9.

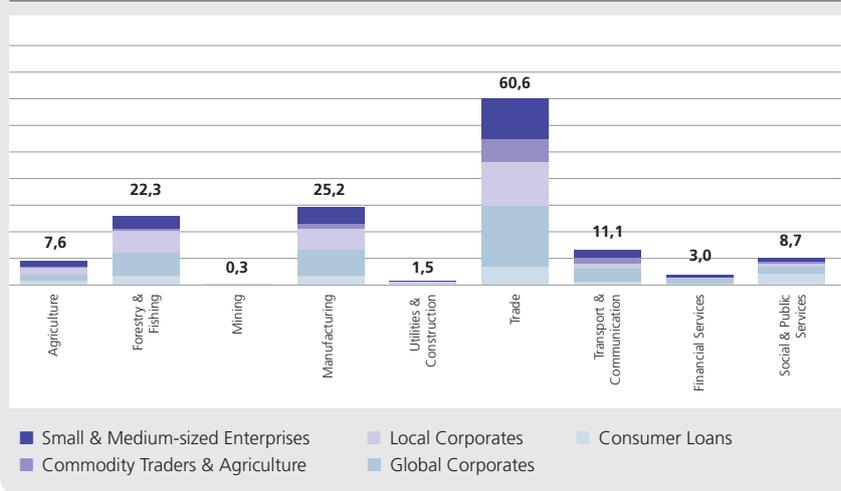


4.1.2 Contribution to employment continued

As can be seen from this exhibit, the job multiplier associated with Standard Chartered Ghana's operations and onshore financing is substantial. The generation of around 15,400 jobs from the bank's operations, relative to its own employment figure of 800, implies a direct multiplier effect of 19. Standard Chartered Ghana's clients, however, employ around 30,500 workers directly as a result of its financing, and their total impact amounts to 140,300 jobs, for a multiplier of 4.6. Although this may look rather low, one has to keep in mind that the input-output methodology used here only allows for tracing economic effects upstream. In other words, when Standard Chartered Ghana lends to a local food company, the model traces the economic effects upstream from this company (e.g. to the agricultural sector) but it does not trace the effects associated with selling the products downstream to the retail level. However, in as far as companies spend money on the trade sector (e.g. the same food company buying cleaning materials from wholesale trade), these effects are included in the results.

In Exhibit 10 and 11 the 140,300 jobs are broken down by economic sector and client segment. It can be seen that most jobs are in the trade sector (43%) and that most of the jobs are within large corporates.

**EXHIBIT 10**  
SECTOR AND SEGMENT BREAKDOWN OF EMPLOYMENT ASSOCIATED WITH STANDARD CHARTERED GHANA'S ONSHORE FINANCE (JOBS BY SECTOR '000s)



**EXHIBIT 11**  
SECTOR AND SEGMENT BREAKDOWN OF EMPLOYMENT ASSOCIATED WITH STANDARD CHARTERED GHANA'S ONSHORE FINANCE (JOBS BY SECTOR '000s)



## STANDARD CHARTERED GHANA'S SOCIO-ECONOMIC FOOTPRINT

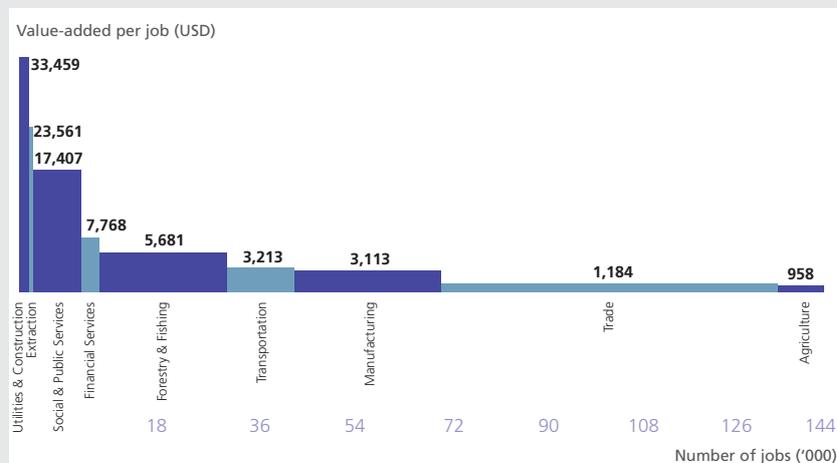
### 4.1.2

#### Contribution to employment continued

Typically, when assessing the economic impact of an enterprise, stakeholders pay close attention to the number of jobs created and the associated employment multipliers. However, all too often a large multiplier is an indicator of economic inefficiency: not all the jobs are equally productive. To illustrate the very different levels of productivity across the economy, Exhibit 12 depicts the value-added per employee of the 140,300 jobs in Exhibit 9. The surface areas of the blocks in Exhibit 12 indicate the total value-added per jobs for each of the sectors.

#### EXHIBIT 12

#### VALUE-ADDED PER JOB ASSOCIATED WITH STANDARD CHARTERED GHANA'S FINANCING IN VARIOUS SECTORS (VALUE-ADDED PER JOB VS. NUMBER OF JOBS FOR THE VARIOUS SECTORS)



7. From Table 1: GDP per capita \* population / workforce = USD 635 \* 23.9 / 10.3 million = USD 1,473.

The difference in value-added per job is striking, and mostly related to the degree of formality in the respective sectors of the Ghanaian economy. The GDP per worker in Ghana is USD 1,473<sup>7</sup>. Not surprisingly, workers in the trade and agricultural sectors generally earn far less than this figure.

### 4.1.3

#### Value-added and employment generation by Standard Chartered finance

The results discussed in Sections 4.1.1 and 4.1.2 can be summarised by looking at how much value-added and employment are created by USD 1 million of financing. In Tables 3 and 4 this is illustrated for the various client segments and economic sectors.

TABLE 3

#### VALUE-ADDED AND EMPLOYMENT ASSOCIATED WITH STANDARD CHARTERED GHANA FINANCING OF USD 1 MILLION

8. From Table 2: USD 287.6 of financing minus USD 12.0 million of financing to the financial sector leads to USD 275.6 million of (onshore) financing considered in this study, which multiplied by the weighted average of 1.13 leads to USD 311 million of value-added associated with onshore financing, as was indicated in Exhibit 5.

Client segment	Economy-wide value-added created by USD 1 million (USD million)	Economy-wide employment created by USD 1 million (number of jobs)
Small & Medium-sized Enterprises	3.78	1,715
Commodity Traders & Agriculture	1.27	570
Global Corporates	1.04	544
Local Corporates	1.17	483
Consumer loans	0.51	223
<b>Weighted Average</b>	<b>1.13<sup>8</sup></b>	<b>509</b>

**TABLE 4**  
**VALUE-ADDED AND EMPLOYMENT**  
**ASSOCIATED WITH STANDARD**  
**CHARTERED GHANA FINANCING**  
**OF USD 1 MILLION**

Economic sector	Economy-wide value-added created by USD 1 million (USD million)	Economy-wide employment created by USD 1 million (number of jobs)
Agriculture	6.54	6,831
Forestry & Fishing	1.66	1,098
Extraction	1.05	40
Manufacturing	0.81	261
Utilities & Construction	1.32	79
Trade	1.72	1,456
Transport & Communication	1.02	321
Financial Services	2.23	284
Social & Public Services	2.03	1,312
<b>Weighted Average</b>	<b>2.04</b>	<b>1,298</b>

#### 4.1.3 Value-added and employment generation by Standard Chartered finance continued

Table 3 shows that SME sector financing is very productive in terms of creating value-added and employment. Similarly, Table 4, which excludes consumer loans and therefore has different weighted averages compared to Table 3, shows that the agriculture sector has large multiples. The high marginal returns on capital are logical, since it takes relatively little capital to increase efficiency and productivity in the SME and agricultural sectors. Since agriculture is the largest economic sector, and because the SME sector is a potentially important generator of jobs, this is a significant observation.

However, both the SME segment and the agricultural sector face major hurdles when it comes to financial deepening. The most significant barriers are that many SMEs are not fully formalised (i.e. do not pay taxes in full, do not have adequate book-keeping, lack sufficient management quality and often cannot prove their compliance with labour standards and other regulations). In addition to these hurdles for the firms, there are also challenges for banks that wish to lend to this sector, including the absence of positive credit references, the difficulty in securing land title-based collateral, weaknesses in corporate governance and the lack of articulated business strategies, all of which can constrain lending. Recognising these difficulties, Standard Chartered Ghana has set up a dedicated SME team and developed specific products, such as business instalment loans.

In agriculture, land titling and the small-hold nature of much of Ghanaian agriculture is a major impediment to bank financing, coupled with the traditional problems that bankers face in identifying productive farmers, such as the lack of accounts and adequate management practices. Further, Ghanaian farmers tend to be far removed from the value-chains where crops are processed into food products, which are easier to lend against. Cocobod has overcome some of these structural shortcomings on behalf of cocoa farmers, but small-scale agriculture as a general rule remains difficult to bank.

Widening the access to finance for SMEs and farmers, both crucially important to the country's economic development, presents Ghana with a challenge as well as an opportunity going forward.

## 4.2 A qualitative assessment of other socio-economic impacts

In addition to the bank's operations and onshore financing, Standard Chartered Ghana makes a number of other important contributions to the Ghanaian economy, including offshore financing, loans to other financial institutions, investment in government bonds, trade services, financial innovation, human resources development and sustainability programmes. As explained in 1.1, it has not been possible to quantify these contributions using our economic model. The following is a qualitative assessment of their effects.

### 4.2.1 Offshore finance

As a subsidiary of Standard Chartered, an international banking group, Standard Chartered Ghana makes a key contribution to the Ghanaian economy by mobilising offshore funds to major domestic projects, particularly in the vital agricultural and oil and gas sectors. The following two examples illustrate some of the socio-economic effects of this financing:

## STANDARD CHARTERED GHANA'S SOCIO-ECONOMIC FOOTPRINT

### 4.2.1

#### Offshore finance continued

#### CASE STUDY GHANA COCOA BOARD



The Ghana Cocoa Board (Cocobod) promotes and facilitates the production, processing and marketing of cocoa, Ghana's second most important export after gold. During the past 18 years, the organisation has raised over USD 8.6 billion from syndicated loans to meet its financing needs during the cocoa season, and Standard Chartered Ghana has been one of its regular lenders. In 2009, Cocobod raised USD 1.2 billion from syndicated loans. Standard Chartered Ghana acted as one of the mandated lead arrangers, with a commitment totalling USD 100 million.

The benefits of the bank's financing to Cocobod and by extension to the economy of Ghana include the following:

**1. Local employment generation.** Around 800,000 farming families depend on the cocoa industry for their livelihoods. The financing by Standard Chartered Ghana helps to sustain the employment of almost 70,000 existing farmers and attracts new farmers to the industry. It also indirectly supports the employment generated by businesses who depend on the cocoa industry, such as licensed buyers, processing companies and hauliers.

**2. Increase in government revenue.** With the capital raised from its syndicated loans, Cocobod is able to increase its financing to licensed buyers, which means they can buy more cocoa for onward sale on the international market. This generates increased government revenue, which is used to build public facilities such as roads or hospitals, or to provide educational scholarships for the dependants of cocoa farmers.

#### CASE STUDY JUBILEE OILFIELDS



The Jubilee Oilfields project is a highly significant and transformational investment for the Ghanaian economy. Standard Chartered has been the project's largest financier with funds provided through several facilities, notably:

A USD 2 billion debt facility for Tullow Oil. Standard Chartered served as Mandated Lead Arranger and made the largest single commitment – at USD 390 million – of any syndication participant.

A USD 900 million debt facility for Kosmos Energy Finance. Standard Chartered served as Mandated Lead Arranger, Structuring Bank and Global Coordinator. >>

## CASE STUDY

## Jubilee Oilfields continued

>> A signatory to the Equator Principles, Standard Chartered ensured that these were met by the facilities, along with the International Finance Corporation (IFC) standards and the Ghanaian Environmental Protection Agency standards.

The successful development of Jubilee Phase 1 is expected to result in a number of socio-economic benefits, with further positive impacts arising in later phases. The significant benefits from the Jubilee project include:

**Increase in government revenues.** Government revenues from Jubilee Oilfields production is projected to average USD 900 million a year during 2011–2029, representing approximately 50% of the total revenues generated by oil production and sales.

**Local employment generation.** The project aims to use local human resources for production operations and onshore support. Illustrating this objective, the Jubilee Oilfields project team is 87% Ghanaian in composition. Since the start of the project, the Jubilee partners have awarded 750 local contracts. They paid over USD 45 million to local contractors in 2009 and expect to spend around USD 70 million on local content during 2010. As a lasting effect, this will enhance the level of technical skills in the local oil and gas sector.

**Opportunities to use gas by-product for power production.** Potential gas production from the project is estimated at 1000 ft<sup>3</sup> of gas per barrel of oil produced, providing 120 million ft<sup>3</sup> per day during peak production. To this end, plans are currently underway for development of pipelines and processing facilities to convert gas to power, which can help to alleviate Ghana's current power shortage, generate additional government revenues, and provide export opportunities through the West African Gas Pipeline. Notably, this would reduce the high costs associated with using imported oil.

**Increase in foreign direct investment (FDI), exports, and international reserves.** Largely impacted by the development of the oil and gas sector, IMF economic forecasts estimate FDI levels to rise from USD 1.7 billion in 2009 to USD 3.8 billion in 2020, with exports rising from USD 8.8 billion in 2010 to more than USD 16 billion in 2020. In effect, thanks to the Jubilee Oilfields project – enabled in part through Standard Chartered Ghana's mobilisation of offshore capital – Ghana will become a net exporter of oil. Following the initial year of oil production, the IMF expects oil revenue receipts to lower Ghana's reliance on balance-of-payment support (via an IMF External Credit Facility) by over 50%. Partly reflecting the country's engagement in oil exports and decreasing reliance on oil imports, the IMF expects Ghana's international reserves to increase from USD 3.7 billion in 2010 to USD 9.9 billion in 2020.

## 4.2.2

## Trade finance and services

Another way in which Standard Chartered Ghana has played a significant role in the globalisation of Ghana's economy is through the provision of trade finance. Bluntly stated, the absence of this type of finance acts as a barrier to trade. If domestic firms, particularly SMEs, are unable to acquire trade finance, they are unable to enter the world economy.

Trade finance takes various forms, but essentially it requires a bank to substitute its credit for that of a local firm. The credit of local firms will usually be unknown to foreign buyers, who will be reluctant to ship goods without some form of security. Conversely, exporters like Cocobod often require financing in order to purchase or prepare goods for shipment before receiving payment from overseas. For both importers and exporters, then, trade finance is vital.

In 2009, Standard Chartered Ghana lent USD 193 million as trade loans to Ghanaian individuals, SMEs and large corporates, with 80% mobilised offshore. The bank is also the leading financial institution in Ghana when it comes to derivatives, offering a wide range of products for commodity, currency and interest rate hedging. These help Ghanaian companies – financial institutions and importers of diverse goods such as sugar, car parts and construction materials – to protect themselves from the risks

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#### 4.2.2 Trade finance and services continued

associated with foreign trade. As an example, by providing them with put options, Standard Chartered Ghana helps commodity importers protect themselves against the risk of price falls during the time that passes between fixing on a price for a sugar delivery and the actual arrival of the cargo in Ghana.

It should be emphasised that trade finance must be provided by an institution with global standing. This points directly to the importance of having a bank like Standard Chartered Ghana. Because of its standing, Standard Chartered Ghana can link the country with the world in a way that is not available to local banks. Indeed, many emerging market economies around the world have invited large international banks to enter their financial sector precisely because of their capacity to help plug the country into the world economy. Standard Chartered plays an important role by participating in, and actively supporting investor events organised by the Ghanaian government in markets around the world where the bank operates.

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#### 4.2.3 Lending to the financial sector

Standard Chartered Ghana's lending to local financial institutions in Ghana, amounting to approximately USD 12 million in 2009, is another important example of its contribution to the Ghanaian economy. The bulk of this lending, or just under USD 10 million, went to microfinance institutions that help to improve access to finance for Ghanaians, such as UT Financial Services and Bayport Financial Services. For more detail on Standard Chartered Ghana's efforts to improve access to financial services, please refer to 5.1.1.

The following case study illustrates the bank's lending to financial institutions in Ghana:

##### **Bayport Financial Services**

Bayport Financial Services (BFS) is a microfinance company that provides loans to employees of the government and selected multinational companies. The loan repayments are deducted from salaries at source, superseded only by tax deductions. BFS was set up in January 2002 and has banked with Standard Chartered Ghana since 2003. Currently the bank's total exposure to BFS is about USD 9.4 million.

Thanks to the finance provided by Standard Chartered Ghana, BFS is able to lend to over 80,000 employees on a low to middle income. Companies and government agencies whose employees benefit in this way include:

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The Controller and Accountant-General's Department of Ghana

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The Ghana Police Service

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AngloGold Ashanti, Obuasi Mine

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Ghana Manganese Company Limited

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Through its established relationship with BFS, Standard Chartered Ghana has helped the company improve its performance in a variety of ways. As an example, the bank has helped BFS to strengthen its risk management strategies.

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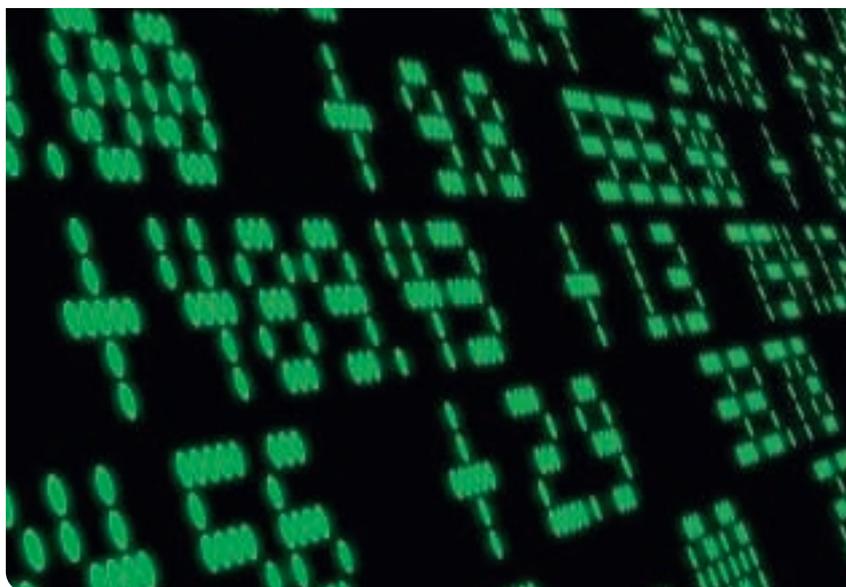
#### 4.2.4 Government bonds

Standard Chartered Ghana – like other banks in Ghana – holds a proportion of its assets in government securities. By helping to meet the country's borrowing requirement, the bank plays an important role in funding Ghana's public sector. At year end 2009, Standard Chartered Ghana held USD 335 million in short and medium term government bonds, about 1.18 times the amount lent to companies and individuals. Because real interest rates are high, the risk-return ratio on government securities versus other asset classes is attractive. Standard Chartered Ghana's strategy is to use government bonds as an overflow for money which has no attractive commercial use rather than as a line of business.

## 4.2.5

## Financial innovation

STANDARD  
CHARTERED WAS  
THE FIRST AND  
IS STILL THE  
LEADING BANK  
TO OFFER  
COMMODITY,  
CURRENCY AND  
INTEREST RATE  
HEDGING IN  
GHANA



Aside from being the first bank to establish business in the country, Standard Chartered Ghana has been responsible for a large number of firsts on the Ghanaian financial markets. Many of these have played a crucial part in the country's economic development, by helping to extend financial deepening and risk management in Ghana. (Please see 5.1.1 for a detailed assessment of Standard Chartered Ghana's efforts to widen access to financial services.) They have also helped to make it possible for local businesses to operate effectively both domestically and internationally, widening their markets and enhancing their competitiveness as a result.

Standard Chartered Ghana's innovations have some characteristics of a public good, meaning that the social benefits to Ghana as a whole are greater than the private benefits captured by the bank or its immediate clients. For example, through its provision of trade finance that enables domestic firms to globalise, a large number of Ghanaians benefit from increased commerce with the rest of the world, going well beyond the firm and its customer.

The most prominent firsts and their effects on the economy include:

First ATMs, SMS Banking and Visa debit cards in Ghana, easing Ghanaian capital flows by facilitating banking transactions.

First employee scheme loans and first unsecured lending account, helping Ghanaian consumers on modest incomes to borrow money in order to educate their children.

First bespoke female only lifestyle account (Diva), encouraging women to participate actively in the economy.

First company to list preference shares on the Ghana Stock Exchange, contributing directly to the development of Ghana's capital markets. (Standard Chartered Ghana has placed its local shares, just over 30%, on the Ghana Stock Exchange, making up about 3% of total market capitalisation.)

First – and still the leading bank – to offer commodity, currency and interest rate hedging in Ghana, enabling Ghanaian individuals and companies, including SMEs, to protect themselves against risk as they engage with the world.

## 4.2.6

## Human resources and skills development

Standard Chartered Ghana prides itself on being one of Ghana's most sought after employers. High demand for available positions among qualified Ghanaians, coupled with low turnover numbers (approximately 4–7% of workers leave each year), suggest that Standard Chartered Ghana is indeed an employer of choice.

#### 4.2.6 Human resources and skills development continued

**AS A LEADING  
INTERNATIONAL  
BANK, STANDARD  
CHARTERED  
HAS BECOME  
A TRAINING  
GROUND FOR  
PROFESSIONALS  
WITHIN THE  
GHANAIAN  
FINANCIAL  
SECTOR**



One of the public goods that Standard Chartered Ghana provides to the Ghanaian financial sector is an extensive training programme. In fact, Standard Chartered Ghana is a significant human capital contributor to the sector: 13 of its alumni hold key positions in financial institutions, including four who are CEOs. Employees receive on average nearly three days of training, in addition to certification programmes which are available for such specialities as sales, risk management and leadership. In 2009, Standard Chartered Ghana spent just over USD 380,000 on its training programmes. These are clearly of great value to the wider job market in Ghana.

Standard Chartered Ghana provides its employees with competitive pay, with most staff remunerated on a performance basis. However, banks are not generally the best paying employers in Ghana, as they are often topped by oil and gas and telecommunications companies.

Coupled with its salaries, Standard Chartered Ghana offers employee benefits such as health care and a provident fund. These are equivalent to 20% of wages and on par with the Ghanaian financial sector at large. Further, the bank's employees have access to loans and other financial products of great benefit in an under-banked country like Ghana. Standard Chartered Ghana staff also have exceptional opportunities to work overseas in other bank branches, which is viewed as a major benefit by many of its bankers.

Standard Chartered Ghana recruits its bankers along different tracks, but several join each year having first started in national service positions for recent university graduates. Each year, approximately 60–70 students join the bank for their national service, and among these a few remain as permanent employees. In addition to its 800 permanent staff, Standard Chartered Ghana also employs some 400 contract workers in direct sales, or as agents for booking loans. These contract workers are paid on a performance basis. A further 320 unskilled service contractors, such as cleaners and security staff, provide services to Standard Chartered Ghana.

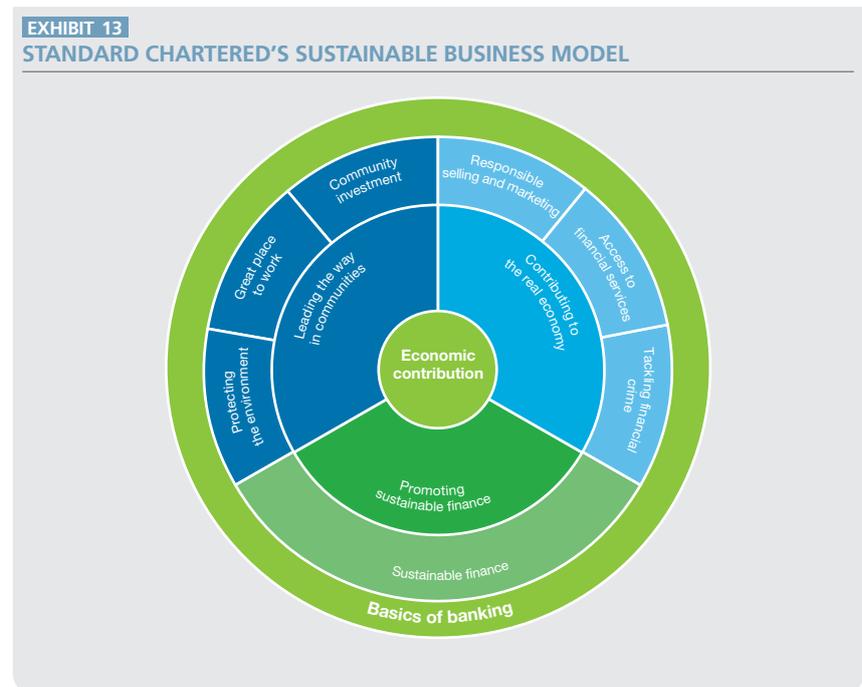
Looking ahead, Standard Chartered Ghana recognises that the competition for talent will become more intense as Ghana's economy continues to develop. The bank is looking for ways to retain its best talent, particularly after the fifth year of employment when a banker's skills become finely honed. As an example, it is seeking to help its bankers build up their cross border experience, through talent exchanges with other African markets as well as with Asia and the Middle East. Currently, 27 Ghanaians work abroad in regional or international roles for Standard Chartered.

## 5 Standard Chartered Ghana: building a sustainable business

According to Standard Chartered, 'Sustainability is an approach to doing business that delivers long-term shareholder value by enhancing the economic and social development of the countries in which we operate, while minimising the impact on the environment and upholding good governance.' The bank's goal is to play a key role in stimulating economic and social development in Asia, Africa and the Middle East.

Exhibit 13 illustrates the group's sustainable business model, emphasising its three overarching principles: enabling the real economy to achieve sustainable growth, delivering sustainable finance to respond to risks and opportunities, and leading by example in the workplace and community. This chapter briefly examines the progress Standard Chartered Ghana is making in adopting this model to build a sustainable business in Ghana.

**EXHIBIT 13**  
**STANDARD CHARTERED'S SUSTAINABLE BUSINESS MODEL**



Overall, we note that Standard Chartered Ghana's sustainability efforts, especially in the area of community investment, have won numerous awards in Ghana. In addition to the award for the 'Most Socially Responsible Bank' won at the Ghana Banking Awards 2008 and 2009, the bank also received the 'Best Company in Corporate Social Responsibility' award at the Ghana Club 100 Awards 2008 – Ghana Club 100 being the coveted league of Ghana's top 100 companies.

In 2009, on community projects alone, Standard Chartered Ghana spent nearly USD 90,000. This was supplemented by an additional sum of USD 226,000 from Standard Chartered Group, in support of two activities: Seeing is Believing and Nets for Life, which are described in greater detail in 5.3.3.

## 5.1

### Enabling the real economy to achieve sustainable growth

By offering products and services that meet the needs of its clients and customers, Standard Chartered enables individuals, corporate borrowers and other financial institutions to act as agents of economic activity and to achieve their ambitions. However, corruption, money laundering and terrorist activity can undermine the positive benefits of financial services provision and have a potentially devastating effect on the targeted societies. For this reason, Standard Chartered has made tackling financial crime a priority.

### 5.1.1

#### Access to financial services

Within the country, Standard Chartered Ghana is primarily known as a major wholesale bank that focuses on providing finance to corporates. That picture of the bank's operations, however, is incomplete. Standard Chartered Ghana serves over 156,000 individual customers. It also recognises that a sizeable portion of Ghana's population has no access to basic banking services and that their inability to raise finance has a direct impact on economic activity. Standard Chartered Ghana is using its products, services and partnerships with other organisations to increase access to finance in the Ghanaian economy. For example, its Access 247 product enables customers with USD 7 to open an account with the bank and gain access to a variety of banking services through its ATM network. This initiative, launched in 2008, provides almost 23,000 previously unbanked Ghanaians with banking services, making up a sizeable proportion of Standard Chartered Ghana's 156,000 individual account holders.

Standard Chartered Ghana was also a pioneer in the roll-out of e-Zwich, a new universal electronic payments technology, made mandatory by the Bank of Ghana to increase security on card transactions by ensuring that all banks in Ghana use a common biometric payment card system. Standard Chartered Ghana upgraded its technology in response to this initiative. Between August 2008 and July 2010, the bank placed almost 45,000 customers onto the e-Zwich platform.

Standard Chartered Ghana also provides microfinance indirectly through its financing of microfinance institutions such as UT Financial Services and Bayport Financial Services (see 4.2.3). In this way, it plays a vital role in enabling lower income customers to expand their opportunities, demonstrating the role that a major bank can play in financial deepening through forging effective partnerships with other institutions.



### 5.1.2

#### Responsible selling and marketing

STANDARD  
CHARTERED  
GHANA HAS  
DEVELOPED  
PRODUCTS AND  
SERVICES THAT  
RESPOND MORE  
CLOSELY TO  
INDIVIDUAL  
CUSTOMER NEEDS



Treating customers fairly has moved to the top of the agenda for many financial regulators across the world. Standard Chartered supports this development through its public statements and policies, monitoring and adopting new rules and regulations as they come into force in its markets.

In consumer banking, Standard Chartered Ghana has developed products and services that respond more closely to individual customer needs. It has also responded to customer feedback by simplifying the processes required to open an account with the bank.

Likewise, in wholesale banking, Standard Chartered Ghana prioritises treating all clients fairly, ensuring that they are sold appropriate products for their needs. It has focused on training its employees to make them aware of the features, mechanics and potential risks of the products that they sell.

### 5.1.3

#### Tackling financial crime

Around the world, financial crime is a major concern. Terrorism, corruption and money-laundering all rely on the banking system for the transfer of funds. In response to this, Standard Chartered has introduced Anti-Money Laundering (AML), Know Your Customer and Speaking Up policies which have improved its capacity to deter, frustrate and tackle financial crime.

In the past few years, Standard Chartered Ghana has organised training sessions for Ghanaian banks, card merchants and security agencies on how to deal with card fraud. In 2009, the bank significantly enhanced the detection capability of its AML system, resulting in an increase in the proportion of alerts converted to reported cases. Standard Chartered Ghana also prioritised AML in staff training. 97% of its staff have completed AML training programmes.

The bank believes that one of its greatest contributions to Ghana's economic development will be to prevent misuse of financial services, which can harm the nation's long-term growth.

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**5.2****Delivering sustainable finance to respond to risks and opportunities**

Standard Chartered believes that the decisions it makes around who and what it finances can have an impact on the long-term viability of its business model as well as the sustainable economic development of its host markets. The bank's approach to sustainable finance includes managing the social and environmental risks associated with its lending decisions, as well as seizing the opportunities presented by the growth in the renewable energy and environmental finance sector. In 1997 Standard Chartered introduced an environmental and social risk policy that took into account the environmental and social impacts of lending decisions by its wholesale banking business. Standard Chartered is also, since 2003, a signatory to the Equator Principles, which focus on the social and economic impacts of project finance. All the bank's project finance and project advisory transactions must comply with the Equator Principles, irrespective of value.

In addition, in 2009 Standard Chartered implemented a series of position statements to ensure that it has a consistent and cohesive approach to managing environmental and social risks across its business and financing activities. The statements provide guidance to all relationship managers, credit officers and portfolio managers. They cover specific high risk sectors relevant to Ghana, such as Oil & Gas and Mining & Metals. They also specify the bank's approach to universal issues such as Water, Child Labour and Climate Change.

With Ghana now in the process of developing its offshore oil reserves – and with Standard Chartered Ghana playing a leading role in financing these activities – the bank's environment, social and governance risk management framework and approach are particularly relevant in this market. To illustrate this, before approving its financing of the Jubilee Oilfields project (see 4.2.1), Standard Chartered ensured that it met the Equator Principles, the IFC standards and the Ghanaian Environmental Protection Agency standards.

Standard Chartered has adopted an overall approach of constructive engagement with its clients to positively influence their environmental and social management practices. In addition to this, the bank regularly embraces business opportunities that help its clients improve their environmental performance. The following case study shows how Standard Chartered Ghana practises this approach:

## 5.2

Delivering sustainable finance to respond to risks and opportunities continued

CASE STUDY  
GHACEM LIMITED

Ghacem Limited is a subsidiary of Heidelberg Cement AG, one of the world's largest manufacturers of building materials. The company has been operating in Ghana since 1967. Ghacem's primary line of business is the manufacture and distribution of Portland cement with two manufacturing plants located at the seaports of Tema and Takoradi. It also operates distribution points in all the major cities in Ghana.

Standard Chartered Ghana's relationship with Ghacem dates back to 1988. The bank has supported the company with both lending and trade lines for its imports of raw materials.

Ghacem wanted to improve the energy efficiency and environmental performance of its packaging plant. The company approached the bank, seeking a loan for a new piece of equipment. The equipment – a so-called separator – would help the company improve its product quality at the same time as reducing its overall environmental impact. Standard Chartered Bank worked with the company to finance the investment, helping Ghacem to achieve its efficiency and environmental goals, while seizing the opportunity to generate additional business and to deepen a valued client relationship.

Through the loan, Ghacem:

Reduced energy consumption

Improved quality of processed cement

Reduced wastage of cement and raw materials in the production process

Reduced noise and dust levels

## 5.3

Leading by example in communities and the workplace

## 5.3.1

Protecting the environment

Standard Chartered seeks to reduce its operational impacts and invests in communities across its footprint. The bank empowers its employees to help in this effort, particularly through volunteering.

In Ghana, as in much of sub-Saharan Africa, communities, customers and employees are already seeing and feeling the effects of climate change and environmental degradation. It is in the bank's interest to try and help tackle the causes of these environmental problems. Currently, Standard Chartered Ghana's environmental agenda focuses on the following:

Driving reduction in resource consumption, i.e. water, energy and paper by 20% from 2008 to 2011 within its operations

Reducing CO<sub>2</sub> through planting of trees and cutting down on air travel

Driving behavioural change for the protection of the environment among its customers and communities

Driving engagement through its employee volunteering programme, whereby each employee gets two days of paid leave to volunteer in their community. In 2009, the total employee volunteering days used were 470

**5.3.1**  
**Protecting the environment continued**

The environment agenda and reduction targets are managed by a Country Environment Committee. Specific initiatives include the following:

**Green Ghana**

Standard Chartered Ghana's response to the global call to reduce carbon dioxide in the environment has resulted in the planting of 22,000 trees across the country. The bank's target is 50,000 trees by 2011, in partnership with the Ministry of Environment.

**Energy and Water Conservation**

In 2008, Standard Chartered Ghana took steps to reduce the water and energy it uses in its offices. For example, the bank pooled its printers and replaced all of its air conditioners, lights, printers and refrigerators with more energy efficient models. It also installed taps and cisterns specially designed to reduce water use. As part of Standard Chartered Ghana's efforts to promote energy conservation, the bank participated in Earth Hour, a climate change initiative facilitated by WWF. By creating awareness through its media partners and through the engagement of its customers, the bank secured over 1,000 signatures to observe the hour in Accra.

**Clean Country**

For years, Standard Chartered Ghana staff have been engaged in clean-up activities in the bank's communities as part of employee volunteering. Activities include de-silting of drains and clearing of plastic waste. In 2009, Standard Chartered Ghana staff helped to clean up parts of Chorkor and the Dzorwulu Special School. This year its staff have been engaged in a clean-up activity along the 3km beach front at La.

**5.3.2**  
**Great place to work**

For a detailed assessment of Standard Chartered Ghana's employment practices, please see 4.2.6.

**5.3.3**  
**Investing in communities**

Standard Chartered Ghana actively promotes three global community investment programmes initiated by Standard Chartered:

**Living with HIV**

The HIV pandemic has a devastating impact on many communities where Standard Chartered Group operates. Education is a key component to prevention. Greater access to treatment can only be sustained if there is significant progress in reducing the rate of HIV infections.

Standard Chartered's Living with HIV programme dates back to 1995. The aim of the programme is to mitigate the detrimental effects of HIV/AIDS to the bank's employees and clients. Through the programme, the bank has met its Clinton Global Initiative commitment, to educate over one million people across 50 countries between 2006 and 2010. The bank educates and raises awareness of the virus among individuals and communities through face-to-face workshops and online learning.

Standard Chartered Ghana's HIV policy for employees is inclusive, non-discriminatory and makes available anti-retroviral drugs not only to workers, but also their immediate families. Working with local communities, Standard Chartered Ghana's network of 60 volunteer HIV Champions delivered face-to-face education sessions to 615 people between 2008 and 2009. Furthermore, the bank has educated over 10,000 university students and received partner pledges to educate another 52,000 Ghanaians.

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**5.3.3****Investing in communities continued****Seeing is Believing**

90% of avoidable blindness occurs in the developing world, creating a key issue affecting economic productivity in communities where Standard Chartered operates. Tackling avoidable blindness is one of the most cost-effective health interventions and has a significant impact on the quality of life of individuals, with a strong knock-on effect on communities and the wider economy.

Seeing is Believing is a global collaboration of Standard Chartered, the International Agency for Prevention of Blindness and leading international eye-care NGOs to tackle preventable blindness. Currently, Standard Chartered is committed to raising a further USD 20 million by 2012. The investment will provide 20 million people in impoverished urban areas with access to comprehensive eye-care services. Currently, Standard Chartered Ghana is fundraising towards this target as well as implementing eye-care projects.

In partnership with SightSavers International and Ghana's Ministry of Health, Standard Chartered Ghana has completed a Comprehensive Eye Care Project in the Eastern Region of Ghana, benefiting over one million people. The bank is also undertaking a USD 150,000 Satellite Eye Care Units Project in partnership with Operation Eyesight Universal to benefit over 300,000 people in four towns in the Western Region of Ghana. Furthermore, Standard Chartered Ghana funded the 1,000 Eyes Project during World Sight Day in 2009 to support eye care in Ghana. Through this, 1,000 cataract surgeries were performed in the weeks leading up to the day.

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**5.3.3****Investing in communities continued****Nets for life**

Nets for Life is Standard Chartered's Africa-wide malaria prevention initiative, which aims to distribute one million Long Lasting Insecticide Treated Nets (LLITNs) across 16 countries. It is co-sponsored by Coca-Cola and Exxon-Mobil. In Ghana, this initiative has been undertaken in the three regions of the north, and in 2009 was rolled out to Ashanti and the Eastern and Western Regions. Standard Chartered Ghana's partner, the Anglican Diocesan Development and Relief Organisation, has distributed over 190,000 LLITNs in these regions.

In addition to the above global initiatives, Standard Chartered Ghana has launched a number of local programmes to promote education in Ghana. These include the following:

**Desk Project**

As part of its contribution to improving education in Ghana, Standard Chartered Ghana is actively engaged in the provision of dual school desks to deprived schools. Standard Chartered Ghana has provided 5,000 desks to 50 schools in the 10 regions of the country. This translates into an improved learning environment for 10,000 students and supports the government's efforts to get more children of school-going age into the educational system. Phase 2 of the Desk Project, starting in 2010 and running for three years, will provide 6,500 dual-desks to 65 schools.

**Reading for Growth**

Under Standard Chartered Ghana's Reading for Growth Project, the bank seeks to encourage reading among students through the weekly distribution of Junior Graphic (a children's version of Ghana's leading newspaper, the Daily Graphic) in partnership with the Print Media House and Graphic Communications Limited. 40 deprived schools across Ghana each receive 20 copies of the newspaper weekly under this project, which was initiated in 2007. The second phase takes off in September 2010 with an additional 50 schools receiving 20 copies of the Junior Graphic weekly.

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## 6 Standard Chartered Ghana's socio-economic footprint: conclusion

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The financial crisis that erupted in 2008 plunged many economies around the world into the deepest recession they had suffered since the 1930s. Fortunately, Africa has managed to escape the worst of the fallout, due to a combination of sound economic policy in many countries coupled with relatively conservative banking practices. As a consequence, Africa has received renewed attention on the part of foreign investors as a place that is open for business.

Ghana has played a leading role in the African economic renaissance. With a diversified economy that is now facing the prospect of greatly increased revenues from oil and gold, Ghana has enjoyed a decade of solid growth. The nation avoided the fallout from the global financial crisis, and, thanks to robust domestic demand, it continued to grow, if at a slightly slower pace than in previous years.

Ghana illustrates how governments and the private sector can work together to create an economic environment that stimulates sustainable growth. Standard Chartered Ghana has been a player in country's economy for over a century, and it has been a contributor to growth through a variety of channels described in this report. It has been an innovator in the financial sector, a generator of talent to the entire banking industry, a safe haven for deposits and a responsible lender, to Ghanaian households and firms and to foreign investors.

Because of its ability to mobilise foreign and domestic capital, Standard Chartered Ghana has played a significant role in supporting the Ghanaian economy. The scale and scope of the bank's impact has been the focus of this report. We have shown that, in 2009, through its operations and onshore financing alone, Standard Chartered directly and indirectly supported nearly 156,000 jobs throughout the economy, while generating USD 400 million in income for households and tax revenues for the government – numbers which are significant for a private enterprise.

This report should make clear that the private sector, including banks, can be a major contributor to the wealth of nations. When given a reliable economic environment, the private sector responds through investment and innovation, all of which help promote sustainable growth. Clearly, Standard Chartered Ghana has played a leading role in Ghana's economic history, and it will continue playing that part as it looks to the future.

Standard Chartered believes it can make the greatest contribution to the countries in which it operates through its core business activity. This report should deepen the bank's understanding of how and to what extent it contributes to host countries, while providing it with ideas for how to stimulate sustainable economic development in future.

Multinational companies are often perceived as capital extractors. Likewise, despite its major presence, Standard Chartered Ghana continues to be viewed by many Ghanaians as an offshore presence or enclave, a financial institution primarily serving the needs and interests of global corporations. This may reflect the fact that foreign banks first came to Ghana in centuries past in order to finance export-oriented industries. As Ghana has developed, however, this has changed. Though it is yet to be fully recognised, Standard Chartered Ghana now provides more onshore financing to local companies than to multinationals operating in Ghana (see Table 2). We suggest that this study should go some way to provide the bank's stakeholders with a more balanced view of Standard Chartered Ghana and its significant contribution to the country's ongoing development.

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**6.1****Next steps**

These are a number of steps that Standard Chartered Ghana may wish to consider as it seeks to deepen its socio-economic impact in Ghana:

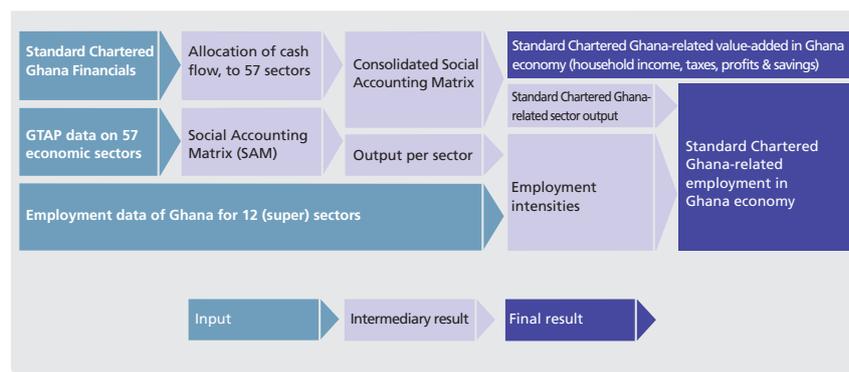
1. Standard Chartered Ghana should work with the Ghanaian authorities and with other private sector firms to ensure a more favourable business environment for formalised SMEs. These companies require a range of services – such as advice on markets, corporate governance, accounting and regulation – that are not always easily obtained on the Ghanaian market. Standard Chartered Ghana should consider stepping up its efforts in this sector and work with other banks and institutions, such as the Chamber of Commerce, to ensure that Ghana provides a conducive setting for entrepreneurship.
2. In light of Ghana's future as a resource-rich economy, with offshore oil beginning to flow and with more mineral reserves being exploited, Standard Chartered Ghana should remain a financier to a diverse set of economic sectors to ensure long-term stable growth in the country.
3. Standard Chartered Ghana supports a wide range of sustainability activities in Ghana. In the area of community investment, not all of the bank's programmes appear to play to its core skills, products and services. Standard Chartered Ghana may wish to consider a more targeted community investment programme that makes particularly intensive use of its financial expertise. This would imply a greater emphasis on such programmes as financial literacy, entrepreneurship and business development.
4. Standard Chartered Ghana should continue to provide its employees with world-class training opportunities. In so doing, Standard Chartered Ghana is offering Ghana a public good of tremendous developmental value. This and other public goods – including the role that Standard Chartered Ghana plays in formalising the Ghanaian economy and the financial markets that the bank is helping to create – should be made better known to local officials and stakeholders.
5. Standard Chartered Ghana should collaborate with the Government of Ghana, with business associations and its clients to ensure that the country continues to improve its business infrastructure, including transport links and access to vital support services, such as positive credit reference agencies.

## Appendix I

### MODELLING APPROACH

The model used for this study analyses Standard Chartered Ghana's financial and loan data using a so-called social accounting matrix (SAM) of the Ghanaian economy and the allocation of the work force over the various economic sectors. A SAM describes inter-industry linkages in an economy, depicting how the output of one industry goes to another, where it serves as an input. It therefore essentially makes one industry dependent on another, both as customer of outputs and as supplier of inputs. Exhibit A.1 shows how three information sources are used to arrive at the two main model outputs.

#### EXHIBIT A.1: OVERVIEW OF THE MODELLING APPROACH



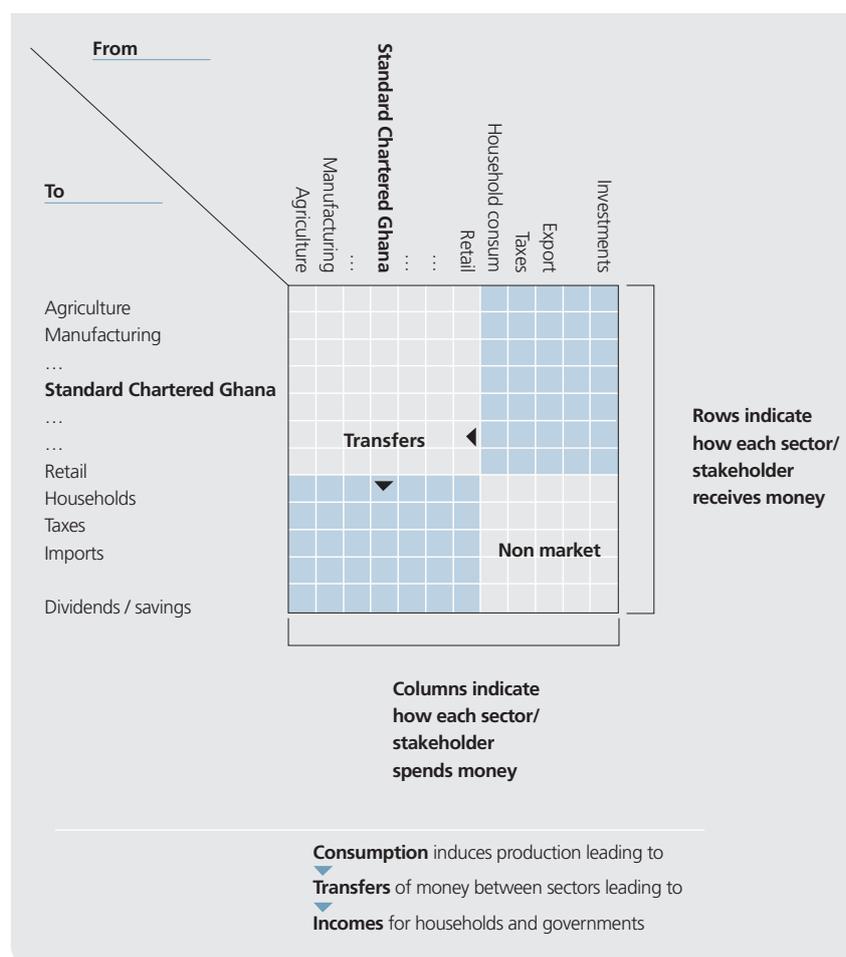
As shown in Exhibit A.1, in the SAM the number of columns and rows are equal because all sectors or economic actors (industry sectors, households, government and the foreign sector) are both buyers and sellers. Columns represent buyers (expenditures) and rows represent sellers (receipts).

Of the four quadrants in the SAM, three are relevant here. Final consumption induces production which leads to financial transfers between the various sectors, which subsequently generates incomes for households, governments (taxes) and profits (dividends and savings). For Ghana, the most recent SAM dates back to 2004 and has been taken from the GTAP<sup>9</sup> database. Using data from the Ghana Statistical Service, the SAM has been updated to 2008<sup>10</sup>.

9. Global Trade Analysis Project ([www.gtap.agecon.purdue.edu](http://www.gtap.agecon.purdue.edu)).

10. Currently a rebasing of Ghana's economic statistics is taking place, which will likely render the economy 35% larger than hitherto estimated. These changes could not be incorporated since they have not been finalised.

## MODELLING APPROACH CONTINUED

EXHIBIT A.2:  
SOCIAL ACCOUNTING MATRIX

As is indicated in Exhibit A.2, Standard Chartered Ghana has been included as a sector in its own right by adding a row and a column in the SAM. The column is Standard Chartered Ghana's re-allocated cash flow statement. The last step in constructing the SAM is to reconcile all columns so that they add up to one. Then the spending of Standard Chartered Ghana and the customers it finances can be traced in money terms throughout the economy. In doing so, the economic effect related to the presence of Standard Chartered Ghana can be divided into three effects:

1. Direct effect: jobs created directly by Standard Chartered Ghana and the clients it finances, plus value-added directly due to spending by Standard Chartered Ghana and its clients (i.e. spending on jobs and salaries, taxes and goods and services from the local economy).
2. Indirect effect: jobs created by the suppliers of Standard Chartered Ghana and its clients, plus value-added due to these re-spending the money they receive through the direct effects (e.g. re-spending on jobs and salaries, taxes plus goods and services from the local economy).
3. Induced effect: value-added and jobs created by the expenditure of households, enabled by the incomes generated by the direct and indirect effects.

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**ASSUMPTIONS**

The main assumption in the model described above is that input-output (I–O) analysis implicitly assumes that an increase in demand can be met by an increase of production at constant prices in all affected sectors of the economy. In reality however, there are sectors that will not feel the effect of an increased final demand and therefore will not experience an increase of production. Since most Ghanaian households are farmers as well (56% of the workforce are smallholders), their so-called auto-consumption is unlikely to be affected by an increase (or decrease) in final consumption. In the model this has been incorporated by eliminating all household expenditures on food crops and live stock. Whereas often induced effects are significantly overestimated, this approach leads to a much more robust and realistic estimation of them, without the need for a data-intensive General Computable Equilibrium model. Alternatively, there can also be sectors that are unable to increase production at constant prices because of shortages in, for example, labour, raw materials and production capacity. Labour is not deemed too restrictive since it is abundant in Ghana, especially if it is unskilled. Although the official unemployment is relatively low at 11%, underemployment is ubiquitous.

Furthermore, in order to analyse the effects of Standard Chartered Ghana's financing on a specific borrower's revenues, we have assumed that a company's increase in revenues is proportional to the amount of capital it has invested. That is, we follow economic convention by assuming that debt and equity are deployed in linear fashion and with equal efficiency. The proportion of a company's revenues that can then be attributed to the loans from Standard Chartered Ghana is thus equal to the proportion of Standard Chartered Ghana's financing in the borrower's total capital<sup>11</sup>.

11. Assuming a company has assets with a book value of 100, revenues of 200 and a loan from Standard Chartered of 9, this would mean that 9% of 200 = 18 in revenues is attributed to Standard Chartered. Technically, this assumption implies that the asset turnover (sales/assets) of companies remains constant when the company grows.

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**LIMITATIONS**

It is important to note some of the shortcomings of the I–O/SAM methodology:

First, reports of this kind are data-intensive and technically demanding. Their accuracy depends largely upon the availability and quality of both national and firm-level data.

Second, the I–O/SAM is best used as a snapshot in time (in the case of this study the time is generally 2009) of a company's economic activities. If one is interested in time-series research or in tracking how the major variables under study have changed, the data can be useful but only with certain caveats. For example, I–O data generally do not account very well for technological change since the tables (and the underlying model of the economy on which they are based) are updated infrequently. Since most industrial sectors engage in technological change over time, the analyst who relies on this data may miss some important effects, like the possibility of capital-labour substitution.

Third, the I–O/SAM does not provide a good method for comparing the productivity of foreign and domestic firms. The framework assumes that, for example, the capital-labour coefficients for similar types of firm are the same. Hence, equivalent injections of, say, investment into the economy by a foreign or domestic firm would generate comparable distributions of employment and income. Yet many economists have argued that foreign investment is indeed more productive for the economy as a whole because of the specific linkages that it forges with domestic suppliers, for example through technology transfer and financing, and because of the organisational and managerial efficiencies of its operations.

Despite these shortcomings, the great attribute of the I–O/SAM approach is that it yields a macro-perspective on the operations of a single enterprise. Given the desire of Standard Chartered's management to understand the bank's broad socio-economic impact or footprint, this approach seems to have particular relevance. In particular, this framework focuses on the financial and economic impacts of a company's investment and ongoing operations within a national setting and should give a sense of the multiplier effects associated with a company's operations throughout the economy. That information, in turn, can be used by corporate executives and government officials as they seek to understand more about which sectors of the economy are most productive, and also about the potential economic vulnerabilities that might exist should, for example, certain sectors lose their competitiveness.

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## Appendix II

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SustainAbility, a think tank and consultancy, supported this study by facilitating workshops with employees of Standard Chartered Ghana and its key stakeholders in Ghana – that is customers, NGOs, policy makers and opinion leaders.

These stakeholder workshops, held in Accra in March 2010, had four clear objectives:

1. Identify priority issues – economic, social and environmental – in Ghana
2. Provide empirical observations on the value, impact and multiplier effect of the bank's activities in Ghana, complementing the quantitative analysis
3. Evaluate the relevance of the findings
4. Collect strategic and tactical recommendations to inform future decision making

Standard Chartered will engage in ongoing dialogue with the workshop participants. The bank regards stakeholder engagement as integral to its sustainability strategy. By working with stakeholders, Standard Chartered ensures that it addresses current and emerging risks and opportunities in the markets where it operates. Stakeholder engagement helps the bank to clarify priorities and develop policies. Furthermore, it provides the bank with important insights on how external stakeholders perceive its performance against its sustainability strategy.







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