



GOLD EXPO: MINING WEEK 2023

Overview of the Central Bank Domestic Gold Purchase Programme

SPEECH

BY

DR. ERNEST ADDISON

GOVERNOR, BANK OF GHANA

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TAKORADI



Mr. Chairman Awulae Angamasu Tuagyan, Paramount Chief of Gwira
Honourable Minister of Mines, South Africa
Honourable Minister and Deputy Minister of lands and Natural Resources
Honourable Western Regional Minister
CEO of Chamber of Mines
Distinguished Guests
Ladies and Gentlemen.

Introduction

1. It is a great honour to be part of this important Ghana Gold Expo event today.
Let me thank the Western Regional Coordinating Council, the Ministry of Land and Natural Resources and their respective partner organizations for the invitation to speak on the Bank of Ghana's Domestic Gold Purchasing Programme, as we celebrate this year's Mining Week.

BOG's Journey to Gold Purchasing

2. Ladies and Gentlemen, even though the Gold Standard ended at the turn of the 20th century, the importance of gold has not diminished. Gold has remained an important reserve asset and is still widely held by central banks across the world. Among others, the allure of gold as an important reserve asset for many central banks is due to its diversification benefits, and its durability as a store of value and hedge against inflation, as well as its ability to act as a buffer against financial instability. Gold demand has historically responded positively in a weakening global environment with high uncertainty about the economic and financial outlook.



3. Ghana has mined gold for over three centuries and, for the most part, the gold has been exported in “Dore” form. Between 2018 to 2020, gold production constituted 7 percent of Ghana’s GDP and employed 200,000 workers, with the Artisanal Small-scale Mining (ASM) sector contributing 37 percent of total gold production. In 2019, Ghana was cited as the largest producer of gold in Africa and the 6th largest in the world by the World Gold Council. Ironically, during that same year, other central banks acquired a record level of 670 tonnes of gold to boost their reserves, but Ghana’s gold holdings remained unchanged at 8.77 tonnes, as has been the case for the several decades before the Bank of Ghana commenced its Domestic Gold Purchase Programme.

4. Ladies and Gentlemen, so even before the COVID-19 pandemic in 2019, the Bank of Ghana started evaluating alternative methods of increasing the country’s reserves beyond the traditional sources from Foreign Direct Investments (FDIs), portfolio investments, and traditional export proceeds. A decision was taken to increase the central bank’s gold reserves by purchasing domestically produced gold using the local currency.

5. Based on this, the Bank developed a Responsible Gold Sourcing Policy Framework to ensure that the supply chain for the programme is transparent and traceable, and also meets the sustainability and best practice requirements. The Bank also engaged an independent assessor to conduct due diligence on the prospective suppliers of Dore gold. Key stakeholders in the gold value chain, including the Minerals Commission of Ghana, the Precious Minerals Marketing Company (PMMC) and Ghana Chamber of Mines, were all engaged to ensure



that the planned purchases did not conflict with the mines' pre-existing sales contracts and commitments.

Domestic Gold Purchase Programme Process

6. In June 2021, the Bank formally launched the Domestic Gold Purchase Programme (DGPP) and started converting a domestic asset into a foreign asset through the purchase of locally produced gold in local currency and converting same into monetary gold. The key objectives of the programme were to:

- Increase foreign exchange (FX) reserves;
- Diversify the FX reserves portfolio;
- Foster confidence in the economy through improved FX reserves and currency stability to attract more FDI and increase economic growth; and to
- Leverage gold holdings to raise cheaper sources of financing to provide short-term foreign exchange liquidity.

7. Ladies and Gentlemen, the Bank's DGPP goes through properly structured steps as turning non-monetary gold into monetary gold involves several steps. To begin with, the gold is sourced from three channels, namely, the mining firms, aggregators, and the PMMC. The first two purchasing channels, that is mining firms and aggregators, are to boost FX reserves (Gold for Reserves), while the third purchasing channel (through PMMC) is for the Gold for Oil programme. Through the mining firms' channel, the Bank engages the domestic mining firms in collaboration with the Ghana Chamber of Mines to buy pre-agreed quantities of refined gold at their LBMA-certified refineries using the local currency.



8. Under the aggregator channel, Dore gold is purchased from identifiable, responsible, and sustainable gold mines through an approved gold aggregator. The purchased Dore gold from the domestic mines is then assayed by the PMMC, the official government assayer. The validated Dore gold purchases are then stored in the Bank's vault and intermittently shipped to an LBMA-certified refinery to upgrade the Dore gold to the required international standard of good delivery (with a fineness of 99.99%) in order to be counted as part of the Bank's gold reserves.
9. The third and final channel is where the Dore gold is purchased from licensed small-scale miners through PMMC for the Gold for Oil programme. The purchased Dore gold is used for the payment of oil supplied to Ghana.

Impact and Benefits of the Domestic Gold Purchase Programme

10. Ladies and Gentlemen, at the launch of the DGPP, the objective was to double the central bank's gold reserves of 8.77 tonnes in five years. I am happy to announce that since inception of the DGPP programme in June 2021, the Bank has added over 7.70 tonnes of monetary gold to the gold reserves as of June 30, 2023, of which the mining firms accounted for about 80 percent and the remaining 20 percent was from the ASM sector via an approved aggregator. Indeed, we are on course to more than double the level of the central bank's gold reserves by the end of this year, well ahead of the target initially set.
11. The Gold Purchase Programme uniquely provides an avenue to organically grow the country's foreign reserves through the refining of the purchased Dore



gold, without distorting incentives of local gold producers. Over the medium-to-long term, this programme has the potential to support the price stability mandate of the central bank if the extra Ghana cedi liquidity through the gold purchases is mopped up through the open market operations.

12. The DGPP also supports the ASM sector as the Bank buys gold at competitive prices from them. This Dore gold is stock piled and shipped to LBMA citified refineries that refines the Dore gold to London Gold Refinery Base.
13. The BOG, working with consultants, Positive Impact Sarl (Geneva), Aurum Global Partners and Ghana Gold Expo Foundation, has developed a Responsible Sourcing and Due Diligence framework for the DGPP, which is expected to drive the process forward by promoting responsible and sustainable mining in the domestic ASM sector.
14. Distinguished Ladies and Gentlemen, the central bank's increased gold reserves, set within a context of a well-defined Strategic Asset Allocation (SAA) framework, will diversify reserve assets and help improve the risk-adjusted returns for the reserve portfolio. Additionally, the Bank can leverage the gold holdings to raise funds at competitive terms for foreign exchange liquidity management.
15. The DGP programme has the potential of catalysing investments in the gold mining sector in Ghana. Our local refineries are positioning themselves to take



advantage of increasing investments in the sector and enhancing revenue from higher value-addition in gold exports.

The Gold for Oil Programme Initiative

16. Ladies and Gentlemen, let me also highlight some aspects of the Gold for Oil (G4O) programme. The G4O Programme is an initiative of the Government of Ghana which leverages on the existing Bank of Ghana DGPP. The G4O is structured such that gold is purchased mainly through the PMMC from licensed small-scale miners and Community Mining Schemes to support the importation of petroleum products. The introduction of the G4O was critical during the recent economic crisis, especially in the last quarter of 2022. The Crisis affected the foreign exchange market and led to very large adjustments in the exchange rate and distorted forward exchange rate quotes which was used to price petrol. Government intervention to directly engage oil producers became critical in obtaining cheaper fuel from G4O arrangements. It became clear that leveraging the BoG Gold for reserves programme to support investment in oil would help. At the time, domestic ex-pump petroleum prices were changing rapidly with associated upward adjustments in transport costs, due mainly to the sharp currency depreciation and rising headline inflation.

17. Since its inception, the G4O has yielded significant results. Specifically, it has provided foreign exchange resources to meet petroleum products importation, led to increased competition among market players and lower ex-pump petroleum prices, and provided some stability in the FX markets. These



positive developments have contributed to easing price pressures and thereby supporting the central bank's efforts to bring down the high inflation levels.

Outlook and Conclusion

18. Ladies and Gentlemen, Ghana has made sustained efforts and remains committed to addressing the menace associated with unlicensed miners who violate the sustainable mining practices. It is our expectation that as the benefits of the DGP programme become tangible to all the players in the value chain, activities of these illegal operators will be reduced or made to align with responsible mining practices as the economic and legal costs of operating outside the Law will be prohibitively expensive. It is worthy to note that the Ministry of Land and Natural Resources and other key stakeholders are collaborating to formalize activities in the ASM sector. The Bank of Ghana has put into place a rigorous due diligence process for aggregators including checking for criminal records, site visitation to ensure that registered mines are complying with the relevant environmental standards. It is our expectations that purchases by the PMMC will also be guided by a similar rigorous process.

19. Distinguished Ladies and Gentlemen, the increase in the gold reserves of the Bank which provide additional buffers to help the Ghanaian economy withstand future global economic shocks, help the economy to build resilience and manage the impact of macroeconomic imbalances better.

20. Ladies and gentlemen, looking ahead, the Bank will gradually expand the suppliers in the ASM sector under the Responsible Sourcing Framework. The Bank will work closely



with PMMC in adopting and integrating our Responsible Sourcing & Due Diligence Framework in their operations geared towards the formalization drive. We will also work with the key stakeholders and the mining regulator to improve standards of the community mines to be an important gold supplier, and finally, the Bank will also lend support to the current efforts towards LBMA certifications for our local refineries.

21. In conclusion, Ladies and Gentlemen, let me acknowledge the support of His Excellency the President, Nana Addo Dankwa Akuffo-Addo, and the Vice President, Dr. Mahamudu Bawumia, for the special roles they have played in the successful implementation of the Bank of Ghana Domestic Gold Purchase programmes. I would also want to acknowledge the collaborative roles played by other key stakeholders, including the Minerals Commission, PMMC and the Ghana Chamber of Mines. As we all know, gold is an important natural resource for the country and we will all work to derive its maximum potential to the benefit of the Ghanaian economy. Thank you very much.