INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/367

GHANA

December 2019

2019 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2019 Article IV consultation with Ghana, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its December 6, 2019 consideration of the staff report that concluded the Article IV consultation with Ghana.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 6, 2019, following discussions that ended on October 19, 2019, with the officials of Ghana on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on November 21, 2019.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Supplementary Information** updating information on recent developments.
- A **Statement by the Executive Director** for Ghana.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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December 12, 2019

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700 19th Street, NW
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IMF Executive Board Concludes 2019 Article IV Consultation with Ghana

On December 6, 2019, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Ghana.

The outlook for Ghana remains favorable. Growth is expected to increase from 6.3 percent in 2018 to 7 percent in 2019, and to average around 5 percent over the next few years, supported by new potential oil discoveries and mining. Consumer price inflation has stayed close to the center of the target band in recent months, despite the pass-through from Cedi depreciation and higher utility tariffs, and is expected to decline to around 6 percent over the medium term. International reserves remain stable, thanks in part to external borrowing.

The government headline deficit is projected to reach 4.7 percent of GDP in 2019, driven by lower-than-expected revenues, spending on flagship programs, and unexpected security outlays due to emerging security challenges in the region. After including energy and financial sector costs, this corresponds to an overall deficit of 7 percent of GDP in 2019. Central government debt is expected to increase to 63 percent by the end of 2019, driven in part by exceptional energy and financial sector costs.

The 2020 budget is projected to deliver a headline deficit (excluding energy and financial sector costs) of 4.9 percent of GDP, equivalent to an overall deficit of 6.4 percent of GDP. At current policies, the overall deficit is projected to stabilize over the medium-term to about 5 percent of GDP.

Downside risks affecting this baseline forecast include spending pressures in the context of the 2020 election, financing challenges—possibly triggered by tighter global conditions—and larger-than-expected energy and financial sector costs. On the upside, over the medium-term Ghana could benefit from new oil discoveries, higher cocoa prices, rapid diversification driven by the authorities' industrialization efforts, and the potential for domestic revenue mobilization reforms.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They commended the Ghanaian authorities for the strong macroeconomic performance and laying the foundations for sustained and more inclusive growth. Against the backdrop of external risks and the upcoming elections, Directors stressed that important challenges remain, especially entrenching prudent macroeconomic policies, ensuring debt sustainability, and pressing ahead with structural reforms, which are essential to successfully implement the authorities' "Ghana beyond Aid" agenda and reduce poverty and inequality.

Directors welcomed the authorities' commitment to fiscal discipline and the fiscal rules introduced by the 2018 Fiscal Responsibility Act. They underscored that fiscal discipline through the rigorous implementation of the 2020 budget law is key to maintaining macroeconomic stability. While welcoming progress in debt management, Directors expressed concern about Ghana's high risk of debt distress, and highlighted the need to strengthen the fiscal rules and phase out off-budget operations. In addition, most Directors urged the authorities to avoid new collateralized borrowing to help reduce public debt and improve fiscal transparency. Directors emphasized that a more ambitious fiscal stance, based on a comprehensive domestic revenue mobilization strategy, would help anchor debt dynamics on a clearly declining path, contain financing needs, create buffers for contingent liabilities, and support a stronger external position. They welcomed the Fund's capacity development efforts to bolster the authorities' fiscal reforms. A number of Directors suggested the adoption of a formal debt anchor to guide the authorities' debt sustainability efforts over the medium term.

With inflation close to the central target of the Bank of Ghana, Directors agreed that the monetary policy stance seems appropriate, although tighter policies would be warranted if inflationary pressures materialize. They stressed the need to increase international reserves by limiting central bank intervention and to entrench monetary financing limits in domestic law to protect the Bank of Ghana's balance sheet and strengthen the inflation targeting framework. Over the medium term, Directors recommended lowering the inflation target range.

Directors welcomed recent steps taken to move the energy sector back to financial health. They indicated that the implementation of the Energy Sector Recovery Program supported by the World Bank and key stakeholders, including adhering to the automatic pricing formula for electricity tariffs and reinstituting private sector participation, is crucial to limit costs to the government and to the public.

Directors welcomed the progress in the clean-up of the financial sector and recent improvements in banking sector performance. However, they urged the authorities to complete the financial sector restructuring while mitigating its fiscal costs. This requires implementing upfront

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.imf.org/external/np/sec/misc/qualifiers.htm.

reimbursement caps, addressing weaknesses in a state-owned bank, accelerating measures to reduce the NPL overhang, completing regulatory reforms, and stepping up recovery of funds from complicit directors and shareholders of failed institutions.

Directors considered that continuing the development gains of recent decades will require boosting export competitiveness, increasing economic diversification, and accelerating productivity growth. Improving the business environment and promoting digitalization would also boost opportunities.

Directors encouraged the authorities to continue strengthening the anti-corruption framework, in particular by enhancing the capacity of law enforcement and prosecutorial bodies. They welcomed the government's collaboration with the Financial Action Task Force (FATF) and the Inter-Governmental Action Group against Money Laundering in West Africa to improve the AML/CFT framework and eventually exit the FATF "grey list."

It is expected that that the next Article IV consultation with Ghana will be held on the standard 12-month cycle.

Ghana: Selected Economic and Financial Indicators, 2017-24

	2017	2018	2019	2020	2021	2022	2023	2024
	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change, unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	8.1	6.3	7.0	5.8	4.0	3.7	6.7	4.4
Non-oil GDP	4.6	6.5	6.1	5.9	5.0	4.7	4.7	4.8
Oil and gas GDP	80.3	3.6	17.1	4.3	-7.4	-9.9	36.3	0.3
Real GDP per capita	5.8	4.1	4.8	3.7	2.4	1.1	4.1	1.8
GDP deflator	10.4	10.2	8.6	7.9	7.6	7.0	6.7	6.3
Consumer price index (annual average)[1]	12.4	9.8	7.7	7.6	7.3	6.9	6.4	6.1
Consumer price index (end of period)[1]	11.8	9.4	7.8	7.4	7.1	6.7	6.2	6.0
	(Percent of GDP)							
Gross capital formation	21.5	14.9	16.0	18.4	19.3	20.4	21.7	22.6
Government	2.5	1.5	1.6	3.0	2.9	3.0	3.3	3.2
Private	19.0	13.4	14.4	15.4	16.4	17.4	18.4	19.4
National savings	18.1	11.7	12.8	14.8	15.7	17.0	19.2	20.2
Government	-1.6	-5.5	-6.1	-5.6	-4.8	-4.4	-4.2	-4.2
Private[2]	19.7	17.2	19.0	20.4	20.4	21.4	23.4	24.4
Foreign savings	-3.4	-3.1	-3.1	-3.6	-3.6	-3.4	-2.6	-2.4
Central government budget (cash basis)								
Revenue	13.9	14.5	14.8	15.5	15.6	15.5	15.5	15.4
Expenditure	18.7	21.5	21.8	21.9	21.0	20.5	20.5	20.5
o/w financial and energy sector related costs	0.0	3.3	2.3	1.5	1.0	1.0	1.0	1.0
Overall balance[3]	-4.7	-7.0	-7.0	-6.4	-5.4	-5.0	-5.0	-5.0
Overall balance excluding financial and energy sector related costs[3]	-4.7	-3.7	-4.7	-4.9	-4.4	-4.0	-4.0	-4.0
Primary balance[3]	0.5	-1.4	-1.3	-0.3	0.6	1.0	0.6	0.4
Primary balance excluding financial and energy sector related costs[3]	0.5	1.9	0.9	1.3	1.7	2.1	1.7	1.4
Central government debt (gross)	57.3	59.0	63.1	63.3	63.1	62.3	60.6	60.2
Domestic debt[4]	27.7	30.1	31.0	30.0	31.0	32.2	33.5	35.3
External debt	29.5	28.9	32.1	33.2	32.1	30.1	27.1	24.9
	(Annual percentage change, unless otherwise indicated)							
Money and credit								
Credit to the private sector (commercial banks)	12.8	11.2	15.9	5.3	13.3	14.9	17.1	13.6
Broad money (M2+)	16.7	15.4	13.5	14.7	16.9	16.1	17.5	15.8
Velocity (GDP/M2+, end of period)	3.9	3.9	4.0	3.8	3.8	3.8	3.8	3.8
Base money	13.1	0.2	14.4	14.2	17.4	12.3	17.9	16.2
Bank lending rate (weighted average, percent)	29.3	26.9	...	...	...	...	...	...
Policy rate (in percent, end of period)	20.0	17.0	...	...	...	...	...	...
	(Percent of GDP)							
External sector								
Current account balance	-3.4	-3.1	-3.1	-3.6	-3.6	-3.4	-2.6	-2.4
Gross international reserves (millions of US$)	5,491	5,317	5,116	5,015	5,066	5,362	6,200	6,879
in months of prospective imports of goods and services	2.8	2.7	2.4	2.3	2.3	2.3	2.6	2.8
Net international reserves (millions of US$)	4,557	3,886	3,892	3,881	4,050	4,475	5,447	6,302
in months of prospective imports of goods and services	2.4	2.0	1.9	1.8	1.8	1.9	2.3	2.6
Total donor support (millions of US$)	720	612	838	883	752	879	864	594
in percent of GDP	1.2	0.9	1.2	1.3	1.0	1.1	1.0	0.0
Memorandum items:								
Nominal GDP (millions of GHc)	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379
National Currency per U.S. Dollar (period average)	4.4	4.6	...	...	...	...	...	...
GDP per capita (US$)	2,038	2,217	2,242	2,280	2,368	2,422	2,534	2,583
Central Government Debt excluding ESLA bond	55.4	57.3	61.6	62.0	61.9	61.2	59.7	59.3

Sources: Ghanaian authorities; and Fund staff estimates and projections.

[1] The CPI was rebased in September 2019. The historical figures may be revised once an official linked series is available.

[2] Including public enterprises.

[3] Excludes discrepancy.

[4] Includes Energy Sector Levy Act bond.

GHANA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION

November 21, 2019

KEY ISSUES

Context. The ECF-supported program was completed successfully in March. Since then, the authorities have maintained macroeconomic stability, building on the achievements of the last years. Growth remains strong and inflation is well within the target band. However, while the fiscal stance has improved in recent years, it continues to put pressure on the external position and has not completely offset the impact of contingent liabilities on public debt, which continues to rise. Given Ghana's history of budget cycles, the 2020 election will be a key test of the authorities' continued commitment to fiscal discipline. Ghana is now under Post-Program Monitoring.

Outlook and risks. Medium-term prospects are favorable, with robust growth driven mostly by the extractive sector. Election-related spending pressures in 2020 constitute the main risk to the baseline scenario. Fiscal risks in the financial and energy sectors could also impact the government deficit. Government borrowing needs are exposed to rollover risk that should be carefully managed as financing conditions could tighten.

Focus of the Article IV consultation. Discussions focused on strengthening institutions and policies to preserve macroeconomic stability and promote inclusive growth, building on the authorities' "Ghana beyond Aid" strategy. Specifically:

- *Fiscal policy:* The commitment to the new fiscal rules will help maintain fiscal discipline, as reflected in the unchanged policy baseline. A more ambitious fiscal stance is called for to reduce macroeconomic risks, accelerate debt reduction, and strengthen the external balance. Reducing off-budget spending and avoiding new collateralized debt are needed to improve fiscal transparency and credibility.

- *Monetary policy:* The focus on price stability is appropriate, as is readiness to tighten monetary policy if signs of inflationary pressures emerge.

- *Structural reforms:* Implementation of the Energy Sector Recovery Program (ESRP) and completion of the financial sector clean-up are required to mitigate fiscal risks and support inclusive growth.

- *Growth:* Successful export-oriented growth will depend on continuing strengthening the business environment, including through implementation of the anti-corruption framework and the digitalization agenda.

Approved By
Dominique Desruelle (AFR) and Mark Flanagan (SPR)

Discussions on the 2019 Article IV consultation took place in Accra during September 30 – October 11, 2019, and in Washington, D.C. during October 15-19. The IMF staff team included Carlo Sdralevich (head), Gomez Agou, Frederico Lima and Alice Mugnier (all AFR), Yahia Said (SPR), John Ralyea (FAD), Constant Verkoren (MCM), and Albert Touna Mama (resident representative). Ms. Marian and Mr. Figueroa (both LEG) joined the first days of the mission, and Mr. Kwasi Osei-Yeboah (Advisor, ED office) participated in the discussions. The IMF team met with Vice President Bawumia; Finance Minister Kenneth Ofori-Atta; Bank of Ghana Governor Ernest Addison; other senior officials; and representatives of the donor community and private sector. Jean Vibar and Christelle Ndome-Yandun (AFR) ably contributed to the preparation of this report.

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CONTEXT: ENTRENCHING MACROECONOMIC GAINS

1. **In recent years, the Ghanaian authorities have succeeded in achieving macroeconomic stabilization and laying the ground for a favorable economic outlook.** Since 2017, the country has enjoyed stronger growth, single-digit inflation, and improved government and external positions thanks to fiscal discipline and monetary tightening, including the end of monetary financing of the deficit. The Bank of Ghana (BoG) has undertaken a sweeping (albeit expensive) clean-up of the financial sector that included resolving nine banks and shutting down insolvent specialized deposit-taking institutions (SDI) and distressed fund managers; strengthening the supervisory regulatory framework; adopting a strategy for addressing nonperforming loans (NPL); and rolling out the new deposit protection scheme.[1] The government has made considerable progress in PFM and debt management.

Text Table 1. Ghana: Selected Macroeconomic Indicators

(in percent of GDP, unless otherwise indicated)

	2016	2019p
National accounts and prices		
GDP growth (%)	3.4	7.0
Inflation (%, p.a.)[1]	17.5	7.7
Fiscal		
Primary balance	-1.9	-1.3
excl. energy and financial sector costs	-1.9	0.9
Public and publicly guaranteed debt	57.5	66.5
excl. energy and financial sector costs	57.5	60.4
Eurobond spreads (basis points, p.a.)[2]	846	557
External		
Current account	-5.2	-3.1
Reserves (months of prospective imports)	2.6	2.4
Monetary and financial		
Money supply growth (%)[3]	24.6	10.2
Tier I capital to risk-weighted assets (%)[4]	14.4	19.8
Nonperforming loans (%)[4]	14.9	12.5

1 Preliminary staff estimates using the rebased CPI.

2 The figure for 2019 reflects values up to 6 November, 2019.

3 M2, excluding foreign deposits.

4 As of August 2019. NPLs are net of loan-loss provision to capital.

2. **The country has embarked on an ambitious plan of economic transformation.** Following impressive development gains in recent decades, poverty reduction has slowed down since 2012 while inequality widened, with economic growth increasingly relying on extractive industries. To accelerate diversification and address poverty and inequality, the authorities have launched the "Ghana beyond Aid" reform agenda based on expanding agriculture and manufacturing, fostering human capital accumulation, and improving efficiency through digitalization.[2] This growth agenda could be leveraged by the benefits of the African Continental Free Trade Area (AfCFTA).

3. **Challenges remain following the end of the Fund-supported program in March 2019.** Longstanding losses in the energy sector have spilled over to government financing needs. The financial sector clean-up continues to create fiscal costs, while credit to the private sector is yet to fully recover. With domestic revenue mobilization still low compared to peers, the government's large borrowing needs are crowding out credit to the private sector and leave Ghana exposed to investor sentiment. Net international reserves remain relatively low and dependent on external government borrowing.

[1] See Selected Issues Paper on "Financial Stability on the Road to Recovery" accompanying this Staff Report.

[2] See Selected Issues Paper on "Growth Strategy for Ghana" accompanying this Staff Report.

4. **The 2019 Article IV consultation focused on strengthening institutions and policies to preserve macroeconomic stability and foster inclusive growth.** The 2017 Article IV recommendations have been largely implemented or are in progress but, as indicated above, work remains to contain risks to macroeconomic stability (Annex I). Given its outstanding exposure to the Poverty Reduction and Growth Trust (PRGT) fund, Ghana is now under Post-Program Monitoring.

RECENT ECONOMIC DEVELOPMENTS

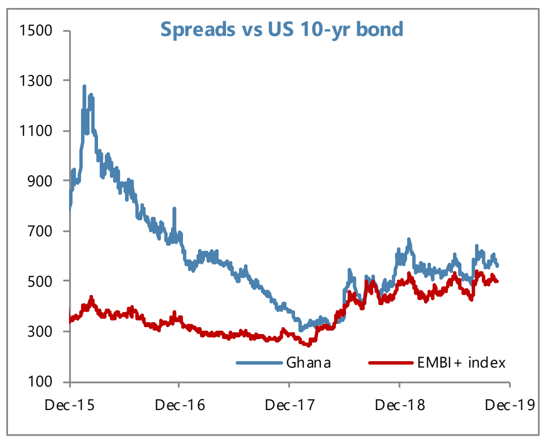
5. **Macroeconomic conditions remain favorable with strong growth, low inflation and an improved external position, although public debt continues to increase** (Figure 1)**.**

- *Growth* slowed to 6.3 percent in 2018 but is expected to pick up to 7 percent in 2019, on the back of strong performance in gold production and oil and gas which should partially offset a smaller cocoa crop due to tree disease.

- *Inflation* is projected at 7.8 percent by year-end based on the rebased CPI series, with Cedi depreciation and increases in utility tariffs causing an uptick in non-food inflation and food inflation expected to slow down.

- The *fiscal deficit* is projected to reach 7 percent of GDP in 2019, or 4.7 percent of GDP when excluding energy and financial sector costs, owing to lower than expected revenues, frontloaded spending on government flagship programs, and unexpected security outlays reflecting emerging security challenges from the Sahel region.

- *Central government debt* is expected to increase from 59 percent of GDP at end-2018 to 63.1 percent of GDP this year, driven partly by the cumulative financial sector costs of 4.6 percentage points of GDP in 2018–2019 and energy sector costs of about 1.5 percentage points of GDP in 2019. Eurobond spreads have remained stable, although large financing needs have sustained persistently high yields on the domestic market.



- The *current account* is expected to remain broadly unchanged compared to 2018 at -3.1 percent of GDP, with increasing gold and oil exports offsetting higher payments to energy companies. The external position in 2018 was moderately weaker than implied by fundamentals and medium-term desirable policies (Annex III).

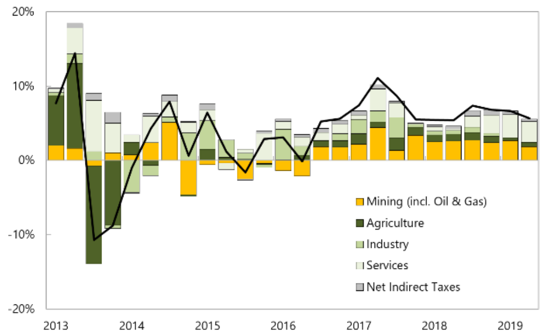
- The *Cedi* stabilized after experiencing a volatile first quarter but has overall depreciated by 9.7 percent between end-2018 and end-October.

- *Net international reserves* are projected to remain stable at about US$3.9 billion thanks in part to the US$3 billion Eurobond issued in March and other commercial and multilateral borrowing.

Figure 1. Ghana: Recent Economic Developments

Growth remains strong, propelled by extractive industries…

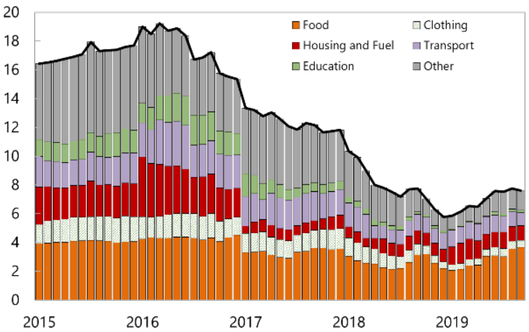
Ghana: Real GDP Growth
(Percent)



Sources: Ghanaian authorities and IMF staff calculations.

…and rebased headline inflation is firmly within the inflation target band.

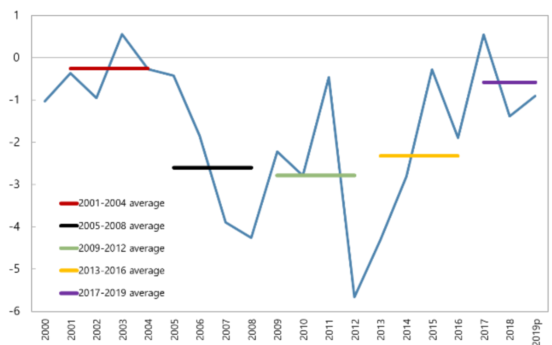
Ghana: Contributions to Headline Inflation
(Percent)



Sources: IMF staff calculations based on a preliminary historical linked CPI series.

The fiscal stance has improved markedly in recent years…

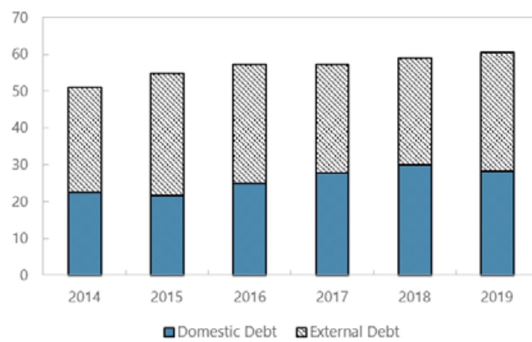
Ghana: Primary Fiscal Balance
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations.

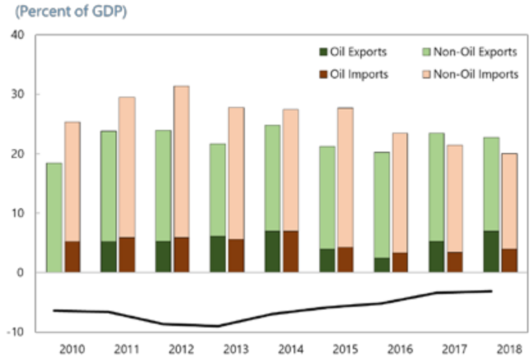
…but government debt has continued to rise.

Ghana: Central Government Gross Debt
(percent of GDP)



The current account has improved due to higher oil and gas production and import compression…

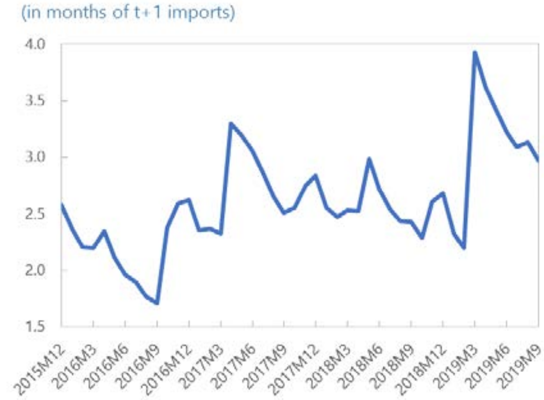
Ghana: Current Account Balance
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations.

…while reserves have stabilized, owing in part to external borrowing.

Ghana: Gross International Reserves
(in months of t+1 imports)



OUTLOOK AND RISKS

6. Medium-term prospects are favorable. New oil field production is expected to support medium-term growth around 5 percent. At current policies, the overall government deficit is projected to stabilize over time at about 5 percent of GDP. Inflation is expected to decline over time to 6 percent. International reserves would remain at about two months of imports but would strengthen in later years as oil and gas exports pick up. This relatively stable outcome is predicated on continued access to markets and refinancing of the large domestic and foreign public debt.

Ghana: Key Macroeconomic Indicators

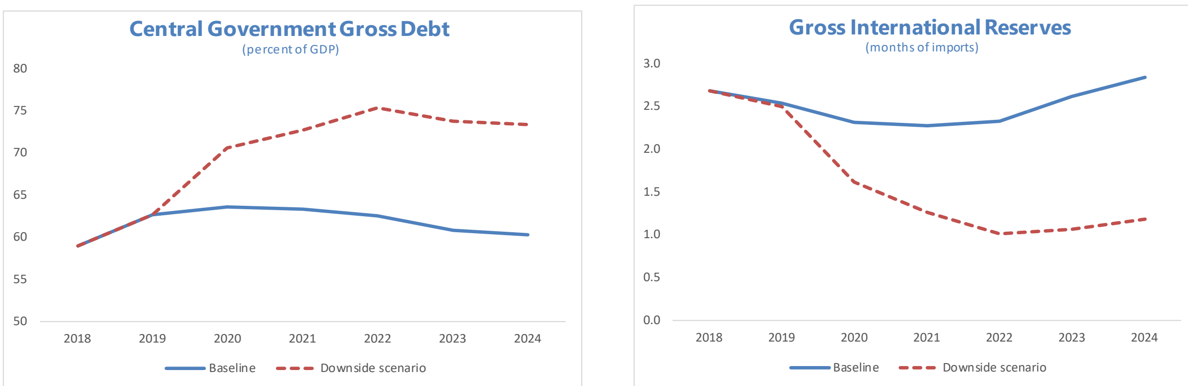
	2017	2018	2019	2020	2021	2022	2023	2024
	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)							
GDP at constant prices	8.1	6.3	7.0	5.8	4.0	3.7	6.7	4.4
Consumer price index (annual average)1	12.4	9.8	7.7	7.6	7.3	6.9	6.4	6.1
Overall fiscal balance (in percent of GDP)	-4.7	-7.0	-7.0	-6.4	-5.4	-5.0	-5.0	-5.0
Central government debt (gross, in percent of GDP)	57.3	59.0	63.1	63.3	63.1	62.3	60.6	60.2
Domestic debt	27.7	30.1	31.0	30.0	31.0	32.2	33.5	35.3
External debt	29.5	28.9	32.1	33.2	32.1	30.1	27.1	24.9
Gross international reserves (millions of US$)	5,491	5,317	5,116	5,015	5,066	5,362	6,200	6,879
in months of prospective imports of goods and services	2.8	2.7	2.4	2.3	2.3	2.3	2.6	2.8

Sources: Ghanaian authorities; and Fund staff estimates and projections.

7. The risk of debt distress rating in the Debt Sustainability Analysis (DSA) remains high. The medium-term debt path is now higher than in the March DSA, reflecting lower GDP growth in 2019 and a higher government deficit (largely due to energy sector costs) and debt service over the medium term. Public and publicly-guaranteed debt (DSA measure), including Sinohydro-related debt obligations and debt of key energy sector SOEs, is projected at 66.5 percent of GDP at end-2019 and is expected to peak at about 68 percent of GDP in 2020, gradually declining to 64 percent by 2024. The DSA rating is mainly driven by debt service to revenue exceeding the threshold throughout the forecast horizon, though all other indicators also exceed their thresholds at some point over that horizon.

8. The baseline scenario has upside and downside risks (Annex II). New oil discoveries or rapid diversification driven by the industrialization efforts could increase medium-term growth while bold reform efforts after the election, especially on domestic revenue mobilization, would improve the fiscal position. In addition, Ghana and Côte d'Ivoire, the largest cocoa producers in the world, may be successful in implementing their joint initiative to increase cocoa sale prices. Downside risks include election-related spending pressures and debt rollover difficulties, possibly driven by loss of investor confidence or a tightening of global financial conditions. Commodity prices may weaken, possibly because of a global slowdown or trade disruptions. Energy and financial sector costs could be higher than projected, e.g. due to energy sector reform delays, higher-than-expected reimbursement of depositors and/or investors, and increased costs of recapitalization of state-owned banks. Medium-term policies may weaken, undermining further macroeconomic improvements.

Figure 2. Ghana: Alternative Policy Scenario



9. **An alternative scenario considers weaker fiscal policies starting in 2020** (Figure 2)**.** The scenario assumes that the fiscal deficit increases in 2020 in line with average fiscal slippages in the last two elections and remains above 8 percent of GDP over the medium term. A more accommodative monetary policy allows inflation to rise to double digits in 2020 and to remain thereafter above the upper bound of the inflation target. Growth is temporarily higher in 2020 due to the fiscal impulse but then falls below the baseline level due to lower investor confidence. In the scenario, the debt rises to 75 percent of GDP in 2022 and remains above 73 percent of GDP over the medium term, while gross reserves fall to one month of import coverage in 2022 before stabilizing.

Authorities' views

10. **The authorities broadly agreed with the outlook and risks, but they were confident about Ghana's medium-term growth potential.** They were confident that the commitment to macroeconomic stability demonstrated in the last three years, as well as the institutional changes to entrench discipline and irreversibility of robust government policies including the implementation of the Fiscal Responsibility Act and the establishment of the Fiscal Responsibility and Financial Stability Councils, will allow Ghana to maintain sound policies in 2020 and beyond. They recognized that Ghana, as a major commodity exporter, is vulnerable to global market conditions, but they anticipated that the diversification brought about by the "Ghana Beyond Aid" agenda may lower these risks over the medium term. In addition, they underscored the upside risk from the ongoing reforms including the agricultural modernization and industrialization drive. They expect ongoing efforts to promote digitalization to increase the size of the formal economy, boost economic growth, reduce corruption, and expand the tax base over the coming years. The authorities felt that projections for Ghana's international reserves should include assets held in the oil fund (about US$850 million), following the central bank's own measure.

POLICY DISCUSSIONS: DELIVERING MACROECONOMIC STABILITY AND INCLUSIVE GROWTH

Discussions focused on entrenching macroeconomic stability and laying the ground for the strong, sustained, and inclusive growth envisaged by the authorities' "Ghana Beyond Aid" strategy. Staying the course on fiscal policy would confirm the authorities' commitment to fiscal discipline and debt sustainability, break the cycle of past electoral slippages, and help contain rollover risks. The BoG's accumulation of external buffers and readiness to increase policy rates can protect the economy from shocks, while the completion of the financial sector clean-up, together with lower government borrowing needs, would allow strengthening credit to the private sector.

A. Preserving Fiscal Sustainability

Fiscal Policy

11. The authorities remain firmly committed to fiscal discipline and breaking with the pattern of high fiscal deficits observed in previous electoral cycles. The fiscal deficit increased by over 3 percent of GDP on average during the last three electoral cycles. The adoption of the 2018 Fiscal Responsibility Act, which imposes a deficit ceiling of 5 percent of GDP and requires a positive primary balance, is a strong signal of the authorities' intention to break with the past.

12. The authorities have passed a 2020 budget that meets the fiscal rules thanks to revenue and spending measures. The 2020 budget targets a headline fiscal deficit (excluding financial and energy sector costs) of 4.7 percent of GDP and a positive primary balance. Key revenue measures include the extension of the National Fiscal stabilization levy to all firms (about 0.1 percent of GDP), the sale of telecommunication licenses (about 0.15 percent of GDP), and improvements in compliance including in the oil sector (0.2 percent of GDP). On the spending side, the budget accommodates a wage bill increase of 15 percent following negotiations with labor unions while keeping goods and services spending, including flagship program implementation, to the projected 2019 level. Based on baseline macroeconomic assumptions for 2020 and more conservative estimates of government revenues, staff projects the headline deficit at 4.9 percent of GDP, equivalent to an overall deficit of 6.4 percent of GDP. This implies a tightening of 0.6 percent of GDP compared to the projected 2019 outcome.

13. A tighter fiscal path would limit risks and improve domestic and external balances. At current policies, the overall balance is projected to stabilize around 5 percent of GDP over the medium-term, including energy sector costs. However, a more ambitious stance targeting smaller medium-term budget deficits than the baseline would place the government in a stronger position, with lower government borrowing and rollover risks, and raise buffers to accommodate contingent liabilities. A tighter policy mix would also contain domestic demand and improve the external position, resulting in a higher international reserve cover.

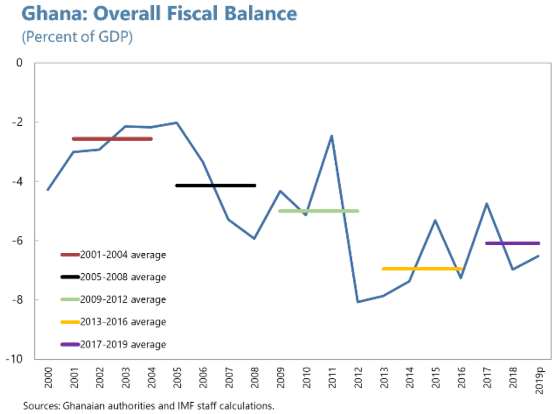
14. Stronger domestic revenue mobilization is key to improving the fiscal position (Annex IV). Ghana's tax revenue to GDP remains low relative to peers (Figure 3). The "Ghana Beyond Aid" strategy envisages an increase in the tax ratio to 18 percent of GDP by 2023. While this target may be ambitious given current levels, it underscores the authorities' focus on increasing tax revenues to create fiscal space and ensure public debt sustainability. Staff discussed possible short-term measures such as indirect taxes on financial and communication services (Annex IV). Elements of a tax revenue strategy could include: (i) extension of property taxes; (ii) development of comprehensive framework for taxation of extractive industries; (iii) reduction of exemptions through adoption of the Exemptions Bill currently in Parliament and revision of remaining exemptions; and (iv) leveraging technology to improve the taxpayer registry, interconnect the tax payment platform, and enhance the risk-based compliance system.

Authorities' views

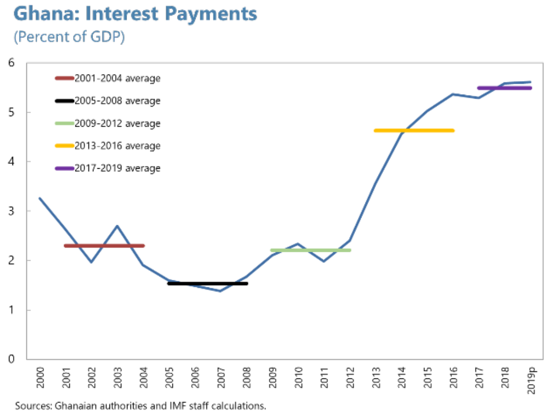
15. The authorities reiterated their resolve to break the political budget cycle and to maintain the hard-earned macroeconomic gains achieved since 2017. They underlined the exceptional and strategic nature of some key spending items in 2019 such as financial sector restructuring, energy, and security, and contended that expenditure controls remained effective. For 2020, the authorities reiterated that the budget law will deliver a headline budget deficit that respects the fiscal rules, despite the increasing fiscal pressures typical of an election year. They count on the prioritization of spending programs and gains in revenue administration from the recent leadership overhaul at the Ghana Revenue Authority and automated and paperless processes at Tema port. They remain committed to improving revenue mobilization in line with their medium-term revenue mobilization strategies to create fiscal space for the implementation of the "Ghana beyond Aid" strategy, while keeping taxation at a level conducive to private sector development and robust economic growth.

Figure 3. Ghana: Recent Fiscal Developments

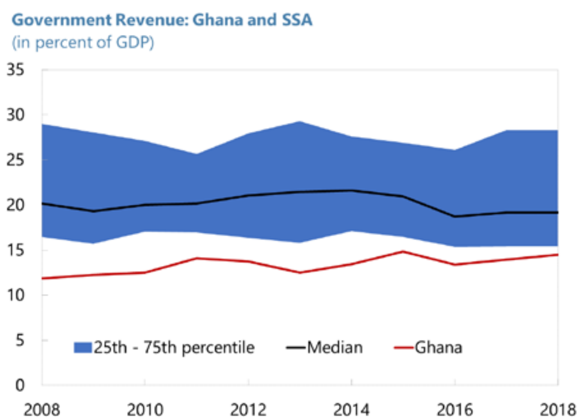
The overall fiscal balance has improved in recent years but remains large…



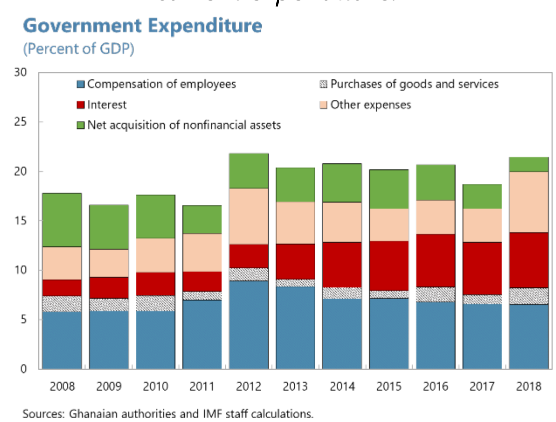
…due to high interest payments on a growing debt stock.



Revenue mobilization is low compared to peers…



…and the primary budget remains tilted towards current expenditure.



Public Financial Management

16. The fiscal rules could be further strengthened (Box 1). About 2.8 percentage points of GDP in financial and energy sector costs (financed in part through ESLA bond issuance) were recorded below the line in the 2019 budget because the government considers the financial sector costs as one-off and energy costs as debt amortization. Best international practice would include these transactions above the line, as they reflect either direct government obligations or government transfers to SOEs. In addition, spending on roads (Cocobod) and potentially infrastructure collateralized on bauxite exports (Sinohydro) should be recorded in the central government budget. Finally, a formal debt anchor targeting a sustainable debt-to-GDP ratio over the medium term could effectively guide fiscal policy and reduce uncertainty about the debt trajectory.

Box 1. Fiscal Rules

Ghana introduced fiscal rules in the 2018 Fiscal Responsibility Act. The Act envisages two fiscal rules: (i) the overall fiscal balance on cash basis shall not exceed a deficit of 5 percent of GDP; and (ii) an annual positive primary balance shall be maintained. Covered entities included the central and local governments, autonomous agencies, and statutory bodies. The law contains escape clauses that allow for suspension of the rules for circumstances of force majeure, severe economic shocks (including commodity price shocks), and periods when the GDP growth rate is one percent or below. If the fiscal rules are missed by more than one percentage point, parliament may pass a vote of censure on the Minister of Finance.

The President also established a Presidential Fiscal Responsibility Advisory Council. Among other functions, the council advises on how to ensure that the fiscal rules are met and that the debt to GDP ratio does not exceed the informal guideline of 65 percent of GDP. The council is composed of seven members appointed by the president and whose terms lapse with the president's term.

National fiscal rules in African countries, 2015

(Percent of GDP; coverage is central government unless otherwise noted)

	Debt 3/	Domestic borrowing 3/	Budget deficit 3/	Expenditure 3/
Botswana	40			
Cabo Verde 1/	60	3		
Mauritius 2/	50			
Namibia	30			30
Nigeria			3	

Source: IMF Fiscal Rules Database.

1/ The debt limit refers to short- and medium-term debt only. It is not binding. The limit on domestic borrowing applies to net domestic financing.

2/ As of 2018. Applies to general government; 3/ Annual ceiling.

While the fiscal rules are important tools to support fiscal discipline, consideration could be given possible modifications:

- ***Anchor***: The framework could define an additional fiscal anchor in terms of a specific debt ceiling path. About 70 percent of the countries in the IMF's Fiscal Rules database have a debt rule, including most African countries with fiscal rules.
- ***Simplification***: Two operational fiscal rules could lead to confusion over the binding rule. For example, if interest expense is more than 5 percent of GDP, one rule could be met while the other is missed. Setting one formal rule and keeping other measures as indicative targets would establish a hierarchy to avoid perception of internal conflicts.
- ***Flexibility***: Escape clauses need to be better-specified. For instance, it is not clear if the 1 percent growth threshold applies to one quarter or one year. Furthermore, independent scrutiny is required, perhaps through parliament, before the rule is suspended.
- ***Enforcement***: When rules are breached, corrective measures could be required.
- ***Reporting***: The requirement for the Minister of Finance to provide quarterly reports to the cabinet on rule compliance is good practice, but the reports should also be published.
- ***Fiscal council***: As experience is gained with the fiscal rules, it may be beneficial for the advisory council to evolve into an entity with legal and operational independence from the executive branch.

17. The PFM law and guidelines have established a framework for sound public financial management. The ongoing roll-out of the regulations implementing the 2016 PFM law, developed with Fund assistance, has required important reforms, including deploying revamped systems for financial management (GIFMIS), audit management (AMIS), human resources management (HRMIS), and establishing the Treasury Single Account (TSA). However, project investment management (PIM) is not fully effective yet, including GIFMIS only reflecting the current year expenditure allotment for multiyear projects.

18. The State Interests and Governance Authority Act (SIGA) has created an entity to oversee corporate governance in public corporations. Effective oversight will require financial reporting from SOEs as determined under the PFM regulations, developing a Code of Corporate Governance and operational guidelines, and implementing a robust enforcement mechanism. These efforts would enhance governance and complement the authorities' efforts to further improve the flagship SOE report.

19. A public sector balance sheet (PSBS) could improve management of government assets and risks.[3] Developing a PSBS could draw attention to the substantial financial and non-financial wealth held by the public sector and encourage more efficient and effective use of public resources, including natural resources. A PSBS can also facilitate management of fiscal risks emanating from all public sector entities, including SOEs.

Public Debt Management

20. Public debt is increasingly market-based (Figure 4). In 2019, almost 80 percent of the gross financing needs estimated at 16 percent of GDP will be financed on the domestic and international markets. Nine outstanding Eurobonds make up for about 26 percent of external debt. The share of outstanding domestic debt held by foreign investors has declined in 2019 but remains at about one-third. Off-budget operations, including ESLA, Sinohydro, and GETFund, contribute to public debt but their decentralized and not always transparent nature complicates oversight and management of public financing, raising the scope for corruption.

21. Debt management in 2020 should remain flexible in light of the uncertain global environment. The authorities have succeeded in lengthening the debt maturity, deepening the domestic debt market, and tapping international

Ghana: Central Government Debt Structure

	2018	
	USD million	% of GDP
Total public debt	38,967	59.5%
Domestic debt	18,943	28.9%
Marketable	13,917	21.2%
By original maturity:		
1 year and under	2,408	3.7%
2-5 years	8,122	12.4%
Above 5 years	3,386	5.2%
Non-marketable	5,259	8.0%
External debt	20,024	30.6%
Multilateral	6,390	9.8%
Bilateral	1,205	1.8%
Paris Club	754	1.2%
Non-Paris Club	451	0.7%
Commercial	7,343	11.2%
o/w: Eurobond	4,978	7.6%
Export/Suppliers/Buyers Credits	1,236	1.9%
Other Concessional	1,694	2.6%
Memo items		
Nominal GDP	65,518	100.0%
Domestic debt held by non-residents	5,692	8.7%

Source: Ministry of Finance

[3] See Selected Issues Paper on "A Public Sector Balance Sheet for Ghana" accompanying this Staff Report.

capital markets. The coming year will likely test Ghana's debt management skills. The Ministry of Finance (MOF) may want to consider international issuances in advance of maturity dates to distribute financing pressures, lower the average effective interest rate, and support international reserves. Liability management operations should aim to smoothen the domestic redemption profile going towards the elections, to limit refinancing risks and increasing buffers. Transparent, regular, and consistent market communication, including improved coordination and visibility of debt issuance across government entities, would also facilitate the management of possible turbulence.

Authorities' views

22. The authorities are confident that the new fiscal framework will ensure "irreversibility" of reforms to sustain fiscal discipline, though there is room for improvement. They pointed to predictability introduced by the PFM Act in the budget process and to the improved accountability along the expenditure chain with the use of GIFMIS, including budget execution units in MDAs and MMDAs. The authorities also highlighted that the Fiscal Responsibility Law has crystalized discussion around a fiscal deficit below 5 percent of GDP as opposed to much higher targets in the past. In their view, the new fiscal framework, supported by Cabinet, has changed both expectations and behaviors of the main stakeholders in the PFM space. They underlined the significant progress in debt management, including efforts to extend maturities and develop the yield curve. They agreed on the urgency of coordinating debt issuance across government entities to contain fiscal risks and ensure fiscal sustainability.

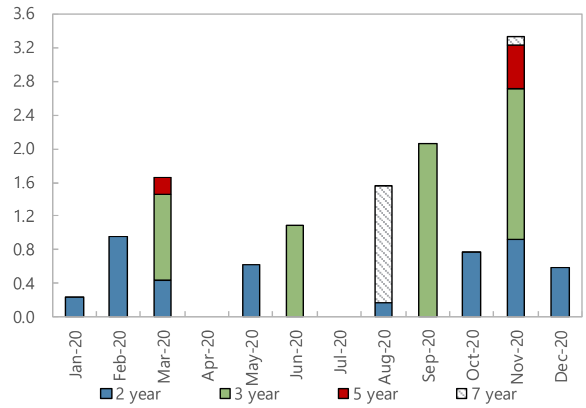
B. Strengthening Monetary and Exchange Rate Policies

23. With inflation close to target and inflation expectations anchored, the monetary policy stance seems appropriate (Figure 5). The end of monetary financing, supported by a Memorandum of Understanding (MoU) between the MOF and the BoG (which remains in effect through 2020), contributed to a significant reduction in inflation. This allowed a normalization of monetary policy, with the MPC lowering the policy rate to 16 percent in January and keeping the rate unchanged since then. In September, the authorities released a rebased CPI that points to substantially lower inflation, partly due to the expanded coverage of the CPI basket and smaller price increases in discretionary non-food categories. In addition, inflation expectations remain aligned with the central bank's target, and short-term real rates are above the historical average. This context suggests that the current policy rate is appropriate. The MPC should remain cautious as inflationary pressures could re-emerge, and a relatively tight stance may help stabilize the exchange rate and reduce FX interventions.

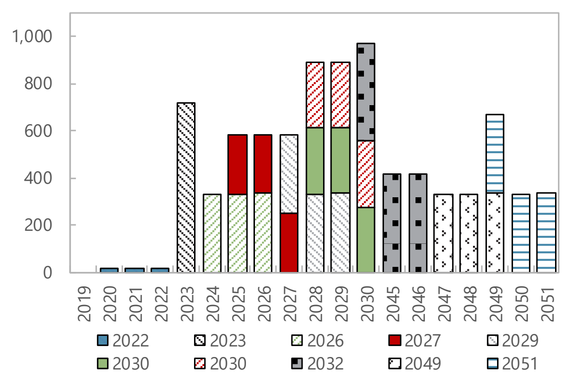
Figure 4. Ghana: Recent Debt Developments

The domestic redemption profile in 2020 requires careful management…	*…while external borrowing only presents a risk starting in 2023.*

Redemption Profile of Medium-Term Domestic Debt
(GHc billion)

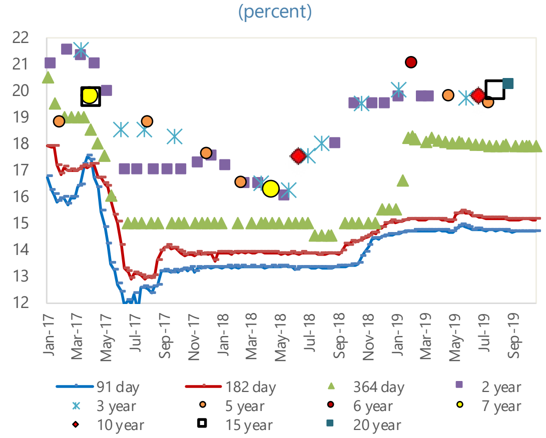


Eurobond Redemption Schedule
(USD million)



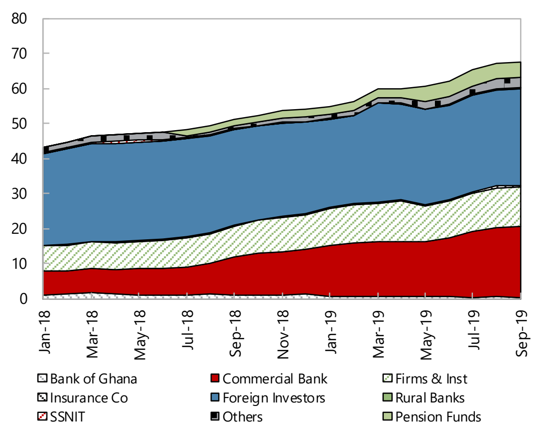
Yields on the domestic primary market are stable but have stayed high…	*…consistent with the shift in investor base since April 2018.*

Yield at Primary Issuance
(percent)



Note: the 1-year note was replaced by a 364-day T-bill on 14th January 2019.

Holders of MLT government securities (≥1-yr)
(GHc billion)



Note: Pension funds were added as a category in July 2018 .

24. Over the medium term, the authorities could revisit the current inflation target. Ghana's current inflation target range of 8±2 percent is relatively high compared to SSA peers such as Kenya (5±2.5 percent), South Africa (3-6 percent) and Uganda (5 percent), and also relative to its trade partners. If inflation remains below or close to target, it may be appropriate to adopt a lower target over the medium term, provided that this change is carefully implemented and communicated. Coordination with fiscal policy would also be key, including to ensure that a lower target and related tightening of money supply would not crowd out private-sector credit.

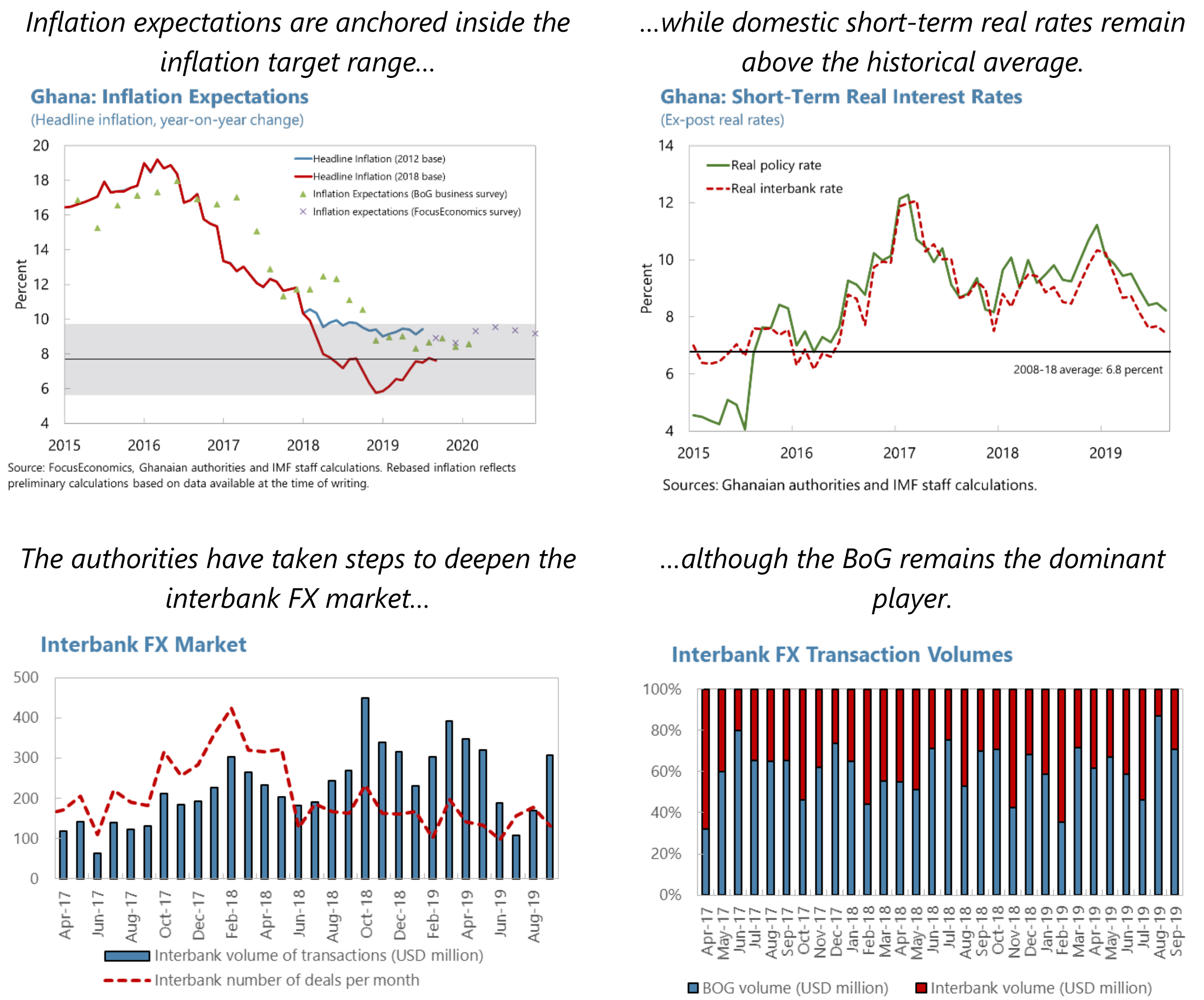
25. The authorities are taking steps to strengthen the IT framework and the FX market, which continues to be dominated by BoG transactions. With international reserves stable in 2019 largely thanks to foreign borrowing, it remains crucial to reduce FX interventions by applying the new rule-based FX intervention policy, which could help build stronger external buffers. The authorities are promoting more market-based FX transactions, including by conducting their first forward auctions in October. These auctions may help mitigate exchange rate volatility, although they create a net open position for the central bank that must be carefully managed.[4] The BoG has also introduced new repo guidelines, which will help develop the interbank market.

Authorities' views

26. The authorities agreed with the need to maintain price stability and build external buffers. While they shared staff's outlook for inflation and monetary policy stance, they also felt that a lower policy rate could have been warranted if the fiscal position had been stronger and less dependent on non-resident domestic financing. In their view, the inflation target could be lowered over the medium-term to maintain competitiveness against trading partners and in line with ECOWAS criteria, but always in coordination with government's medium-term macroeconomic framework. The authorities also believe that stronger FX buffers compared to previous years leave them better positioned to address potential adverse shocks going forward. The authorities considered that their limited FX interventions were consistent with inflation targeting and building international reserves and did not impede the development of the FX interbank market.

[4] A limit of US$10,000 withdrawal per trip and per annual transfer without documentation—a capital flow management measure (CFM)—remains in place. Removal of this restriction would be consistent with the Fund's Institutional View on CFMs.

Figure 5. Ghana: Recent Monetary Developments



Source: FocusEconomics, Ghanaian authorities and IMF staff calculations. Rebased inflation reflects preliminary calculations based on data available at the time of writing.

Sources: Ghanaian authorities and IMF staff calculations.

C. Delivering Sustained and Inclusive Growth

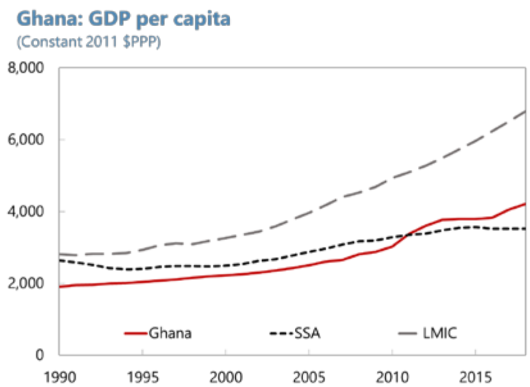
Growth Strategy

27. **The Ghana beyond Aid strategy aims to accelerate growth through an agricultural modernization and industrialization drive** (Box 2 and SIP). While Ghana has experienced strong growth in recent decades, this has been increasingly driven by the extractive sector, with the effect that growth has become less inclusive (Figure 6). In response, the authorities are promoting a development strategy based on expanding manufacturing and agriculture productivity, exploiting Ghana's perceived comparative advantages in agro-processing and heavy industries like aluminum, steel and petrochemicals. Economic diversification will also help mitigate risks of Dutch disease linked to a growing reliance on commodity exports and broaden the tax base.

28. The authorities are also addressing supply-side constraints through structural reforms that encourage formalization and digitalization. These include the ongoing digitalization of tax and judicial procedures, the introduction of unique digital addresses for every location across the country, and an increasing role of mobile money operators and microfinance lending. Streamlined customs procedures at the revamped Tema port create opportunities to attract additional trade flows, especially given the recently established AfCFTA.

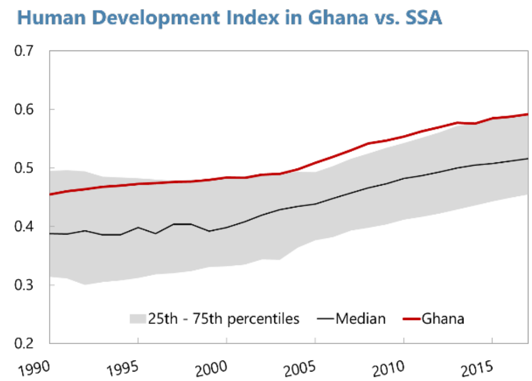
Figure 6. Ghana: Economic Growth and Living Standards 1990–2018

Ghana experienced robust GDP per capita growth over the past three decades…



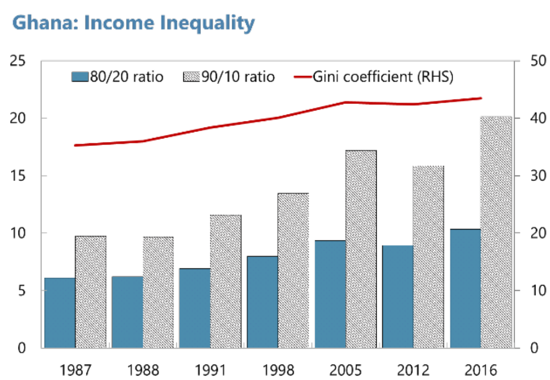
Sources: World Bank WDI and IMF staff calculations.

…together with a substantial improvement in living conditions.



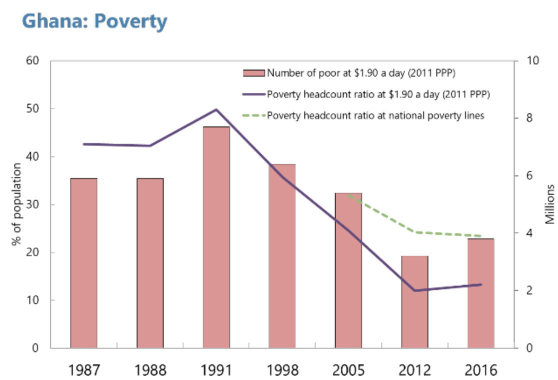
Sources: Human Development Report and IMF staff calculations

However, growth has become less inclusive in recent years, with rising inequality…



Sources: World Bank Poverty & Equity database and IMF staff calculations

…and slower poverty reduction.



Sources: World Bank Poverty & Equity database and IMF staff calculations.

29. Progress in social outcomes has also relied on flagship government programs, which will have to become more targeted as Ghana develops. Public programs such as the National Insurance Health Scheme, the Free and Compulsory Universal Education, and the Free Senior High School have contributed to major improvements in health and education, especially among women. However, income and regional inequality remain a concern with weaker access to basic services and higher unemployment and poverty in the northern regions compared to more urban regions near the Accra-Kumasi-Takoradi triangle. Addressing these inequalities requires more targeted and means-tested social interventions that can deliver improvements while minimizing budget costs.

Box 2. Diversification Through Industrial Policy

Ghana aims to diversify its economy away from exports of raw material—cocoa, gold, and, increasingly, oil and gas. To boost local value-addition, the government has deployed the One District One Factory (1D1F) program, which seeks to facilitate the establishment of at least one factory in each district, and the One Region One Industrial Park (1R1P) program, targeting one industrial park in each of the 13 regions (including six new regions). These programs seek to attract private investment through tax breaks and subsidized credit.

Ghana's export-led approach could benefit from the AfCFTA, though overcoming nontariff barriers is crucial. Unlike Africa's exports to the rest of the world, intraregional trade flows in Africa are relatively more diversified and contain higher value-added goods. At only 12–14 percent of total imports, and around 10 percent for Ghana (2018), intraregional trade has ample room to expand. Initiative such as the PPP-financed port expansion in Tema, featuring paperless clearance system, stand to tackle nontariff barriers by improving turnaround time of cargo, transparency, and ease of doing business.

The authorities' approach relies on tax incentives and strategic collaboration in targeted industries. The package of incentives available to investors typically includes duty-free imports of equipment and raw material, tax holidays of between 5 to 10 years (including corporate income tax), and subsidized rents. The government is relying on the G20 Compact with Africa and bilateral relations to build collaboration with the private sector. In the 1R1P, the collaboration aims at aligning infrastructure provision and agglomeration economies to spur industrial growth, especially outside of the dominant coastal belt of Ghana. The government also facilitates access to credit through subsidized loans under the 1D1F program.

Ghana's industrial policy can complement efforts to "level the playing field" across firms, but it should carefully balance domestic revenue mobilization needs. Cross-country experience suggests that industrial policies that foster competition in a sector can improve productivity growth. This would involve eliminating excessive regulations and distortions, such as barriers to entry or access to credit. More generally, efforts to improve the business environment, physical connectivity, and reduce electricity costs would also complement Ghana's diversification agenda. Given the limited fiscal space and debt vulnerabilities, it is important to carefully manage spending and tax expenditures to promote industrialization, especially if perspectives of profitable ventures are limited. Empirical evidence shows that there is often ample room for more effective and efficient use of investment tax incentives in low-income countries, including through good governance. Their fiscal costs should be reviewed annually as part of a tax-expenditure review.

Authorities' views

30. **The authorities agreed with staff on the need to sustain inclusive growth.** They see "Ghana beyond Aid" as an ambitious but achievable national transformation strategy to provide

opportunities, jobs, and prosperity to all Ghanaians. They believe their ongoing reform agenda, especially digitalization, can turn Ghana into one of the most business-friendly countries in Africa as well as dramatically improve public service efficiency and delivery. They underlined that diversification through export competitiveness, productivity increases, and technological upgrading will result in a competitive and more resilient economy. They noted the importance of modernizing agriculture to continue improving livelihoods, especially in rural areas, and reduce food imports through import substitution.

Reforming the Energy Sector

31. Fiscal risks from the energy sector have started to materialize. Power sector arrears were about US$2.7 billion in late 2018, of which US$800 million was owed to private fuel suppliers and independent power plants (IPPs). For 2019, the authorities project the financing shortfall for the sector to be at least US$1 billion (1.5 percent of GDP), which they plan to partially finance off budget. Partial payment arrangements may be insufficient to stave off more formal approaches by IPPs to collect amounts due. Absent measures to address the sector's financial problems, the accumulated cost to the government, including current arrears, could reach US$12.5 billion by 2023, driven by a power sector structural deficit and costly LNG contracts set to become effective in 2020. Moreover, the termination of a concession to run the southern electricity distribution network to private operator PDS over fraud allegations is a setback to reducing distribution losses.

32. The authorities are taking steps to move the energy sector toward financial health. In addition to recent increases in electricity tariffs, the authorities have developed a multiyear Energy Sector Recovery Program (ESRP) with assistance from the World Bank (Box 3). The ESRP contains a series of measures to be implemented over the next five years which would bring greater balance between Ghana's power and gas supply and demand. With these measures, staff estimates that annual energy sector payments in the budget would average about 1 percent of GDP.

Authorities' views

33. The authorities expressed their commitment to implement the ESRP. As part of this plan, they have already: (i) adjusted utility tariffs upwards; (ii) relocated a mobile power plant to exploit existing gas; (iii) deferred or cancelled some imminent power projects; and (iv) commenced a collaborative consultation process with IPPs and gas producers to modify the contract terms to address an unwarranted liability for the government and excess capacity structured on a take or pays basis. In their view, the status quo is not sustainable and threatens Ghana's fiscal sustainability.

Box 3. Energy Sector Challenges

The energy sector financial problems are rooted in excess power capacity and gas supply. Dependable power generation capacity of about 4,600 MW exceeds peak demand load by 70 percent. Under take-or-pay contracts with IPPs, Ghana pays about US$500 million annually for power generation capacity that it does not use. This oversupply stems from the response to the 2014 energy crisis, when the government contracted emergency power generation to keep the lights on. Limited coordination across government agencies led to further contracting of generation capacity well beyond existing demand. Ghana has also contracted for the supply of 750 mmscf of gas per day by 2023 including the importation of large quantities of LNG, while demand is projected to reach about 450 mmscf per day.

Other structural factors also contribute to the sector financial woes. These include non-payment of utility bills by government entities, which comprise 40 percent of outstanding arrears in late 2018, technical and commercial electricity losses, and the large reduction in regulated electricity tariffs in 2018. To date, the main power sector SOEs—VRA (power generation), Gridco (transmission), and ECG (distribution)—have borne the brunt of the sector's financial difficulties in the form of arrears, underinvestment, and financial losses.

Cabinet has approved a comprehensive plan to restore the energy sector to financial health. The launch of an Energy Sector Recovery Program (ESRP) in May was an important first step to improve the situation. Steps taken to implement the ESRP include: (i) reducing the domestic gas price; (ii) relocating the Karpower generation plant and establishing reverse gas flow through the West African Gas Pipeline to absorb domestic gas production in the west; and (iii) starting the renegotiation of expensive power generation contracts. The MoF has also began paying directly some energy bills and netting these payments against the amounts owed by the public electricity distributor ECG. Moreover, the regulator raised regulated electricity tariffs 11 percent in July 2019 and another 5 percent in October. Other pressing measures include: (i) establishment of a competitive process for energy supply and service contracts and a moratorium on unsolicited proposals; (ii) addressing the oversupply of gas (e.g. LNG contracts); and (iii) government payment for street lighting.

Implementation hurdles will need to be overcome. The ESRP complements other efforts of the authorities to improve the energy sector's finances and operations. The authorities have issued bonds through a special purpose vehicle (ESLA plc) to clear some of the SOE legacy debts to banks and suppliers. In March, PDS, a private company, took over ECG's distribution operations under a concession arrangement. Key objectives were to improve collections and reduce losses. However, the government terminated the concession in October over allegations of fraud.

Completing the Financial Sector Clean-Up

34. Banking sector performance is improving as the supervisory and regulatory framework is tightened (SIP)**.** Banking sector capitalization has increased steadily since the previous Article IV Consultation and profitability is trending upwards, supported by interest income from government securities. However, the decline in the stock of nonperforming loans (NPL) during 2017-2018 did not continue in 2019, with the NPL overhang still hovering around 2 percent of GDP as implementation of the BoG's strategy for reducing NPLs remains in train.[5] Performance of non-banking institutions is mixed, with persistent underwriting losses for the insurance industry and signs of distress for fund managers. More rigorous licensing and ongoing supervision, proactive early intervention and ongoing regulatory enhancements—more advanced for the banking sector than for non-banks—remain critical to prevent recurrence of financial sector problems.

35. The authorities are forging ahead with the financial sector restructuring, but additional risks are materializing. Following license revocation for more than 400 SDIs between May and August 2019, upfront reimbursement of small depositors (up to a cap of GHc 20,000) is ongoing. However, preliminary data suggests that the deposit base may be larger than expected, posing additional risks to the budget. Staff estimates SDI reimbursement costs at 0.6 percent of GDP, on top of 3.3 percent of GDP for the banking sector clean-up. Additional costs may stem from the possible compensation of investors of distressed fund managers following the license revocations by the Securities and Exchange Commission (the budget portion of which is estimated by staff at 0.5 percent of GDP for 2020); ongoing litigation linked to the clean-up; contagion risks stemming from cross-sectoral exposures (e.g., banking sector exposures to failed SDIs and distressed fund managers); and the recapitalization of a state-owned bank. The substantial increase of estimated capital needs for this bank underscores the urgency of finding a solution that minimizes taxpayer costs.

36. The BoG's balance sheet will need to be shielded from further losses and strengthened over time. Operating losses in 2017 and 2018—mainly due to the impairment of uncollateralized loans to commercial banks—have weakened the BoG equity position[6] and recoveries from the various receivership operations are only slowly materializing. Retaining earnings, strengthening the ELA framework, and translating the provisions of the MOF-BoG MOU provisions into legislation would be key steps to improve the BoG's balance sheet.

37. Access to credit remains a bottleneck to sustained economic growth (Figure 7). Private-sector credit has remained around 12 percent of GDP since 2015, which is low compared to the SSA median of 16 percent of GDP, suggesting potential for financial deepening. However, credit growth

[5] The strategy is organized around three pillars, i.e., supervisory actions to address the stock and flow of NPLs; insolvency and debt enforcement reforms to facilitate debt workouts; and improvements of the credit architecture to mitigate credit risks. Further details can be found in the Selected Issues Paper that accompanies this report.

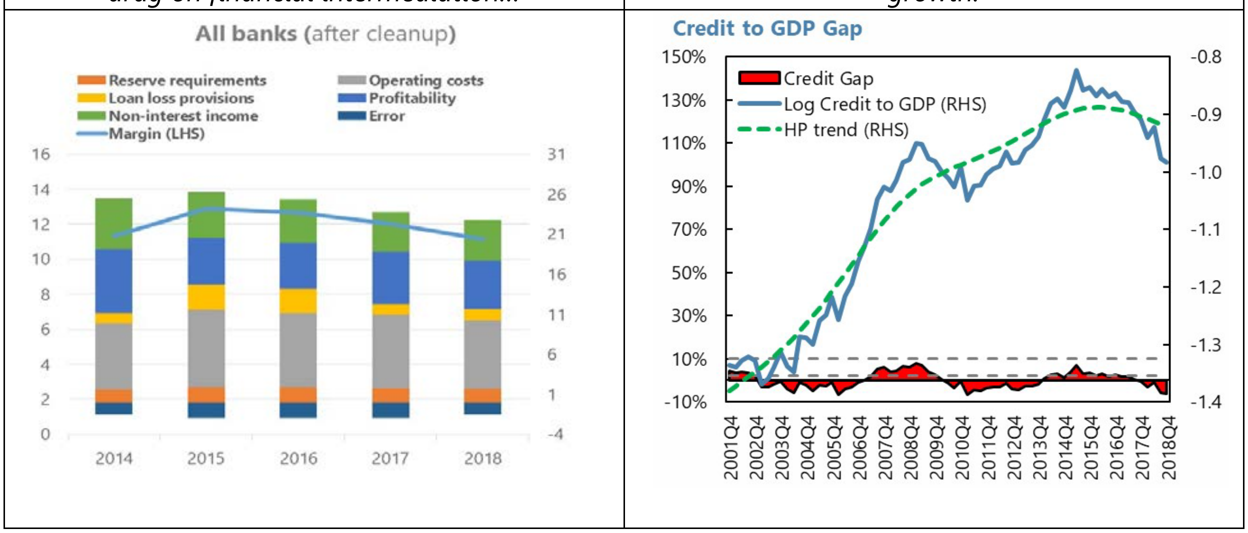
[6] Progress has been slow in implementing the 2018 safeguards recommendations related to the BoG's framework for the provision of liquidity support. The BoG has benefited from technical assistance on its liquidity support framework in Q2 2019 and is currently implementing its recommendations.

is still hampered by high NPLs that continue to burden banks' balance sheets. At the same time, banks find it safer and lucrative to buy T-bills or place excess liquidity at the central bank. High operating costs are also a drag to financial intermediation. As a result, bank lending rates have not fully responded to the sizeable reduction in funding costs, contributing to tepid private-sector credit growth.

38. Tighter supervision can help ensure durable improvements in financial sector governance. The introduction of new regulatory standards on corporate governance can help counteract potential insider abuse and create a stronger risk culture in the financial sector. Still, effectiveness will depend on enhanced supervisory scrutiny of banks' internal governance and risk management; assessment of shareholder suitability and fitness and propriety of directors and key management personnel; and review of banks' frameworks to manage related-party transactions.

Figure 7. Ghana: Private-Sector Credit Developments

High operating costs increase spreads and are a drag on financial intermediation…	*…contributing to slow private-sector credit growth.*

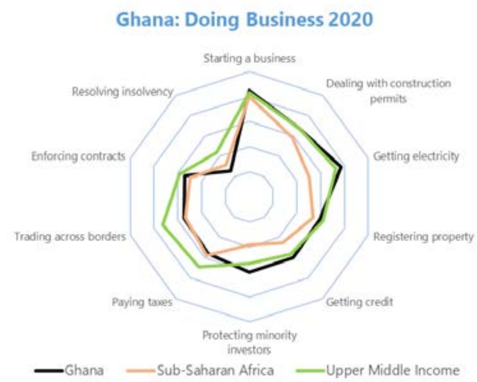


Authorities' views

39. The authorities felt that the financial sector was well on its way to recovery. They believe that the reforms over the past years have been successful in improving banking sector resilience, as evidenced by improved financial soundness indicators, and will contribute—together with further innovation in nonbank credit channels—to lower lending rates and a rebound in credit to key sectors. However, they remain committed to complete the ongoing reimbursement of depositors of defunct SDI as quickly as possible and address residual pockets of vulnerability in the securities industry, with the aim to buttress confidence and transform Ghana into a financial hub in West Africa.

Business Environment, Governance, and Corruption

40. Rapid economic growth has been accompanied by an improving business environment, though Ghana still faces governance challenges. Ghana compares favorably to other Sub-Saharan Africa economies in the latest Doing Business report, scoring well in dimensions like starting a business, access to credit and electricity and protecting minority investors, but having room to improve on other categories such as resolving insolvency, trading across borders, and paying taxes. The country also fares well in the region in terms of control of corruption and anti-corruption institutions, according to Transparency International, but needs more effort on reducing bribery.



41. Ghana has the basic legal and institutional architecture in place to combat corruption, but important gaps exist. A National Anti-Corruption Action Plan was developed in 2014 to improve corruption prevention and enforcement. Implementation of the Action Plan is monitored by the Commission on Human Rights and Administrative Justice (CHRAJ), which receives yearly reports from relevant stakeholders; however, the last report was published in 2017. Ghana also has in place a system of asset declarations for public officials, although declarations are sealed and not opened outside of an investigation or verified. Some gaps remain in Ghana's legal framework criminalizing corruption, e.g., illicit enrichment and various elements of the bribery offence. Several bodies are involved in corruption enforcement, including the Economic and Organized Crime Office (EOCO), the CHRAJ, the Office of the Special Prosecutor, and the Attorney General's Office. Inconsistent coordination among these bodies may be one cause for delays in court cases and difficulties in securing convictions.

42. Ghana has been a member of the Extractive Industries Transparency Initiative (EITI) since 2007. Ghana's gold and diamond industries are vulnerable to corruption, but Ghana has taken steps to improve transparency in the management of its natural resources. The latest validation of Ghana efforts to comply with the EITI standard occurred in August 2017.

43. The authorities are taking steps to exit the Financial Action Task Force's (FATF) designation as a jurisdiction with strategic anti-money laundering and terrorism financing (AML/CFT) deficiencies. Recent progress has been aimed at improving the AML/CFT legal and supervisory frameworks. The government has developed draft legislation on non-profit organizations and the real estate sector and launched efforts to develop a risk based supervisory framework for dealers in precious metals and stones and real estate intermediaries. Amendments to the AML Act would need to be in line with FATF standards, including appointment of supervisors with adequate powers for the designated non-financial businesses and professions, in addition to development of capacity, which remains low across regulatory authorities. A beneficial ownership register is under development and is expected to be operational by June 2020, although funding challenges have resulted in delays. Effective monitoring of correspondent banking relationships (CBRs) would be important, although CBRs in Ghana have not been affected so far.

Authorities' views

44. The authorities pointed to the ongoing efforts to improve governance and anti-corruption practices and framework. They underscored the bold decisions made to improve good governance, including the appointment of an opposition party member as the head of the Office of the Special Prosecutor and the independence given to anti-corruption institutions. They fully agree with the importance of well-funded anti-corruption agencies and stressed the 25 percent increase in allocation to these agencies in 2017 and 34 percent in 2018. The authorities also underlined their collaboration with FATF and GIABA to strengthen the AML/CFT regime and expressed confidence that the requirements of the Action Plan to exit the "grey list" will be met.

STAFF APPRAISAL

45. Since 2017, the authorities have made remarkable progress in macroeconomic stabilization and have advanced structural reform. The authorities managed to enforce fiscal discipline after large slippages and bring inflation under control through stronger central bank credibility, while improving the external position. The BoG has pushed ahead with the comprehensive restructuring of the financial sector and with regulations designed to prevent the build-up of future problems. The government strengthened public financial management and debt management, tightened monitoring and controls over the public sector, and reinforced anti-corruption institutions. These policies have supported continued high growth.

46. The authorities have also launched an ambitious vision of a self-reliant Ghana that would achieve upper middle-income status over the next decade. The "Ghana beyond Aid" agenda aims at developing industries with export potential that can capture a larger portion of the value chain, thereby spreading sources and benefits of growth. Realization of its upside potential will depend on maintaining a stable government strategy over the political cycle and prioritizing government support given existing fiscal constraints.

47. However, downside risks remain. Macroeconomic stability needs to be fully entrenched, also in the face of possible external shocks. The 2020 elections could create fiscal pressures, which may be heightened by contingent liabilities in the financial sector restructuring and the energy sector. As highlighted by the DSA's high risk rating, still-rising public debt continues to represent a key challenge, as it crowds out private sector credit, compresses fiscal space, and generates rollover risks. However, these risks can be managed through policy action.

48. Fiscal performance and public debt. The government has made a strong commitment to maintaining fiscal discipline. Next year presents an opportunity to break the political budget cycle observed in the past by leveraging the provisions of the Fiscal Responsibility Act. A strong, credible budget combined with consistent debt management would contain rollover risk. Stronger fiscal consolidation compared to the baseline, centered on a comprehensive revenue mobilization strategy, would be critical to better anchor debt dynamics, contain large financing needs, create buffers for contingent liabilities, and support the external position through domestic demand management. Phasing out off-budget operations and avoiding new collateralized borrowing would help reduce public debt and improve fiscal transparency.

49. Energy sector. Implementing the ESRP in coordination with the World Bank and key stakeholders, including by implementing the automatic pricing formula for electricity tariffs and reinstituting private sector participation, is crucial to limit costs to the government and to the public. Clarity in government support to the sector, e.g., through direct, non-offsetting, government transfers to ECG, is needed to improve transparency and accounting of financial flows.

50. Financial sector. Completing the clean-up is the main priority, paying attention to the financial implications for the government budget, e.g., through strict observance of upfront reimbursement caps. Other priorities include pursuing options to address protracted weaknesses of a state-owned bank, based on robust analyses of "least cost" options; accelerating measures to reduce the NPL overhang; completing regulatory reforms, and stepping up recovery of funds from complicit directors and shareholders of failed institutions.

51. Monetary policy is appropriately focused on maintaining price stability. It is important to tighten policy if signs of inflationary pressures materialize. Over the medium term, the authorities may consider lowering the inflation target band in line with other IT countries in the region, in coordination with fiscal policy. Given the risks, the BoG would be well advised to increase external buffers, relying on its FX intervention strategy to find a balance between reserve accumulation and FX intervention. Amendments to the BoG Act aimed at entrenching the monetary financing limits put in place by the MOF-BoG MoU, due to expire at end-2020, are needed as part of an effort to protect and strengthen the BoG balance sheet and support the inflation targeting framework.

52. An anti-corruption framework is in place, but its implementation could be improved. The authorities are encouraged to bring the legal framework in line with the United Nations Convention Against Corruption (UNCAC) and improve its ability to pursue criminal cases of corruption and recover proceeds. Enhancing the capacity of law enforcement and prosecutorial bodies and ensuring clarity in their roles and responsibilities would also increase the effectiveness of the anti-corruption regime.

53. The Fund stands ready to assist Ghana to implement its ambitious structural reform program through Capacity Development (CD) (Annex V). Thanks to intensive CD, Ghana has made gains on public financial management and banking supervision, although support on revenue and customs administration has yet to translate into higher tax revenues. In the post-program environment, CD will continue to play a central role in Fund engagement.

54. It is proposed that the next Article IV consultation take place on the standard 12-month cycle.

Table 1. Ghana: Selected Economic and Financial Indicators, 2017–24

	2017 Est.	2018 Est.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
	(Annual percentage change; unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	8.1	6.3	7.0	5.8	4.0	3.7	6.7	4.4
Non-oil GDP	4.6	6.5	6.1	5.9	5.0	4.7	4.7	4.8
Oil and gas GDP	80.3	3.6	17.1	4.3	-7.4	-9.9	36.3	0.3
Real GDP per capita	5.8	4.1	4.8	3.7	2.4	1.1	4.1	1.8
GDP deflator	10.4	10.2	8.6	7.9	7.6	7.0	6.7	6.3
Consumer price index (annual average)[1]	12.4	9.8	7.7	7.6	7.3	6.9	6.4	6.1
Consumer price index (end of period)[1]	11.8	9.4	7.8	7.4	7.1	6.7	6.2	6.0
	(Percent of GDP)							
Gross capital formation	21.5	14.9	16.0	18.4	19.3	20.4	21.7	22.6
Government	2.5	1.5	1.6	3.0	2.9	3.0	3.3	3.2
Private	19.0	13.4	14.4	15.4	16.4	17.4	18.4	19.4
National savings	18.1	11.7	12.8	14.8	15.7	17.0	19.2	20.2
Government	-1.6	-5.5	-6.1	-5.6	-4.8	-4.4	-4.2	-4.2
Private[2]	19.7	17.2	19.0	20.4	20.4	21.4	23.4	24.4
Foreign savings	-3.4	-3.1	-3.1	-3.6	-3.6	-3.4	-2.6	-2.4
Central government budget (cash basis)								
Revenue	13.9	14.5	14.8	15.5	15.6	15.5	15.5	15.4
Expenditure	18.7	21.5	21.8	21.9	21.0	20.5	20.5	20.5
o/w financial and energy sector related costs	0.0	3.3	2.3	1.5	1.0	1.0	1.0	1.0
Overall balance[3]	-4.7	-7.0	-7.0	-6.4	-5.4	-5.0	-5.0	-5.0
Overall balance excluding financial and energy sector related costs[3]	-4.7	-3.7	-4.7	-4.9	-4.4	-4.0	-4.0	-4.0
Primary balance[3]	0.5	-1.4	-1.3	-0.3	0.6	1.0	0.6	0.4
Primary balance excluding financial and energy sector related costs[3]	0.5	1.9	0.9	1.3	1.7	2.1	1.7	1.4
Central government debt (gross)	57.3	59.0	63.1	63.3	63.1	62.3	60.6	60.2
Domestic debt[4]	27.7	30.1	31.0	30.0	31.0	32.2	33.5	35.3
External debt	29.5	28.9	32.1	33.2	32.1	30.1	27.1	24.9
	(Annual percentage change; unless otherwise indicated)							
Money and credit								
Credit to the private sector (commercial banks)	12.8	11.2	15.9	5.3	13.3	14.9	17.1	13.6
Broad money (M2+)	16.7	15.4	13.5	14.7	16.9	16.1	17.5	15.8
Velocity (GDP/M2+, end of period)	3.9	3.9	4.0	3.8	3.8	3.8	3.8	3.8
Base money	13.1	0.2	14.4	14.2	17.4	12.3	17.9	16.2
Bank lending rate (weighted average, percent)	29.3	26.9	...	...	...	...	...	...
Policy rate (in percent, end of period)	20.0	17.0	...	...	...	...	...	...
	(Percent of GDP)							
External sector								
Current account balance	-3.4	-3.1	-3.1	-3.6	-3.6	-3.4	-2.6	-2.4
Gross international reserves (millions of US$)	5,491	5,317	5,116	5,015	5,066	5,362	6,200	6,879
in months of prospective imports of goods and services	2.8	2.7	2.4	2.3	2.3	2.3	2.6	2.8
Net international reserves (millions of US$)	4,557	3,886	3,892	3,881	4,050	4,475	5,447	6,302
in months of prospective imports of goods and services	2.4	2.0	1.9	1.8	1.8	1.9	2.3	2.6
Total donor support (millions of US$)	720	612	838	883	752	879	864	594
in percent of GDP	1.2	0.9	1.2	1.3	1.0	1.1	1.0	0.0
Memorandum items:								
Nominal GDP (millions of GHc)	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379
National Currency per U.S. Dollar (period average)	4.4	4.6	...	...	...	...	...	...
GDP per capita (US$)	2,038	2,217	2,242	2,280	2,368	2,422	2,534	2,583
Central Government Debt excluding ESLA bond	55.4	57.3	61.6	62.0	61.9	61.2	59.7	59.3

Sources: Ghanaian authorities; and Fund staff estimates and projections.

[1] The CPI was rebased in September 2019. The historical figures reflect assumptions by IMF staff, and will be revised once an official historical linked series is available.

[2] Including public enterprises.

[3] Excludes discrepancy.

[4] Includes Energy Sector Levy Act bond.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2017–24
(GFS 2001, Cash Basis, Percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024
	Prov.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(In percent of GDP, unless otherwise specified)							
Revenue [1]	13.9	14.5	14.8	15.5	15.6	15.5	15.5	15.4
Taxes	12.4	12.9	13.2	13.4	13.7	13.7	13.7	13.7
Direct taxes	5.1	6.1	6.3	6.4	6.6	6.6	6.8	6.7
Indirect taxes	5.1	4.7	5.2	5.2	5.4	5.4	5.3	5.3
Trade taxes	2.0	2.0	1.7	1.8	1.7	1.7	1.6	1.6
Other tax revenues	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	1.0	1.3	1.4	1.7	1.5	1.5	1.6	1.7
Grants	0.6	0.3	0.2	0.3	0.3	0.3	0.2	0.1
Expenditure	18.7	21.5	21.8	21.9	21.0	20.5	20.5	20.5
Expense	16.2	20.0	20.2	20.0	19.3	19.0	18.5	18.3
Compensation of employees	6.6	6.5	6.5	6.8	6.9	6.9	6.9	6.9
Wages and salaries	5.6	5.7	5.7	5.8	5.9	5.9	5.9	5.9
Deferred wage payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social contributions	0.9	0.8	0.8	1.0	1.0	1.0	1.0	1.0
Purchases of goods and services	1.0	1.7	2.0	1.9	1.8	1.7	1.6	1.6
Interest	5.3	5.6	5.7	6.2	6.1	6.0	5.7	5.4
Domestic	4.3	4.5	4.4	4.3	4.1	3.9	3.6	3.4
Foreign	1.0	1.1	1.2	1.9	2.0	2.1	2.1	2.0
Subsidies	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Social transfers	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Grants to other government units	2.7	2.5	3.5	3.3	3.3	3.2	3.2	3.2
Transfers to Statutory Funds	1.8	1.8	2.5	2.4	2.6	2.5	2.5	2.5
Transfer to GNPC from oil revenue	0.4	0.5	0.3	0.4	0.3	0.3	0.4	0.4
ESLA transfers	0.6	0.3	0.7	0.4	0.4	0.4	0.4	0.3
Other expenses [2]	0.7	3.5	1.5	0.8	0.0	0.0	0.0	0.0
o/w: financial sector related costs	0.0	3.3	1.3	0.5	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	2.5	1.5	1.6	1.9	1.8	1.5	2.0	2.2
Domestic financed	0.4	0.6	0.8	0.4	0.4	0.3	0.5	0.7
Foreign financed	2.1	0.9	0.8	1.5	1.4	1.2	1.5	1.5
Overall balance	-4.7	-7.0	-7.0	-6.4	-5.4	-5.0	-5.0	-5.0
Overall balance excluding financial and energy sector related costs	-4.7	-3.7	-4.7	-4.9	-4.4	-4.0	-4.0	-4.0
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	-4.7	-7.0	-7.0	-6.4	-5.4	-5.0	-5.0	-5.0
Net acquisition of financial assets	2.8	-0.9	0.1	0.1	3.4	3.6	1.2	2.3
Currency and deposits	0.9	-0.7	0.0	0.0	3.4	3.5	1.1	2.3
Bank of Ghana [3]	1.2	-0.7	0.0	0.0	3.4	3.5	1.1	2.3
Deposit Money Banks	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.1	-0.4	0.1	0.1	0.0	0.0	0.0	0.0
Loans [4]	1.8	0.2	...	...	...	...	...	...
Net incurrence of liabilities	7.5	6.0	7.1	6.5	8.9	8.5	6.2	7.4
Domestic	7.4	6.4	2.7	5.1	5.6	6.4	4.9	6.1
Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit Money Banks	0.3	2.2	0.7	1.3	1.4	1.6	1.2	1.5
Nonbanks	7.0	4.2	2.1	3.8	4.2	4.8	3.7	4.6
Foreign	0.1	-0.3	3.9	3.2	3.3	2.1	1.3	1.2
Borrowing	2.1	2.3	5.8	4.8	4.8	3.4	3.4	2.7
Amortization	-1.9	-2.7	-1.9	-1.7	-1.5	-1.4	-2.1	-1.5
Memorandum items:								
Oil revenue	0.9	1.5	1.6	1.9	1.6	1.4	1.5	1.3
Proceeds from Energy Sector Levies Act (ESLA)	0.6	0.6	0.8	0.7	0.6	0.6	0.5	0.5
Revenue excl. oil, grants, and ESLA (percent of non-oil GDP)	12.2	12.6	12.7	13.0	13.6	13.6	13.7	14.0
Primary balance (excl. discrepancy)	0.5	-1.4	-1.3	-0.3	0.6	1.0	0.6	0.4
Primary balance excluding financial sector related costs	0.5	1.9	0.9	1.3	1.7	2.1	1.7	1.4
Nominal GDP (millions of GHc)	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379

Sources: Ghanaian authorities; and IMF staff estimates and projections.

[1] Revenues in staff's presentation differ from those of the authorities as staff reports revenues net of retentions of the revenue agency.

[2] Payments of cash arrears and promissory notes to statutory funds.

[3] Includes change in overdraft (negative balances).

[4] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2017–24
(GFS 2001, Cash Basis, Millions of GHc)

	2017	2018	2019	2020	2021	2022	2023	2024
	Prov.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(In millions of GHc)							
Revenue[1]	35,782	43,523	51,581	61,650	69,517	76,792	87,265	96,514
Taxes	31,771	38,859	45,971	53,365	61,125	67,766	76,988	85,366
Direct taxes	13,067	18,347	21,871	25,336	29,374	32,735	38,255	42,139
Indirect taxes	13,160	14,167	18,200	20,915	23,985	26,658	29,629	33,049
Trade taxes	5,103	5,967	5,797	6,993	7,766	8,372	9,105	10,179
Other tax revenues	440	377	103	121	136	152	171	190
Other revenue	2,477	3,838	5,047	6,931	6,869	7,632	8,981	10,433
Grants	1,535	827	563	1,354	1,387	1,243	1,125	524
Expenditure	47,964	64,480	76,083	87,290	93,778	101,323	115,534	128,055
Expense	41,632	60,049	70,623	79,837	85,948	93,886	104,467	114,393
Compensation of employees	16,821	19,612	22,575	26,938	30,760	34,118	38,864	43,133
Wages and salaries	14,445	17,213	19,826	23,114	26,313	29,185	33,246	36,897
Deferred wages	0	0	0	0	0	0	0	0
Social contributions	2,376	2,399	2,749	3,824	4,447	4,932	5,619	6,236
Purchases of goods and services	2,482	5,128	7,129	7,740	8,200	8,639	9,255	10,288
Interest	13,572	16,788	19,811	24,588	27,114	29,699	31,875	33,950
Domestic	11,039	13,460	15,481	17,048	18,070	19,310	20,207	21,328
Foreign	2,533	3,328	4,331	7,539	9,045	10,389	11,668	12,621
Subsidies	0	125	3,366	4,071	4,556	5,054	5,756	6,388
Social transfers	23	166	155	344	385	426	484	536
Grants to other government units	6,976	7,617	12,356	12,972	14,722	15,731	18,001	19,856
Other expenses[2]	1,758	10,614	5,230	3,185	210	220	231	242
Net acquisition of nonfinancial assets	6,331	4,431	5,460	7,453	7,830	7,437	11,068	13,662
Domestic financed	1,021	1,683	2,671	1,594	1,784	1,484	2,817	4,378
Foreign financed	5,310	2,748	2,790	5,859	6,046	5,953	8,250	9,284
Additional measures	0	0	0	0	0	0	0	0
Net lending / borrowing (overall balance)	-12,181	-20,957	-24,502	-25,640	-24,261	-24,531	-28,269	-31,542
Overall balance excluding financial and energy sector related costs	-12,181	-11,155	-16,709	-19,655	-19,801	-19,584	-22,634	-25,288
Discrepancy	-55	0	0	0	0	0	0	0
Net financial transactions	-12,126	-20,957	-24,502	-25,640	-24,261	-24,531	-28,269	-31,542
Net acquisition of financial assets	7,137	-2,777	443	446	15,360	17,614	6,492	14,434
Currency and deposits	2,207	-2,180	0	0	15,204	17,495	6,408	14,387
Shares and other equity	231	-1,112	443	446	156	119	83	47
Loans[3]	4,699	515	...	...	...	...	...	...
Net incurrence of liabilities	19,263	18,180	24,945	26,086	39,621	42,144	34,761	45,976
Domestic	18,896	19,194	9,550	20,143	24,958	31,887	27,479	38,278
Foreign	367	-1,014	13,775	12,735	14,663	10,257	7,282	7,698
Memorandum items:								
Oil revenue	2,408	4,475	5,658	7,692	6,950	7,139	8,704	8,437
Proceeds from Energy Sector Levies Act (ESLA)	1,619	1,817	2,632	2,632	2,765	2,896	3,033	3,178
Revenue excl. oil, grants, and ESLA	30,220	36,404	42,728	49,973	58,415	65,514	74,403	84,375
Primary balance (excl. discrepancy)	1,391	-4,169	-4,691	-1,052	2,853	5,169	3,606	2,408
Primary balance excluding financial and energy sector related costs	1,391	5,633	3,175	5,018	7,409	10,222	9,362	8,796
Nominal GDP	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379

Sources: Ghanaian authorities; and IMF staff estimates and projections.

[1] Revenues in staff's presentation differs from those of the authorities as staff reports revenues net of retentions of the revenue agency.

[2] Payments of cash arrears and promissory notes to statutory funds.

[3] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

Table 2c. Ghana: Summary of Budgetary Central Government Operations, 2017–24

(GFS 2001, Commitment Basis, Percent of GDP)

	2017 Est.	2018 Prel.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
	(In percent of GDP, unless otherwise indicated)							
Revenue[1]	13.9	14.5	14.0	14.8	15.0	14.9	14.9	14.9
Taxes	12.4	12.9	12.4	12.7	13.1	13.1	13.2	13.2
Direct taxes	5.1	6.1	6.3	6.4	6.6	6.6	6.8	6.7
Indirect taxes	5.1	4.7	4.5	4.6	4.8	4.8	4.7	4.8
Trade taxes	2.0	2.0	1.7	1.8	1.7	1.7	1.6	1.6
Other tax revenues	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	1.0	1.3	1.4	1.7	1.5	1.5	1.6	1.7
Grants	0.6	0.3	0.2	0.3	0.3	0.3	0.2	0.1
Expenditure	18.0	21.2	21.6	21.8	21.0	20.5	20.5	20.5
Expense	15.5	19.7	20.0	19.9	19.3	19.0	18.5	18.3
Compensation of employees	6.6	6.5	6.5	6.8	6.9	6.9	6.9	6.9
Wages and salaries[2]	5.6	5.7	5.7	5.8	5.9	5.9	5.9	5.9
Social Contributions	0.9	0.8	0.8	1.0	1.0	1.0	1.0	1.0
Purchases of goods and services	1.0	1.7	2.0	1.9	1.8	1.7	1.6	1.6
Interest	5.3	5.6	5.7	6.2	6.1	6.0	5.7	5.4
Domestic	4.3	4.5	4.4	4.3	4.1	3.9	3.6	3.4
Foreign	1.0	1.1	1.2	1.9	2.0	2.1	2.1	2.0
Subsidies	0.0	0.0	1.0	1.0	1.0	1.0	1.0	1.0
Social transfers	0.0	0.1	0.0	0.1	0.1	0.1	0.1	0.1
Grants to other government units	2.7	2.5	3.5	3.3	3.3	3.2	3.2	3.2
Transfers to Statutory Funds	1.8	1.8	2.5	2.4	2.6	2.5	2.5	2.5
Transfer to GNPC from oil revenue	0.4	0.5	0.3	0.4	0.3	0.3	0.4	0.4
ESLA transfers	0.6	0.3	0.7	0.4	0.4	0.4	0.4	0.3
Other expense	0.0	3.3	1.3	0.7	0.0	0.0	0.0	0.0
o/w financial sector related costs	0.0	3.3	1.3	0.5	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	2.5	1.5	1.6	1.9	1.8	1.5	2.0	2.2
Domestic financed	0.4	0.6	0.8	0.4	0.4	0.3	0.5	0.7
Foreign financed	2.1	0.9	0.8	1.5	1.4	1.2	1.5	1.5
Net lending / borrowing (overall balance)	-4.1	-6.7	-7.6	-7.0	-6.1	-5.5	-5.6	-5.6
Overall balance excluding financial and energy sector related costs	-4.1	-3.4	-5.3	-5.4	-5.0	-4.5	-4.5	-4.5
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	-4.0	-6.7	-7.6	-7.0	-6.1	-5.5	-5.6	-5.6
Net acquisition of financial assets	2.8	-0.9	0.1	0.1	3.4	3.6	1.2	2.3
Currency and deposits	0.9	-0.7	0.0	0.0	3.4	3.5	1.1	2.3
Bank of Ghana	1.2	-0.7	0.0	0.0	3.4	3.5	1.1	2.3
Deposit Money Bank	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity	0.1	-0.4	0.1	0.1	0.0	0.0	0.0	0.0
Loans[3]	1.8	0.2	...	...	...	...	...	...
Net incurrence of liabilities	6.8	5.8	7.7	7.1	9.5	9.1	6.7	7.9
Domestic	6.7	6.1	3.7	3.9	6.2	7.0	5.4	6.6
Debt securities	7.4	6.4	2.7	5.1	5.6	6.4	4.9	6.1
Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit Money Bank	0.3	2.2	0.7	1.3	1.4	1.6	1.2	1.5
Nonbanks	7.0	4.2	2.1	3.8	4.2	4.8	3.7	4.6
Other accounts payable[4]	-0.7	-0.3	-0.2	-0.3	0.0	0.0	0.0	0.0
Foreign	0.1	-0.3	3.9	3.2	3.3	2.1	1.3	1.2
Loans	2.1	2.3	5.8	4.8	4.8	3.4	3.4	2.7
Amortization	-1.9	-2.7	-1.9	-1.7	-1.5	-1.4	-2.1	-1.5
Memorandum items:								
Oil revenue	0.9	1.5	1.6	1.9	1.6	1.4	1.5	1.3
Proceeds from Energy Sector Levies Act (ESLA)	0.6	0.6	0.8	0.7	0.6	0.6	0.5	0.5
Revenue excl. oil, grants, and ESLA	11.8	12.1	11.5	11.9	12.5	12.7	12.7	13.0
Primary balance (excl. discrepancy)	1.2	-1.1	-1.9	-0.8	0.0	0.5	0.1	-0.1
Primary balance excluding financial and energy sector related costs	1.2	2.1	0.4	0.7	1.0	1.5	1.1	0.9
Government overdraft at Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (millions of GHc)	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379

Sources: Ghanaian authorities; and IMF staff estimates and projections.

[1] Revenues in staff's presentation differs from those of the authorities as staff reports revenues net of retentions of the revenue agency.

[2] Includes deferred wage payments.

[3] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

[4] Reflects net change in stock of arrears and unpaid commitments.

Table 2d. Ghana: Summary of Budgetary Central Government Operations, 2017–24
(GFS 2001, Commitment Basis, Millions of GHc)

	2017 Est.	2018 Prel.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
	(In millions of GHc)							
Revenue[1]	35,782	43,523	48,950	59,018	66,752	73,897	84,232	93,336
Taxes	31,771	38,859	43,339	50,733	58,496	65,022	74,126	82,379
Direct taxes	13,067	18,347	21,871	25,336	29,374	32,735	38,255	42,139
Indirect taxes	13,160	14,167	15,568	18,283	21,220	23,763	26,596	29,871
Trade taxes	5,103	5,967	5,797	6,993	7,766	8,372	9,105	10,179
Other tax revenues	440	377	103	121	136	152	171	190
Other revenue	2,477	3,838	5,047	6,931	6,869	7,632	8,981	10,433
Grants	1,535	827	563	1,354	1,387	1,243	1,125	524
Expenditure	46,206	63,669	75,353	86,790	93,778	101,323	115,534	128,055
Expense	39,874	59,238	69,893	79,337	85,948	93,886	104,467	114,393
Compensation of employees	16,821	19,612	22,575	26,938	30,760	34,118	38,864	43,133
Wages and salaries[2]	14,445	17,213	19,826	23,114	26,313	29,185	33,246	36,897
Social contributions	2,376	2,399	2,749	3,824	4,447	4,932	5,619	6,236
Purchases of goods and services	2,482	5,128	7,129	7,740	8,200	8,639	9,255	10,288
Interest	13,572	16,788	19,811	24,588	27,114	29,699	31,875	33,950
Domestic	11,039	13,460	15,481	17,048	18,070	19,310	20,207	21,328
Foreign	2,533	3,328	4,331	7,539	9,045	10,389	11,668	12,621
Subsidies	0	125	3,366	4,071	4,556	5,054	5,756	6,388
Social transfers	23	166	155	344	385	426	484	536
Grants to other government units	6,976	7,617	12,356	12,972	14,722	15,731	18,001	19,856
Transfers to Statutory Funds	4,596	5,371	8,768	9,722	11,381	12,339	13,864	15,460
Transfer to GNPC from oil revenue	930	1,396	1,157	1,573	1,531	1,450	2,109	2,222
ESLA transfers	1,450	851	2,432	1,677	1,810	1,941	2,028	2,173
Other expense	0	9,802	4,500	2,685	210	220	231	242
o/w financial sector related costs	0	9,802	4,500	2,000	0	0	0	0
Net acquisition of nonfinancial assets	6,331	4,431	5,460	7,453	7,830	7,437	11,068	13,662
Domestic financed	1,021	1,683	2,671	1,594	1,784	1,484	2,817	4,378
Foreign financed	5,310	2,748	2,790	5,859	6,046	5,953	8,250	9,284
Net lending / borrowing (overall balance)	-10,423	-20,146	-26,403	-27,772	-27,026	-27,426	-31,302	-34,719
Overall balance excluding financial and energy sector related costs	-10,423	-10,343	-20,310	-21,786	-22,566	-22,480	-25,668	-28,466
Discrepancy	-55	0	0	0	0	0	0	0
Net financial transactions	-10,368	-20,146	-26,403	-27,772	-27,026	-27,426	-31,302	-34,719
Net acquisition of financial assets	7,137	-2,777	443	446	15,360	17,614	6,492	14,434
Currency and deposits	2,207	-2,180	0	0	15,204	17,495	6,408	14,387
Shares and other equity	231	-1,112	443	446	156	119	83	47
Loans[3]	4,699	515	...	...	...	...	...	...
Net incurrence of liabilities	17,505	17,369	26,846	28,218	42,386	45,040	37,794	49,154
Domestic	17,138	18,383	13,071	15,483	27,723	34,783	30,512	41,456
Debt securities	18,896	19,194	9,550	20,143	24,958	31,887	27,479	38,278
Other accounts payable[4]	-1,758	-811	-730	-1,185	-210	-220	-231	-242
Foreign	367	-1,014	13,775	12,735	14,663	10,257	7,282	7,698
Loans	5,280	6,987	20,405	19,323	21,223	16,945	19,177	17,129
Amortization	-4,913	-8,001	-6,630	-6,589	-6,560	-6,688	-11,895	-9,431
Memorandum items:								
Oil revenue	2,408	4,475	5,658	7,692	6,950	7,139	8,704	8,437
Proceeds from Energy Sector Levies Act (ESLA)	1,619	1,817	2,632	2,632	2,765	2,896	3,033	3,178
Revenue excl. oil, grants, and ESLA	30,220	36,404	40,096	47,341	55,650	62,619	71,370	81,197
Primary balance (excl. discrepancy)	3,149	-3,358	-6,592	-3,184	89	2,273	573	-770
Primary balance excluding financial sector related costs	3,149	6,444	-2,092	-1,184	89	2,273	573	-770
Nominal GDP (millions of GHc)	256,671	300,596	349,193	398,538	445,979	494,665	563,486	625,379

Sources: Ghanaian authorities; and IMF staff estimates and projections.

[1] Revenues in staff's presentation differs from those of the authorities as staff reports revenues net of retentions of the revenue agency.

[2] Includes deferred wage payments.

[3] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

[4] Reflects net change in stock of arrears and unpaid commitments.

Table 3. Ghana: Monetary Survey, 2017–24

	2017 Est.	2018 Est.	2019 Proj.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.
	(In millions of GHc, unless otherwise indicated)							
I. Monetary Survey (Central Bank and Commercial Banks)								
Net foreign assets	20,679	14,037	18,794	17,120	19,151	23,008	31,401	39,564
Net domestic assets	45,493	62,344	67,896	82,921	98,796	115,381	132,873	153,367
Domestic claims	57,236	78,256	83,477	93,778	96,439	107,920	121,606	135,795
Net claims on central government	12,616	27,552	28,185	33,221	28,784	31,641	32,616	34,867
Claims on other sectors	44,620	50,704	55,292	60,557	67,655	76,278	88,989	100,928
Claims on public non-financial corporations	8,104	9,903	8,262	10,491	10,757	10,883	12,317	13,702
Claims on private sector	36,355	40,475	46,707	49,492	56,074	64,303	75,209	85,403
Other	161	326	323	575	825	1,092	1,464	1,822
Other items (net)	-9,415	-12,955	-15,582	-10,857	2,357	7,462	11,267	17,572
Money and quasi-money (M3)	66,172	76,380	86,690	100,040	117,948	138,389	164,274	192,931
Broad money (M2)	52,066	60,255	66,430	76,356	90,373	106,368	126,653	149,247
Foreign exchange deposits	14,106	16,126	20,260	23,684	27,575	32,021	37,621	43,683
II. Central Bank								
Net foreign assets	17,241	12,763	17,339	15,573	17,515	21,280	29,555	37,616
Net domestic assets	4,217	8,738	7,264	12,707	15,957	16,708	15,678	15,687
Net domestic claims	15,186	13,766	14,866	20,308	23,559	24,310	23,279	23,289
Claims on other depository corporations	4,498	-1,465	2,215	6,939	20,154	25,258	29,063	35,369
Net claims on central government	6,057	10,209	7,823	7,823	-2,854	-7,969	-13,863	-21,182
Claims on central government (BOG)	13,385	17,152	13,384	13,384	13,384	13,384	13,384	13,384
Liabilities to central government (BOG)	7,327	6,943	5,562	5,562	16,239	21,353	27,248	34,566
Claims on other sectors[1]	4,631	5,023	4,829	5,547	6,259	7,021	8,079	9,102
Other items (net)[2]	-10,969	-5,028	-7,602	-7,602	-7,602	-7,602	-7,602	-7,602
Base money[3]	21,457	21,501	24,604	28,280	33,472	37,989	45,233	53,303
Currency in circulation (net of cash in vaults)	10,708	11,941	13,871	15,241	16,436	17,615	19,389	20,874
Currency in banks (cash in vault)	1,448	1,623	1,747	1,943	2,222	2,522	2,885	3,264
Bank deposits at BOG[3]	6,631	5,389	6,312	6,291	9,658	12,297	16,900	22,559
Liabilities to other sectors	2,670	2,549	2,674	2,674	2,674	2,674	2,674	2,674
III. Commercial Banks								
Net foreign assets	3,438	1,274	1,455	1,546	1,637	1,728	1,845	1,948
Net domestic assets	53,752	61,112	70,088	81,977	98,599	117,771	141,763	168,833
Net domestic claims	64,419	79,261	82,569	92,327	108,598	127,370	150,858	177,383
Net claims on central bank (net of below two lines)	13,475	15,742	10,345	10,520	14,166	17,105	22,071	28,110
Claims on central bank	17,871	16,237	11,743	11,918	15,564	18,503	23,469	29,508
Liabilities to central bank	4,396	495	1,398	1,398	1,398	1,398	1,398	1,398
Net claims on central government (ODCs)	6,559	17,343	20,363	25,398	31,638	39,610	46,480	56,049
Net claims on public non-financial corporations	6,170	8,088	6,890	9,118	9,384	9,511	10,945	12,330
Claims on private sector	33,819	37,593	43,573	45,892	52,012	59,747	69,965	79,496
Other items (net)	-10,667	-18,149	-12,481	-10,350	-9,999	-9,599	-9,095	-8,550
Memorandum items:	(In 12-month percentage change; unless otherwise indicated)							
Base money	13.1	0.2	14.4	14.2	17.4	12.3	17.9	16.2
M2	19.8	15.7	10.2	14.2	17.4	16.4	17.9	16.2
M2+[4]	16.7	15.4	13.5	14.7	16.9	16.1	17.5	15.8
Credit to the private sector (commercial banks)	12.8	11.2	15.9	5.3	13.3	14.9	17.1	13.6
M2-to-GDP ratio (in percent)	20.3	20.0	19.0	19.0	20.0	21.0	21.7	22.7
M2-to-Non-Oil GDP ratio (in percent)	21.0	20.8	19.8	19.8	20.7	21.6	22.6	23.6
Base money multiplier (M2/base money)	2.4	2.8	2.7	2.7	2.7	2.8	2.8	2.8
Credit to the private sector (commercial banks, in percent of GDP)	13.2	12.5	12.5	11.5	11.7	12.1	12.4	12.7

Sources: Ghanaian authorities; and Fund staff estimates and projections.

[1] Include public enterprises and local governments.

[2] Including valuation and Open Market Operations (OMO).

[3] Excludes foreign currency deposits.

[4] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2017–24

	2017	2018	2019	2020	2021	2022	2023	2024
	Est.	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(In millions of U.S. dollars)							
Current account	-2,003	-2,044	-2,122	-2,546	-2,703	-2,712	-2,238	-2,217
Trade balance	1,151	1,809	2,165	2,348	1,999	1,855	3,625	3,665
Exports, f.o.b.	13,836	14,943	15,372	16,497	16,857	17,171	19,510	20,151
Of which: cocoa	2,711	2,180	2,125	2,158	2,161	2,219	2,279	2,341
Of which: gold	5,786	5,436	5,603	6,795	7,411	7,994	8,592	8,984
Of which: oil	3,115	4,573	4,795	4,676	4,313	3,861	5,409	5,450
Imports, f.o.b	-12,684	-13,134	-13,207	-14,149	-14,858	-15,316	-15,885	-16,486
Of which: oil	-2,029	-2,581	-2,076	-2,016	-2,058	-2,132	-2,239	-2,363
Services (net)	-2,972	-2,514	-3,035	-3,284	-3,272	-3,338	-3,618	-3,534
Income (net)	-2,652	-3,922	-3,842	-4,207	-4,079	-3,931	-5,001	-5,159
Of which: interest on public debt	-1,148	-1,404	-1,723	-1,923	-2,046	-2,205	-2,406	-2,567
Transfers	2,470	2,583	2,590	2,597	2,649	2,702	2,756	2,811
Official transfers	0	19	12	0	0	0	0	0
Other transfers	2,470	2,564	2,578	2,597	2,649	2,702	2,756	2,811
Capital and financial account	2,739	1,501	2,128	2,535	2,872	3,137	3,210	3,072
Capital account	242	258	219	186	149	119	95	76
Financial account	2,497	1,243	1,910	2,349	2,723	3,018	3,115	2,996
Foreign direct investment (net)	3,239	2,908	2,811	3,330	3,743	3,967	4,300	4,553
Portfolio investment (net)	2,536	929	2,621	1,052	2,491	1,893	1,450	1,646
Other investment (net)	-3,278	-2,594	-3,523	-2,033	-3,511	-2,843	-2,635	-3,203
Medium and long term (net)	-2,475	-2,753	-3,495	-2,019	-3,541	-2,934	-2,780	-3,349
Official (net)	-389	-449	16	403	418	612	784	433
Government oil investments	-53	-153	-64	-63	-58	-52	-73	-73
Amortization	-1,103	-907	-1,003	-1,198	-1,135	-1,107	-1,130	-1,034
Disbursements	767	611	1,084	1,665	1,611	1,771	1,987	1,540
Private (net)	-2,086	-2,305	-3,511	-2,422	-3,959	-3,547	-3,564	-3,783
Short-term (net)	-803	159	-28	-14	30	92	145	147
Errors and omissions	141	-128	0	0	0	0	0	0
Overall balance	878	-671	6	-11	169	425	972	855
Financing	-878	671	-6	11	-169	-425	-972	-855
Changes in net reserves (-, incr.)[1]	-1,126	671	-6	11	-169	-425	-972	-855
of which: Use of Fund credit (net)	-74	213	38	-90	-118	-129	-135	-176
Memorandum items:	(Percent of GDP, unless otherwise indicated)							
Current account	-3.4	-3.1	-3.1	-3.6	-3.6	-3.4	-2.6	-2.4
Trade balance	2.0	2.8	3.2	3.3	2.7	2.3	4.2	4.0
Official transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and financial account	4.6	2.3	3.1	3.6	3.8	4.0	3.7	3.4
Foreign direct investment (net)	5.5	4.4	4.2	4.7	5.0	5.0	5.0	5.0
Overall balance	1.5	-1.0	0.0	0.0	0.2	0.5	1.1	0.9
Oil-net exports	1.8	3.0	4.0	3.8	3.0	2.2	3.7	3.4
Non-oil current account	-5.2	-6.2	-7.2	-7.4	-6.6	-5.6	-6.3	-5.8
Gross foreign assets[2]								
Millions of U.S. dollars	7,555	7,025	6,888	6,850	6,959	7,307	8,217	8,970
Months of imports	3.9	3.5	3.3	3.2	3.1	3.2	3.5	3.7
Gross international reserves[3]								
Millions of U.S. dollars	5,491	5,317	5,116	5,015	5,066	5,362	6,200	6,879
Months of imports	2.8	2.7	2.4	2.3	2.3	2.3	2.6	2.8
Net international reserves								
Millions of U.S. dollars	4,557	3,886	3,892	3,881	4,050	4,475	5,447	6,302
Months of imports	2.4	2.0	1.9	1.8	1.8	1.9	2.3	2.6

Sources: Ghanaian authorities; and Fund staff estimates and projections.

[1] The Fund's disbursements to be used for budget support are included after 2017.

[2] Includes foreign encumbered assets and oil funds.

[3] Excludes foreign encumbered assets and oil funds.

Table 5. Ghana: Financial Soundness Indicators

	December 2015	December 2016	December 2017	December 2018	August 2019
Capital Adequacy					
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	19.7
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.8
Asset Quality					
Nonperforming loans net of loan-loss provision to capital	14.7	15.8	14.9	11.5	12.5
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	17.8
Bank provisions to nonperforming loans	69.3	72.5	77.7	70.8	69.0
Profitability and Earnings					
Return on assets	3.3	2.5	2.4	2.3	3.0
Return on equity	22.1	18.0	18.7	18.5	20.9
Liquidity					
Liquid asset to total assets	26.4	21.6	22.3	23.4	20.0
Liquid asset to short-term liabilities	34.2	27.9	28.6	31.2	25.8
Liquid assets/total deposits	40.6	33.9	35.8	36.8	30.3

Source: Ghanaian authorities.

Table 6. Ghana: Monitoring Progress towards the Sustainable Development Goals

(Percent, unless otherwise indicated)

	Ghana			SSA
	2005	2010	latest	latest
Poverty				
Proportion of population below $1.90 a day (2011 PPP) poverty line	24.5	12.0	13.3	41
Proportion of population below national poverty line	31.9	24.2	23.4	...
Proportion of population covered by at least one social protection benefit	...	...	18.3	12.9
Prevalence of severe food insecurity in the adult population	...	...	7.8	29.1
Health				
Maternal mortality ratio (deaths per 100,000 live births)	376	325	319	555
Infant mortality rate (deaths per 1,000 live births)	56	48	35	53
Under-five mortality rate (deaths per 1,000 live births)	84	70	48	78
Malaria incidence per 1,000 population at risk	322	374	271	209
Tuberculosis incidence (per 100,000 population)	203	183	152	262
Adolescent birth rate (per 1,000 women aged 15-19 years)	60	68	75	101
Education				
Net school enrollment, primary, male	...	72	89	78
Net school enrollment, primary, female	...	72	85	73
Net school enrollment, secondary, male	...	44	58	37
Net school enrollment, secondary, female	...	41	59	34
Gross school enrollment, tertiary, male	...	11	18	11
Gross school enrollment, tertiary, female	...	7	14	8
Inclusion				
Proportion of seats held by women in national parliaments	11	8	13	24
Proportion of women aged 15-49 who make their own informed decisions regarding sexual relations, contraceptive use and reproductive health care	...	54	52	47
Proportion of population using safely managed drinking water services	18	25	36	27
Proportion of population with access to electricity, rural	31	55	65	23
Proportion of adults (15 years and older) with an account at a financial institution or mobile-money-service provider	...	29	58	43
Climate				
Carbon dioxide emissions per unit of GDP (CO_2 kg per constant 2010 USD)	0.12	0.14	0.12	0.2
Global Partnership				
Total official development assistance to medical research and basic health sectors (Millions of constant 2017 USD)	43	127	131	...

Sources: UN SDG Indicators Global Database; World Development Indicators, and national authorities. Sub-Saharan Africa includes Sudan. Latest values are for 2015 or later.

Annex I. Recommendations of the 2017 Article IV Consultation

Policies	2017 Article IV and ECF Recommendations	Progress since 2017 Article IV Consultations
Fiscal Policy	Achieve primary surplus in 2017 and over the medium term	Primary surplus achieved in 2017. Primary surplus could not be achieved in 2018 and onward due to one-off costs of financial and exceptional energy sector costs.
	Increase domestic revenue mobilization	GDP/tax revenue ratio has slightly increased, still below SSA average. Tax exemption bill was submitted to Parliament in April, but not yet adopted into law. Two measures introduced in 2018 (top income tax bracket and tax on luxury vehicles) were reversed in the 2019 mid-term budget. Efforts to improve tax administration continue, with support from Fund TA.
	Enhance fiscal transparency	Fiscal rules and Advisory Council were introduced in December 2018, and a fiscal risks statement was published in March.
	Clear central government arrears	An arrears clearance plan has been implemented as planned with GhC 0.7 and GhC 1.5 billion arrears to be cleared in 2019 and 2020, respectively.
	Implement PFM Reforms	Regulations implementing 2016 PFM Act became effective in April 2019. In addition, the rollout of PFM IT system (IFMIS) is largely completed.
Debt Management	Improve public debt redemption profile	Public debt profile was smoothed and lengthened through liability management and improved debt management practices.
	Strengthen cash management	Implementation of the TSA still ongoing, with progress tracked under the World Bank's PFM project.
Monetary and Exchange Rate Policy	Refrain from monetary financing	Monetary financing ended for above-the-line transactions. However, the BoG monetized the CBG bond in November 2018. In addition, the BoG Act has not yet been amended to strengthen the prohibition against monetary financing.
	Limit FX intervention and deepen FX market	The BoG adopted an internal rules-based framework for FX interventions, and published market-conduct guidelines in February 2019. In addition, the calculation method for the reference rate was revised to exclude BoG trades, and the BoG started to limit trading at the reference rate to ensure market-based pricing of its transactions.
	Review liquidity assistance framework	The BoG has begun a review of the ELA framework, with support from IMF TA (April 2019). However, it has not been fully enforcing a revised framework that appropriately collateralizes liquidity assistance.
	Eliminate the CFM	The limit of US$10,000 withdrawal per trip and per annual transfer without documentation is still in place.
Financial Sector Policy	Restore financial sector stability	The authorities implemented a broad financial sector cleanup, resolving nine banks in 18 months, revoking licenses of 386 (deposit-taking) microfinance institutions in May 2019, and another 23 savings and loans companies and finance houses in August 2019. Statutory capital requirements have been increased, supervisory capacity and prudential regulation is being strengthened (including through the alignment of capital requirements with the

		Basel II/III framework via the new Capital Requirements Directive) and the Ghana Deposit Protection Scheme is expected to be implemented before end-2019. A new Financial Stability Council was established, although it is not yet fully operational.
	Strengthen AML/CFT framework	FATF placed Ghana on its "grey list" in October 2018. Several steps are being taken to address strategic deficiencies highlighted in the latest Mutual Evaluation, in line with plans agreed with the FATF's International Cooperation Review Group.
Structural Polices	Restore energy sector SOE viability	Cabinet adopted the Energy Sector Recovery Program in May, with support from the World Bank. The government has started renegotiation of take-or-pay contracts, and suspended discussions on future PPAs. ESLA bonds continue to be issued to repay legacy debts in the energy sector. The concession agreement for electricity distribution was suspended in July and terminated in October.
	Improve SOE governance and transparency	The State Interests and Governance Authority Act was adopted in June. Expanded 2018 SOE report covers 49 entities (from 18 entities in 2017). However, the government created several off-budget entities in the last two years, including to repay energy sector legacy debt (ESLA), finance infrastructure (GAIDC), and monetize future gold revenues to expand education spending (GETFund).

Annex II. Risk Assessment Matrix (RAM)[1]

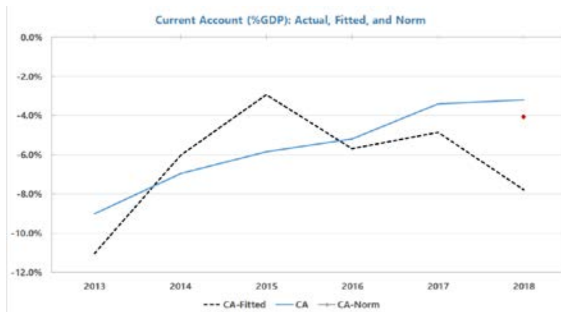
Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized	Policies to Mitigate Risks
Politically-driven fiscal loosening in the run-up to the 2020 elections, that could translate in weak revenue collections, tax forbearance and spending pressures, including off-budget operations.	***High*** Election periods in the past have coincided with large fiscal slippages.	***High*** • A strong political cycle could lead to higher deficit and debt, undermine budget integrity and possibly arrears accumulation • Associated loss of confidence could trigger pressures on the exchange rate and reserves.	• Rigorously apply fiscal rules and implement a credible medium-term fiscal adjustment strategy. Avoid off budget operations • Record all financing operations in line with PFM Act and regulations. • Include debt from off-budget operations in government debt.
Sharp rise in risk premia. An abrupt deterioration in market sentiment could trigger risk-off events such as recognition of underpriced risk, leading to rollover difficulties	***Medium***	***High*** • Risk-averse investment behavior could make debt rollover challenging • Lower external financing would erode FX buffers and put pressure on the exchange rate • Higher interest rates would dampen growth and exacerbate fiscal costs	• Implement credible medium-term fiscal adjustment strategy. • Build FX buffers to enhance resilience. • Formulate fiscal contingency measures to respond to tighter financing conditions.
Higher financial sector and energy costs to the budget due to the crystallization of legacy problems and/or delayed reforms.	***Medium***	***High*** • These costs have been one of the main drivers of fiscal deficits and higher public debt. • Lower private-sector credit growth and inefficient electricity provision would hurt economic growth.	• Finalize the financial sector clean-up. • Implement the ESRP • Pursue strategy to revisit take or pay contracts while managing reputational risks and avoiding unilateral termination of contracts.
Commodity price volatility. Risksto prices are balanced, reflecting offsetting but large and uncertain supply and demand shocks.	***Medium***	***Medium*** • A decline in oil, cocoa or gold prices would lower exports, weaken the external position, and resulting in exchange rate depreciation.	• Diversify the economy and export base by improving business environment, and by investing in physical and human capital.
Macroeconomic policies after the 2020 elections. The envisaged tightening may not materialize, while bold reforms may improve the fiscal stance more than expected.	***Medium*** Political spending pressures without strong revenue mobilization.	***High*** • Weak policies could lead to debt remaining above 60 percent of GDP over the medium term. • Bold reforms could improve revenue mobilization, and reduce debt more rapidly	• Stick to the fiscal rule to provide a credible anchor of fiscal policy. • Strengthen revenue mobilization to meet development needs financing.
Diversification and rapid industrialization, possibly supported by opportunities from AfCFTA.	***Medium*** The AfCFTA is opening up a large market for SSA countries.	***Medium*** • Higher growth in the long term	• Pursue "Ghana beyond Aid" agenda while preserving fiscal sustainability • Take steps to improve Ghana's export competitiveness

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly.

Annex III. External Sector Assessment

The external position in 2018 was moderately weaker than implied by medium-term fundamentals and desirable policies reflecting low FX reserves and persistent exchange rate pressure.

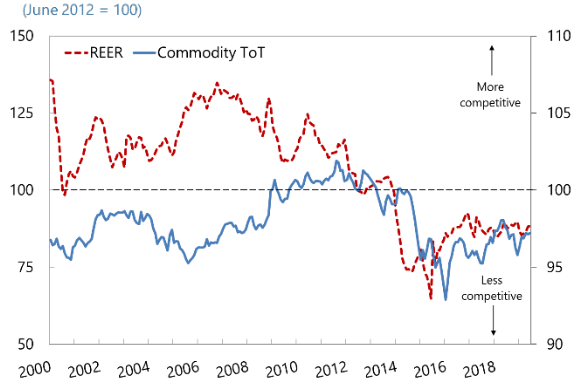
CA-Actual	-3.2%
Cyclical Contributions (from model)	0.0%
Cyclically adjusted CA	-3.2%
CA-Norm	-4.6%
Cyclically adjusted CA Norm	-4.6%
Multilaterally Consistent Cyclically adjusted CA Norm	-4.1%
CA-Gap	0.9%
of/which Policy gap	-3.25%
Elasticity	-0.25
REER Gap	-3%
CA-Fitted	-7.8%
Residual	0.0461
Natural Disasters and Conflicts	0.1%



1. Ghana's external assessment presents a complex picture. While the EBA-lite model assesses the current account and the exchange rate as broadly in line with macroeconomic fundamentals and macro policies, downward pressure on the exchange rate and international reserves point to an external imbalance.

- **According to the EBA-lite model, the REER was broadly in equilibrium in 2018.** The current account deficit of 3.1 percent of GDP was lower than the deficit norm of 4.1 percent of GDP (CA-Norm in Box Figure 1) estimated by the model on the basis of macro-economic fundamentals and desirable policies.[1] This implies an undervaluation of the REER of about 3 percent, based on an elasticity of -0.25 percent used in the model.

Ghana: Real Exchange Rate
(June 2012 = 100)



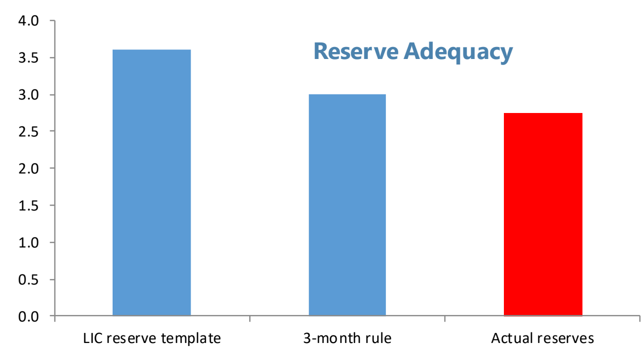
- **The nature of Ghana's economy and the persistent pressure on the exchange rate and international reserves however point to a weaker external position than the one predicted by the EBA-lite mode.** The model results should be taken cautiously given Ghana's natural-resource export intensity and the poor potential for import substitution, in the absence of a substantial domestic manufacturing sector, which limit the responsiveness of the CA to exchange rate movements. Furthermore, net international reserves declined by one percentage point of GDP in 2018 despite large external borrowing, as the authorities intervened to prevent a sharp depreciation of the national currency. The pressures continued in 2019 with reserves remaining broadly stable despite a US$3

[1] Desirable policies include, among others, achieving the fiscal target within a three-year period, no change in reserves and credit growth to achieve desired credit to GDP ratio in three years.

billion Eurobond issues. Despite regular BoG interventions the national currency depreciated by 13 percent since the beginning of 2019.

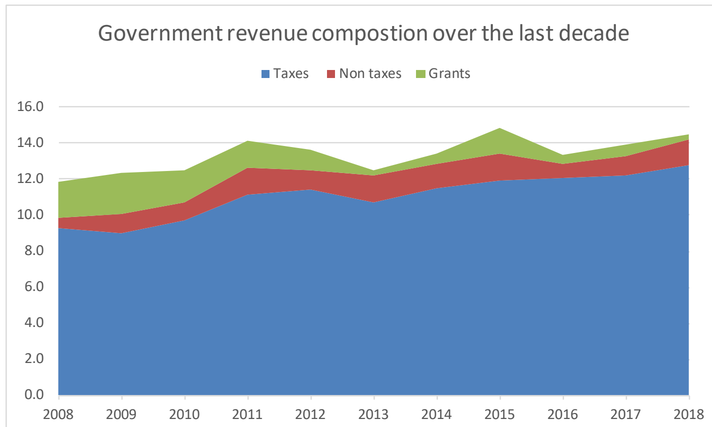
- **Expansionary fiscal policies and FX interventions are contributing to the CA deficit.** The model estimates the drag from deviation of government budget deficit (compared to the 5-year deficit target) and FX intervention (compared to zero intervention) at 3.25 percentage points of GDP (CA-Norm in Box Figure 1).

- **The foreign exchange reserve level remains relatively low.** Gross international reserves stood at 2.7 months of imports in 2018, lower than the 3-month rule-of-thumb benchmark and the norm of 3.6 months estimated by the model for resource-rich LICs with a flexible exchange rate (Box Figure 2). The authorities' definition of reserves is higher as it includes additional assets such as oil funds that may not meet the requirement of being readily available used in staff's definition. Reserves are projected to remain below both benchmarks over the medium term. This low level of reserves would seem to point to an overvaluation of the exchange rate given the central bank's FX intervention policy.

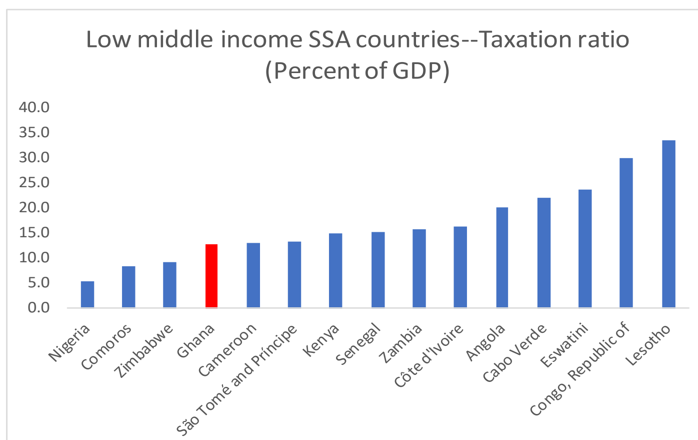


Annex IV. Improving Domestic Revenue Mobilization

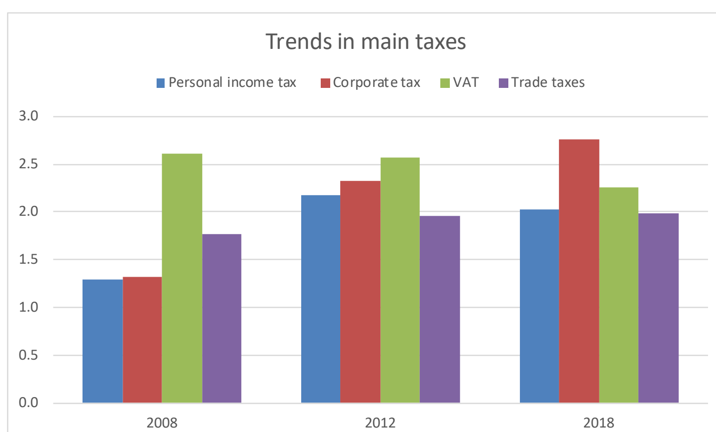
Tax revenues have been structurally low in Ghana. In recent years, the government has focused on tax administration. Launching a comprehensive strategy to ramp up tax collection through a revision of both tax policy and administration should be a priority over the medium term.



1. **Growth in total government revenues as a percent of GDP has slowed down from 2008 to 2018.** Government revenues have stagnated since 2015 because of lower grants and weak tax collection. With Ghana experiencing rising income and achieving frontier market status, grants have dropped from 2 percent of GDP in 2008 to 0.3 percent of GDP in 2018. Non-tax revenue increase driven by oil related revenues mitigated the fall in grants and weak tax collection.



2. **Tax-to-GDP ratio in Ghana has persistently been low compared to its peers in SSA.** On average over the last two decades, the tax ratio in Ghana has remained around 12.8 percent of GDP below the SSA average of 15 percent. In 2018, Ghana 's tax revenue was around 7 percentage point of GDP below the tax frontier (see May 2018 SSA REO, Chapter 2). Ghana ranks only in the second lowest quartile in SSA region and in the lowest quartile among its middle-low-income peers in SSA, which averaged 16.9 percent of GDP in 2018.



3. **The low tax ratio has been driven by declining personal income taxes and VAT.** Personal income tax increased from 1.3 percent of GDP in 2008 to 2.2 percent of GDP

in 2012, before falling to 2 percent of GDP in 2018. Similarly, VAT rose from 2.6 percent of GDP in 2008 to 3.1 percent of GDP in 2015 before dropping to 2.3 percent of GDP in 2018. Sustained rise in the corporate tax, which more than doubled from 1.3 percent of GDP in 2008 to 2.8 percent of GDP in 2018, helped to mitigate the underperformance of VAT and personal income tax. Trade taxes slightly increased by 0.1 percent point of GDP to 1.9 percent of GDP in 2015 from 2008 and have stagnated at 2 percent of GDP since 2015.

4. **Since 2016, the government has tried to tackle revenue performance mainly through tax administration reforms.** The Ghana Revenue Authority (GRA) has made progress in re-establishing a governance framework through changes and training in the top and middle management, and a shift from a pure paper-based system to an integrated tax administration system (ITAS). The GRA also fully deployed the TRIPS system in all domestic tax offices across the country. Other efforts remain work in progress. In April, the government submitted to the parliament an Exemptions Bill that seeks to rationalize and improve the management of tax exemptions of about GHc 500 million. With technical assistance from the Fund, the GRA also aims to develop and implement a risk-based compliance strategy to improve revenue administration of the extractive industries. Moreover, the government prepared a draft revenue administration bill that expands the requirement of contracts to produce tax clearance certificates as part of the tendering process.

5. **The government has also removed many existing taxes.** The high-income tax bracket and the luxury vehicle tax, two of the four taxes introduced to meet fiscal targets under the IMF program in 2018, were removed in 2019. From 2016 to 2017, with the objective to attract private investment, the government has removed more than a dozen taxes, namely: special import levy on raw material and machinery, VAT on financial services, on domestic tickets, on imported medicines, on sale of real estate, lotto stakes, tax on securities gains, on corporate income for private medical universities, on minimum wage, on young entrepreneurs, levy on electrification scheme and public lighting, and a special ad valorem tax on petroleum products. Recently, the government has cut the import benchmark tariffs by 50 percent in 2019.

6. **In the short term, the government can consider a menu of revenue measures that could immediately yield up to 0.8 percent of GDP.** New taxes could yield 0.25 percent of GDP, while compliance could bring around 0.5 percent of GDP. New taxes that can expand the taxable base include: a VAT of 17.5 percent on financial services; a tax increase on communication services from 9 percent to 12 percent; the expansion of the national fiscal stabilization levy on all firms; the minimum chargeable income; and the reintroduction of the high-income tax rate of 35 percent. Urgent tax revenue administration measures could focus on reviewing the import duty benchmark—which has not generated the expected increase in imports through trade diversion to Ghana ports—and collect around half of the tax liability of around $800 million in the oil sector in 2020. Achieving the latter would require fostering the auditing capacity of the tax authority.

7. **In the longer run, domestic revenue mobilization could yield more than 2 percent of GDP, focusing in the following areas.** Tax policy reform could focus on mining taxation and exemptions. Measures in mining and petroleum should mainly consider a comprehensive review of

the mining legislation and fiscal regime applicable to all future contracts; unifying various laws into a single extractive industry legislation. The exemption bill, submitted in Parliament, does not address several tax expenditures which could be considered for further streamlining. Specifically, efforts should target non-standard VAT, custom duty exemptions on imported supplies and domestic sales, particularly on cereals, vehicles, cocoa, sugar, wood, and oil. Tax administration should focus on the adoption of the draft Compliance Risk Management Strategy (CRMS) regarding filing, arrears; the payments and reporting with focus on large taxpayers; the cleanup of the registry for Taxpayer Identification Number (TIN) through the use of technology; interconnecting the tax payment platforms; information sharing and data cooperation between GRA and other government agencies to undertake risk and compliance analysis and identify discrepancies; address delays and back-log of unassessed returns.

8. Increasing tax revenues would require continued technical assistance. The IMF has provided extensive assistance by FAD to Ghana over the last five years. Yet, the needs for further technical assistance remain, particularly in the areas of GRA management, compliance, firms' auditing, post audit debt recovery, strengthening legal framework for contract in the mining and petroleum sector, and assessing potential revenues from existing mining and oil contracts.

Annex V. Capacity Development Strategy

With the end of the ECF program, Capacity Development (CD) stands to play a central role in the policy dialogue with Ghana. Consolidating gains made under the program remains a priority for the authorities. CD will target the most critical areas to the risk and vulnerabilities identified in surveillance, but also balance emerging demands with the backlog of TA recommendations.

Background

1. **CD has been an integral part of the successes achieved under the ECF-supported program with Ghana.** The authorities have achieved significant macroeconomic gains under the program from a challenging start in 2015. Along the way, Fund policy advice was backed by an extensive TA program, among the largest in AFR. Specifically:

- To entrench **fiscal discipline**, the government has passed the Public Financial Management Act in 2016 and its regulations in 2019 and lay a Tax Exemption Bill in Parliament in 2019. It also created and operationalized a fiscal risk unit. FAD TA supported all these efforts.
- Better **debt management** has succeeded in lengthening the debt profile and reducing rollover risks. Debt management capacity has been supported by extensive MCM TA focused on deepening the domestic debt market and strengthening the medium-term debt strategy.
- The authorities have addressed **weaknesses in the banking sector** with the resolution of nine banks and the approval of three bank mergers, and the issuance of new regulatory directives on governance. MCM TA on bank resolution was instrumental in preparing the restructuring and helped prepare the Bank of Ghana for subsequent resolutions. In addition, input from a resident advisor and supplementary peripatetic short-term expert missions have buoyed efforts to align the regulatory framework with (pillar 1 of) the Basel II/III framework.

2. **However, progress in CD has been uneven.** For example, progress in revenue administration has been particularly slow despite extensive support. Also, TA recommendations remain largely outstanding for risk-based supervision and financial stability.

Priorities

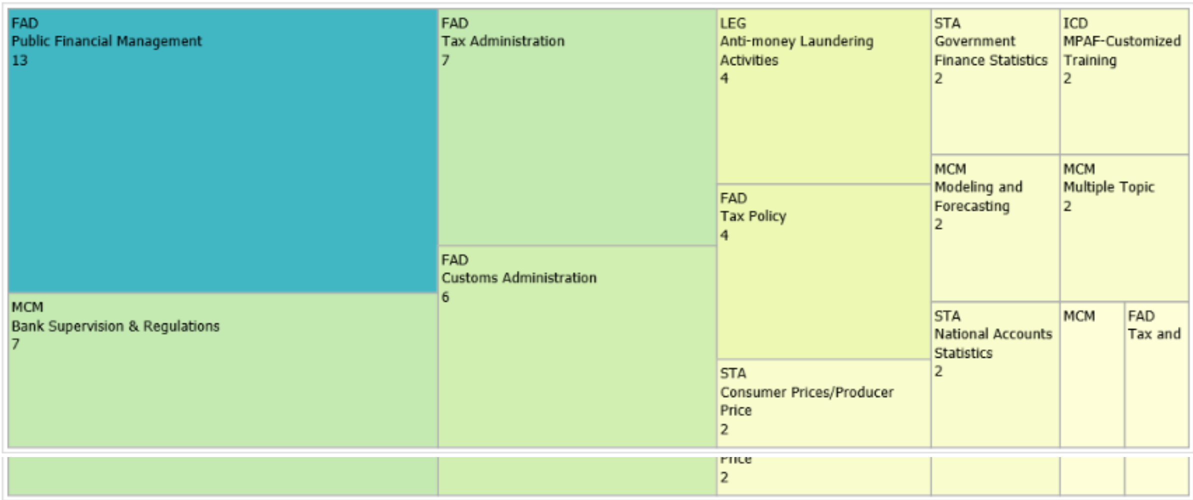
3. **With the end of the ECF, Capacity Development (CD) stands to play a central role in Fund engagement.** Ghana is an intensive user of IMF CD and a leading recipient of Fund training among Fund members since 2014. With the help of Fund CD, the country made important gains on public financial management and banking supervision over the last few years, but CD support on revenue and customs administration has yet to translate into improved domestic revenue mobilization. Going forward, consolidating gains made under the program remains a priority, while also accommodating emerging needs.

4. With regard to fiscal CD, developing a holistic training strategy and taking stock of the backlog of Technical Assistance (TA) recommendations are priorities. In recent years, both training and TA have occurred in an uncoordinated and sometime ad hoc way. The absence of strategy has led to a shortage of analytical capacity in several units, also due to staff turnover. As a result, the institutional memory on past TA missions is lacking, especially in revenue administration and tax policy. For treasury and debt management, the increasing reliance on market-based borrowing to cover financing needs requires specific skills.

5. Global trends towards digitalization and financial integrity and support to the Financial Stability Council create new CD needs. For example, developing an adequate framework to strengthen oversight and management of cyber risks has become crucial. The operationalization of the Financial Stability Council brings new needs to equip both its secretariat (hosted by the Financial Stability unit of BoG) and the technical committee of the Council. Other functions of BoG need CD, including bank supervision and resolution, and monetary policy through modeling and operation.

Top 5 Priorities	Objectives
Revenue administration	Improve revenue mobilization through better compliance management and further improve capacity in tax audits. Strengthen GRA capacity, including with targeted and continued training.
Banking supervision and financial stability	Further strengthen the legislative framework and supervisory practices, notably in risk-based supervision and early intervention; if capacity allows, complete the transition to Basel II/III. Improve the framework for emergency liquidity assistance and further flesh out the BoG's resolution function. Support the operationalization of Financial Stability Council and implement an effective macroprudential policy framework. Conduct an FSAP to gauge the effectiveness of reforms to date and identify further priority areas.
Tax Policy (including Natural Resources)	Review the tax policy framework including weaknesses in VAT and mining taxation regime. Continue improving capacity to manage fiscal reforms and revenue forecasting in the natural resources sector through the adoption of the FARI model.
PFM	Strengthen budget coverage and comprehensiveness, budget formulation and execution, fiscal accounts, monitoring and mitigation of fiscal risks, including those emanating from state-owned enterprises, and implementation of new PFM regulations.
IT framework	Training to support continued use of FPAS forecasting model.

Figure 1. FY20 CD Plans by Topics (number of missions**)**



INTERNATIONAL MONETARY FUND

GHANA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

November 21, 2019

Approved By
Dominique Desruelle and Mark Flanagan (IMF) and Marcello Estevão (IDA)

Prepared by the staffs of the International Monetary Fund (IMF) and International Development Association (IDA)

External and overall debt are at high risk of debt distress. Higher projected deficits and debt service over the medium term and wider coverage of debt have pushed the debt path up compared to the March DSA. In the baseline, external debt service continues to absorb a third of government revenues and remains well above thresholds for most of the forecast period. The present values of external and public debt-to-GDP ratios exceed their thresholds under the baseline for the first seven years and under all shock scenarios. Deviations are particularly large under the export shock for the external public debt, and commodity price shocks for the public debt. Nonetheless, debt is assessed as sustainable thanks to favorable market access, the authorities' commitment to macroeconomic stability and fiscal discipline, and the potential for steeper than assumed fiscal consolidation. In the short term, fiscal discipline is necessary to ensure debt sustainability and maintain market confidence, but external factors, including worsening global risk sentiment, still pose significant risks. Public debt management is benefitting from extensive technical assistance and training from the IMF and the World Bank.

Ghana: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress	High
Overall risk of debt distress	High
Granularity in the risk rating	Sustainable
Application of judgment	No

BACKGROUND AND KEY ASSUMPTIONS

A. Public Debt Coverage

1. **The DSA covers public and publicly guaranteed debt of the central government.** It includes several state-owned enterprise (SOE) loans not explicitly guaranteed by the state for infrastructure and power projects, amounting to an average of 1.3 percent of GDP over the next five years.

	Subsectors of the public sector	Check box
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

Public debt coverage and the magnitude of the contingent liability tailored stress test

B. Please customize elements of the contingent liability tailored test, as applicable.

1	The country's coverage of public debt	bank, government-guaranteed debt	
		Default	Used for the analysis
2	Other elements of the general government not captured in 1.	0 percent of GDP	0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	3
4	PPP	35 percent of PPP stock	1.44
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5
	Total (2+3+4+5) (in percent of GDP)		9.4

2. **This DSA vintage includes projected disbursements from the non-concessional Sinohydro facility.** The US$2 billion non-government guaranteed loan, which will be channeled towards infrastructure development, is backed by collateral of future bauxite and processed aluminum exports (see Staff Report for the 7th and 8th review under the ECF arrangement).[1] Disbursements under the first tranche of about US$646 million are expected to commence in early 2020 with an execution rate of about US$100 million per year rising to US$200 million once more tranches are approved. The responsibility for servicing the loan will be transferred from the central government to Ghana Integrated Aluminum Development Corporation (GIADC), which will be given full control of the aluminum value chain.

3. **The financial sector clean-up costs and the materialization of contingent liabilities in the energy sector in 2018-19 highlight the risk from off-balance sheet liabilities.** The restructuring of the financial sector imposed additional costs of 4.6 percent of GDP in 2018–19. Energy sector costs covered by the budget and ESLA are estimated at about 1.5 percent of GDP in 2019 and 2020 and 1 percent of GDP annually from 2021–2024. In addition to these baseline costs, the DSA models separate fiscal shocks amounting to 5 percent of GDP from the financial sector and a conservative 3 percent of GDP from non-guaranteed SOE debt to reflect elevated risks from energy sector contingent liabilities. The contingent liability test also models shocks in which 35 percent of the outstanding public private partnership (PPP) arrangements become part of public debt.

4. **The DSA includes a suite of standard shock scenarios affecting GDP growth, the primary balance, exports, FDI, exchange rate, and a combined shock including all of the above at half strength.** Most shocks are calibrated at one standard deviation from the historical average. The exchange

[1] IMF Country Report No. 19/97.

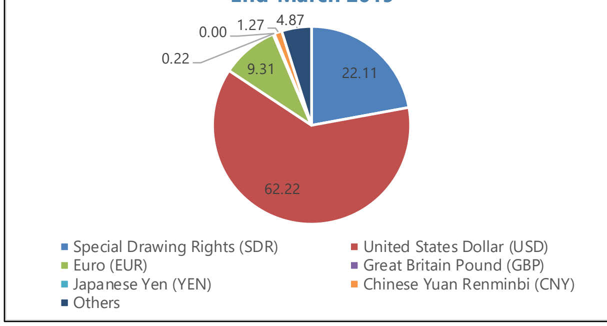
rate shock assumes a one-off 30 percent depreciation. Tailored stress tests were carried out on commodity prices since they represent over 50 percent of exports and on market access due to reliance on Eurobonds for financing. The tailored test simulates a 35 percent and 11 percent declines in fuel and non-fuel commodity prices respectively. The market financing shock simulates a 400 basis point increase in the cost of borrowing for three years and a shortening of average debt maturities to 5 years from the current average of 8 years.[2]

B. Debt Profile

5. External public debt in 2019 is estimated to be 4.8 percentage points higher than the March 2019 DSA vintage. Debt levels have risen, driven largely by one-off expenditures, a growing interest bill, and weak domestic revenue mobilization. Exceptional, one-off financial sector restructuring costs impacted fiscal performance in 2018-19, pushing the primary balance into negative territory and boosting the debt-to-GPD ratio. The materialization of energy sector costs from 2019 on constitutes an additional drag of at least 1 percentage point of GDP on the government deficit.

6. Total public debt is not expected to fall below the 55 percent of GDP threshold until 2026. The slow pace of decline compared to the previous DSA vintage derives from worse fiscal positions, higher projected interest rate costs (reflecting the rise in historical costs), and residuals. PPG debt also includes projected Sinohydro disbursements. More structurally, fiscal performance continues to be burdened by low government revenues and growing interest bill as deficit financing shifted from concessional to commercial sources. Partly due to the expected completion of the financial sector clean-up, the primary balance would become positive from 2021, but the debt-to-GDP ratio would only begin to decline in 2022 with growth rebounding as new oil concessions come on line.

Ghana: Currency Composition of External Debt End-March 2019



7. The authorities have been successful in tapping foreign and domestic debt markets to replace concessional financing, with mixed results for debt sustainability. Increased dependence on markets has led to higher interest rates and financing risks. Ghana successfully placed Eurobonds in 2018 and 2019 and institutional non-resident investors held over 26.6 percent of domestic debt as of September 2019. Market financing has been driving up the share of non-concessional borrowing, shortened debt maturity, and raised the effective nominal interest rate on external debt (including domestic debt held by non-residents) from 5.5 in 2017 to 7.6 percent in 2019. Market financing provides an opportunity to diversify financing sources and fine-tune the risk profile, but also exposes Ghana to spillovers from investors rebalancing their portfolios in response to weakening domestic policies and stresses in other EMs or global risk dynamics. Such rebalancing led to widening of spreads on Ghana's Eurobonds at the end of

[2] Latest information indicates that the EMBI spreads stands at 558 basis points.

2018 and again in August 2019. Overall, spreads have fallen by 160bps since the beginning of the year, partially offsetting the 330bps increase in 2018.

Box 1. Ghana: Underlying Assumptions in the DSA

Economic activity: Real GDP growth is expected to peak at 7 percent before remaining on average around 4.9 percent over the medium term, on the back of oil production. Oil production is currently expected to pick up in 2023, with new oil discoveries and gas production offsetting declining production of existing fields. Non-oil growth is expected to reach 6.1 percent in 2019 and to remain around 5 percent, on average, from 2020 and onward, thanks to gains in productivity stemming from improvements in business climate and government initiatives to close infrastructure gaps.

Inflation and exchange rate: With the new CPI rebase, inflation is expected to reach 7.7 percent on average in 2019, close to the central point of the target range of 8±2 percent. Cedi depreciation experienced during Q1 2019 led to an uptick in non-food inflation, partly offset by slower food inflation. Headline inflation is expected to drop over the medium term to reach 6 percent (the lower bound of the target range) in 2024 thanks to prudent monetary policies starting after the 2020 elections. After Q1 volatility in 2019, the Cedi stabilized thanks to BOG intervention but has overall depreciated by 13 percent between the beginning of the year and end-October.

Government balance: The overall fiscal deficit is expected to reach 7 percent of GDP in 2019, reflecting financial costs and unexpected energy amounting to 2.3 percent of GDP. The overall fiscal deficit will fall to 6.4 percent in 2020 thanks to lower financial sector costs. The overall balance excluding financial and energy sector costs will reach 5 percent in line with the fiscal rule. Fiscal policy is expected to be tightened after the 2020 elections. The overall fiscal deficit will improve to match the fiscal rule level from 2022, and the primary balance will slowly increase from -1.3 percent of GDP in 2019 to an average surplus of about 0.5 percent of GDP over the medium term.

Current account balance: The current account deficit is expected to remain at 3.1 percent of GDP in 2019. It is projected to further widen to 3.6 percent of GDP in 2020 reflecting decline in oil output and interest costs. The current account deficit will improve, particularly once new hydrocarbon facilities come on line in 2023, to an average of 2.4 percent of GDP thereafter. The non-interest current account will improve as well, reflecting maintenance of surpluses in the trade account. Gross foreign exchange reserves will improve steadily from 2022.

Financing flows: FDI inflows moderated to 4.2 percent of GDP in 2019 but given the pending investment in hydrocarbons are expected to recover to an average 5 percent in the medium term. Consistent with Ghana's improving income status and sustained market access, grant inflows are projected to significantly decline in the medium term. Borrowing is projected to become increasingly non-concessional (less than a 35 percent grant element), with the predominance of bonds including non-resident holdings of domestic credit. A US$3 billion Eurobond was successfully issued in 2019 of which US$1 billion was used for liability management. A series of Eurobond issuances is envisaged to cover the current account deficit and to roll over maturing Eurobonds, which are assumed to be repaid on an amortizing basis rather than as bullet payments.

Ghana: Macroeconomic Assumptions Comparison Table

	DSA June 2019		Current DSA	
	2018-2023	2024-2038	2019-2024	2025-2039
Real GDP (%	5.5	4.3	5.3	4.4
Inflation GDP Deflator	8.8	8.2	7.3	6.2
Nominal GDP (Million US$)	79,453	176,099	75,956	155,925
Average real interest rate on domestic debt	3.6	0.6	3.6	2.1
Average real interest rate on foreign debt	5.5	4.1	5.3	4.1
Revenue and Grants (% of GDP)	15.6	15.7	15.4	17.1
Primary expenditure (% of GDP)	15.1	14.7	15.2	14.8
Primary balance (% of GDP)	0.5	1.0	0.2	2.3
Exports of G&S (percent of GDP growth)	5.4	6.0	4.0	2.6
Non-interest current account balance (% of GDP)	-0.6	-0.1	0.1	0.6

Sources: Ghanaian Authorities and IMF staff estimates and projections

C. Realism of Projections

8. **The projected fiscal adjustment of 2.5 percent of GDP over three years falls within the top quartile for low income countries.** However, the size of the adjustment is affected by the one-off financial sector restructuring costs, without which the consolidation would be more limited. Furthermore, the fiscal adjustment in the baseline in line with the fiscal rules envisaging a 5 percent of GDP ceiling on the deficit and a positive primary balance introduced by the 2018 Fiscal Responsibility Act. GDP growth forecast is consistent with the projected fiscal adjustment and the impact of investment on GDP growth is consistent with the historical data.

D. Country Classification

9. **Ghana has a medium debt carrying capacity, unchanged from the last DSA vintage.** The composite index CI used to determine the debt carrying capacity is comprised of the World Bank's CPIA score and macro-economic fundamentals from the April 2019 WEO.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.548	1.37	49%
Real growth rate (in percent)	2.719	5.085	0.14	5%
Import coverage of reserves (in percent)	4.052	24.762	1.00	36%
Import coverage of reserves^2 (in percent)	-3.990	6.131	-0.24	-9%
Remittances (in percent)	2.022	3.362	0.07	2%
World economic growth (in percent)	13.520	3.559	0.48	17%
CI Score			2.81	100%
CI rating			Medium	

EXTERNAL AND PUBLIC DEBT SUSTAINABILITY

Applicable thresholds

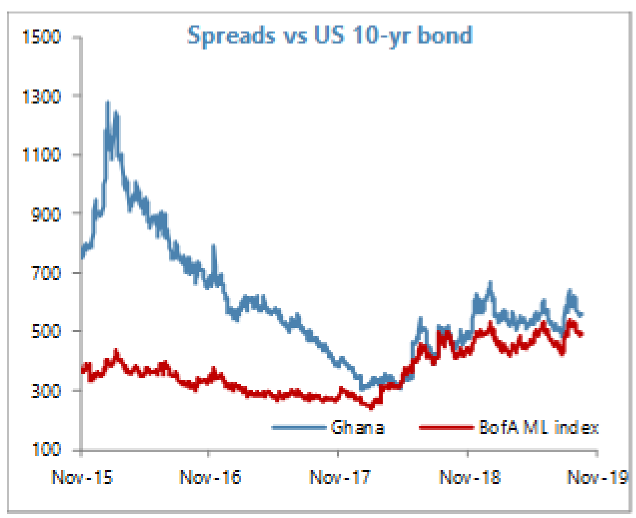
APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

A. External Debt Sustainability Analysis

10. External debt sustainability remains at risk under most scenarios, particularly under adverse shocks to exports. The PV of external debt-to-GDP, debt service-to-exports and debt service-to-revenues exceed their thresholds under the baseline scenario. The test yielding the highest ratios is the export shock, which models the incidence of an average decline in exports of 13 percent in 2020–2021 (a one standard deviation shock applied to the historical average) against 4 percent growth in the baseline. External debt to GDP under this shock peaks in 2021 reaching 65 percent. The debt ratio declines slowly and remains above the threshold throughout the projected period. Furthermore, the primary balance test illustrates the impact of an average primary deficit of 4 percent of GDP in 2020–2021 against a surplus of 0.2 percent in the baseline. This scenario generates a high debt ratio peaking at 53 percent in 2021 which declines only slowly over the projection period.

11. The market financing module points to gross financing needs and other liquidity indicators above thresholds. At 15 percent of GDP, external gross financing needs (GFN) are above their 14 percent threshold. However, the Emerging Markets Bond Index Global (EMBIG) spread remains below financing risk threshold, reflecting Ghana's success in tapping international bond markets. The latest Eurobond, issued in March, was six times oversubscribed and, at 30 years, had one of the longest maturities in Africa. Secondary market spreads have declined since the beginning of the year but have yet to recover from the spike at the end of 2018 and remain volatile due to global uncertainty.



B. Public Debt Sustainability Analysis

12. Public debt exceeds its threshold by 11 percentage points on average for the first five years of the forecast under the baseline scenario, declining below the threshold after 2026. Fiscal slippages and realization of contingent liabilities in finance and energy will push the public debt-to-GDP ratio beyond the benchmark in 2019 despite the recent GDP rebasing. The ratio breaches its threshold under all shocks. The most severe scenario is the commodity price shocks, resulting in persistently high levels, with deviations reaching 88 percent in 2025 and not declining below 84 percent for the remainder of the forecast. The commodity price shock is also the most severe test for the debt service-to-revenue ratio. Under such shock, the debt service would absorb 103 percent of revenues in 2020.

CONCLUSION

13. Debt is deemed sustainable thanks to favorable market access, the authorities' commitment to macro-economic stability and fiscal discipline, and the potential for further fiscal consolidation. Ghana is at high risk of external public debt distress with thresholds breached on the PV of external debt to GDP ratio, the debt service-to-exports ratio, and the external debt service-to-revenues ratio, with the latter exceeding the threshold throughout the forecast horizon. The recently-announced 2020 budget confirms the authorities' focus to safeguard macro-economic stability. The country has also significant potential to increase domestic revenue mobilization. In the short term, continued sound policies will be critical for maintaining market confidence.

Authorities' views

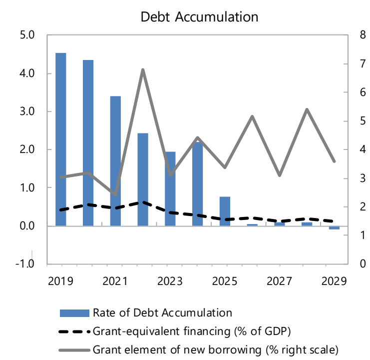
14. The authorities generally concurred with the DSA results and reiterated their commitment to fiscal discipline to preserve debt sustainability. They emphasized government's continued efforts to expand the tax base, improve tax compliance and enforcement, strengthen revenue administration, and tighten expenditure management and commitment controls. In addition, they felt that implementation of the "Ghana beyond Aid" agenda and the government's flagship programs would enhance growth and export potential, with resulting improvements in debt sustainability. The authorities also noted recent steps taken to strengthen fiscal risk management, including the creation of a Fiscal Risks Unit within the Ministry of Finance in 2018, the publication of a Fiscal Risks Statement, and improved PPP risk assessment capacity. Government is also building buffers through sinking funds and escrow accounts for public debt servicing, reprofiling of public debt to correct the yield curve, and implementing a tighter credit risks assessment framework on guarantees and on-lending to SOEs and public corporations. In this respect, the authorities felt that net debt measures would capture Ghana's overall debt profile better and suggested that the Fund's DSA could pay attention to both gross and net debt concepts.

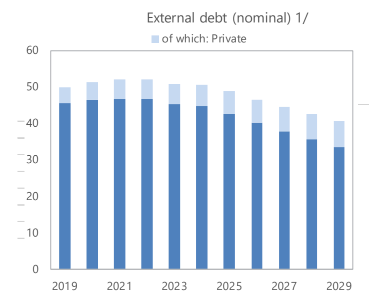
Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2016–2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	41.9	43.8	45.4	50.0	51.2	52.0	52.1	50.9	50.6	40.7	27.2	33.2	48.2
of which: public and publicly guaranteed (PPG)	37.9	39.8	41.1	45.4	46.4	46.9	46.7	45.3	44.7	33.5	17.2	29.3	42.3
Change in external debt	0.5	2.0	1.5	4.6	1.3	0.7	0.1	-1.2	-0.3	-2.0	0.2		
Identified net debt-creating flows	-6.1	-5.5	-6.2	-4.1	-3.9	-3.3	-3.4	-5.6	-4.7	-4.7	-3.8	-2.0	-4.4
Non-interest current account deficit	3.1	1.3	0.8	-0.2	0.3	0.2	0.1	-0.6	-0.7	-0.4	-0.9	4.6	-0.4
Deficit in balance of goods and services	5.6	3.1	1.1	1.3	1.3	1.7	1.9	0.0	-0.2	1.1	1.1	7.5	0.7
Exports	31.8	34.6	34.4	33.9	34.4	33.1	31.8	32.2	31.3	25.2	17.3		
Imports	37.3	37.7	35.4	35.1	35.7	34.7	33.6	32.2	31.1	26.2	18.3		
Net current transfers (negative = inflow)	-2.6	-4.2	-3.9	-3.8	-3.7	-3.5	-3.4	-3.2	-3.1	-2.5	-1.6	-4.3	-3.1
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	0.2	2.4	3.7	2.4	2.7	2.1	1.6	2.6	2.5	1.0	-0.4	1.5	2.0
Net FDI (negative = inflow)	-6.3	-5.5	-4.4	-4.2	-4.7	-5.0	-5.0	-5.0	-5.0	-5.0	-3.0	-6.0	-4.9
Endogenous debt dynamics 2/	-2.9	-1.2	-2.5	0.3	0.5	1.4	1.6	0.0	1.0	0.7	0.1		
Contribution from nominal interest rate	2.1	2.1	2.3	3.3	3.3	3.4	3.4	3.2	3.2	2.4	1.3		
Contribution from real GDP growth	-1.3	-3.2	-2.5	-3.1	-2.8	-1.9	-1.8	-3.2	-2.1	-1.6	-1.2		
Contribution from price and exchange rate changes	-3.7	-0.2	-2.4	...	...	...	...	...	...	...	...		
Residual 3/	6.6	7.4	7.7	8.7	5.2	4.1	3.5	4.5	4.3	2.7	4.0	4.1	4.0
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	40.4	43.5	46.0	46.5	46.1	44.3	44.0	32.6	16.5		
PV of PPG external debt-to-exports ratio	...	...	117.6	128.6	133.7	140.5	145.2	137.7	140.5	129.5	95.7		
PPG debt service-to-exports ratio	2.0	4.9	17.1	16.9	15.7	16.6	17.4	17.0	15.6	17.3	13.4		
PPG debt service-to-revenue ratio	5.0	12.7	41.3	39.1	35.8	35.9	36.3	35.8	31.8	26.3	12.7		
Gross external financing need (Million of U.S. dollars)	-912.0	-944.4	2132.1	1680.0	1534.7	1461.1	1527.9	1073.7	557.9	909.8	2087.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.4	8.1	6.3	7.0	5.8	4.0	3.7	6.7	4.4	4.1	4.7	7.1	4.7
GDP deflator in US dollar terms (change in percent)	9.4	-0.8	4.5	-3.5	-1.6	2.2	2.2	1.6	1.4	2.4	2.1	-0.8	1.3
Effective interest rate (percent) 4/	5.7	5.5	5.9	7.6	6.8	7.0	6.8	6.6	6.6	5.9	5.3	4.1	6.6
Growth of exports of G&S (US dollar terms, in percent)	5.9	17.0	17.0	1.7	5.8	2.2	1.9	9.8	2.8	2.0	4.1	14.0	3.1
Growth of imports of G&S (US dollar terms, in percent)	-1.1	8.4	4.3	2.4	5.8	3.4	2.6	3.6	2.4	3.5	3.7	7.4	3.2
Grant element of new public sector borrowing (in percent)	...	...	...	3.0	3.2	2.4	6.8	3.1	4.4	3.6	1.3	...	4.0
Government revenues (excluding grants, in percent of GDP)	12.9	13.3	14.2	14.6	15.1	15.3	15.3	15.3	15.3	16.6	18.1	12.5	15.6
Aid flows (in Million of US dollars) 5/	291.7	352.7	180.3	170.0	619.5	455.1	938.9	470.3	535.7	350.6	235.3		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.4	0.6	0.5	0.6	0.4	0.3	0.1	0.0	...	0.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	4.8	7.6	7.1	10.9	6.8	6.1	4.3	1.4	...	6.3
Nominal GDP (Million of US dollars)	54,989	58,978	65,518	67,638	70,424	74,866	79,335	86,009	91,053	125,327	242,017		
Nominal dollar GDP growth	13.2	7.3	11.1	3.2	4.1	6.3	6.0	8.4	5.9	6.6	6.9	6.4	6.1
Memorandum items:													
PV of external debt 7/	...	...	44.7	48.1	50.8	51.6	51.5	50.0	49.9	39.9	26.5		
In percent of exports	...	...	130.1	142.0	147.7	155.9	162.0	155.2	159.4	158.4	153.7		
Total external debt service-to-exports ratio	4.8	7.6	20.1	20.2	19.2	20.3	21.6	21.3	20.2	24.4	27.6		
PV of PPG external debt (in Million of US dollars)			26485.3	29448.7	32384.6	34783.7	36596.7	38139.4	40028.9	40857.3	39969.2		
(PVt-PVt-1)/GDPt-1 (in percent)				4.5	4.3	3.4	2.4	1.9	2.2	-0.1	1.2		
Non-interest current account deficit that stabilizes debt ratio	2.7	-0.7	-0.7	-4.8	-0.9	-0.5	-0.1	0.6	-0.4	1.6	-1.2		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, and α= share of local currency-denominated external debt i

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

5/ Defined as grants, concessional loans, and debt relief.

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

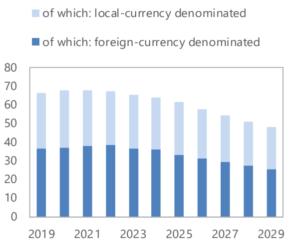
Table 2. Ghana: Public Debt Sustainability Framework, Baseline Scenario, 2016–2039

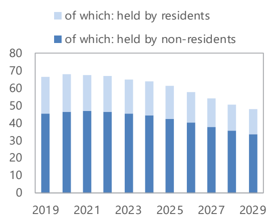
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	57.5	57.7	62.5	66.5	67.9	67.8	67.3	65.2	64.1	47.9	19.5	45.4	61.0
of which: external debt	37.9	39.8	41.1	45.4	46.4	46.9	46.7	45.3	44.7	33.5	17.2	29.3	42.3
Change in public sector debt	2.2	0.2	4.8	3.9	1.5	-0.1	-0.5	-2.1	-1.2	-3.0	0.3		
Identified debt-creating flows	1.7	-2.5	0.7	2.7	-0.3	-0.5	-0.7	-2.0	-0.7	-2.8	0.3	0.1	-1.4
Primary deficit	1.9	-0.5	1.4	1.3	0.3	-0.6	-1.0	-0.6	-0.4	-2.2	0.6	2.1	-1.2
Revenue and grants	13.4	13.9	14.5	14.8	15.5	15.6	15.5	15.5	15.4	16.6	18.1	13.5	15.7
of which: grants	0.5	0.6	0.3	0.2	0.3	0.3	0.3	0.2	0.1	0.0	0.0		
Primary (noninterest) expenditure	15.3	13.4	15.9	16.1	15.7	14.9	14.5	14.8	15.0	14.4	18.8	15.7	14.5
Automatic debt dynamics	-0.2	-2.0	-0.1	1.3	-0.6	0.1	0.3	-1.3	-0.3	-0.5	-0.3		
Contribution from interest rate/growth differential	0.8	-1.1	-0.5	-0.9	-0.5	0.3	0.5	-1.7	-0.2	-0.4	-0.3		
of which: contribution from average real interest rate	2.6	3.3	2.9	3.1	3.1	2.9	2.9	2.5	2.5	1.6	0.5		
of which: contribution from real GDP growth	-1.8	-4.3	-3.4	-4.1	-3.6	-2.6	-2.4	-4.2	-2.8	-2.0	-0.9		
Contribution from real exchange rate depreciation	-1.0	-0.9	0.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	0.5	2.7	4.1	3.5	1.7	0.2	0.0	0.3	-0.5	-0.4	0.0	3.1	0.2
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	63.9	67.4	68.7	68.5	67.7	65.5	64.2	47.7	19.1		
PV of public debt-to-revenue and grants ratio	...	...	441.2	456.5	444.2	439.6	436.0	422.9	416.0	287.1	105.2		
Debt service-to-revenue and grants ratio 3/	96.1	101.1	97.1	94.1	82.9	68.9	71.5	67.3	62.3	47.4	15.2		
Gross financing need 4/	14.8	13.5	14.9	15.2	13.1	10.1	10.0	9.8	9.2	5.6	3.4		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.4	8.1	6.3	7.0	5.8	4.0	3.7	6.7	4.4	4.1	4.7	7.1	4.7
Average nominal interest rate on external debt (in percent)	5.9	5.9	6.1	8.2	7.5	7.4	7.2	7.0	7.0	6.2	5.5	4.1	7.0
Average real interest rate on domestic debt (in percent)	5.1	9.0	7.1	4.3	4.5	3.5	3.5	2.8	3.0	2.3	0.4	5.3	3.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-2.9	-2.9	1.3	...	...	...	...	...	...	...	...	2.4	...
Inflation rate (GDP deflator, in percent)	15.2	10.4	10.2	8.6	7.9	7.6	7.0	6.7	6.3	6.4	6.1	14.2	6.9
Growth of real primary spending (deflated by GDP deflator, in percent)	4.6	-5.4	25.8	8.6	3.3	-1.2	0.4	9.4	5.8	8.4	30.2	7.9	3.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.3	-0.8	-3.5	-2.6	-1.2	-0.5	-0.5	1.4	0.8	0.8	0.4	-1.5	0.1
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**

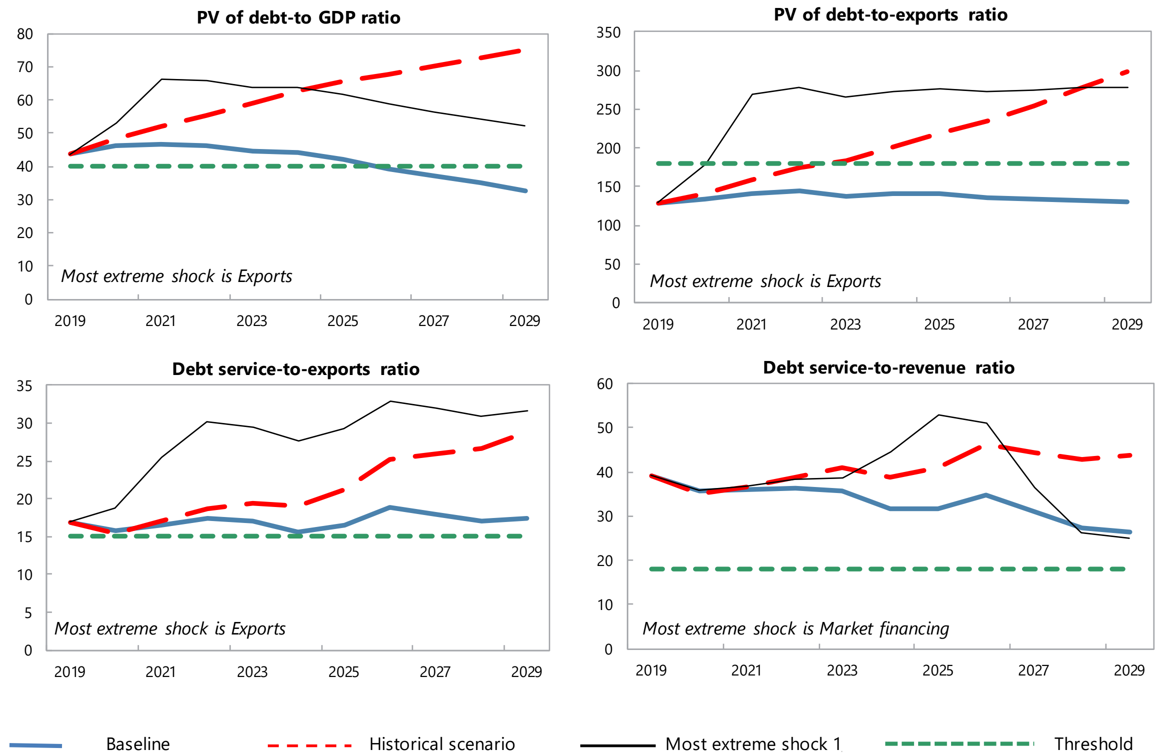
Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt under Alternative Scenarios, 2019–2029



Customization of Default Settings		
	Size	Interactions
Tailored Tests		
Combined CLs	Yes	
Natural Disasters	n.a.	n.a.
Commodity Prices [2/]	No	No
Market Financing	No	No

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	7.1%	8.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	15	20
Avg. grace period	8	17

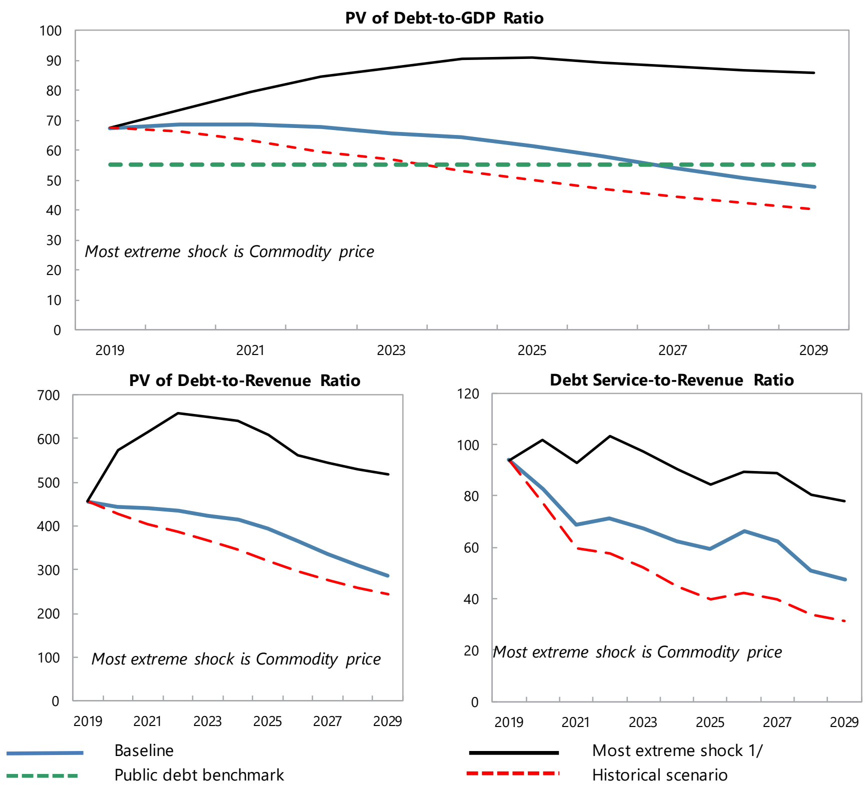
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Figure 2. Ghana: Indicators of Public Debt under Alternative Scenarios, 2019–2029



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	51%	51%
Domestic medium and long-term	32%	32%
Domestic short-term	18%	18%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	7.1%	8.0%
Avg. maturity (incl. grace period)	15	20
Avg. grace period	8	17
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	4.0%
Avg. maturity (incl. grace period)	5	7
Avg. grace period	4	6
Domestic short-term debt		
Avg. real interest rate	1.1%	2.0%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–2029

(In percent)

		Projections 1/									
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	**44**	**46**	**46**	**46**	**44**	**44**	**42**	39	37	35	33
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**44**	**48**	**52**	**55**	**59**	**63**	**66**	**68**	**70**	**73**	**75**
B. Bound Tests											
B1. Real GDP growth	**44**	**49**	**53**	**53**	**51**	**50**	**48**	**45**	**42**	40	37
B2. Primary balance	**44**	**48**	**53**	**53**	**52**	**51**	**49**	**47**	**45**	**43**	**41**
B3. Exports	**44**	**53**	**66**	**66**	**64**	**64**	**62**	**59**	**56**	**54**	**52**
B4. Other flows 3/	**44**	**48**	**51**	**50**	**49**	**48**	**46**	**44**	**41**	39	37
B5. Depreciation	**44**	**56**	**54**	**54**	**51**	**51**	**48**	**45**	**42**	39	36
B6. Combination of B1-B5	**44**	**52**	**56**	**56**	**54**	**54**	**52**	**49**	**47**	**45**	**42**
C. Tailored Tests											
C1. Combined contingent liabilities	**44**	**51**	**52**	**52**	**50**	**50**	**48**	**46**	**44**	**42**	**40**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**44**	**47**	**49**	**49**	**48**	**48**	**46**	**43**	**41**	38	36
C4. Market Financing	**44**	**51**	**52**	**52**	**51**	**50**	**48**	**45**	**42**	39	36
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	129	134	141	145	138	141	140	136	133	132	130
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	129	140	158	174	**183**	**201**	**219**	**234**	**253**	**276**	**298**
B. Bound Tests											
B1. Real GDP growth	129	134	141	145	138	141	140	136	133	132	130
B2. Primary balance	129	139	161	168	160	164	165	161	161	164	163
B3. Exports	129	179	**268**	**279**	**266**	**273**	**276**	**273**	**274**	**277**	**278**
B4. Other flows 3/	129	140	153	159	151	154	154	151	149	149	147
B5. Depreciation	129	128	129	133	126	128	127	122	119	117	113
B6. Combination of B1-B5	129	157	154	**190**	**182**	**187**	**188**	**185**	**184**	**185**	**183**
C. Tailored Tests											
C1. Combined contingent liabilities	129	148	158	164	156	160	161	157	159	161	159
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	129	134	145	153	147	152	153	148	146	145	141
C4. Market Financing	129	134	141	147	140	144	144	138	134	132	127
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**17**	**16**	**17**	**17**	**17**	**16**	**16**	**19**	**18**	**17**	**17**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**17**	**15**	**17**	**19**	**19**	**19**	**21**	**25**	**26**	**27**	**29**
B. Bound Tests											
B1. Real GDP growth	**17**	**16**	**17**	**17**	**17**	**16**	**16**	**19**	**18**	**17**	**17**
B2. Primary balance	**17**	**16**	**17**	**19**	**19**	**17**	**18**	**21**	**20**	**19**	**20**
B3. Exports	**17**	**19**	**26**	**30**	**29**	**28**	**29**	**33**	**32**	**31**	**32**
B4. Other flows 3/	**17**	**16**	**17**	**18**	**18**	**17**	**18**	**20**	**19**	**18**	**19**
B5. Depreciation	**17**	**16**	**16**	**16**	**16**	15	**15**	**18**	**17**	**16**	**16**
B6. Combination of B1-B5	**17**	**17**	**21**	**23**	**22**	**21**	**22**	**25**	**24**	**23**	**23**
C. Tailored Tests											
C1. Combined contingent liabilities	**17**	**16**	**18**	**19**	**18**	**17**	**18**	**21**	**20**	**19**	**20**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**17**	**16**	**17**	**18**	**18**	**17**	**18**	**21**	**20**	**18**	**19**
C4. Market Financing	**17**	**16**	**17**	**18**	**18**	**22**	**27**	**28**	**21**	**16**	**16**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**39**	**36**	**36**	**36**	**36**	**32**	**32**	**35**	**31**	**27**	**26**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**39**	**35**	**37**	**39**	**41**	**39**	**41**	**46**	**44**	**43**	**44**
B. Bound Tests											
B1. Real GDP growth	**39**	**38**	**41**	**42**	**41**	**36**	**36**	**40**	**36**	**31**	**30**
B2. Primary balance	**39**	**36**	**37**	**40**	**39**	**35**	**35**	**38**	**34**	**31**	**30**
B3. Exports	**39**	**37**	**41**	**47**	**46**	**42**	**42**	**45**	**41**	**37**	**36**
B4. Other flows 3/	**39**	**36**	**37**	**38**	**38**	**34**	**34**	**37**	**33**	**29**	**28**
B5. Depreciation	**39**	**46**	**44**	**44**	**43**	**38**	**38**	**42**	**37**	**32**	**31**
B6. Combination of B1-B5	**39**	**38**	**42**	**44**	**43**	**39**	**39**	**42**	**38**	**34**	**33**
C. Tailored Tests											
C1. Combined contingent liabilities	**39**	**36**	**38**	**39**	**39**	**35**	**35**	**38**	**34**	**31**	**30**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**39**	**44**	**45**	**47**	**44**	**38**	**36**	**38**	**34**	**30**	**29**
C4. Market Financing	**39**	**36**	**37**	**38**	**38**	**44**	**53**	**51**	**36**	**26**	**25**
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

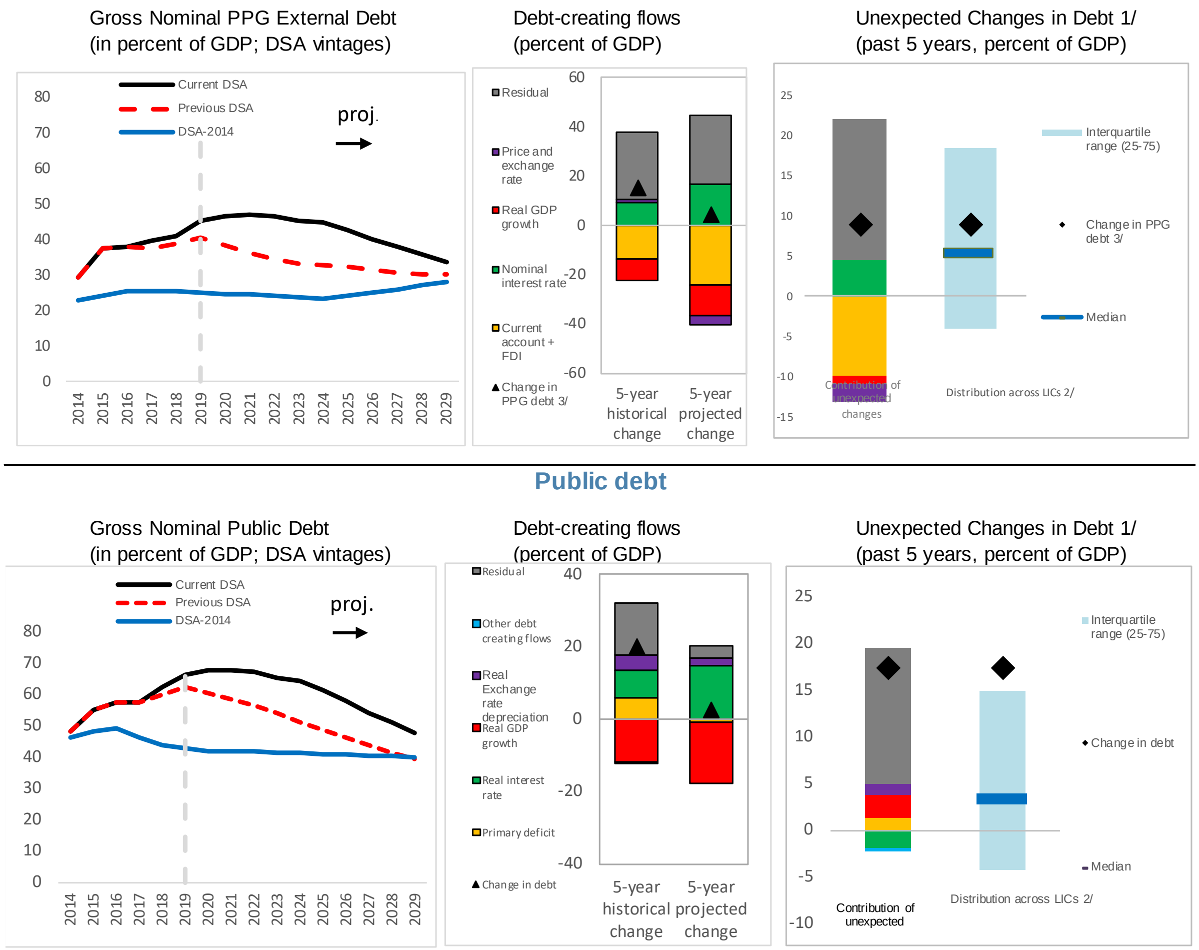
Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt, 2019–2029

in percent

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of Debt-to-GDP Ratio											
Baseline	**67**	**69**	**69**	**68**	**65**	**64**	**62**	**58**	54	51	48
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**67**	**66**	**63**	**60**	**57**	53	50	47	45	42	40
B. Bound Tests											
B1. Real GDP growth	**67**	**75**	**82**	**83**	**83**	**84**	**83**	**81**	**80**	**78**	**77**
B2. Primary balance	**67**	**73**	**79**	**79**	**77**	**76**	**73**	**69**	**66**	**63**	**60**
B3. Exports	**67**	**74**	**84**	**84**	**81**	**80**	**78**	**74**	**70**	**67**	**64**
B4. Other flows 3/	**67**	**71**	**73**	**72**	**70**	**69**	**66**	**62**	**59**	**55**	52
B5. Depreciation	**67**	**78**	**77**	**75**	**73**	**71**	**68**	**64**	**60**	**56**	53
B6. Combination of B1-B5	**67**	**70**	**76**	**75**	**73**	**72**	**70**	**66**	**63**	**60**	**57**
C. Tailored Tests											
C1. Combined contingent liabilities	**67**	**78**	**78**	**78**	**75**	**74**	**72**	**68**	**65**	**61**	**58**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**67**	**74**	**80**	**85**	**88**	**91**	**91**	**89**	**88**	**87**	**86**
C4. Market Financing	**67**	**69**	**69**	**68**	**66**	**65**	**63**	**59**	54	51	47
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	457	444	440	436	423	416	393	364	336	310	287
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	457	428	406	386	368	345	320	298	277	259	243
B. Bound Tests											
B1. Real GDP growth	457	481	524	535	535	543	532	513	493	478	466
B2. Primary balance	457	469	510	508	495	490	467	438	408	382	359
B3. Exports	457	481	542	539	526	520	497	467	437	410	387
B4. Other flows 3/	457	458	467	464	451	444	421	392	363	337	314
B5. Depreciation	457	505	494	486	469	459	434	403	371	343	319
B6. Combination of B1-B5	457	454	485	484	473	468	447	419	391	366	344
C. Tailored Tests											
C1. Combined contingent liabilities	457	506	501	499	487	481	459	430	401	375	352
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	457	574	614	658	648	642	608	563	544	529	517
C4. Market Financing	457	444	441	439	428	423	401	369	337	309	284
Debt Service-to-Revenue Ratio											
Baseline	94	83	69	71	67	62	59	67	62	51	47
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	94	77	60	58	52	45	40	42	40	34	31
B. Bound Tests											
B1. Real GDP growth	94	88	80	86	83	78	76	86	83	73	71
B2. Primary balance	94	83	75	83	75	69	66	73	73	64	56
B3. Exports	94	83	72	79	75	70	67	74	70	59	55
B4. Other flows 3/	94	83	70	74	69	64	62	69	64	53	49
B5. Depreciation	94	83	75	78	75	70	67	75	70	60	56
B6. Combination of B1-B5	94	81	71	80	73	68	65	72	68	60	55
C. Tailored Tests											
C1. Combined contingent liabilities	94	83	84	79	73	68	65	72	77	60	55
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	94	102	93	103	97	90	85	89	89	80	78
C4. Market Financing	94	83	70	73	70	75	81	83	68	50	46

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

Figure 3. Ghana: Drivers of Debt Dynamics—Baseline Scenario



1/ Difference between anticipated and actual contributions on debt ratios.

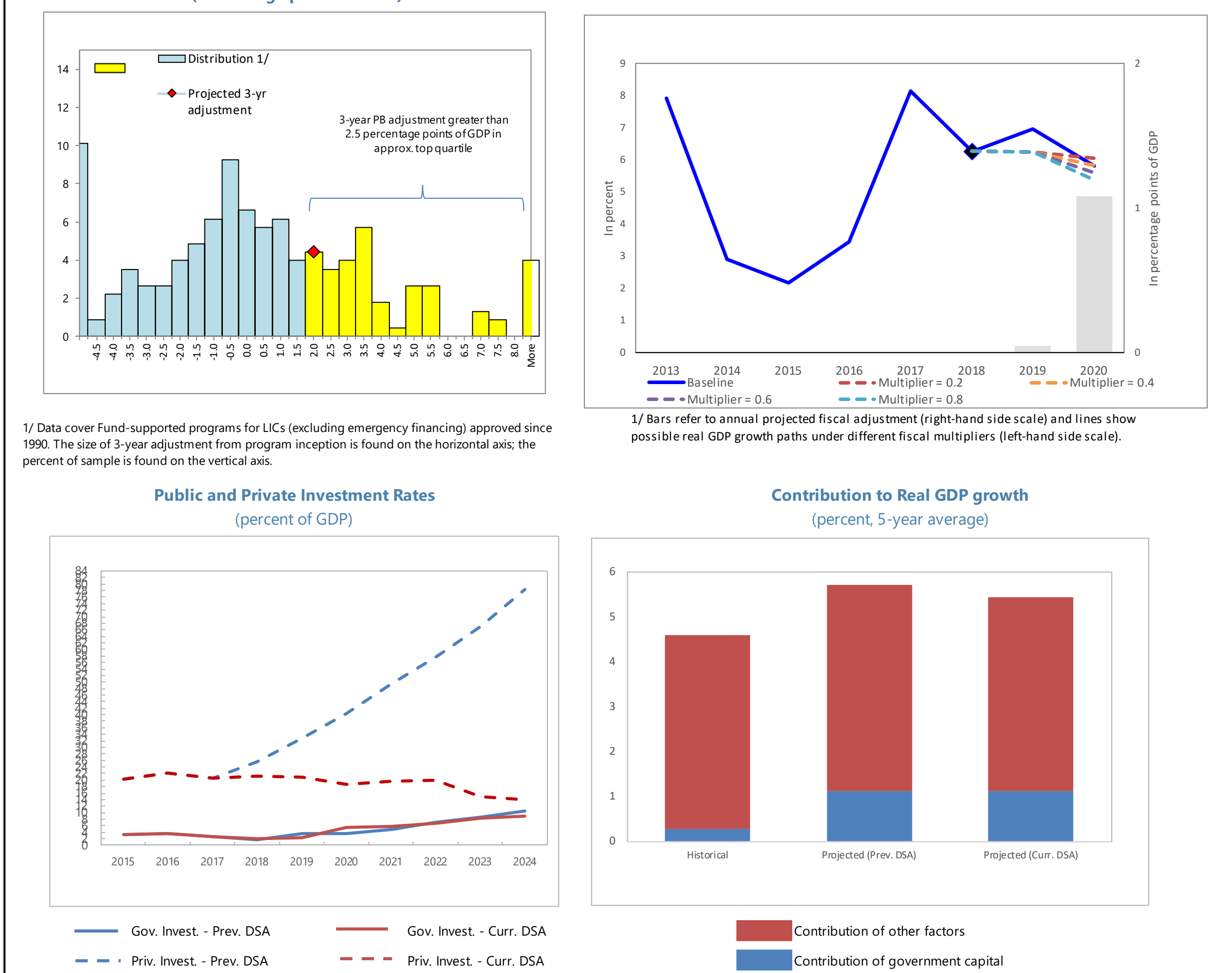
2/ Distribution across LICs for which LIC DSAs were produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Figure 4. Ghana: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)

Fiscal Adjustment and Possible Growth Paths 1/



1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

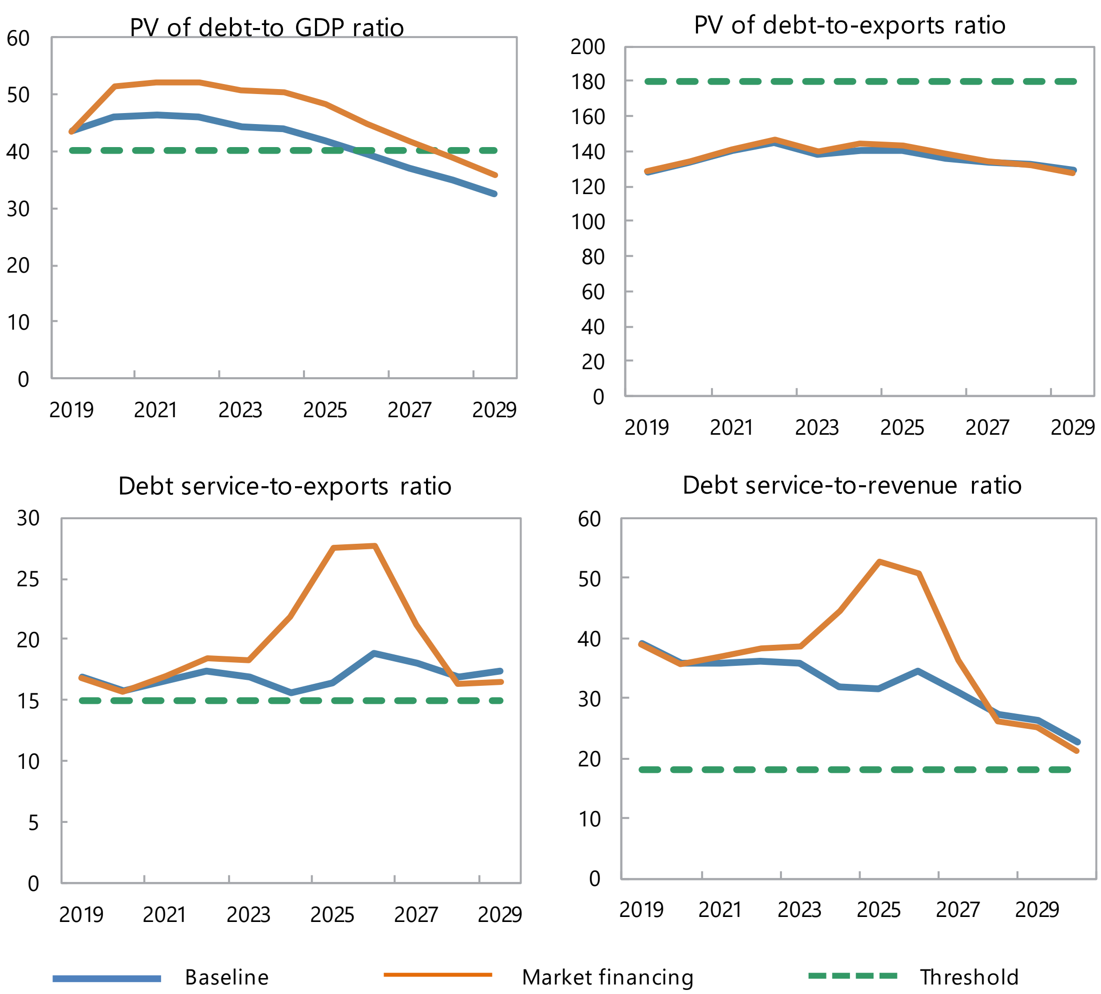
Public and Private Investment Rates
(percent of GDP)

Contribution to Real GDP growth
(percent, 5-year average)

Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	15	558
Breach of benchmark	Yes	No
Potential heightened liquidity needs	Moderate	

1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

INTERNATIONAL MONETARY FUND

GHANA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

November 21, 2019

Prepared By	The African Department (in consultation with other departments)

CONTENTS

FUND RELATIONS

(As of October 30, 2019)

I. Membership Status: Joined: September 20, 1957

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	738.00	100.00
IMF's Holdings of Currency (Holdings Rate)	645.62	87.48
Reserve Tranche Position	92.46	12.53

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	353.87	100.00
Holdings	12.08	3.41

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
ECF Arrangements	805.61	109.16

V. Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Apr 03, 2015	Mar 29, 2019	664.20	664.20
ECF [1/]	Jul 15, 2009	Jul 23, 2012	387.45	387.45
ECF [1/]	May 09, 2003	Oct 31, 2006	184.50	184.50

[1/] Formerly PRGF.

VI. Overdue Obligations and Projected Payments to Fund [2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2019	2020	2021	2022	2023
Principal	20.07	64.11	83.21	90.25	92.99
Charges/Interest	0.78	2.91	2.91	2.91	2.91
Total	20.84	67.02	86.12	93.16	95.90

[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Feb 2002
Assistance committed	
by all creditors (US$ Million) [1/]	2,186.00
Of which: IMF assistance (US$ million)	112.10
(SDR equivalent in millions)	90.05
Completion point date	Jul 2004

II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	90.05
Interim assistance	25.06
Completion point balance	64.99
Additional disbursement of interest income [2/]	4.25
Total disbursements	94.30

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts can not be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	265.39
Financed by: MDRI Trust	220.04
Remaining HIPC resources	45.35

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
January 2006	N/A	265.39	265.39

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

IX. Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Safeguards Assessment

The latest Safeguards Monitoring Report (March 2018) concluded that progress in addressing the recommendations of the 2015 safeguards assessment has been mixed. The Bank of Ghana (BoG) has implemented some recommendations, specifically, it has ensured continuation of quality external audits, improved disclosures in its financial statements, and established procedures to monitor credit to government. However, several of the 2018 recommendations are still outstanding. The BoG's legal framework has not been strengthened to prohibit monetary financing of the government and safeguard the BoG's autonomy. Further, the ELA framework is not being complied with and the BoG has a significant exposure to uncollateralized loans, including to banks later placed under receivership.

Exchange Rate Arrangement

On February 2, 1994, Ghana accepted obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreement. The *de jure* exchange rate arrangement is "floating". The *de facto* exchange rate arrangement was "managed float", and was reclassified to "other managed" effective from April 5, 2019 onwards. Ghana currently maintains one exchange restriction and a multiple currency practice (MCP) subject to Fund approval. The exchange restriction arises from the limitation/prohibition on purchasing and transferring foreign exchange for import transactions by importers who have not submitted to the commercial bank customs entry forms for any past foreign exchange transactions related to imports, and which are unrelated to the underlying transaction. An MCP also arises, because the BoG requires the use of its internal rate (i.e., the previous day's weighted average interbank exchange rate) for government transactions and the surrender of foreign exchange proceeds from cocoa exports funded through the cocoa syndicated loan without having a mechanism in place to ensure that, at the time of the transaction, this exchange rate does not differ from the rate prevailing in the market rate (i.e., the interbank exchange rate) and the rates used by banks in their transactions with their customers by more than 2 percent. At the end of October 2019, the average exchange rate for transactions in the interbank market was GH¢ 5.4925 per U.S. dollar.

Article IV Consultation

The 2017 Article IV consultation discussions were held in Accra during April 3-13, 2017. The staff report (Country Report No. 17/262) was discussed by the Executive Board on August 30, 2017 and is posted on the IMF website.

FSAP Participation

Ghana participated in the FSAP in 2011, and a Financial System Stability Assessment (FSSA) was issued to the Executive Board in 2011. An FSAP update was presented to the Board in May 2011.

Resident Representative

The Fund has had a Resident Representative office in Accra since June 1985. The current resident representative, Mr. Albert Touna Mama, assumed the post in September 2018.

Technical Assistance

Technical Assistance (TA) since January 2017		
Subject	**Department**	**Year**
Assessment of revenue administration	FAD	2019
IT/Cyber security risk management framework	MCM	2019
Delivery of Integrity Training for Customs	AW2	2019
AML/CFT Supervision for DNFBPS and NPOs	LEG	2019
Reviewing and Refining the Structure and Efficiency of Chart of Accounts	AW2	2019
Bank Supervision & Regulation	MCM	2019
Progressing Basel II/III	AW2	2019
Strengthening the Strategic Approach to Planning and Costing the Medium-Term Expenditure Budget	AW2	2019
Progressing Basel II/III	AW2	2019
Design of Risk Management Strategy, Supporting Framework and Risk Profiles	AW2	2019
Strengthen GRA Strategic Planning Capacity	AW2	2019
Mining tax reform	FAD	2019
Development of Controls for ECOWAS Customs Integrity Framework	AW2	2019
Development of Post Clearance Audit SOPs and Guidelines	AW2	2019
National accounts - Rebasing of GDP and development of quarterly GDP by expenditures approach	AW2	2019
Price Statistics (EDDI2)	STA	2019
PPP/PFRAM/Fiscal Risk Management - Seminar	FAD	2019
Review and Reorganization of the Functions of the CAG	AW2	2019
Strengthen excise duties management capacity	AW2	2019
Improve risk processes, compliance management	FAD	2019
Diagnostic Mission on BoG's Forecasting and Policy Analysis System	AW2	2019
Mining fiscal regime design and modelling	FAD	2019
Liquidity Management Framework	MCM	2019
Integrity Strategy and Implementation of Action Plan	AW2	2019
Fiscal Risks	FAD	2019
Petroleum Fiscal Modelling	FAD	2019
PCA Training and Mentoring Support	AW2	2019
Supporting the MoFEA in Applying a Prioritizing Framework to Existing Capital Projects	AW2	2019
Review of AML/CFT TA Report	LEG	2019
Follow-up to finalize Compliance Improvement Plan and guide Data Matching Team	AW2	2019
TA Evaluation	MCM	2019
Seminar on PIMA	FAD	2019

Technical Assistance (TA) since January 2017 (Continued)		
Subject	**Department**	**Year**
Workshop on Public Investment Management	FAD	2019
Enhancing Offsite Follow up Review	AW2	2019
Improve risk processes, compliance management etc.	FAD	2019
Supporting the MoFEA in Preparing, Appraising and Prioritizing Capital Projects	AW2	2019
Provision of Mentoring Support to Intelligence and Investigation Units (Phase 2)	AW2	2019
Mining Fiscal Regime Design and Modelling	FAD	2019
National Accounts	AW2	2019
Developing a risk-based approach to AML/CFT supervision	LEG	2019
Follow-up Basel II/III Implementation (visit 1)	MCM	2019
VAT Compliance and Data Matching Follow-up	AW2	2019
Mining Fiscal Regime Design and Modelling	FAD	2018
Monetary Policy Implementation & Operations	MCM	2018
IFRS 9 Model Validation	AW2	2018
Consumer Price Index	AW2	2018
Fiscal Commitment and Contingent Liabilities of PPP Projects assessed & budgeted for in FY2019	AW2	2018
Workshop on PFMI Organization and Operational Risk Management	AFE	2018
VAT Compliance and Data matching	AW2	2018
Provision of Mentoring Support to Intelligence and Investigation Units (Phase 1)	AW2	2018
Deepening the Domestic Market: Wrap-up Mission	MCM	2018
Mergers and Acquisition Processes	AW2	2018
Fiscal Risk Management, Including Oversight of SOEs	AW2	2018
Managing and Reporting Fiscal Risks	FAD	2018
Developing Standard Criteria for Pre-screening Publicly Funded Projects	FAD	2018
Pillar 2 ICAAP Workshop	MCM	2018
Train staff on Excise audits	AW2	2018
IFRS 9 Model Validation	AW2	2018
Petroleum revenue forecasting and to commence analysis of the mining sector fiscal regime	FAD	2018
AML/CFT Risk-Based Supervision	LEG	2018
Consumer Prices/Producer Price (EDDI2)	STA	2018
Bank Restructuring	MCM	2018
National Accounts	AW2	2018
Continue momentum on restructuring of MoFEA	AW2	2018
Natural Resource Revenue Forecasting	FAD	2018

Technical Assistance (TA) since January 2017 (Continued)		
Subject	**Department**	**Year**
Integrity Workshop (Diagnostic Study)	AW2	2018
Bank Restructuring and Resolution	MCM	2018
Medium Term Debt Strategy	MCM	2018
Assessment of Project Implementation and Progress	MCM	2018
Professional Attachment on Financial Market Infrastructures and Payments at Bank of Tanzania	AW2	2018
Capacity Building on Market and Liquidity Risk	AW2	2018
Consumer Prices/Producer Price (EDDI2)	STA	2018
National Accounts	AW2	2018
Review Excise Manual and Structure	AW2	2018
TRIPS Functionality Review for GRA	AW2	2018
Excise Manual and Structure Review	AW2	2018
LTO Compliance Improvement	AW2	2017
VAT Compliance Review and Improvement Program	AW2	2017
Post TADAT Strategy Setting and Design	FAD	2017
Policy Options for 2018 budget	FAD	2017
Training on Consolidated Supervision	AW2	2017
CPSS-IOSCO Principal for Financial Market	AFE	2017
Excise Manual and Structure Review	AW2	2017
Deepening the Domestic Market (Peripatetic 4 of 5)	MCM	2017
IFRS Accounting Standards	AW2	2017
Liquidity Forecasting and Foreign Exchange Operations	AW2	2017
Ghana: S&L Annexes	LEG	2017
PFM Regulations	FAD	2017
Customs ADM/FAD Ghana Workshop on Customs Procedures and Control in Ports	AFW	2017
Strengthening Fiscal Data Integrity and Financial Reporting	AW2	2017
Advancing the Reorganization of the Ministry of Finance (Business Process Reengineering)	FAD	2017
Support the GRA Compliance Audit Program	AW2	2017
National Accounts	AW2	2017
Bank Restructuring and Resolution (Follow-Up)	MCM	2017
Advancing the Reorganization of the Ministry of Finance	AW2	2017
Natural Resource Revenue Forecasting	FAD	2017
Enhancing Risk Focused Supervision	AW2	2017
IFRS Training	AW2	2017
Bank Restructuring and Resolution	MCM	2017

Technical Assistance (TA) since January 2017 (Concluded)		
Subject	**Department**	**Year**
TADAT	FAD	2017
AML/CFT TA on Risk-Based Supervision	LEG	2017
Deepening the Domestic Market	MCM	2017
IFRS Training	AW2	2017
Excise Procedure Manual	AW2	2017
Advancing TSA and Cash Management	AW2	2017
Debt and contingent liability management	FAD	2017
TADAT Training	AW2	2017
Monetary and Financial Statistics (EDDI2)	STA	2017
National Accounts	AW2	2017
Developing liquidity forecasting and the payment system oversight function of BoG	AW2	2017

JOINT WORLD BANK-IMF WORK PROGRAM, 2019–20

World Bank: https://www.worldbank.org/en/country/ghana

A. World Bank Work Program in FY 2019/20

Products	Provisional timing	Expected delivery date
Ghana Development Policy Financing	February 2020	December 2020
Public Financial Management Reform Project	Ongoing	December 2020
Ghana Economic Management Strengthening Project	March 2020	March 2020
Financial sector supervision	Ongoing	December 2020
Ghana Development Finance Project	March/April 2020	June 2020
Technical Assistance to Implementation of the Energy Sector Recovery Plan (ESRP)	Ongoing	December 2023
Technical Assistance to establishment of ACFTA Secretariat	First mission in December 2019	December 2020
Ghana Component of Harmonizing and Improving Statistics in West Africa	First mission in November 2019	March 2020

B. IMF Work Program in FY 2019/20

Subject	Department	Provisional timing
Identification and Management of Fiscal Risks Arising from PPP Projects	AW2	April 2020
Enhancing Offsite Follow-up Review	AW2	March 2020
Review of Ghana Real Time Gross Settlement System based on CPSS-IOSCO PFMI	AW2	March 2020
Enhancing IFRS Practices	AW2	March 2020
Strengthen VAT Compliance and data matching capacity	AW2	February 2020
Price statistics - Rebasing of Price index numbers	AW2	February 2020
Follow-up Mission on Final Assessment of the SECO Bank Supervision Project	MCM	January 2020
National accounts - Development of quarterly GDP by expenditures approach	AW2	January 2020
Developing a Budget Performance Monitoring Framework for Ghana	AW2	January 2020
EI Risk Based Compliance Strategy 2 of 2	FAD	January 2020
Development of MoUs with other Customs and Border Agencies	AW2	December 2019
AML/CFT Missions	LEG	December 2019
Government Finance Statistics	STA	November 2019
Strengthen Strategic Planning Capacity	AW2	November 2019
Enhancing Offsite Follow-up Review	AW2	November 2019

Bank Resolution Regimes	LEG	November 2019
Improving Forecasting and Policy Analysis System	AW2	November 2019
Review of Primary Dealer and Bookbuilding Auction Systems	MCM	November 2019
Improving Forecasting and Policy Analysis System	AW2	November 2019
SOE Fiscal Risks	FAD	November 2019

C. Requests for Work Program Inputs and Joint Products

Subject	Institution	Delivery date
Regular updates on the status of the Post-Program Monitoring (PPM) and Article IV missions, as well as macroeconomic projections.	World Bank request to IMF	Continuous
Regular updates on Bank's financing to Ghana, and other activities, including in the energy and financial sectors, and public financial management.	IMF request to World Bank	Continuous
Joint Bank-Fund Debt Sustainability Analysis (Update)	Joint IMF-World Bank product	December 2019

STATISTICAL ISSUES

As of October 30, 2019

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for standard surveillance, though some shortcomings remain in the quality and timeliness of certain data. To monitor vulnerabilities, effective surveillance warrants a timelier provision of critical high-frequency data. There are notable deficiencies in the dissemination of statistical information to the public, particularly with fiscal data which have been released with delays.
National Accounts: Ghana compiles annual and quarterly estimates of GDP by production at current and constant (2013) prices following a recent rebase of national accounts which was disseminated in September 2018. The Ghana Statistical Service (GSS) also publishes annual GDP on the expenditure basis at current and constant (2013) prices, with the latest data for 2018. The compilation of the annual national accounts needs to be further strengthened, including by improving the methodology and source data.
Price Statistics: The CPI was rebased in September 2019 using 2016-17 household expenditures and taking 2018 as the base year. The GSS also plans to update the PPI weights to 2014 from 2003, to better reflect current output. Ghana participates in the Prices Module of the Enhanced Data Dissemination Initiative Phase 2 (EDDI2) supported by DFID.
Labor statistics: The scarcity of labor statistics is a cause for concern, although the 2015 Labor Force Survey provides interesting information. However, wage and employment statistics are almost nonexistent. The Ministry of Employment has received technical assistance from the United Nations Development Program and the International Labor Organization in the design and compilation of labor statistics.
Government Finance Statistics (GFS): The quality and timeliness of government finance statistics needs to be improved. Monthly government accounts are published with significant delays. The fiscal discrepancy remains significant, complicating assessment of the budget deficit. Monthly fiscal reports prepared by the Ministry of Finance need to improve their internal consistency on coverage of entities, treatment of fiscal operations above or below the line, and use of cash basis, transaction timing and use of data sources.. To address these shortcomings, the government formed a joint Ministry of Finance-Bank of Ghana working group which is expected to reach understandings on a consistent data coverage and sources of data. The implementation of the Treasury Single Account and almost completed rollout of the Ghana Integrated Financial Management Information System (GIFMIS) would help improve fiscal reporting. IMF TA missions have suggested initial solutions to alleviate current data quality problems. The budget and fiscal reporting only covers the budgetary central government (Consolidated Fund), with significant activities at the regional and district level and through the statutory funds remaining outside government finance statistics. The operations of statutory funds, such as the

SSNIT (currently regarded as a public financial corporation by the authorities), the Ghana Education Trust Fund (GETF) and the District Assemblies Common Fund (DACF), are not yet covered in the fiscal accounts. Although most local government expenses are directly met from budgetary accounts, the revenue of local governments and related spending, and transactions financed from the DACF are not yet covered. Extending the coverage of fiscal data to general government is strongly encouraged.
Monetary Statistics: While the Bank of Ghana (BoG) has made significant progress on implementing the recommendations on monetary and financial statistics, continued efforts are needed to expand the institutional coverage and improve the timeliness of the data reporting. A March 2017 monetary and financial statistics mission assisted in expanding the compilation framework to include rural banks, savings and loans companies, and credit unions in the coverage of the standardized report form (SRF) 2SR for other depository corporations and to compile SRF 4SR for other financial corporations, covering leasing companies, finance houses, and mortgage finance companies.
Financial Sector Surveillance: BoG reports the 12 core financial soundness indicators (FSIs) and 7 of the 13 encouraged FSIs for deposit takers on a quarterly basis with a lag of one quarter for posting on the IMF's FSI website.
Balance of Payments Statistics: The Balance of Payments Office (BPO) of the Research Department of the BoG is responsible for the compilation and dissemination of balance of payments and International Investment Position (IIP) data for Ghana. Ghana participates in the external sector module of EDDI and has benefited extensively from technical assistance in developing and undertaking enterprise surveys of cross-border financial flows and stocks (Foreign Assets and Liabilities Survey (FALS)), with a view to improve the quality of balance of payments statistics and IIP statistics. However, there are still some challenges with the timeliness of the data. Next steps include the implementation of a small timely sample quarterly survey of cross-border capital. Despite the progress achieved in improving the data sources and compilation techniques, substantial work is still needed to strengthen existing, and develop new, data sources to improve the accuracy and reliability of the current and capital, and financial account. The International Transactions Reporting System (ITRS) should be made a reliable data source to the extent possible and be used at its full potential and as a cost-efficient way to receive information for the current, capital, and financial account. ITRS reporting is being revised to ensure that it serves as: (i) a broad indicator of BOP current, capital, and financial account transactions; and (ii) a data source for transactions of which direct reporting is not feasible.
External and Domestic Debt Statistics: The responsibility for external debt recording and payment is divided among three agencies. The Ministry of Finance and Economic Planning (MOFEP), through its Aid and Debt Management Unit (ADMU), maintains the external debt database. It is responsible for recording debt payment obligations, issuing payment requests, and tracking HIPC debt relief. The Controller and Accountant General Department (CAGD) confirms the legality of the payment and authorizes the release of public funds. It is responsible for accounting for debt payments and rendering reports to parliament. The BoG as the payment agent for the government verifies payments made to ADMU and CAGD. To enable systematic

comparison of the budget, the balance of payments and the BoG cash-flow data, the authorities should clearly identify the government subsectors for which data are reported and prepare a clear classification of financing, outstanding debt, and guarantees issued.
Trade Statistics: Currently, the GSS is not publishing timely monthly trade statistics, although the data are available from the Customs, Excise, and Preventive Service (CEPS). Staff has recommended that the GSS collaborate with the CEPS to process customs data within six weeks and with the Ministry of Trade and Industry (MOT) and the BoG to identify and reduce discrepancies in trade statistics and to ensure that imports into bonded warehouses are not double-counted. Data collection procedures of the CEPS need to be improved, and there is also room for improving trade volume data collected by the CEPS through customs invoices, which would help the GSS to extract meaningful import and export unit values. Fund staff has recommended that the GSS produce export unit values for major export commodities, such as gold and cocoa. A high coverage of the country's export bundle can be obtained from just three major exports—cocoa, gold, and oil.
II. Data Standards and Quality
Ghana participates in the General Data Dissemination System (GDDS) since July 20, 2005. Its metadata and improvement plan were last updated on September 25, 2014. Its data ROSC was published on July 7, 2004. Ghana disseminates 14 of the 15 data categories under the GDDS. Ghana is currently in the Baseline of the e-GDDS because the authorities do not publish a National Summary Data Page (NSDP). An e-GDDS mission to Accra in October 2016 assisted in completing all preparations for the implementation of the e-GDDS and publication of an online NSDP. Ghana is encouraged to finalize this work by publishing an online NSDP.

Ghana: Table of Common Indicators Required for Surveillance

(As of October 30, 2019)

	Latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Sep 2019	Sep 2019	D	M	NA
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep 2019	Sep 2019	M	M	Q
Reserve/Base Money	Aug 2019	Oct 2019	M	M	I
Broad Money	Aug 2019	Oct 2019	M	M	I
Central Bank Balance Sheet	Aug 2019	Oct 2019	M	M	I
Consolidated Balance Sheet of the Banking System	Jun 2019	Oct 2019	M	M	I
Interest Rates[2]	Sep 2019	Oct 2019	M	M	I
Consumer Price Index	Sep 2019	Oct 2019	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	Aug 2019	Oct 2019	M	M	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Aug 2019	Oct 2019	M	Q	I
External Current Account Balance	Jun 2019	Oct 2019	Q	Q	Q
Exports and Imports of Goods and Services	Jun 2019	Oct 2019	Q	Q	Q
GDP/GNP	2018	Sep 2019	Q/A	Q/A	Q/A
Gross External Debt	Jun 2019	Oct 2019	M	I	A
International Investment Position[7]	2018	Oct 2019	NA	NA	NA

1 Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
2 Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
3 Foreign, domestic bank, and domestic nonbank financing.
4 Consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.
5 Including currency and maturity composition.
6 Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).
7 Includes external gross financial assets and liability positions vis-à-vis non residents.

INTERNATIONAL MONETARY FUND

GHANA

STAFF REPORT FOR THE 2019 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

December 3, 2019

Approved By
Dominique Desruelle (AFR) and Mark Flanagan (SPR)

Prepared by the Ghana team

This supplement provides an update to the Staff Report (SM/19/264), based on additional information obtained by staff after the Report was circulated to the Executive Board, on (i) the 2020 budget law presented on November 13 and approved by Parliament on November 26, and (ii) the November 25 Monetary Policy Committee decision to maintain the policy rate unchanged. The update does not alter the thrust of the staff appraisal.

A. 2020 Budget Law

1. More granular information on the assumptions underlying the 2020 budget is now available (the deficit target remains unchanged):

- **Revenues** in 2020 are projected to be 1.5 percent of GDP higher compared to the expected 2019 outcome. The projected increase is larger than the annual average increase in previous years and may be optimistic given past challenges to domestic resource mobilization.

- **Capital spending** is projected to reach 2.3 percent of GDP, or 0.4 percentage point of GDP higher than the average capital spending execution in the past three years. Given existing execution capacity challenges and systematic postponement of investment projects in past years, actual capital spending in 2020 may turn out to be lower than budgeted.

2. This information does not change staff projections. Staff considers that a possible revenue underperformance is likely to be compensated by under execution of capital spending, following a pattern observed in past years. This would result in a 2020 headline deficit (excluding financial and energy sector costs) in line with staff's projections of 4.9 percent of GDP and an overall deficit of 6.4 percent of GDP.

B. November 2019 MPC Meeting

3. The Monetary Policy Committee (MPC) of the Bank of Ghana maintained the policy rate unchanged at its November 25 meeting. Inflation increased slightly to 7.7 percent (y-o-y) in October from 7.6 percent in September but remains below the center of the target band (8 percent). The MPC kept the policy rate at 16 percent. Staff views this monetary policy stance as appropriate.

Statement by Mr. Jafar Mojarrad, Executive Director for Ghana,
and Mr. Kwasi Osei Yeboah, Advisor to the Executive Director

December 6, 2019

Our Ghanaian authorities are thankful to Fund staff for the constructive policy engagement during the Article IV consultation mission and for the candid exchange of views on policies to consolidate post-program macroeconomic stability, mitigate risks and strengthen the economy's resilience. The authorities broadly share staff's assessment and policy priorities, but are generally more sanguine about the economy's medium-term prospects and the balance of risks. They believe that their continued firm commitment to prudent macroeconomic policies and relentless pursuit of structural reforms should lay a strong foundation for sustained and inclusive economic growth in the period ahead. At the same time, they also recognize that there is no room for complacency and are fully aware of challenges ahead. Concomitant with rapid economic growth, Ghana has achieved major gains in living standards and citizens' welfare in recent years, but the authorities recognize that more needs to be done to improve social outcomes, strengthen poverty alleviation, and enhance regional and gender equality to achieve the country's 2030 sustainable development goals (SDGs).

Recent Economic Developments and Medium-Term Outlook

The Ghanaian economy performed strongly under the ECF-supported program, thanks to prudent macroeconomic policies and the implementation of a range of reforms. The momentum remains strong post-program. In 2019, growth is expected at 7 percent, among the highest in Africa; inflation is contained within the Bank of Ghana's (BoG) target band; the current account deficit has narrowed significantly with increasing contribution from gold and oil exports; and international reserves are comfortable. The public debt to GDP ratio has been rising since 2017 despite fiscal prudence, but that primarily reflects the large energy and financial sector restructuring costs that have been absorbed by the budget.

Ghana's medium-term economic outlook will be shaped by the authorities' commitment to macroeconomic stability and their ongoing multi-pronged efforts towards economic diversification and efficiency gains, guided by the "Ghana Beyond Aid" development strategy. While extractive sectors are expected to continue to grow strongly—with oil and gas production doubling in few years and Ghana maintaining its dominant role as the largest gold producer in Africa—agricultural modernization, export-led industrialization, digitalization and formalization of the economy, along with investments in human capital and infrastructure and large productivity gains are expected to be the main drivers of growth, keeping in check the economy's reliance on volatile commodity exports. Ghana also expects to tap into a growing intraregional trade, in part facilitated by the African Continental Free Trade Area (AfCFTA).

Fiscal Policy and Priorities

The authorities remain committed to fiscal discipline and are determined to break the election year spending pressures observed in the past, starting with the upcoming 2020 political cycle. Their irreversible commitment to fiscal and debt sustainability is anchored in the rules-based 2018 Fiscal Responsibility Act (FRA), the establishment of a presidential advisory council to ensure FRA compliance, and adherence to a debt to GDP ratio guideline. The 2020 budget (currently before Parliament) meets the FRA's twin rules of maintaining an annual primary surplus and capping the overall deficit at 5 percent of GDP. The authorities would be willing to consider a further tightening of the fiscal rules along the lines suggested by staff should risks, especially those related to contingent liabilities and borrowing rollover, were to materialize.

Spending will be prioritized to ensure compliance with the fiscal rules if revenues fall short, but the exceptional and strategic one-off spending on financial sector clean-up, energy sector restructuring and security requirements will be assured. The authorities consider revenue mobilization a key element of fiscal stability going forward. Indeed, the "Ghana Beyond Aid" envisages a sizable increase in the tax to GDP ratio to ensure public sector debt sustainability and also to help meet the significant spending requirements of the SDGs over the next decade. The authorities are optimistic that the recent overhaul of the Ghana Revenue Authority, customs automation and paperless processes at the ports, together with enhanced compliance efforts, will boost domestic revenue. Further, the implementation of the 2016 PFM law—developed with IMF technical support—has increased transparency and accountability in the budget processes, while the creation of a dedicated entity to oversee SOE corporate governance should help to enhance their transparency and financial reporting.

Energy Sector Reform

The sizable excess electric power capacity and gas supply is the root cause of energy sector's financial strains in the form of arrears and operational losses, and has given rise to fiscal sustainability issues. In response, the government has launched a 5-year Energy Sector Recovery Plan (ESRP), with the help of the World Bank, to bring about a better supply-demand balance in the energy market and address the sector's financial difficulties. The authorities are committed to the full implementation of the ESRP and have already taken several measures in the Plan, including increases in electricity tariffs, postponement or cancellation of some power projects, and renegotiation of purchase agreements with independent power suppliers.

Monetary and Exchange Rate Policies

The BoG is firmly focused on price stability while maintaining adequate reserve buffers. The rebased CPI inflation and inflation expectations are now firmly within the BoG target band, and price pressures have been subsiding steadily since 2016 as the real policy rate has been kept in the positive territories since then. The BoG is willing to consider staff's recommendation of lowering the inflation target if disinflation proves durable and inflation expectations remain anchored, in coordination with fiscal policy and in a manner consistent with the government's macroeconomic framework. Further, in its effort to strengthen monetary policy transmission and enhance market liquidity, the BoG has launched Guidelines for Repurchase Agreements in Ghana to establish the framework for repo transactions, which are essential for a liquid and participatory money market. The authorities are continuing to strictly adhere to the BoG-MoF Memorandum of Understanding on zero central bank financing of the budget to contain fiscal dominance and to create space for noninflationary expansion of private sector credit in support of private sector-led growth.

The BoG remains committed to exchange rate flexibility and building sufficient buffers with limited intervention to mitigate external shocks and it has taken a number of initiatives to enhance market transparency and efficiency. Following the publication of the directive on forex market conduct, the BoG launched forward forex rate auctions to enhance price discovery and reduce uncertainty in meeting future forex demand.

Financial Sector Stability

The authorities firmly believe that a strong and resilient financial system is critical to investor confidence and to support sustained economic growth. With that in mind, and guided by the 2016 asset quality review, the authorities have made significant progress since then to clean up the financial sector through banks recapitalization, restructuring and resolution, and revocation of licenses of nonbank deposit-taking institutions and distressed fund managers. The progress has been evident in improved financial soundness indicators and healthy bank profitability. However, although declining, the high NPL overhang remains an issue of concern, prompting the BoG to streamline the write-off policy on bad loans, consistent with relevant banking laws and IFRS requirements. To further bolster confidence and consumer protection, the Ghana Deposit Protection Company (GDPC) has commenced operation. The banking sector supervisory framework has also been strengthened with the Basel III capital conservation buffer, which is 3 percentage points above the minimum capital adequacy ratio. The operational manual for the newly created Financial Stability Council (FSC) was published, FSC members were sworn-in into office, and the FSC will have its first sitting on December 20. Further, under the powers conferred by the Banks and the SDI Act, the BoG has issued directives to enforce banking sector governance. The authorities remain committed to addressing the residual pockets of vulnerability in the financial sector with the aim of transforming Accra into a financial hub for West Africa.

Structural Policies

The "Ghana Beyond Aid" development strategy seeks to broaden the economic base, to increase the economy's resilience to external shocks, and to make growth more durable and inclusive. It is an overarching strategy and also encompasses Ghana's Coordinated Program of Economic and Social Development 2017-2024 and Ghana's Medium-Term Development Plan, which are in turn aligned with the UN SDG (Agenda 2030) and the African Union (Agenda 2063). As mentioned earlier, the strategy aims to gradually diversify the economy away from the extractive sector by modernizing the agricultural sector and embarking on an export-led industrialization strategy. Recognizing the criticality of a trained labor force to underpin the industrialization and digitalization agenda, the government has initiated an ambitious program to increase student enrolment at all education levels, including through a program of free senior high school education.

The "Ghana Beyond Aid" strategy recognizes that sustained development is predicated on the establishment a level playing field for the private sector. Ghana has made important strides in improving the business environment and compares favorably with peers in the latest World Bank's Doing Business report. Notwithstanding, the government recognizes room for improvement, and is planning to launch a 3-year program in 2020 to enhance the transparency and efficiency of business registration and regulations that, among other measures, will help to catalyze FDI inflows. Also, the government is seeking funding support from the World Bank to establish a national development bank to facilitate access to credit for private businesses, while relying on the G20 compact with Africa to further enhance private sector participation in the economy.

While Ghana already compares favorably to peers in terms of control of corruption, the authorities are taking the necessary steps to strength their anti-corruption framework and to enhance the independence of anti-corruption institutions. Funding of anti-corruption institutions has also been increased significantly in the past two years and every effort is being made to meet the requirements of the FATF Action Plan to exit the "grey list".

Concluding Remarks

Ghana has made significant strides in the past few years to place the economy on a sustainable growth path in an environment of macroeconomic stability. Steady gains in social sectors and advances in poverty alleviation and greater inclusion have also been quite notable on a longer horizon. The progress has been impressive, and widely recognized, but the policy agenda is not yet complete. There are certainly major hurdles to be cleared, but the authorities are determined to build on the macroeconomic gains of the last few years by continuing to follow prudent policies and implement structural reforms that have served Ghana well in the past. As Ghana moves forward, there will also be new challenges, but the authorities feel that their “Ghana Beyond Aid” strategy has put in place a comprehensive framework to broaden the economic base, increase the economy’s resilience and improve the social outcomes, and in the process, build a prosperous Ghana towards which all Ghanaians will contribute and also reap benefits.