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2023 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; STAFF SUPPLEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

In the context of the 2023 Article IV Consultation and First Review Under the Arrangement Under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 19, 2024, following discussions that ended on October 6, 2023, with the officials of Ghana on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on December 18, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- A **Supplementary Information**
- A **Statement by the Executive Director** for Ghana.

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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PRESS RELEASE

PR24/17

IMF Executive Board Concludes 2023 Article IV Consultation with Ghana and Completes First Review under the Extended Credit Facility Arrangement

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the 2023 Article IV consultation and the first review of Ghana's 36-month Extended Credit Facility arrangement. Approval of the first review enables the immediate disbursement of SDR 451.4 million (about US$600 million).
- Ghana's performance under the program has been strong. All quantitative performance criteria for the first review and almost all indicative targets and structural benchmarks were met.
- The authorities' reforms are bearing fruit, and signs of economic stabilization are emerging. Growth in 2023 has proven resilient, inflation has declined, and the fiscal and external positions have improved. Progress is also being made on debt restructuring, with the domestic debt exchange completed over the summer and an agreement recently reached on the restructuring of official bilateral debt.

Washington, DC – January 19, 2024: The Executive Board of the International Monetary Fund (IMF) completed today the First review of the $3 billion, 36-month Extended Credit Facility (ECF) Arrangement, which was approved by the Board on May, 17, 2023, as well as the 2023 Article IV Consultation with Ghana. The completion of the first ECF review allows for an immediate disbursement of SDR 451.4 million (about US$600 million), bringing Ghana's total disbursements under the arrangement to about US$1.2 billion.

Ghana's economic performance has been marked by significant volatility over the years. Episodes of strong growth and overall macroeconomic stability were undermined by rising inflation, exchange rate depreciation, and loss of external buffers, in turn largely reflecting overly accommodative fiscal policies. Most recently, severe external shocks compounded pre-existing fiscal and debt vulnerabilities, exacerbating such volatility and leading to acute economic and financial pressures in 2022.

The authorities' reform program has been designed to respond to immediate pressures and pave the way for a more resilient and prosperous economy. The ECF arrangement has provided a framework to implement the authorities' policy and reform strategy to restore macroeconomic stability and debt sustainability, address long standing vulnerabilities, and lay the foundations for higher and more inclusive growth.

Ghana's performance under the program has been strong. All quantitative performance criteria for the first review and almost all indicative targets and structural benchmarks were met.

Consistent with the authorities' commitments under the Fund-supported program, Ghana is on track to lower the fiscal primary deficit on a commitment basis by about 4 percentage points of GDP in 2023. Spending has remained within program limits. To help mitigate the impact of the crisis on the most vulnerable population, the authorities have significantly expanded social protection programs. On the revenue side, Ghana has met its non-oil revenue mobilization target.

The Ghanaian authorities are also making good progress on their debt restructuring strategy. Their domestic debt restructuring was completed over the summer. On January 12, 2024, the authorities reached an agreement with the Official Creditor Committee (OCC) under the G20's Common Framework on a debt treatment that is in line with Fund program parameters. This agreement provided the financing assurances necessary for the Executive Board review to be completed.

Ambitious structural fiscal reforms are bolstering domestic revenues, improving spending efficiency, strengthening public financial and debt management, preserving financial sector stability, enhancing governance and transparency, and helping create an environment more conducive to private sector investment.

The authorities' reform efforts are bearing fruit, and signs of economic stabilization are emerging. Growth in 2023 has proven resilient, inflation has declined, and the fiscal and external positions have improved.

Looking ahead, fully and durably restoring macroeconomic stability and debt sustainability and fostering a sustainable increase in economic growth and poverty reduction will require steadfast policy and reform implementation.

Following the Executive Board discussion on Ghana, Deputy Managing Director Bo Li issued the following statement:

"Ghana's economic performance has been marked by significant volatility over the years. Most recently, severe external shocks compounded pre-existing fiscal and debt vulnerabilities, leading to acute economic and financial pressures in 2022. The authorities' efforts to reorient macroeconomic policies, restructure debt, and initiate wide ranging reforms are already generating positive results, with growth more resilient than initially envisaged, inflation declining, the fiscal and external positions improving, and international reserves increasing.

"Fully and durably restoring macroeconomic stability and debt sustainability and fostering higher and more inclusive growth require steadfast policy and reform implementation. The government's plans to further reduce deficits by mobilizing additional domestic revenue and streamlining expenditure and to finalize its comprehensive debt restructuring are critical to underpin debt sustainability and ease financing constraints. Continued efforts to protect the vulnerable and to create space for higher social and development spending are also key. Reforms to improve tax administration, strengthen expenditure control and management of arrears, enhance fiscal rules and institutions, and improve SOEs management are needed to ensure lasting adjustment.

"The authorities took decisive steps to rein in inflation and rebuild foreign reserve buffers. Maintaining an appropriately tight monetary stance and enhancing exchange rate flexibility are key to achieving the program's objectives.

"Bank of Ghana had deployed its regulatory and supervisory tools to mitigate the impact of the domestic debt restructuring on financial institutions. The authorities' strategy aimed at maintaining a sound financial sector, drawing on new resources from the private sector, government, and multilaterals to rapidly rebuild financial buffers, is welcome. Ensuring full implementation of bank recapitalization plans and addressing legacy issues in the financial sector will be important.

"Reforms to create an environment more conducive to private investment are needed to enhance the economy's potential and underpin sustainable job creation. Given Ghana's exposure to climate shocks, promoting a green recovery by further advancing the adaptation and mitigation agendas should also remain a priority."

Executive Board Assessment

Executive Directors agreed with the thrust of the staff appraisal. They noted that Ghana's economic performance has been marked by significant volatility over the years and recent severe external shocks have compounded pre existing fiscal and debt vulnerabilities. The ECF supported program has provided a framework for the authorities to implement their policy and reform strategy to restore macroeconomic stability and debt sustainability, address longstanding vulnerabilities, and pave the way for a more resilient, prosperous, and inclusive economy. In this context, Directors welcomed the strong program implementation and noted that the authorities' efforts to reorient their macroeconomic policies, restructure debt, and initiate wide ranging reforms are generating positive results, with growth more resilient than initially envisaged, inflation declining, the fiscal and external positions improving, and international reserves being rebuilt. Nonetheless, in view of significant downside risks, Directors stressed the importance of continued strong program ownership and steadfast implementation of macroeconomic policy adjustment and reforms to fully and durably achieve the authorities' objectives.

Directors underscored that the authorities' plans to further reduce deficits by mobilizing additional domestic revenue and streamlining expenditure is critical to underpin a sustainable debt trajectory and ease financing constraints. They welcomed the completion of the domestic debt restructuring and the agreement reached with the Official Creditors Committee on a debt treatment, and stressed the importance of completing the comprehensive debt restructuring in a timely manner. They also looked forward to successful negotiations with Ghana's external commercial creditors. They emphasized that enhancing debt management is crucial. Directors encouraged continued efforts to protect the vulnerable and create space for higher social and development spending.

Directors urged the authorities to further advance structural fiscal reforms to ensure lasting fiscal discipline. They welcomed ongoing steps to improve tax administration and strengthen expenditure control and management of arrears, enhance fiscal rules and institutions, and improve the management of SOEs, including in the energy and cocoa sectors. Maintaining the reform momentum in these areas will be key to support policy adjustment and sustain stability gains.

Directors welcomed the authorities' decisive steps to rein in inflation and rebuild foreign reserve buffers. They stressed the importance of maintaining an appropriately tight monetary stance and enhanced exchange rate flexibility. They also emphasized the need to improve the functioning of the FX market and adopt an FX intervention framework to help unwind multiple currency practices. They noted that strengthening the Bank of Ghana's independence is important.

Directors commended the authorities' continued focus on preserving financial sector stability. They supported their strategy aimed at maintaining a sound financial sector, drawing on new resources from the private sector, government, and multilaterals to rapidly rebuild financial buffers. They stressed the importance of ensuring full implementation of the bank recapitalization plans, including through the operationalization of Ghana's Financial Stability Fund, and addressing legacy issues of the financial sector. Further upgrading the AML/CFT framework will also be important.

Directors stressed the need for reforms to raise private sector led growth and welcomed the authorities' intention to increasingly focus on the growth agenda. They emphasized that creating an environment more conducive to private investment and improving governance are important to enhance the economy's potential and underpin sustainable job creation. Promoting a green recovery by further advancing the climate adaptation and mitigation agendas should also remain a priority. Continued capacity development support for the authorities' reform efforts will be important.

It is expected that the next Article IV consultation with Ghana will be held in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Ghana: Selected Economic and Financial Indicators, 2022–28

	2022	2023	2024	2025	2026	2027	2028
	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)						
National accounts and prices							
GDP at constant prices	3.1	2.3	2.8	4.4	4.9	5.0	5.0
Non-extractive GDP	2.4	2.5	2.3	4.4	4.8	5.0	5.0
Extractive GDP	8.1	0.4	6.2	4.2	5.9	5.0	5.0
Real GDP per capita	0.9	-0.3	0.2	1.8	2.3	2.4	2.4
GDP deflator	28.2	36.3	20.2	10.9	7.5	7.5	7.5
Consumer price index (end of period)	54.1	27.6	15.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	40.2	22.3	11.5	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)						
Central government budget							
Revenue	15.8	15.7	16.7	17.3	18.2	18.1	18.0
Expenditure (commitment basis) [1]	27.7	20.4	21.7	21.6	21.8	21.2	21.1
Overall balance (commitment basis) [1]	-11.8	-4.6	-5.0	-4.3	-3.6	-3.1	-3.0
Primary balance (commitment basis)	-4.4	-0.5	0.5	1.5	1.5	1.5	1.5
Non-oil primary balance (commitment basis)	-6.3	-1.8	-0.8	0.0	0.0	0.1	0.0
Public debt (gross)	93.3	86.1	83.6	80.9	77.9	74.9	72.0
Domestic debt	50.0	37.0	33.7	31.8	29.4	27.8	26.4
External debt	43.3	49.1	49.9	49.1	48.6	47.1	45.6
	(annual percentage change, unless otherwise indicated)						
Money and credit							
Credit to the private sector	31.8	12.6	22.0	13.0	15.0	15.0	15.0
Broad money (M2+)	32.9	22.8	17.4	16.9	16.0	16.0	16.0
Velocity (GDP/M2+, end of period)	3.4	3.8	4.0	4.0	3.9	3.8	3.7
Base money	57.3	6.0	17.4	12.1	13.6	11.5	13.8
Policy rate (in percent, end of period)	27.0	…	…	…	…	…	…
	(US$ million, unless otherwise indicated)						
External sector							
Current account balance (percent of GDP)	-2.1	-1.7	-1.9	-2.2	-2.4	-2.4	-2.4
BOP financing gap [2]	…	4,216	3,312	3,910	3,321	1,410	937
IMF	…	1,200	720	720	360	0	0
World Bank	…	330	620	350	250	0	0
AfDB		59	44	0	0	0	0
Residual gap	…	2,627	1,928	2,840	2,711	1,410	937
Gross international reserves (program) [3]	1,441	2,388	3,852	5,501	7,677	9,250	10,874
in months of prospective imports	0.7	1.1	1.7	2.3	3.0	3.5	3.9
Gross international reserves [4]	6,238	…	…	…	…	…	…
Memorandum items:							
Nominal GDP (millions of GHc)	610,222	850,656	1,050,978	1,216,854	1,372,186	1,548,313	1,746,882

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

[1] Program approval interest expenditure projections corresponded to a pre- domestic and external debt restructuring scenario. Updated projections correspond to a post-domestic debt restructuring and pre-external debt restructuring scenario.

[2] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[3] Excludes oil funds, encumbered assets, and pledged assets.

[4] Includes oil funds, encumbered assets, and pledged assets.

INTERNATIONAL MONETARY FUND

GHANA

December 18, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Large external shocks in recent years exacerbated pre-existing fiscal and debt vulnerabilities, resulting in an acute crisis in 2022. In response, the authorities have adjusted macroeconomic policies, made significant progress on a comprehensive debt restructuring, and launched wide-ranging reforms. These efforts are bearing fruit, and signs of economic stabilization are emerging. Growth in 2023 has proven resilient, inflation has declined, and the fiscal and external positions have improved. Nonetheless, fully and durably restoring macroeconomic stability and debt sustainability and fostering a sustainable increase in economic growth and poverty reduction will require steadfast policy and reform implementation.

Program status. To support the authorities' reform efforts, the IMF's Executive Board approved in May 2023 a 36-month arrangement under the Extended Credit Facility in an amount equivalent to 300 percent of quota (SDR 2.241.9 billion, or about $3 billion) and a first disbursement of SDR 451.4 million (about $600 million). On completion of the first review, Ghana would have access to an additional SDR 451.4 million.

Program performance. Program performance has been strong. All quantitative performance criteria for the first review and almost all indicative targets and structural benchmarks were met.

Outlook and risks. Sound policies and reforms should foster a recovery and further reduce inflation over the medium term. Downside risks include slippages in program execution, delays in restructuring debt, and a deterioration in the external environment.

First review and Article IV discussions. Discussions focused on (i) continued progress on the large and frontloaded fiscal consolidation, while protecting the vulnerable, (ii) tight monetary and flexible exchange rate policies to bring inflation back to single digits and rebuild foreign reserves, (iii) reforms to policy frameworks and institutions to entrench macroeconomic stability and debt sustainability; (iv) preserving financial stability in the wake of the domestic debt restructuring; and (v) bolstering private sector-led and inclusive growth, strengthening governance and transparency, and adapting to and mitigating climate risks.

Approved By
Annalisa Fedelino and Guillaume Chabert

Discussions took place in Accra during September 25-October 6, 2023. The mission team met with Vice President Bawumia, Minister of Finance Ken Ofori-Atta, Governor of the Bank of Ghana Ernest Addison, and other senior officials. It also engaged with civil society organizations and private sector representatives. The staff team comprised Mr. Roudet (head), Mr. Ricka, Mr. Sode, and Ms. Wiriadinata and Ms. Molosiwa (all AFR); Ms. Benmohamed (SPR); Ms. Khalid (FAD); Mr. Kogan (MCM); and Mr. Medina (resident representative) and Mr. Ahinakwah (local economist). Mr. Akosah (OED) participated in key policy meetings. Ms. Ndome-Yandun assisted with the preparation of this report.

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CONTEXT

1. **Faced with acute economic and financial pressures, the authorities have adjusted macroeconomic policies, made progress on a comprehensive debt restructuring, and launched wide-ranging reforms.** In recent years, large external shocks exacerbated pre-existing fiscal and debt vulnerabilities, resulting in an acute crisis in 2022. In response, the authorities have accelerated fiscal consolidation, tightened monetary policy—including by eliminating monetary financing—and limited foreign exchange interventions. Under the government's Post COVID-19 Program for Economic Growth (PC-PEG), they have initiated reforms to underpin durable adjustment, build resilience and lay the foundation for stronger and more inclusive growth. The government has also advanced its comprehensive debt restructuring to address financing constraints and restore public debt sustainability. This broad policy package largely addresses recommendations made in the previous Article IV consultation (Annex I) and is supported by the IMF under an Extended Credit Facility (ECF) arrangement.

2. **Ghana's reform strategy has started bearing fruit, and signs of economic stabilization are emerging.** Since the approval of the ECF arrangement in May, the authorities have been working closely with IMF staff on policy design and implementation and have kept the program on track. The domestic part of the debt restructuring was completed over the summer, and the authorities are engaging closely with their external official bilateral and commercial creditors on a debt treatment consistent with program parameters. Growth in 2023 has proven more resilient than initially envisaged, inflation has declined, the fiscal and external positions have improved, international reserves have started recovering, and exchange rate volatility has eased significantly.

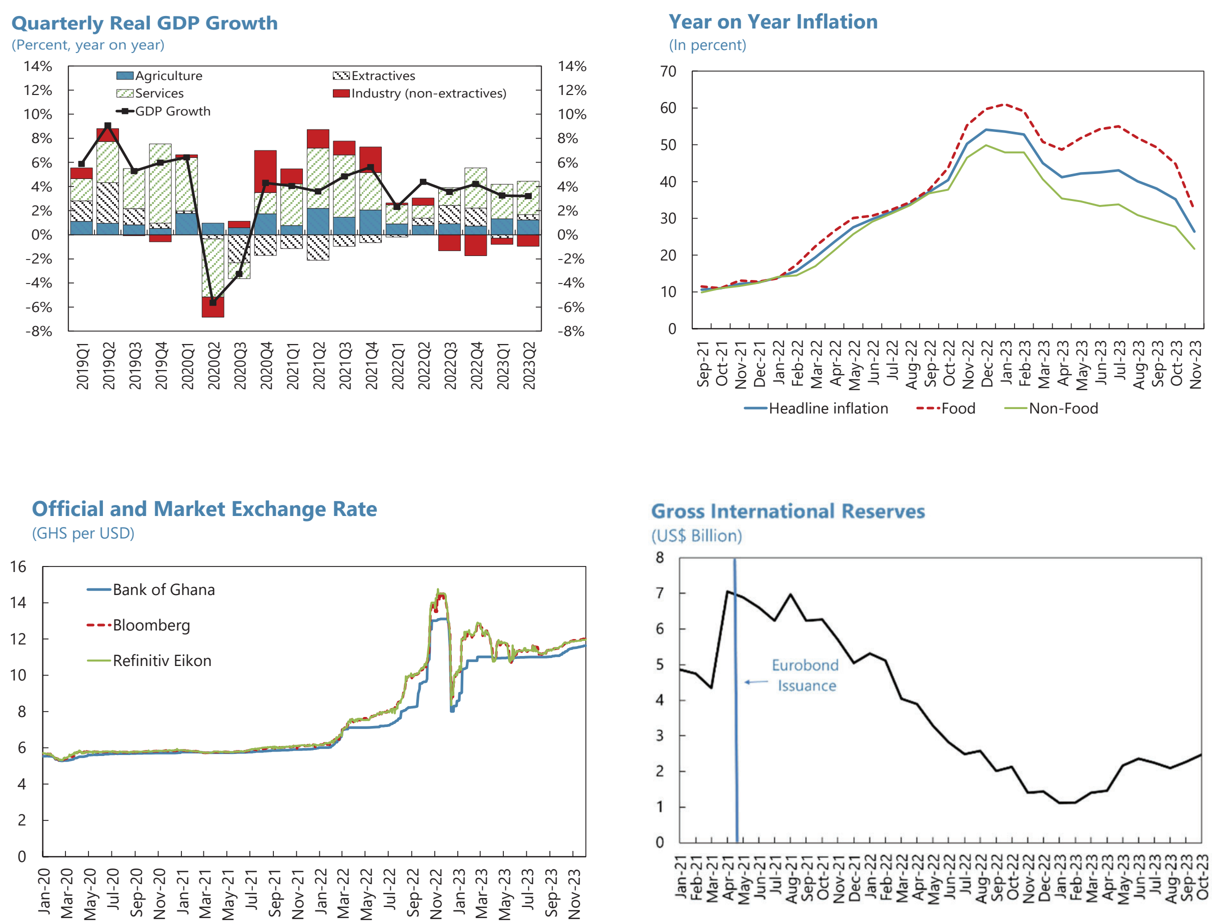
3. **Nonetheless, significant challenges remain, highlighting the importance of steadfast policy and reform implementation.** Notwithstanding the progress thus far, inflation remains high, continued fiscal consolidation hinges on further significant domestic resource mobilization efforts and the government's ability to control spending, and international reserves are still well below adequate levels. Importantly, fully and durably restoring macroeconomic stability and debt sustainability and promoting a sustainable increase in economic growth and poverty reduction require successful completion of the debt restructuring and deep reforms to strengthen policy frameworks, tackle weaknesses in the energy and cocoa sectors, and promote an environment more conducive to private sector investment.

RECENT ECONOMIC DEVELOPMENTS

4. **Growth in the first half of the year has been more resilient than anticipated.** Real GDP growth averaged 3.2 percent in the first two quarters, around the same level as the annual average growth in 2022, and significantly higher than the 1.5 percent forecast at the time of program approval. This reflected a strong momentum in services (6.3 percent) and agriculture (6.2 percent)—two sectors that were less affected than expected by the fiscal consolidation. In

contrast, the contraction in the non-extractive industry deepened (-4 percent), likely reflecting cutbacks in public investment. Overall, growth in non-extractive activities reached 3.6 percent in the first half of the year, up from 2.4 percent last year. Activity in extractive sectors slowed down significantly in the first half of the year (0.6 percent), notably due a decline in oil production in the first quarter.

Ghana: Recent Economic Developments



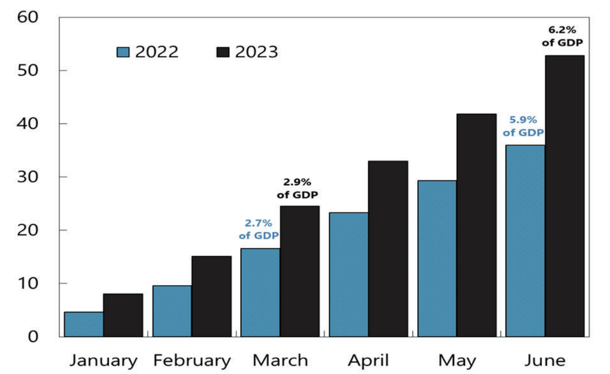
Sources: Ghanaian authorities, Bloomberg L.P., Refinitiv Eikon and IMF staff calculations.

5. Inflation has declined significantly since the beginning of the year. Notwithstanding upward pressures on food prices, inflation decreased from a peak of 54 percent in December 2022 to about 26 percent in November 2023. Following an uptick in food price inflation over the summer, it dropped to about 32 percent in November on the back of a good start in the agricultural season. The decrease in non-food inflation has been more pronounced, reflecting the impact of the monetary policy tightening.

6. The external position has improved, with international reserves accumulation outperforming the program objective, and the exchange rate has stabilized. Ghana's 2022 external position is assessed as being broadly in line with the level implied by medium-term fundamentals and desirable policies (Annex II). During the first half of 2023, the (actual) current account turned into a surplus.[1] This reflected the impact of the external debt service suspension, higher remittances and higher income repatriation by mining and oil companies, and import compression that more than offset a decline in oil exports. This improvement, along with limited foreign exchange (FX) interventions, has boosted international reserves—with gross reserves increasing by US$ 1 billion by end-October. The exchange rate has somewhat stabilized in recent months, at a more appreciated level than envisaged at the time of program approval.

7. Fiscal consolidation is broadly on track. The revenue measures adopted as a prior action for program approval have begun yielding results, and the authorities met their end-June non-oil revenue target. However, oil revenue in the first half of the year was about 50 percent below initial projections, mainly due to the stronger Cedi. Primary expenditures were also significantly lower than programmed, reflecting lower capital expenditure than planned, smaller energy sector payments, and automatic spending adjustment to the earmarked oil revenue in light of the oil revenue shortfall. Overall, the primary balance outperformed the end-June performance criterion (PC) target.

Ghana: Non-Oil Revenue
(GHS billions)



Sources: Ghanaian authorities and IMF staff calculations.

8. However, there was a further build up in energy sector arrears. The government had accumulated significant arrears in recent years. The stock taking exercise conducted by the authorities (***structural benchmark***) assessed an overall stock of arrears at end-2022 broadly consistent with initial program assumptions, with energy sector arrears amounting to some US$ 1.6 billion (2.3 percent of GDP) and non-energy sector arrears at about GHS 35 billion (5.8 percent of GDP). The government continued to accumulate payables during the first half of the year, hence breaching the related program indicative target (IT). Non-energy sector payables declined, but energy sector payables increased due to low recoveries in the sector, tight financing conditions, and pending negotiations with Independent Power Producers (IPPs) (see below). The energy sector payables are only monitored under the Indicative Target. Nonetheless, adjusting the primary balance to account for the accumulation of energy sector payables during H1 2023 would still entail outperformance of the end-June primary balance target.

[1] While the actual current account data for the first half of 2023 benefitted from the suspension in external debt service in place since December 2022, staff's baseline macroeconomic projections, including for 2023 are based on a scenario that takes into account the benefits of the domestic debt restructuring recently completed but not that of the ongoing external debt restructuring.

9. Notwithstanding the significant adverse impact of the domestic debt restructuring on banks' balance sheets, financial sector stability has been maintained. Financial institutions that participated in the Domestic Debt Exchange (DDE) recognized significant impairment losses. This has contributed to reducing the overall capital adequacy ratio (CAR) of the sector, measured with Bank of Ghana (BoG) regulatory forbearance measures, from 19.4 in June 2021 to 14.2 percent in August 2023. Banks have so far not suffered from significant liquidity issues. They posted robust profits during the first quarter of the year in part due to an increase in low-cost deposits that allowed for higher interest margins. However, the non-performing loans (NPLs) ratio increased from 14.1 percent in December 2022 to 18.7 percent in June 2023, on the back of the economic slowdown and the rise in interest rates. Growth in credit to the private sector has slowed down significantly—to about 10 percent year-over-year in August from over 50 percent in November 2022, affecting a large number of sectors.

10. Ghana remains in debt distress, and debt is assessed as unsustainable. Pending completion of the debt restructuring, the attached Debt Sustainability Analysis (DSA) continues to show large and protracted breaches to the standard thresholds. While discussing with creditors, the government has accumulated arrears to domestic debt holders and to official bilateral and private external creditors. The authorities have remained current on the newly exchanged domestic debt and multilateral debt. The government has been able to finance itself on the domestic T-bill market at nominal interest rates below headline inflation. Nonetheless, with development partners' disbursements backloaded this year, the fiscal financing situation has remained tight.

PROGRAM PERFORMANCE

11. Program performance with respect to quantitative targets has been strong. All end-June 2023 performance criteria (PCs) and ITs but one—the IT on non-accumulation of payables—were met (MEFP, Table 1). There was significant overperformance in the accumulation of Net International Reserves (NIR) PC, reflecting higher FX purchases by the BoG from mining companies and commercial banks and lower-than-anticipated payments to energy producers.

12. The authorities have also made significant progress in their structural reform agenda. Two out of the three end-June structural benchmarks (SBs) were met. The SB on the publication of the updated Energy Sector Recovery Program (ESRP) was missed but the action was completed in early October. This delay was due to prolonged policy deliberations within the authorities, discussions with IPPs, and a rigorous consultative process with IMF and World Bank (WB) staff. All four end-September SBs were met (MEFP, Table 3). The end-December 2023 SB on operationalizing the Integrated Tax Administration System will be missed. Staff supports the authorities' request to reset it to end-December 2024, as the project is more complex than initially envisaged (see below).

MACROECONOMIC OUTLOOK AND RISKS

13. Following a smaller than expected slowdown this year, growth is expected to pick up gradually over the medium term, with inflation returning to target. With the slowdown in economic activity less pronounced than envisaged, real GDP growth has been revised up to 2.3 percent in 2023. Thereafter, economic growth is expected to recover gradually to its long-term potential level of around 5 percent by 2026. Inflation is projected to decline further over the rest of the year, benefiting from the tight monetary policy stance, exchange rate stability, and favorable base effects, reaching 27.6 percent by year-end—within the program target band—and the BoG's inflation target of 8±2 percent by the end of 2025. Fiscal consolidation efforts and the completion of the debt restructuring would ensure that public debt is brought back to a sustainable trajectory. The (pre-debt restructuring) current account deficit is expected to hover around 2.5 percent of GDP over the next few years but would improve significantly after the restructuring of external debt, allowing for rebuilding international reserves and achieving the program target of 3 months of imports coverage by 2026.

14. The outlook is subject to significant downside risks (Annex II). Baseline projections continue to hinge on successful execution of the authorities' external debt restructuring and plans to address domestic arrears, including to energy producers, as well as reform implementation, including ensuring strong expenditure commitment controls and reaching the program's revenue mobilization targets. Notwithstanding BoG's policy tightening and progress thus far on the inflation front, there is a risk that inflation remains high and inflation expectations become unanchored. The domestic debt restructuring presents risks to financial sector stability. Exchange rate, credit, and liquidity risks further add to the vulnerabilities. Continued uncertainty regarding the exchange rate path, large domestic financing needs, and policy slippages due to the approaching end-2024 general elections represent additional domestic vulnerabilities. The projections are also predicated on a benign external environment. Intensification of regional conflicts or spillovers from the war in Ukraine and commodity price volatility, would negatively impact Ghana through higher imported inflation and risk aversion. Ghana is also subject to significant climate risks (see below).

15. The authorities were in broad agreement with staff's assessment of the outlook and risks. However, they highlighted that growth could continue to surprise on the upside going forward. While acknowledging the challenging political environment, they also expressed strong commitment to fiscal discipline and the program objectives.

POLICY DISCUSSIONS

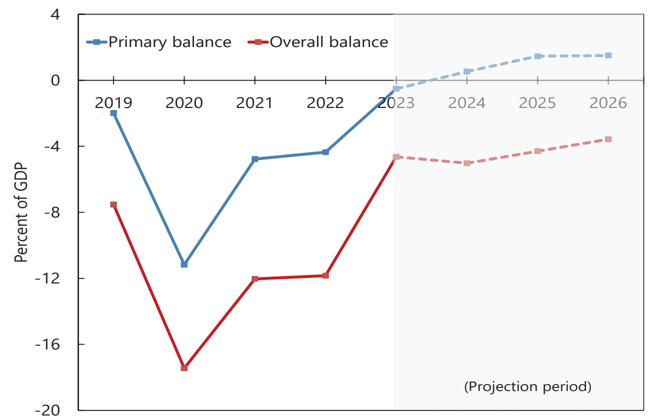
16. Policy discussions focused on both the immediate ECF-supported program priorities and medium-term reforms to anchor stability and deliver stronger and more inclusive growth. For both short- and medium-term priorities, the program review and the surveillance agendas were closely aligned. The Article IV consultation provided a good opportunity to engage the authorities further on reforms to spur growth and policies to address climate risks, as well as governance weaknesses and corruption vulnerabilities.

A. Fiscal Consolidation to Underpin Return to Sustainability

17. The government's fiscal consolidation strategy strikes an appropriate balance between macroeconomic stability and developmental objectives.

- *Large and frontloaded fiscal consolidation path.* Faced with a deep crisis last year, the authorities launched a large and front-loaded fiscal adjustment program which, coupled with the debt restructuring, is critical to restore confidence and put public finances back on a sustainable path. The government is seeking to achieve a primary balance on a commitment basis—the key fiscal anchor under the program—of 1.5 percent of GDP by 2025.[2] This entails an adjustment of about 6 percentage points of GDP over three years—an objective that strikes the right balance between ambition and social and economic feasibility—with about two thirds of the fiscal effort implemented in 2023.

Ghana: Overall and Primary Balance
(Commitment basis)



Source: Authorities data and IMF staff estimations and projections.
Note: The overall balance projections are based on interest expense projections reflecting the recently completed domestic debt restructuring and a pre-external debt restructuring scenario.

- *Significant revenue mobilization effort.* Ghana faces structurally weak domestic revenue mobilization. Its tax-to-GDP ratio is low relative to peers (Figure 1) and tax policy design suffers from high tax expenditures and underutilized taxes. At the same time, social and development spending needs, including to support to climate mitigation and adaptation efforts, are large. The authorities' desire to base their fiscal strategy on a significant revenue increase (now about half of the planned fiscal effort) is therefore appropriate. A Medium-Term Revenue Strategy (MTRS), which was published in September (***structural benchmark***), lays out priority areas for tax policy and revenue administration reforms to underpin the government's goal of significantly raising the non-oil revenue to GDP ratio over the medium term (see below).[3]

[2] The primary balance on a commitment basis accounts for expenditure at the time it is committed by the government. Cash balances will be lower than balances on a commitment basis in the next few years, as the government clears its stock of payables.

[3] The MTRS targets an increase in the ratio of non-oil revenue to GDP to about 20 percent by end-2027, consistent with the program objective of raising this ratio from 13.6 percent of GDP in 2022 to at least 16.5 percent of GDP by 2026.

- *Expenditure rationalization*. The authorities also seek to create fiscal space through efficiency gains and a reduction of the large shortfall in the energy sector (see below).

18. The authorities are on track to meet their 2023 primary balance objective but will rely more on spending adjustment than envisaged at program approval. The Mid-Year Budget Review (MYBR) presented to parliament in July was an opportunity for the government to recognize the shortfall in oil revenue. In response, the program's primary expenditure on commitment basis is being revised down to safeguard the primary balance objective, while protecting critical outlays such as highly targeted social protections and priority capital expenditures. The revision was made possible and credible thanks to the offsetting impact of the stronger exchange rate on the energy sector shortfall and the automatic expenditure adjustments to the grants to statutory funds and several oil revenue-linked expenses. In addition, expenditure under the program had been set at a higher level than entailed by the 2023 budget spending ceilings, effectively creating buffers that could be used by the government to absorb the shortfall while still meeting the primary deficit target of 0.5 percent of GDP for the year.[4]

Ghana: Selected Fiscal Indicators

(Percent of GDP)

	2022	2023		2024
	Latest	Budget Mid-Year	Latest	Latest
Total Revenues	**15.8**	**15.7**	**15.7**	**16.7**
Grants	0.2	0.2	0.3	0.3
Oil Revenues	2.0	1.3	1.3	1.3
Non- oil Revenues	13.7	14.1	14.1	15.0
Primary Expenditures	**20.2**	**16.2**	**16.2**	**16.2**
Compensation of Employees	6.5	6.0	6.0	6.1
Goods and Services	2.1	1.0	1.0	1.1
Grants to Other Gov. Units	4.8	4.0	4.0	3.9
Energy Sector Transfer	2.3	2.8	1.9	1.7
Capital Expenditures	4.0	2.3	3.3	3.3
Domestically financed	1.9	1.2	2.1	2.7
Foreign financed	2.0	1.1	1.2	0.6
Others	0.1	0.1	0.1	0.1
Other Expenditure	0.6	0.0	0.0	0.0
Primary balance	**-4.4**	**-0.5**	**-0.5**	**0.5**
Memorandum Items:				
Non-Oil Primary Balance	-6.3	-1.8	-1.8	-0.8
Highly-targeted social spending (Ghana School Feeding Program, NHIS, LEAP, and Capitation Grant)	0.40	0.48	0.48	0.53

Source: Authorities data and IMF staff estimations and projections.

[4] The program spending envelope had been set at a higher level to account for the surge in inflation that took place after the submission by the government of the draft 2023 Budget Law to parliament. If needed, such a higher level would have been activated as part of the MYBR.

19. The authorities are committed to non-accumulation of payables on a net basis during the year (*indicative target*). Given the payables accumulation so far in the energy sector, this would mean accelerating clearance of non-energy payables in the rest of the year. In the energy sector, the exact clearance path will be decided based on the ongoing negotiations with IPPs (see below).

20. Consistent with the program objectives, the authorities are seeking an improvement in the primary balance of one percent of GDP in 2024, to be achieved mainly through revenue mobilization. They have identified revenue measures that would increase non-oil revenue by at least 0.9 percent of GDP. The measures were drawn from the MTRS and include the removal of selected VAT exemption (0.52 percent of GDP), alignment of custom tariffs with the VAT Act (0.10 percent of GDP), and introduction of green taxes (0.07 percent of GDP). The authorities also introduced a package of tax reliefs (0.05 percent of GDP) primarily to support the agriculture sector in line with the government's PC-PEG growth agenda. Some persistence in the oil revenue shortfall compared to the projections at program approval is expected, but this will largely be offset by a lower energy shortfall. Overall, primary expenditure will be broadly maintained relative to GDP, while accommodating an increase in social spending (see below). The authorities have submitted a draft 2024 budget and associated revenue measures to parliament as a ***prior action*** for the review.

Ghana: 2024 Revenue Measures

(Percent of GDP)

Measure	Yield
Projected Change in Non-Oil Revenue	**0.90**
Direct Taxes	
Revision and expansion of taxes on gambling revenues	0.06
Expansion of entities subject to Communication Service Tax	0.06
Increase of Stamp Duty	0.06
Introduction of a simplified mechanism for the modified taxation scheme for small taxpayers	0.05
Indirect Taxes	
Removal of selected VAT exemptions	0.52
Alignment of the exemption and relief provisions in the VAT Act with the Customs Tariffs, and introduction of 5% VAT rate on rental of commercial premises	0.10
Introduction of Commissioner-General's authorised VAT invoice for Income Tax purposes	0.06
Introduction of the Emission Tax and the Plastic and Packaging Tax	0.07
Administrative Measures	
Implementation of the second phase of E-VAT and ongoing E-VAT compliance measures	0.04
Implementation of minimum chargable income system	0.02
Enhanced implementation of Vehicle Income Tax (VIT) sticker mechanism	0.01
Implementation of the World Customs Organisation SAFE Framework of Standards, Pillar 1 (Custom-to-Custom cooperation for exchange of information)	0.05
Tax reliefs	
Introduction of import duty relief for selected agricultural inputs for Foods for Planting and Jobs	-0.04
Introduction of other tax reliefs	-0.01
Erosion of non-oil revenue to GDP ratio[1]	-0.15

[1] Due to various factors, including the impact of inflation on unindexed excise taxes and other non-tax revenue.
Source: Authorities data and IMF staff estimations.

21. There was alignment between staff and authorities on fiscal policy. The authorities highlighted their commitment to the program's fiscal objectives and stand ready to deploy contingency measures if needed (MEFP ¶9). Specifically, on the revenue side, some of the measures identified in our MTRS (see below) could be brought forward in case of unexpected underperformance. On the spending side, Ministries, Departments, and Agencies (MDAs) budget allocations would be reduced during the year if needed.

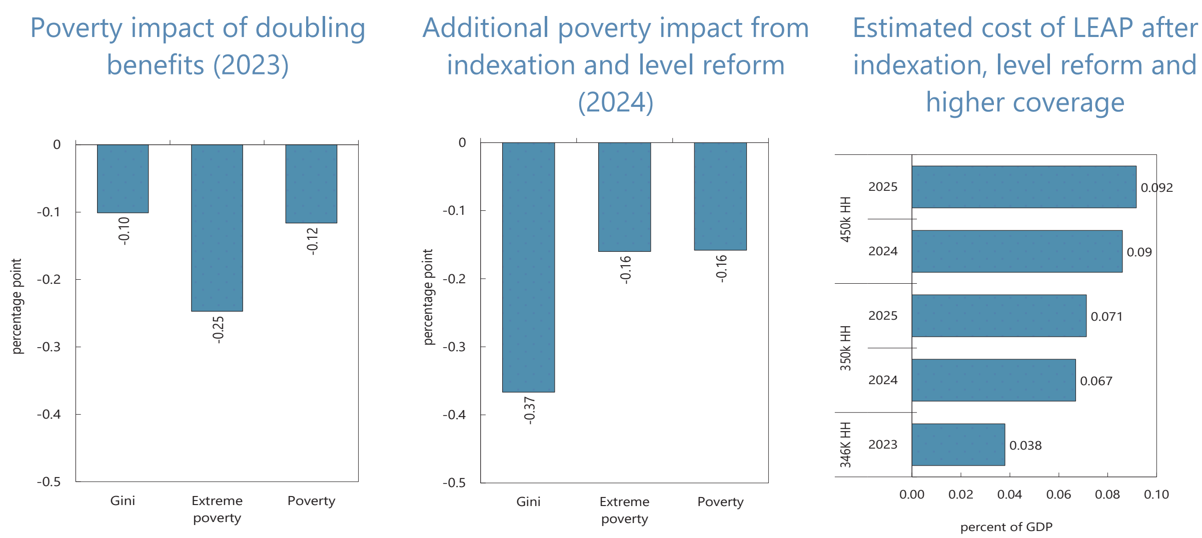
B. Social Impact, Spending and Policies

22. Staff and the authorities agreed about the importance of mitigating the impact of the crisis and reforms on the most vulnerable. High inflation, below-trend growth, and acute financing constraints over the past couple of years have led to delayed access to benefits, erosion of benefits' real value, and a buildup of arrears to suppliers. In addition, the authorities' fiscal adjustment program and reforms, although critical to restore macroeconomic stability and underpin poverty reduction over the medium term, may entail non-negligible socio-economic costs in the short term. In this environment, there was agreement that efforts should be made to the bolster delivery of key public services in health, education, and social protection.

23. Significant actions are already under way to expand well-targeted social protection programs. The WB estimates that the doubling of benefits under the Livelihood Empowerment Against Poverty (LEAP) program (prior action for program approval), Ghana's flagship cash transfer program, has pulled over 80,000 individuals out of extreme poverty. The authorities recently adopted an indexation framework to protect the real value of LEAP benefits (***structural benchmark***). With WB support, the authorities are working towards further increasing the benefits and expanding the coverage under the LEAP program to all extreme-poor households. Overall, LEAP benefits will be doubled again in 2024, increasing the benefit coverage from about 6 percent to 12 percent of household pre-transfer consumption. The goal is to eventually bring this coverage up to 20 percent. These measures are expected to bring about a significant reduction in poverty and inequality while keeping the total budget of the program within 0.2 percent of GDP. In the education sector, the authorities will also increase the level of benefits in 2024 under the Ghana School Feeding Program (by 25 percent to eventually cover 30 percent of child's daily calory intake) and under the Capitation Grant (by 25 percent). In the health sector, the authorities will expand the allocation to National Health Insurance Authority by over 40 percent to cover medical claims, essential medicines, and vaccines for the most vulnerable. These enhancements to critical social protection programs will continue to be monitored through the program's ***indicative target*****.**

24. Other important steps are also under consideration to mitigate the impact of reforms. The planned reforms in electricity subsidies, aiming to protect vulnerable population from periodic tariff adjustments, may require additional budget allocations. An upcoming Fiscal Affairs Department (FAD) technical assistance (TA) mission will help the authorities review the current tariff structure and devise a targeted subsidy mechanism for poor households. In the health sector, the authorities aim to ensure the availability of essential medicines and bring the child vaccination rate back to the pre-crisis levels. The authorities also plan to design a strategy to improve basic education.

Ghana: Impact and Cost Analysis of the Livelihood Empowerment Against Poverty



Source: World Bank
Note: Level reform is increasing the benefit level to 12 percent of pre-transfer consumption of targeted households. Extreme poverty is defined as the share of population unable to meet their basic food need. Absolute poverty is defined as the share of population unable to meet their essential food and basic non-food need.

C. Structural Fiscal Reforms to Entrench Fiscal Discipline

25. Staff and the authorities agreed that efforts to bolster fiscal policy frameworks and institutions were critical to underpin a lasting adjustment. Fiscal structural reforms aim at underpinning the revenue mobilization effort—by addressing widespread tax exemptions and limited compliance—and strengthening public financial management practices, especially in the areas of spending controls, cash management, and investment management. They also seek to address vulnerabilities in energy and cocoa sectors and to bolster State-Owned Enterprises (SOEs) governance to reduce fiscal risks. The authorities are committed to advance this agenda, as evidenced by the progress over the past few months. The IMF-supported program lays out the specific next steps, and reforms are also being closely coordinated with the WB.

Domestic Revenue Mobilization

26. The MTRS seeks to address prevailing gaps in the tax system, including by broadening the tax base and strengthening compliance to avoid too high a tax burden on few compliant taxpayers. The key envisaged tax policy reforms include (i) a review and further rationalization of tax expenditures, including those associated with VAT, (ii) measures to reduce informality and expand tax base, and (iii) development of an automatic adjustment formula for the rates of special petroleum tax (SPT), energy sector levies, and excise duties. The frontloading of some of these reforms in 2024 lends credence to this strategy. Nonetheless, to limit implementation risks, staff and the authorities agreed on the importance of conducting a review of existing policies and legislations, embedding the identified policy, administrative and transformative measures in strategic plans of relevant institutions, and putting in place a governance structure that provides a centralized oversight of implementation progress.

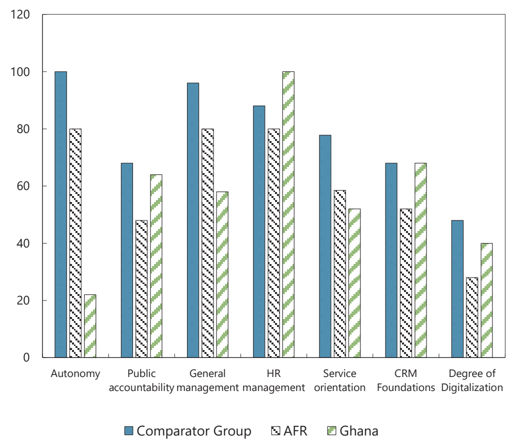
27. Improving revenue administration over the near- and medium-term is key to make tax policy efforts more impactful. Ghana's Revenue Authority's (GRA) performance has been hampered by limited compliance and recoveries. GRA needs to clean up its taxpayer registry, which is inaccurate and unreliable, ensure timely filing, improve audit processes and yields by centralizing risk-based selection, reduce tax arrears, update its taxpayer segmentation criteria, and design a systematic compliance improvement plan for high-net worth individuals.

28. With TA support from the IMF and development partners, GRA is implementing an ambitious reform agenda. The pilot phase of E-VAT system comprising 50 companies has been completed, generating additional revenue of GHS 125.7 million. However, onboarding of all large taxpayers on E-VAT platform has been delayed due to technical challenges with the upscaling. Instead of 600 companies, 200 more companies are now being targeted for phase 2 scheduled to be completed by October 2023. Moreover, business entities operating in the digital space are being registered on GRA's newly introduced E-commerce portal; so far, 62 companies have been registered and produced good tax collection results. The WB-supported Datawarehouse project is also near completion. The use of third-party data has allowed GRA to better design its audit plan with immediate positive impact on recoveries, but effective taxpayers profiling would require addressing capacity issues in the Data Mining Unit.

29. The procurement and operationalization of the integrated tax administration system (ITAS) is another key reform project for GRA. While some progress is being made on that front, the authorities have encountered significant delays in procuring the system, as more time was needed to ensure its compatibility with GRA's specific requirements. More time will also likely be needed to operationalize the system given the high degree of required organizational transformation. In this context, the authorities are requesting that the associated ***structural benchmark*** be reset from end-2023 to end-2024. To ensure that ITAS reflects accurate data on potential and actual taxpayers, GRA will finalize the ongoing clean-up of its tax registry and submit to MoF the report by end-June 2024 (***new structural benchmark***). To this end, (i) duplication of Taxpayer Identification Numbers (TIN) will be eliminated (ii) a separate active taxpayer list will be identified from the pool of registered individuals/entities, and (iii) individuals with no payment or filing obligations will be eliminated from the list of registered PIT taxpayers (MEFP ¶43).

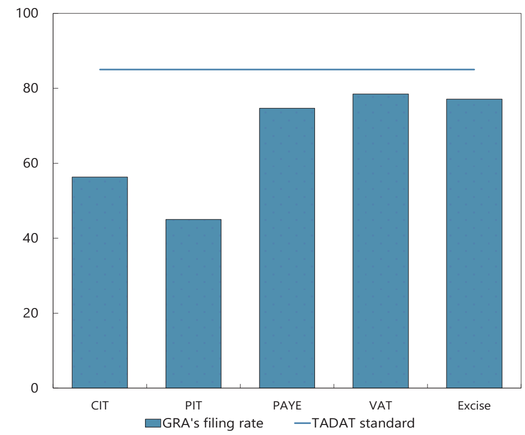
Ghana: Revenue Administration

Ghana and comparators: Quality of Revenue Administration



Source: International Survey on Revenue Administration.

Ghana: Online Tax Filing Rate



Source: Ghanaian authorities.

Notes: Comparator countries include Kenya, Rwanda, Nigeria, and Zambia.

Public Financial Management (PFM)

30. The authorities have initiated PFM reforms, but sustained efforts to change practices are needed. The authorities have prepared and approved by cabinet two important strategy documents in recent months (***structural benchmarks***): (i) an Arrear Clearance and Prevention Strategy, and (ii) a Strategy to Streamline Earmarked Funds. Implementation of the measures laid out in these documents is critical to ease budget rigidities and improve budget execution (see below).

31. Strengthening cash management has become increasingly critical in a tight financing environment. The authorities have endeavored to strictly align quarterly allotments with the 3-month cash forecasts and to tighten the use of allotments as a control on Ghana's Integrated Financial Management Information System (GIFMIS) rather than the budget (MEFP ¶31). Staff and the authorities agreed that a strong and proactive coordination between expenditure management and treasury divisions within the MoF was necessary to derive the full benefits of this change in practices. It would be equally important to regularly apprise MDAs of prevailing cash constraints to anchor their spending commitments.

32. Enforcement of sanctions under the PFM Act is of utmost importance to ensure strict expenditure commitment control. The Ministry of Finance (MoF) has established a compliance desk that will closely track tender advertisements issued by MDAs to ensure they have the necessary allotments, and in case of non-compliance, will refer to the Attorney-General for penal actions if needed (MEFP ¶32). The authorities have also committed to train finance officials on the evidentiary requirements for prosecution under the Public Financial Management

Act. The Auditor General will publish a report on the implementation of recommendations from the 2022 reports on the Accounts of Ghana by end-September 2024 (MEFP ¶32).

33. To tighten commitment controls and prevent accumulation of arrears, the authorities are also committed to addressing weaknesses in public investment management. The authorities will prepare a centralized inventory of all ongoing and planned public investment projects by end-March 2024 (***new structural benchmark***). The inventory will include information on each project's size, age, completion status, funding requirement and priority status. The authorities will also publish by end-March 2024 the list of priority planned and ongoing projects, and the required multi-year budget allocation with annual funding requirements (MEFP ¶33). This information will be updated and published on an annual basis as part of the annual budget documents. To fully capture multi-year contracts in GIFMIS, the authorities will enable the blanket-purchase order functionality and MoF will issue a circular to make the use of this functionality mandatory for all MDAs by end-September 2024 (***new structural benchmark***). The authorities will also enhance the use of Ghana Electronic Procurement System (Ghaneps) for all public procurements now that all entities have been trained to use the system (MEFP ¶34). To this end, Ghaneps will be integrated with GIFMIS (end-September 2024) to ensure that only projects/purchase orders that have approved budgets and allotments can obtain procurement approvals to award contracts. Concerted efforts are needed to tighten the use of sole source and restricted tendering. A PIMA update planned in 2024 will help identify and prioritize other reforms in public investment management.

34. The authorities will streamline earmarked funds to enhance transparency and accountability in their operations. The strategy published in September 2023 envisages that several funds will be merged with their relevant line ministries. Others will be maintained but with measures to improve operational efficiency and oversight. The authorities will now develop the necessary legislation to proceed with these reforms. They will also enforce the use of GIFMIS to enhance oversight of financial transactions in all earmarked funds, ensure more regular audits, and introduce a mechanism to prevent these institutions from collateralizing their receivables and accumulate debt (MEFP ¶38).

35. The authorities need to expedite the expansion of GIFMIS' coverage across institutions and integration of the system with other portals for an effective use (MEFP ¶35). Large, earmarked funds have started using GIFMIS for budget execution as part of the prior action for program approval, but some technical challenges persist. The authorities are on track to onboard 265 institutions reliant on internally generated funds (IGFs) by end-December 2023 (***structural benchmark***). The integration of GIFMIS with HRMIS and SWIFT/Ghipps is also on track to be completed by end-December 2024. However, progress is lagging for the roll-out of automatic bank reconciliation functionality for GIFMIS-linked accounts—this will now be completed by end-March 2025. Similarly, a complete integration of all MDAs and Metropolitan, Municipal, and District Assemblies (MMDAs) accounts at BoG and commercial banks into the TSA is taking longer than initially expected and will be completed by end-December 2024 (MEFP ¶36).

Fiscal Framework and Institutions

36. Strengthening the fiscal framework and institutions is key to entrench fiscal discipline. Ghana's fiscal policy has witnessed repeated periods of overspending and unrealistic revenue projections. The existing fiscal rules present weaknesses—e.g., no specified debt target, complex operational rules, narrow perimeter, and weak escape clauses and enforcement mechanism—and have remained suspended since 2020. In consultation with IMF staff, fiscal rules will be modified and reinstated, and the Fiscal Responsibility Act will be amended to ensure effective yet simple fiscal rules. The fiscal council will be reformed to enable it to independently assess the credibility of macro-fiscal assumptions and compliance with fiscal rules. Reforms to fiscal rules and the council will be submitted to parliament by end-October 2024 (***new structural benchmark***). The authorities are also working with the WB to ensure the budget process will be based on a Medium-Term Expenditure Framework (MTEF). They endeavor to ensure MDA-specific MTEFs are reflected in the Budget Statement by 2025.

Public Spending Efficiency

37. Public spending will be reviewed and rationalized to create room for development, social, and climate-related priorities. This objective will partially be supported by an ongoing Public Expenditure Review undertaken with the WB support. The authorities will also complete a functional review of selected MDAs by end-June 2025 to identify areas for cost savings. The authorities are also working to shift the composition of spending by MDAs responsible for social spending, currently heavily skewed towards personnel expenses, towards targeted and well-designed interventions (MEFP ¶46). To achieve this, key flagship programs will be reviewed, and a rationalization strategy will be published by end December 2024 (MEFP ¶48).

Energy Sector

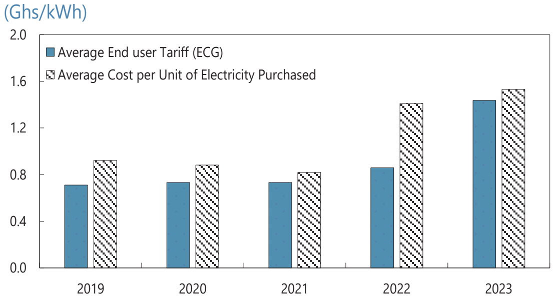
38. Tackling the energy sector's long standing macro-critical challenges is paramount. Below-cost-recovery tariffs, distribution and recovery losses, and excess capacity combined with take-or-pay contracts have led to large financial shortfalls over the past few years. By end-2022, the outstanding energy sector debt had reached US$ 1.6 billion owed mainly to IPPs and fuel suppliers. The authorities have almost doubled electricity tariffs over the past year to bring them close to cost recovery level, but distribution and commercial losses persist. Throughout the first half of 2023, collections by the distribution company (Electricity Company of Ghana, ECG) and its payments to power producers lagged tariff adjustments. As noted above, arrears to IPPs have continued to build up.

39. The government's updated Energy Sector Recovery Program (ESRP, *structural benchmark*) lays out wide-ranging structural reforms to reduce shortfalls and settle legacy arrears. Pending implementation of reforms and renegotiation of arrears and to avoid power supply interruptions, the ESRP also spells out a short-term payment arrangement between ECG and IPPs which entails prioritization of flat monthly payments sufficient to cover energy purchase costs. These payments have started in July 2023. The government intends to finalize discussions on other important modalities of this arrangement—including treatment of excess capacity charge, energy costs over and above the flat payments, SOEs payments, shortfall to be covered by the MoF, and settlement of legacy arrears—by end-November 2023. Some elements of this arrangement would be conditional on the progress on Power Purchase Agreement renegotiations that are expected to be finalized next year.

Ghana: Energy Sector

Following an almost 100 percent adjustment since last year, tariffs have come close to average cost....

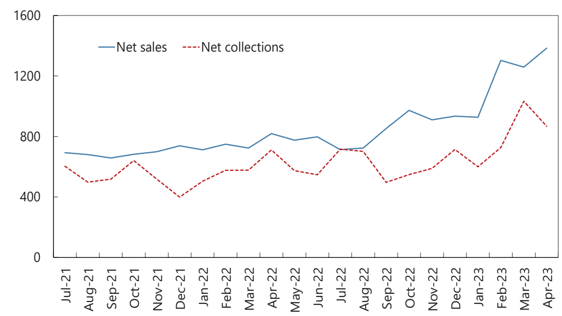
Tariffs and Costs per Unit of Electricity Purchased
(Ghs/kWh)



Notes: Energy sector financial model was last updated in June 2023. Next update is scheduled in early 2024.

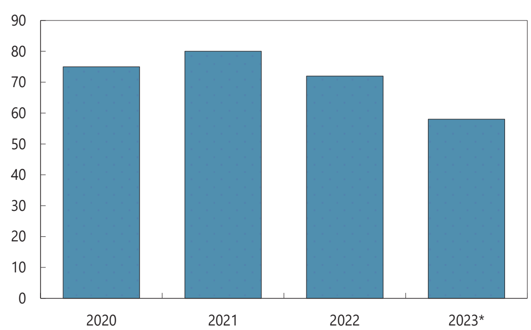
....but collections have lagged behind.

ECG's Estimated Net Sales and Collections



Payments under Cash Waterfall Mechanism as a percentage of collections also remained low...

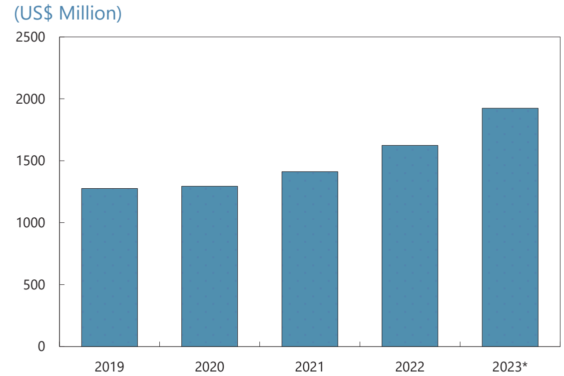
Payments under Cash Waterfall Mechanism
(in percent)



(*): 2023 data is from January to June.

...and arrears to IPPs have continued to increase.

Energy Sector Debt
(US$ Million)



(*): Unverified stock of energy sector payables at end June 2023

Source: Ghanaian authorities.

40. Successful implementation of ESRP measures requires transparency and accountability in ECG's operations. The ESRP proposes to merge ECG's sub-accounts into a single collection account. This account will be audited on a quarterly basis, and the authorities will publish the final report of July-September 2023 audit by end-February 2024 (***new structural benchmark***). This report will highlight audit findings concerning purchase invoices, revenue collection from ECG customers, and disbursements to IPPs, SOEs and fuel suppliers under the cash waterfall mechanism.

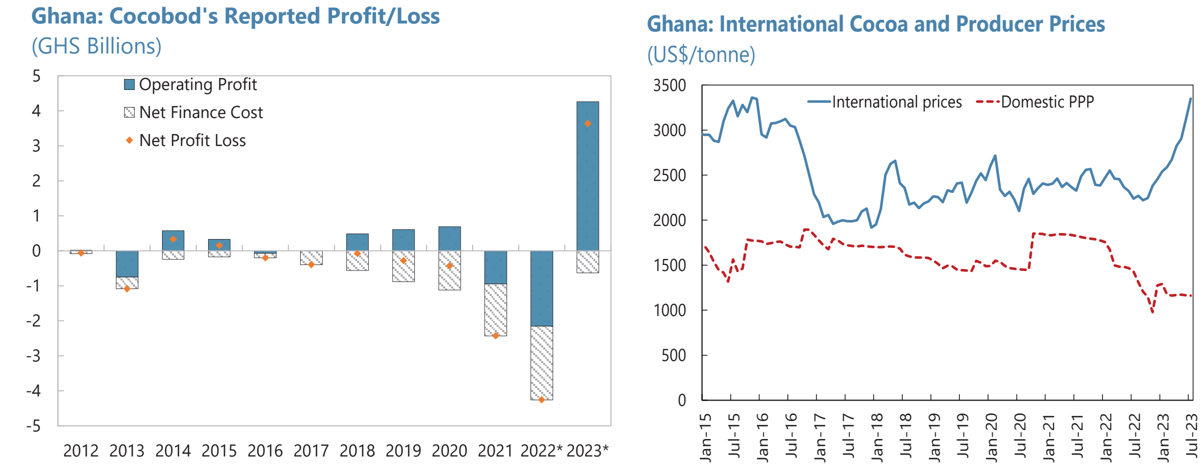
41. Additional reforms under the ESRP will be key to reduce the energy sector shortfall. Now that tariffs have come closer to cost recovery levels, the authorities will periodically adjust them to reflect changes in exchange rate, inflation, and fuel prices in line with the Quarterly Adjustment Formula. Reducing grid and recovery losses—through strict enforcement of Performance Improvement Plans (PIPs)—has become critical to ensure revenues respond to tariff adjustments. The PIP for ECG envisages a reduction in collection losses from 28.4 percent in 2022 to 23.2 percent in 2026 through replacement of distribution transformers and customer meters, audit of high-end users, increased deployment of pre-paid meters, and registering of nearly one million unregularized customers into ECG's billing system.

Cocoa Sector

42. Ghana's Cocoa Board (Cocobod) has developed a turnaround strategy to strengthen the transparency and efficiency of its operations and ensure financial viability. Cocobod—the state-owned entity mandated with facilitating cocoa production and exercising export monopoly—has long registered losses due to absence of a systematic mechanism for setting producer purchase price (PPP), significant quasi-fiscal activities (roads construction and input subsidy programs), and large administrative costs. The debt accumulated by Cocobod over the past few years became too expensive to service and had to be restructured. Cocobod's turnaround strategy focuses on rationalizing its development spending, better aligning the PPP setting process with the Board's financing constraints, and enhancing oversight. It is broadly consistent with staff's recommendations.

- *Quasi-fiscal activities*. Cocobod has reviewed existing cocoa road contracts with a view to rationalizing them significantly, considering their completion status, performance, and termination costs. Additional rationalization may be pursued in case of financing pressures (MEFP ¶55). The Board also intends to scale down fertilizer and pesticide subsidy programs (MEFP ¶54).
- *Price setting*. The authorities will start introducing a range for PPP set as a share of the FOB export price. The range, which will be reviewed every other year, would ensure not only a fair distribution of export proceeds among farmers and other stakeholders in the value chain but would also guarantee a sufficient revenue stream for Cocobod to recover its operational and financial costs. For the 2024 and 2025 seasons, the authorities have set the minimum and maximum PPP (inclusive of Living Income Differential cost) at 60 and 70 percent of the contract FOB price. To make the reform sustainable, amendments will be made to the Cocobod Act (1984) to adopt the new framework.
- *Oversight*. The authorities will strengthen the MoF's oversight of Cocobod's finances, including through establishing a dedicated cocoa desk at the MoF (MEFP ¶56).

Ghana: Cocoa Sector



Sources: Ghanaian authorities, and ICCO.
* Unaudited financial statements, 2023 figure pertains to half-yearly accounts (October 2022-March 2023).

D. Debt Management and Restructuring

43. The authorities' comprehensive debt restructuring strategy aims to restore a "moderate" risk of debt distress under the IMF-WB Debt Sustainability Framework for low-income countries (LIC-DSF). More specifically, the restructuring seeks to lower by 2028 (i) the ratios of the external debt service to revenues and exports below 18 percent and 15 percent, respectively; and (ii) the ratios of the present value of overall and external debt to GDP to below 55 percent and 40 percent, respectively. The restructuring also targets external debt service relief during the program period (2023-26) to help close the external financing gap (see below), and the domestic debt restructuring was designed to reduce domestic financing pressures significantly.

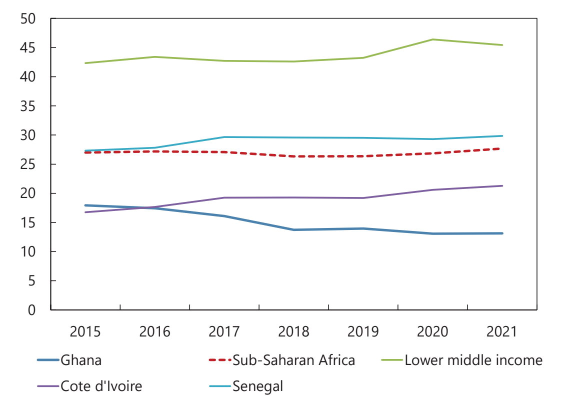
44. The authorities have made strides in their debt restructuring. They completed the domestic part of the restructuring over the summer. Following the completion of the DDE's first phase in February, they exchanged Cocobills, US$-denominated domestic debt, and pension funds' holdings of government bonds for new instruments. The government also restructured the BoG's holdings of non-marketable debt. On the external side, the authorities have continued to engage with their external official bilateral and commercial creditors on debt relief that is consistent with the program's financing parameters and objectives to restore debt sustainability. Discussions with external commercial creditors are also continuing and there are good prospects to reach an agreement in the near term.

45. Debt management in the near term needs to ensure sufficient domestic financing before focusing on structural market improvements over the medium term. The immediate priority remains ensuring sufficient issuance of T-bills to finance the government. As market confidence in the reform program increases, the authorities will develop a roadmap for a gradual resumption of bond issuances with the first few domestic bond issuances carefully managed to prioritize successful execution, perhaps using placements rather than auctions and starting with small volumes (MEFP ¶16). Once domestic market access is more firmly established, primary issuance should switch to competitive auctions. The MoF should increase its surveillance of debt issuance by SOEs and other public entities, monitor and prevent collateralized debt issuance, strictly limit borrowing on non-concessional terms, and ensure that debt payments are made on time (MEFP ¶17). Once the external debt restructuring is completed, authorities should also develop and publish a medium-term debt management strategy and an annual borrowing plan.

E. Financial Stability

46. A strong financial sector is essential to intermediate savings efficiently and promote growth. Credit to the private sector as a share of GDP is relatively low in Ghana compared to peer countries and has been declining over the past decade; and the lack of access to finance is often cited by the private sector as a key constraint to investment, particularly for small and medium-sized enterprises (see below). In addition to a stable macroeconomic environment, a healthy financial sector is needed to ensure that financial development benefits Ghanaian firms and households.

Ghana: Credit to the Private Sector
(Percent of GDP)



Source: World Bank, World Development Indicators

47. Ghana's financial sector, which had been strengthened significantly over 2016-19, is facing new challenges following the domestic debt exchange program. To address banks' capital deficiencies and other regulatory breaches, the BoG implemented a comprehensive restructuring of the banking sector between 2016 and 2019, which resulted in several banks closed or merged and an overall improvement of the capital adequacy ratio from less than 15 percent in mid-2017 to above 20 percent in early 2021. As a result, most banks entered the domestic debt restructuring in a strong position. Nevertheless, with government securities representing a third of bank assets, the effect of the DDE on bank capital was significant. The nascent non-banking financial institutions (NBFI) sector, including insurance and asset management, were also highly exposed to government securities.

48. The swift implementation of the financial sector strengthening strategy (*structural benchmark*) will be crucial to preserving stability. The BoG has approved the recapitalization plans submitted by undercapitalized banks (***structural benchmark***), ensuring that banks' capital needs have been estimated based on reasonable forward-looking assessments of losses from government debt restructuring and NPL increases (MEFP ¶25). It initiated corrective actions for institutions whose plans were deemed unsatisfactory. Most banks have submitted recapitalization plans with front-loaded recapitalization efforts. For viable state-owned banks, the government is committed to providing solvency support through the Ghana Financial Stability Fund (GFSF). Given the government's limited access to new financing, part of this support will be provided through recapitalization bonds. While these bonds will increase the sovereign-bank nexus, the authorities are committed to designing these bonds so that they are marketable and do not create distortions for recapitalized banks. The WB will provide support to Ghanaian banks through the GFSF as well, under the condition that existing shareholders are also contributing to the recapitalization (MEFP ¶24). Undercapitalized banks will at a minimum inject one-third of the capital required annually for each of the three years ending in 2025 to reach a 13 percent CAR (without regulatory forbearance), and banks will inject in 2023 the minimum necessary to ensure solvency by the end of 2023 (MEFP ¶25-26). The BoG will initiate corrective measures by end-March 2024 against banks that fail to uphold these recapitalization requirements (***new structural benchmark***). In the short term, the BoG stands ready to deploy contingency measures if needed to ensure financial sector stability.

49. The authorities also aim to address the legacy issues of the financial sector and strengthen the governance of state-owned banks. The remaining tasks from the earlier sector cleanup include addressing the challenges of NIB and long-standing undercapitalization of several special deposit taking institutions (SDIs). The BoG and MoF will design and begin to implement, by end-March 2024, a credible, comprehensive, and cost-effective plan that seeks to address NIB's insolvency challenges by end-2024 (***new structural benchmark***). To limit the buildup of additional risks until this plan is concluded, the BoG is committed to enhancing the monitoring of NIB and to further imposing appropriate constraints on key risk areas. The orderly resolution of other SDIs and fund management firms, as well as the outstanding payouts to clients of SEC-licensed fund management companies will be finalized by end-2024 (MEFP ¶28). Any payouts by the government will be made through a burden sharing approach that will minimize fiscal costs. The authorities will also design a strategy to ensure that state-owned banks adopt sound governance principles, business models and risk management systems to ensure their long-term viability and facilitate orderly government exit (MEFP ¶29, ¶60).

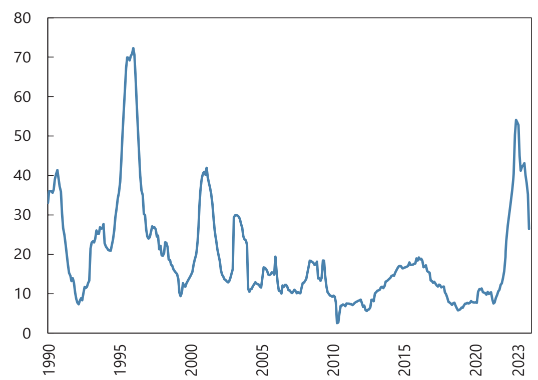
F. Monetary and Exchange Rate Policy

50. In the face of surging inflation and acute exchange rate depreciation pressures, the BoG has appropriately tightened its monetary policy stance. While inflation had been within the BoG's target range before the crisis, the large monetary financing—equivalent to 7.2 percent of GDP—that the BoG undertook after the government lost market access and the Cedi depreciation (by more than 45 percent in 2022) contributed to a surge in inflation last year. In response, the BoG hiked its policy rate by more than 1,500 basis points since January 2022 to 30.5 percent. The BoG also significantly stepped-up monetary policy operations to absorb excess liquidity, to ensure that the policy rate is fully transmitted to the market. While a spread between the policy rate and the interbank rates appeared in early 2023, it has recently been reduced. Monetary financing, which had started to decline in early 2023, has been eliminated since program approval.

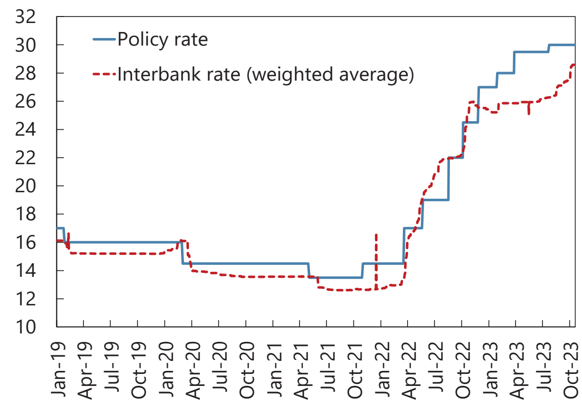
51. The Fund-supported program's objective is to bring inflation back to the 6-10 percent target range by the end of the program. In the short term, to ensure that inflation remains on a declining path and reduce the risk of inflation expectations de-anchoring, the BoG is committed to maintaining an appropriately tight policy stance, including by absorbing excess liquidity accordingly. The program's ***monetary policy consultation clause*** will continue to help monitor the BoG's performance in meeting the inflation objectives (MEFP ¶18); and the BoG will continue to refrain from providing monetary financing (***performance criterion***).

Ghana: Inflation and Monetary Policy Developments

Monthly CPI year-on-year growth rate 1990-2023



Monetary Policy and Average Interbank Rates 2019-23 (in percent)



Sources: Ghanaian authorities

52. The BoG is seeking to rebuild reserve buffers and to strengthen the FX market's functioning. Against the background of large capital outflows pressures at the height of the crisis, the central bank took measures to limit the volatility of the exchange rate. Now that external pressures have eased, the BoG is committed to stepping up its FX reserves accumulation to help rebuild reserves to at least 3 months of import cover by the end of the program. The central bank's medium-term objective is to deepen the interbank FX market and ensure greater exchange rate flexibility. To do so, the BoG will, with support of IMF TA, devise a formal FX intervention framework. The central bank will eventually conduct all its FX interventions through auctions designed in line with best practice and adopt an FX reference rate computation method that fully reflects the wholesale market rate (MEFP ¶20). In doing so, BoG is seeking to eliminate official actions that may give rise to multiple currency practices (MCPs). The authorities are also committed to reverting to the previous arrangement under which FX from mining companies was sold to commercial banks instead of to the BoG and to phase out the special auctions for oil importers.[5]

[5] 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 CFM would be consistent with the Fund's Institutional View on CFMs.

53. The authorities are working toward implementing the 2023 safeguards assessment's (SA) recommendations. Based on the SA's recommendations, the BoG is preparing draft amendments to the BoG Act with a view to having them approved by Cabinet by end-May 2024 (***new structural benchmark***). In addition, the BoG is conducting a risk assessment of the gold-for-oil program and will design an exit strategy from the program, both of which will be presented to the BoG Board by end-June 2024 (***new structural benchmark***). While the BoG's participation in the domestic debt restructuring contributed to reducing its net equity to a negative value (around -6 percent of 2023 GDP), an analysis conducted with IMF TA support indicated that this situation does not hinder the central bank's ability to fulfill its price stability mandate. BoG's net equity is expected to improve over time. To support this net equity recovery, the BoG will conduct an external efficiency review and design a strategy to streamline its operational costs that will be adopted by the board by May 2024 (MEFP ¶21). Importantly, the BoG will also phase out costly FX borrowing operations (MEFP ¶19). On other SA recommendations, the BoG is in the process of further improving financial statement disclosures and is currently reviewing its investment policy for Board approval.

G. Structural Reforms to Support Inclusive Growth

54. Staff and the authorities discussed reforms to raise private sector-led growth. Ghana's growth performance over the last three decades has been generally good compared to peers but continuous reforms are needed to fully realize the country's potential (Annex V). To do so, the authorities have developed an ambitious growth agenda which has been articulated in several policy documents and initiatives such as Ghana Beyond Aid, Ghana COVID-19 Alleviation and Revitalization of Enterprises Support (CARES) program and the PC-PEG, and more recently, the Ghana mutual prosperity dialogue framework—which brings together the government and the business community and aims at fostering a conducive environment for investment.

55. There was agreement on the importance of focusing on few key horizontal structural reforms. The most pressing barriers to growth have been identified to be constrained access to finance, land and quality infrastructures (including energy) as well as skills mismatches.[6] The authorities' reform priorities aim at addressing these key constraints by focusing on improving private sector access to long-term financing, promoting Special Economic Zones that offer high-quality infrastructures, and deepening reforms to improve the business environment. Key reforms to be implemented in the short term, all supported by the WB, include operationalizing the new Development Bank of Ghana, reducing minimum foreign capital requirements to attract foreign direct investments, and finalizing the new policy for Special Economic Zones (MEFP ¶60).

56. Ensuring effective and sustainable implementation of sectoral interventions is also key. The authorities identified priority sectors—agriculture, agro-processing, automotive and

[6] See World Bank, 2022, "Ghana Country Partnership Framework", and International Finance Corporation-World Bank, 2018, "Creating Markets in Ghana: Country Private Sector Diagnostic".

pharmaceutical sectors—assessed as having high potential given Ghana's current productive structure and comparative advantages. Support measures to these sectors range from enabling access to land and other key infrastructures, knowledge sharing, tax incentives and facilitating access to funding from financial institutions. Staff underlined that international experience had showed that these sectoral initiatives needed strong governance frameworks to succeed. Focusing them on key market failures faced by firms while avoiding costly and distortionary tax exemptions or subsidies is also critical to make them cost effective and ensure their sustainability over the medium term.

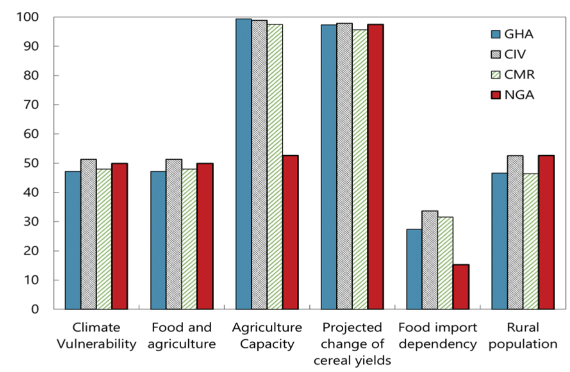
H. Climate Change Adaptation and Mitigation

57. Ghana is exposed to climate change risk. The country is subject to high climate change costs through rising temperatures, coastal erosion, erratic rainfalls, and increased incidence of heatwaves. This heightens the urgency of building climate resilience, enhancing early warning and disaster risk management, and improving agriculture productivity and food security. The global transition to net zero emission (e.g. via its impact on the oil and gas sector) and climate shocks (e.g. through its implications for cocoa production) may in turn generate balance of payments vulnerabilities.

58. Ghana needs stronger plans to build resilience to climate change and to implement Nationally Determined Contributions (NDCs). The authorities' commitments under the revised NDCs include ambitious actions on both adaptation and mitigation (Annex IV). However, the NDCs currently lack legal enforceability and their successful implementation requires massive investments which will be difficult to finance.[7] Staff emphasized the need to streamline various policy and regulatory initiatives into a unified legal framework, mainstream adaptation goals into overall public financial management and lay out a sustainable investment and financing strategy that centers on mobilizing grants/highly concessional financing, private sector participation, and reforming existing environment related taxes.[8]

Ghana: Agriculture and Food Vulnerability Indicators

(ND-GAIN sub-indicators, 2019)



Source: Notre Dame Global Adaptation Index (ND-GAIN)
Notes: Higher values correspond to more vulnerability. In addition to food and agriculture, ND-GAIN vulnerability indicator covers water, health, ecosystems, human habitat, coastal, energy, and transport infrastructure.

[7] Implementing the 47 NDC measures is estimated to require investment of US$ 9.3-US$ 15.5 billion (Source: Ghana: Updated Nationally Determined Contribution under the Paris Agreement (2020-2030), November 2021).

[8] The main rationale for environmental taxes should be to ensure that consumers and firms internalize the cost of their pollution (which has the added benefit of raising revenue) and, in the case of carbon taxes, equalize marginal abatement costs across the economy to promote cost-effective emissions reductions.

59. The authorities highlighted the progress being made in establishing an effective climate regulatory framework. The Environmental Protection Authority (EPA) bill, already approved by Cabinet, seeks to consolidate cross-cutting climate change issues into a legislative framework to facilitate the implementation of the NDC measures. Staff and the authorities agreed that, once the bill is adopted, associated regulatory changes—including to ensure applicability of Environmental and Social Impact Assessments for all major investments (both public and private sector) and reflect resilience and mitigation considerations—and operationalizing a framework for carbon markets in the country should be expedited.

60. The authorities underlined the challenges in mobilizing climate funding. Ghana has not been able to issue green bonds considering the difficult financing environment. Some project financing has been arranged through dedicated global funds, but these efforts are constrained by limited capacity to develop bankable proposals, especially considering investment risks associated with adaptation projects. Staff and the authorities agreed to prioritize capacity building in this area. There was also agreement that developing an Environment Fiscal Reform Policy (EFRP)—an effort supported by the WB that aims to expand the coverage of environment-related taxes and introduce additional targeted revenue measures—would help improve financing and environmental outcomes. The climate finance challenges are not peculiar to Ghana, and the authorities have been strong advocates for broader solutions, particularly under the current Ghanaian V20 presidency.

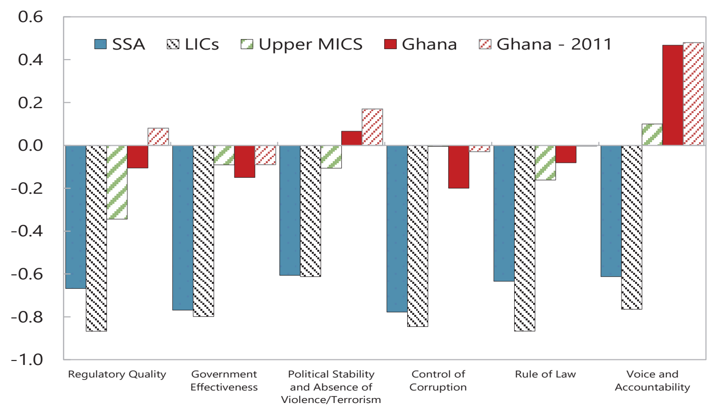
I. Governance and AML/CFT

61. While Ghana has taken important steps to strengthen its anticorruption, governance and AML/CFT framework over the past five years, additional efforts are needed. An Office of Special Prosecutor for corruption was created in 2018. That same year, the Witness Protection Act established a witness protection scheme for persons who are required to co-operate with law enforcement agencies. The Criminal Offences Act was amended in 2020 to make corruption a felony. Ghana also adopted a new Public Finance Management Act in 2016 which introduced fiscal responsibility principles and a sanction regime in case of noncompliance. To improve the management of public investment projects, an electronic procurement system has been introduced in 2019 and is being gradually rolled out. Ghana's AML/CFT framework has been strengthened in recent years, including with the adoption of an AML/CFT Act in 2020 and significant efforts toward strengthening the framework's effectiveness. This allowed the country to exit the Financial Action Task Force (FATF) gray list in June 2021.

62. The country's governance indicators are relatively strong compared to peers, but challenges remain in various aspects of economic governance. According to the World Bank's Worldwide Governance Indicators, Ghana is perceived to outperform most Sub-Saharan Africa and middle-income countries in many aspects of governance. However, governance indicators also suggest that performance in government effectiveness, regulatory quality, and control of corruption have deteriorated over the last 10 years. Indeed, notwithstanding recent efforts to increase budgetary allocations, constrained resources for the judiciary and other anticorruption agencies may contribute to lengthy durations for investigation, prosecution, and trial of corruption cases. While significant efforts were made to strengthen the country's governance legal and institutional framework, further work is needed to improve its operational effectiveness. For instance, and as noted above, despite the strong provisions of the PFM Act on fiscal responsibility, sanctions under the Act have not systematically applied in case of non-compliance.

Ghana: World Governance Indicators Against Selected Groups

(Score estimates in 2021; -2.5=lowest and 2.5=highest)



Sources: World Bank Governance Indicators (2022).
Note: These indicators measure the perception of strength in governance. Estimates give the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5. Estimates of country groupings is the simple average of country estimates.

63. **The authorities expressed strong commitment to continue addressing these challenges under their ECF-supported program.** Upon their request, an IMF team is conducting a Governance Corruption Diagnostic Assessment. The exercise aims at developing a roadmap to address governance and corruption vulnerabilities. In parallel, the authorities intend to conduct, with the support of the United Nations Office on Drugs and Crime, an assessment of the National Anticorruption Plan (NACAP) that covers the period 2014-24. This assessment and the governance diagnostic will inform the update of the NACAP that will be finalized by early 2025. The authorities are preparing a new Conduct of Public Officials Act, which should be adopted by Cabinet by May 2024. The goal is to strengthen the asset declaration system, including by introducing a proper verification system (MEFP ¶58). The authorities have also started implementing recommendations from the Auditor General's (AG) report on Covid-19 spending, including by strengthening emergency spending procedures (MEFP ¶57). A follow-up report will be validated by the AG office and published by end-December 2023.

64. **The authorities are also committed to further upgrading the AML/CFT framework**. The Financial Intelligence Center has continued to engage, sensitize, train, and build the capacity of all reporting entities in various AML/CFT related areas—including Customer Due Diligence (CDD), risk assessment, current trends, and typologies. In line with the May 2022 FATF progress

report, further strengthening the transparency of Beneficial Ownership (BO) of legal entities operating in Ghana, including the implementation of the recent updates from March 2022 to FATF's R.24 is also a priority (MEFP, ¶59). The authorities are also finalizing a Bill on Non-Profit Organization, which aims at limiting AML/CFT risk of this sector. Other recommendations from the FAFT progress report concerning new technologies, regulation and supervision of designated non-financial businesses and professions and extradition should also be pursued.

J. Capacity Building and Statistics

65. The Fund's capacity development (CD) strategy for Ghana is strongly aligned with the key objectives of the ECF-supported program and the surveillance agenda. Ghana faces significant capacity and institution-building challenges. Addressing these is critical to entrench macroeconomic stability over the medium term. A resident advisor was recently deployed to support BoG on banking supervision and regulation. The IMF CD agenda has been provided in close collaboration with the Regional Technical Assistance Center for West Africa 2 located in Accra, as well as with other international partners, including the World Bank.

66. Data provision is broadly adequate for surveillance, despite some shortcomings. Good progress has been made in the publication of quarterly GDP series and monthly prices statistics. Nonetheless, some shortcomings remain in the quality and timeliness of certain data in the areas of real, fiscal and BoP statistics (see attached Informational Annex).

Ghana: Identified Priorities for IMF Capacity-Development Activities

Area	Capacity Building Activity	Objective – Link to Program Priorities	Status
Tax policy	TA on tax diagnostics	Support the authorities' efforts to identify tax policy measures to increase domestic resource mobilization.	Completed in December 2022
Revenue administration	TA on core functions of GRA and MTRS	Strengthen revenue administration to increase tax compliance. Help the authorities prepare their MTRS.	Continuous CD program

Ghana: Identified Priorities for IMF Capacity-Development Activities (Concluded)			
Area	**Capacity Building Activity**	**Objective – Link to Program Priorities**	**Status**
Public financial management	TA on arrears stock taking and preventive measures	Help the authorities undertake a stock take of payables and design a clearance strategy. Prevent the accumulation of new arrears.	Completed in June 2023
	TA on fiscal rule and fiscal council	Strengthen fiscal framework and institutions to underpin durable fiscal adjustment.	Expected in early 2024
	TA on cash management	Improve cash management to reduce the risk of arrears buildup	Expected early 2024
	TA on public investment management	Improve the monitoring of capital expenditure and ensure rigorous selection process of	Expected 2024
Monetary and exchange rate policy	TA on assessing BoG's balance sheet	Help the authorities assess the impact of the domestic debt restructuring. Develop strategy to ensure adequate capitalization and capacity to execute monetary policy operations.	Completed in May 2023
	TA on FX auction design	Support improvement of FX auction design to ensure a unified and flexible exchange rate and create conditions for FX market deepening.	Ongoing, to be completed before end-2023
Governance	Governance and corruption diagnostic assessment	Bolster governance and strengthen anticorruption framework.	Ongoing, to be completed in early 2024
Social protection	Energy subsidy and social protection	Review the current electricity tariff structure and devise a targeted subsidy mechanism for poor households	Expected early 2024
Statistics	TA on BoP compilation and reserve template	Improve quality and timeliness of external sector statistics in line with the BPM6 and other relevant standards.	Expected in early 2024

PROGRAM FINANCING AND MODALITIES

67. Adequate financing assurances are in place. The program is fully financed, with firm financing commitments in place for the next 12 months and good prospects for adequate financing for the remainder of the program. Disbursement plans from the WB and the AfDB have been confirmed. Approval of the WB’s emergency Financial Sector Support operation is now expected in early 2024 instead of late 2023. The AfDB is now preparing a budget support operation of about US$ 100 million over 2023-24, which has been added to the program’s financing envelope.

Ghana: Proposed Program Financing
(USD million)

	2023	2024	2025	2026	**Total**
Financing Gap	**4,216**	**3,312**	**3,910**	**3,321**	**14,759**
Official Financing	**1,589**	**1,384**	**1,070**	**610**	**4,653**
IMF	1,200	720	720	360	**3,000**
World Bank[1]	330	620	350	250	**1,550**
DPO	300	300	300	250	**1,150**
Emergency projects	30	320	50	0	**400**
Ghana Productive Safety Net Project	30	70	50	0	**150**
Emergency Financial Sector Support	0	250	0	0	**250**
African Development Bank	59	44	0	0	**103**
Financing from external debt restructuring	**2,627**	**1,928**	**2,840**	**2,711**	**10,106**

[1] Beyond the IDA20 period, IDA financing figures are based on assumptions; actuals will depend on IDA replenishment volumes, country performance, and other operational factors. Delivery of DPFs will be dependent on an agreement with the government on a strong program of policy and institutional reforms, and adequacy of the macroeconomic policy framework. In addition, the World Bank is planning to disburse $1.45 billion for project loans during 2023-26, already included in the baseline.

68. **Staff is assured that the ongoing debt restructuring will generate financing consistent with program parameters and will restore debt sustainability.** Given the progress made in recent weeks, the authorities should reach a debt treatment agreement with the OCC—in line with the financing assurances provided in May 2023—shortly and before the consideration of Ghana's first review under the ECF arrangement by the IMF Executive Board. The agreement would then be expected to be codified in an MoU within the following weeks. In line with the Fund's Lending into Arrears (LIA) policy, the authorities are making good faith efforts to reach a restructuring agreement with external private creditors on comparable terms and consistent with program parameters. They have been actively engaging with the financial advisors to the two groups of bondholders and have made several presentations to the investor community to explain their debt restructuring and overall reform strategy.

69. **The following modifications to program conditionality are being proposed:**

- Modification of the end-December 2023 primary balance PC and non-oil revenue IT to accommodate macroeconomic developments while keeping the fiscal effort relative to GDP as envisaged under the program and modification of the end-year NIR target to lock in part of the overperformance observed at end-June (MEFP Table 2).
- Establishment of PCs and ITs for end-June 2024 and end-December 2024, as well as 9 new SBs focused on macro-critical reforms (MEFP Table 3).

70. Enterprise risks associated with Ghana's ECF-supported arrangement are high but mitigated by the strong program design, the authorities' high commitment, and financing assurances.

- Ghana is the largest Poverty Reduction and Growth Trust (PRGT) borrower, with total commitments accounting for 10 percent of total PRGT outstanding and credit outstanding accounting for 40 percent of the PRGTs credit buffer/reserve account. The country's capacity to repay the Fund is adequate but it is subject to substantial downside risks. This assessment assumes successful program and debt restructuring implementation predicated on achieving moderate risk of debt distress and restoring adequate market access. Under the baseline, which does not reflect external debt restructuring, several capacity-to-repay indicators are consistently above the top quartile of past UCT-quality arrangements for PRGT programs (Figure 3)—indicating strains on Ghana's capacity to repay. Outstanding credit to the Fund as a share of GDP and GIR will remain at elevated levels and gradually decline over the next 10 years, with the former peaking in 2025 at 5 percent and the latter in 2023 at 138 percent. Debt service as a share of revenue is expected to rise over the medium term and peak at 3.1 percent in 2029, more than double the median PRGT country. Downside risks to Ghana's capacity to repay stem from the high level of access driven primarily by large balance of payment needs, implementation of the complex Fund-supported program and uncertainties surrounding the outcome of the debt restructuring operation until completed.

- These risks are mitigated by Ghana's strong track record of debt service to the Fund, the continued strong commitment and ownership of the program, and the financing assurances that will have been provided by creditors and development partners. At the same time, not supporting a member facing deep macroeconomic challenges and strongly committed to its reform program would entail significant reputational risk for the Fund, with knock-on effects on support from other partners. This would also undermine prospects for external debt restructuring, including under the Common Framework platform supported by the G20.

STAFF APPRAISAL

71. The authorities' reform program has been designed to respond to immediate pressures and pave the way for a more resilient and prosperous economy. Ghana's economic performance has been marked by significant volatility over the years, with episodes of strong growth and overall macroeconomic stability undermined by rising inflation, exchange rate depreciation, loss of external buffers, largely reflecting overly accommodative fiscal policies. Most recently, severe external shocks compounded pre-existing fiscal and debt vulnerabilities, exacerbating such volatility and leading to acute economic and financial pressures in 2022. Against this backdrop, the IMF-supported program has provided a framework to implement the authorities' policy and reform strategy to restore macroeconomic stability, address long standing vulnerabilities, and lay the foundations for higher and more inclusive growth.

72. Strong policy and reform commitment under the program is yielding results, with signs of economic stabilization emerging. The authorities have reoriented their macroeconomic policies, made progress in restructuring their debt, and initiated wide-ranging reforms. Program performance has been strong, with all quantitative performance criteria and almost all indicative targets and structural benchmarks met. These efforts are already generating positive results. Growth has been somewhat more resilient than initially envisaged, inflation has started to decline, the fiscal and external positions have improved, reserves are being rebuilt, and exchange rate volatility has eased significantly.

73. Nonetheless, steadfast policy and reform implementation will be critical. Fully and durably restoring macroeconomic stability and debt sustainability and fostering a sustainable increase in economic growth and poverty reduction require perseverance in macroeconomic policy adjustment and deep reforms to strengthen policy frameworks and institutions and an environment more conducive to private sector investment.

74. The envisaged fiscal adjustment remains essential to relieve financing pressures and restore debt sustainability. Fiscal program implementation is broadly on track with an increase in non-oil revenue and a significant reduction of expenditure underway. The government's plans to further reduce deficits by mobilizing additional domestic revenue and streamlining expenditure will help underpin a sustainable debt trajectory and ease fiscal and external financing constraints. These efforts are also important to create space for bolstering key targeted social protection programs and protect vulnerable households from the difficult socio-economic conditions. Over the medium term, this fiscal space is needed for higher social and development spending, including to invest in climate adaptation and mitigation.

75. Continued progress on structural fiscal reforms is key to ensure lasting fiscal discipline. The authorities have launched reforms to improve tax administration and public financial management—including to strengthen expenditure control and management of arrears, enhance fiscal rules and institutions, and improve SOEs management. Maintaining the reform momentum will be key to support policy adjustment and sustain stability gains. Continued efforts to tackle the deep challenges in the energy and cocoa sectors are also of the essence.

76. Maintaining an appropriately tight monetary policy to bring inflation down while rebuilding international reserves and enhancing exchange rate flexibility is essential. The elimination of monetary financing of the budget was an important step forward. BoG's focus on maintaining a tight policy stance, including through liquidity absorption operations, until inflation is on a firmly declining path is welcome. The 2022 external position is assessed as having been broadly in line with the level implied by medium-term fundamentals and desirable policies. Nonetheless, enhanced exchange rate flexibility and limited FX interventions remain key to further rebuild external buffers. As contemplated under the program, the BoG should improve the functioning of the FX market and avoid any actions that may give rise to multiple currency practices. Ghana maintains one longstanding exchange restriction, related to the use of an import verification form unrelated to ensuring the bona fide nature of the current underlying FX transaction, and MCPs, related to the use of different rates which have the potential to deviate by more than two percent from each other, which are outlined in the informational annex. The authorities are not requesting, and staff is not recommending, approval for these measures.

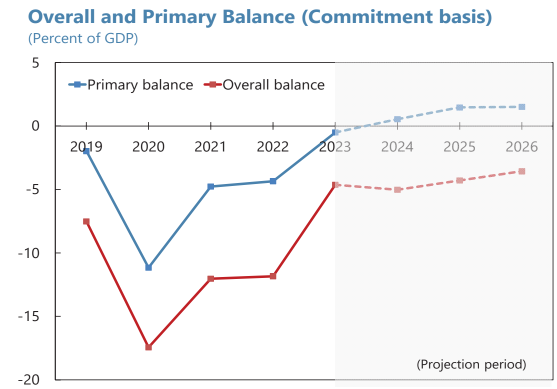
77. The authorities' continued focus on preserving financial sector stability is appropriate. The BoG has deployed its regulatory and supervisory tools to mitigate and address the impact of the domestic debt restructuring on balance sheets of financial institutions. The authorities are implementing a strategy that aims at maintaining a sound financial sector, drawing on new resources from the private sector, government, and multilaterals to rapidly rebuild financial buffers. Ensuring full implementation of the recently validated bank recapitalization plans, including through the operationalization of Ghana's Financial Stability Fund, and addressing legacy issues of the financial sector will be essential.

78. Reforms to raise private sector-led growth are key to underpin a strong and inclusive recovery. The government's intention to increasingly focus on the growth agenda is welcome. While short-term and sectoral initiatives could help alleviate the impact of the crisis on economic activity, continued efforts to create an environment more conducive to private investment is important to enhance the economy's potential and underpin sustainable job creation. Given Ghana's exposure to climate shocks, promoting a green recovery by further advancing the adaptation and mitigation agendas should also remain a priority.

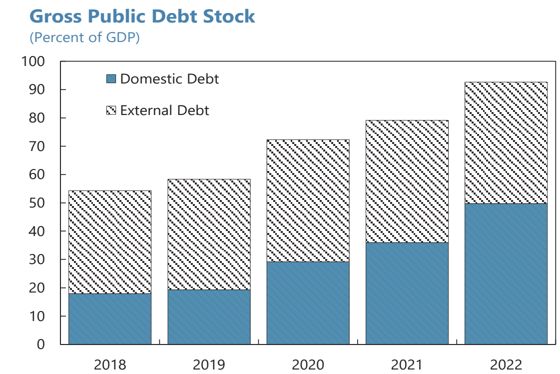
79. Given Ghana's overall strong performance and commitments under the program, staff supports the completion of the first review under the ECF arrangement and the financing assurances review, subject to the authorities having reached a debt treatment agreement with the OCC consistent with the financing assurances provided in May 2023. Staff recommends that the next Article IV consultation be held within 24 months in accordance with the Executive Board decision on consultation cycles for members with Fund arrangements.

Figure 1. Ghana: Fiscal Developments

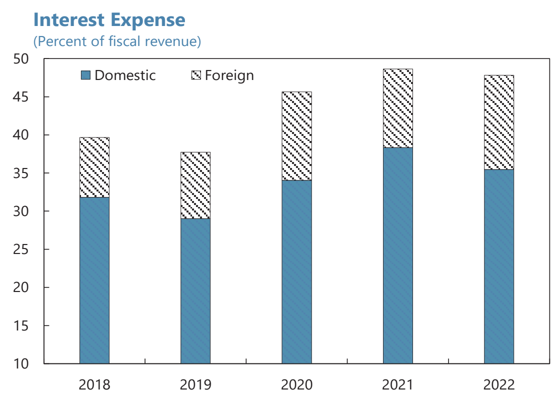
Persistent high fiscal deficits, particularly during the Covid-19 pandemic, had led to....



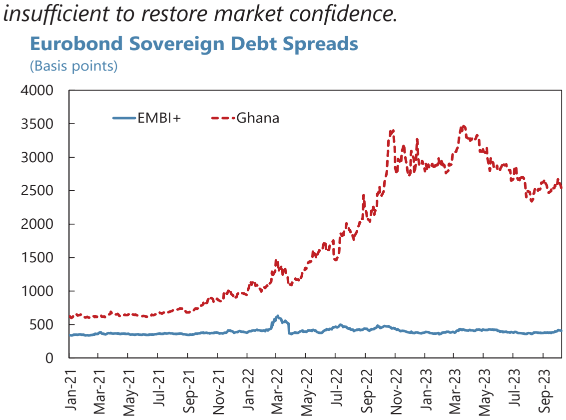
.... a rapid debt accumulation with debt-to-GDP ratio surging from ~55 percent in 2018 to above 90 percent in 2022.



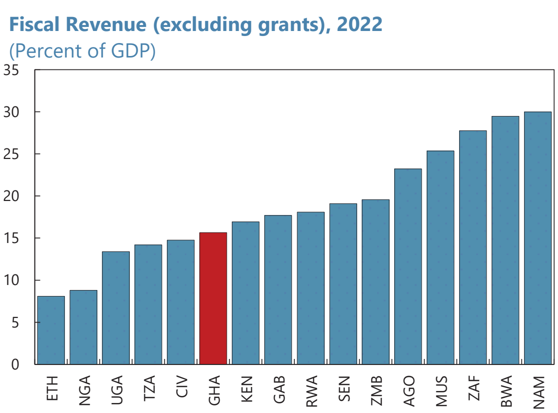
Interest expense had consumed about half of government revenues.



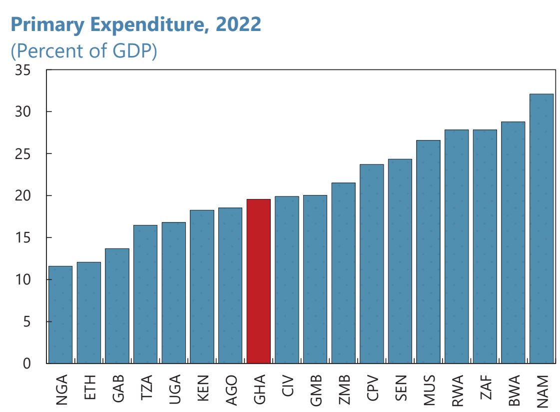
Efforts to restrain spending and raise revenue were insufficient to restore market confidence.



Given the relatively weak revenue mobilization, Ghana is now embarking a large, front-loaded revenue-led fiscal consolidation program...



....to restore debt sustainability while preserving fiscal space for critical expenditure and thus stronger, inclusive growth.



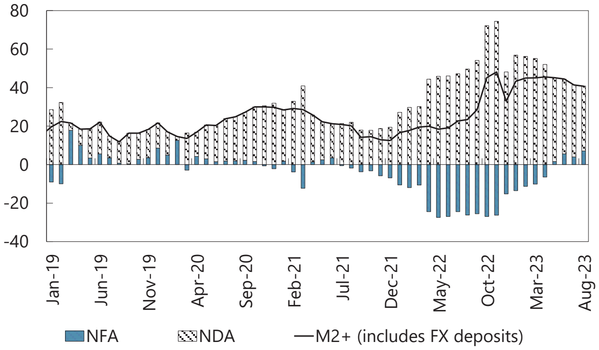
Sources: Ghanaian authorities, Bloomberg, World Economic Outlook, and IMF staff calculations and projections.

Figure 2. Ghana: Monetary and Financial Developments

NFA are starting to recover and NDA growth is slowing down…

Broad Money

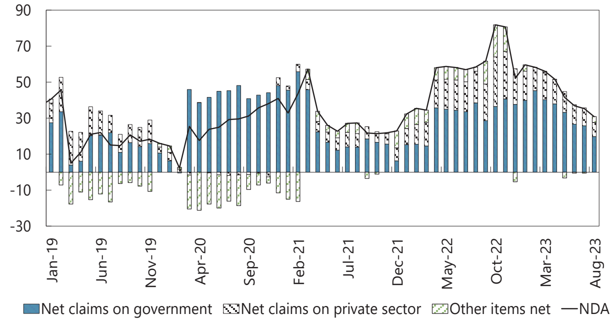
(contributions to y-o-y growth, percent)



…driven by lower financing of the government but also to the private sector

Net Domestic Assets

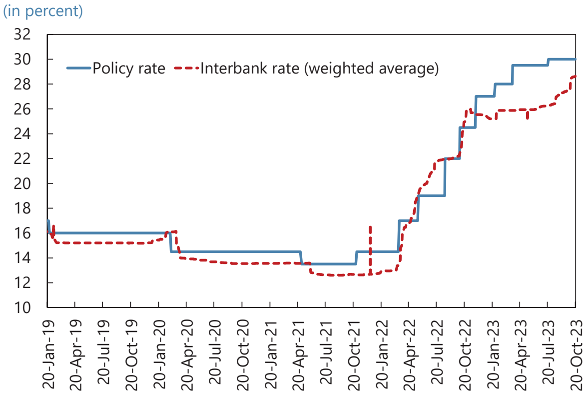
(contributions to y-o-y growth, percent)



Monetary policy has been significantly tightened by raising the policy rate…

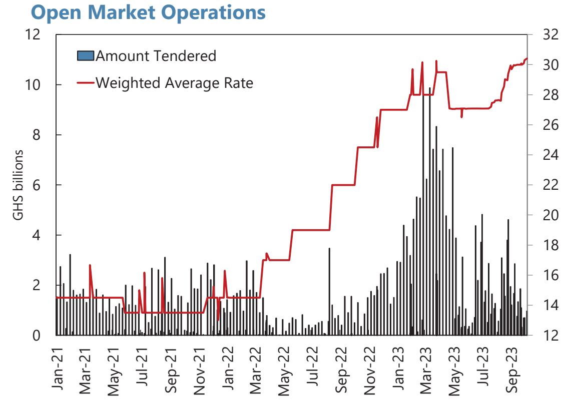
Monetary Policy Rate and Interbank Rate

(in percent)



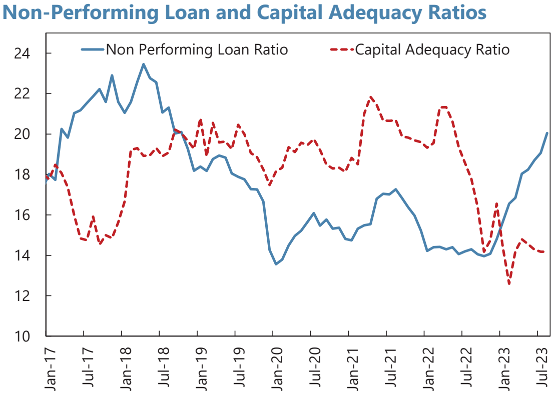
… and significant liquidity absorption by the BoG

Open Market Operations



Average capitalization of the banking sector has decreased on the back of the DDEP and NPL are rising…

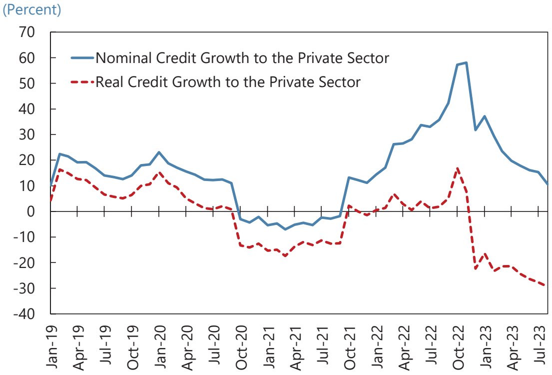
Non-Performing Loan and Capital Adequacy Ratios



…Growth of credit to the private sector has decreased in nominal terms and is negative in real terms

Credit to the Private Sector

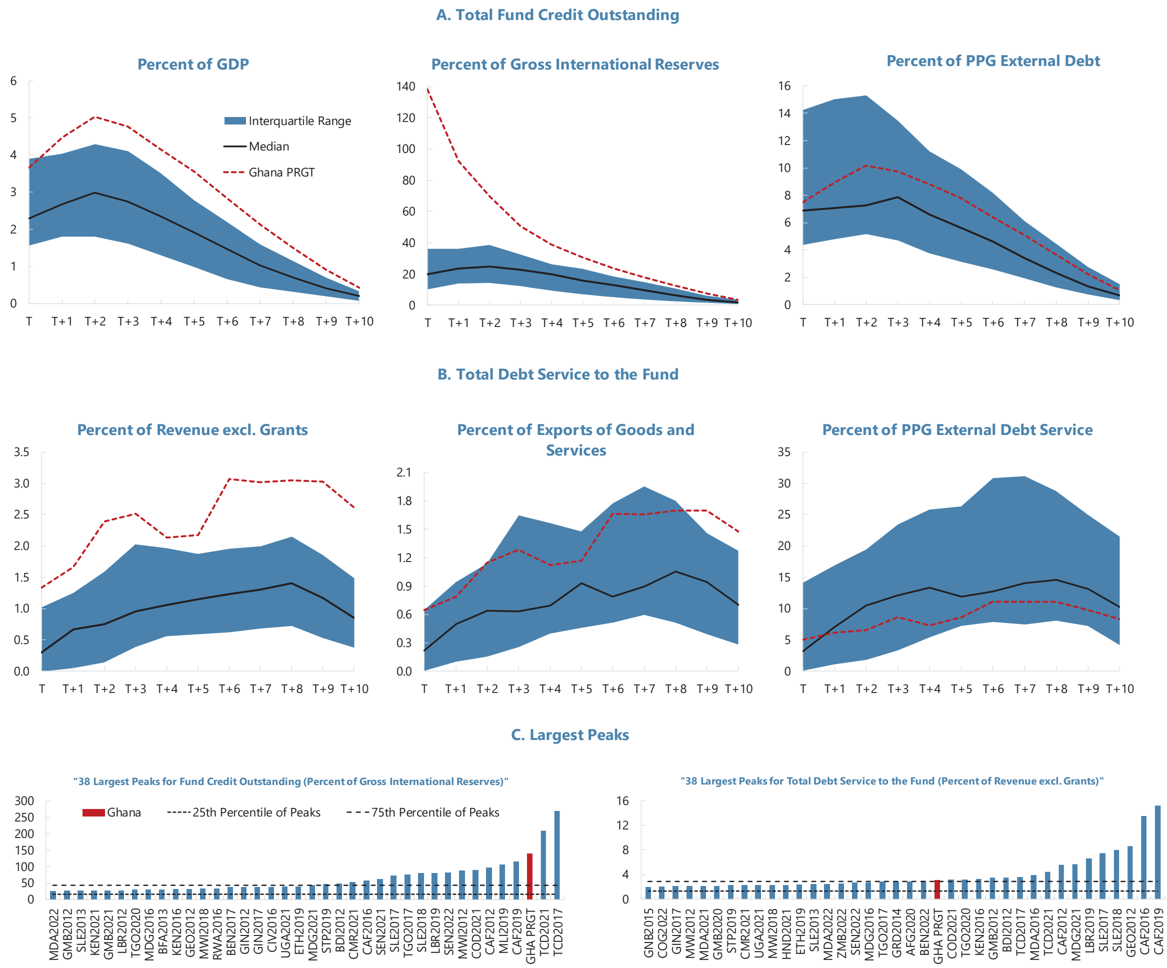
(Percent)



Sources: Ghanaian authorities and IMF staff calculations

Figure 3. Ghana: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(in percent of the indicated variable)



Notes:
1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.

Table 1. Ghana: Selected Economic and Financial Indicators, 2022–28

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)										
National accounts and prices											
GDP at constant prices	3.2	3.1	1.5	2.3	2.8	2.8	4.7	4.4	4.9	5.0	5.0
Non-extractive GDP	1.9	2.4	0.7	2.5	2.2	2.3	4.4	4.4	4.8	5.0	5.0
Extractive GDP	12.7	8.1	6.1	0.4	6.4	6.2	6.5	4.2	5.9	5.0	5.0
Real GDP per capita	1.0	0.9	-1.1	-0.3	0.2	0.2	2.1	1.8	2.3	2.4	2.4
GDP deflator	29.8	28.2	39.9	36.3	20.1	20.2	10.9	10.9	7.5	7.5	7.5
Consumer price index (end of period)	54.1	54.1	29.4	27.6	15.0	15.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	31.9	44.0	40.2	22.2	22.3	11.5	11.5	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)										
Central government budget											
Revenue	15.7	15.8	16.8	15.7	17.3	16.7	17.8	17.3	18.2	18.1	18.0
Expenditure (commitment basis) [1]	26.7	27.7	24.3	20.4	25.3	21.7	24.5	21.6	21.8	21.2	21.1
Overall balance (commitment basis) [1]	-11.0	-11.8	-7.5	-4.6	-8.0	-5.0	-6.7	-4.3	-3.6	-3.1	-3.0
Primary balance (commitment basis)	-3.6	-4.4	-0.5	-0.5	0.5	0.5	1.5	1.5	1.5	1.5	1.5
Non-oil primary balance (commitment basis)	-5.6	-6.3	-3.1	-1.8	-1.7	-0.8	-0.5	0.0	0.0	0.1	0.0
Public debt (gross)	88.1	93.3	98.1	86.1	92.0	83.6	90.2	80.9	77.9	74.9	72.0
Domestic debt	45.7	50.0	40.6	37.0	38.7	33.7	38.2	31.8	29.4	27.8	26.4
External debt	42.4	43.3	57.5	49.1	53.3	49.9	52.0	49.1	48.6	47.1	45.6
	(annual percentage change, unless otherwise indicated)										
Money and credit											
Credit to the private sector (commercial banks)	31.8	31.8	24.4	12.6	17.0	22.0	13.0	13.0	15.0	15.0	15.0
Broad money (M2+)	32.9	32.9	31.8	22.8	20.7	17.4	15.0	16.9	16.0	16.0	16.0
Velocity (GDP/M2+, end of period)	3.4	3.4	3.7	3.8	3.8	4.0	3.8	4.0	3.9	3.8	3.7
Base money	57.3	57.3	18.9	6.0	17.4	17.4	12.5	12.1	13.6	11.5	13.8
Policy rate (in percent, end of period)	27.0	27.0	…	…	…	…	…	…	…	…	…
	(US$ million, unless otherwise indicated)										
External sector											
Current account balance (percent of GDP)	-2.1	-2.1	-2.8	-1.7	-2.3	-1.9	-2.4	-2.2	-2.4	-2.4	-2.4
BOP financing gap [2]	…	…	4,212	4,216	3,301	3,312	4,264	3,910	3,321	1,410	937
IMF	…	…	1,200	1,200	720	720	720	720	360	0	0
World Bank	…	…	530	330	420	620	350	350	250	0	0
AfDB			0	59	0	44	0	0	0	0	0
Residual gap	…	…	2,482	2,627	2,161	1,928	3,194	2,840	2,711	1,410	937
Gross international reserves (program) [3]	1,441	1,441	1,733	2,388	3,270	3,852	5,524	5,501	7,677	9,250	10,874
in months of prospective imports	0.7	0.7	0.8	1.1	1.4	1.7	2.2	2.3	3.0	3.5	3.9
Gross international reserves [4]	6,238	6,238	…	…	…	…	…	…	…	…	…
Memorandum items:											
Nominal GDP (millions of GHc)	615,259	610,222	873,138	850,656	1,077,423	1,050,978	1,251,506	1,216,854	1,372,186	1,548,313	1,746,882

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

[1] Program approval interest expenditure projections corresponded to a pre- domestic and external debt restructuring scenario. Updated projections correspond to a post-domestic debt restructuring and pre-external debt restructuring scenario.

[2] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[3] Excludes oil funds, encumbered assets, and pledged assets.

[4] Includes oil funds, encumbered assets, and pledged assets.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2022–28[1]

(GFS 2001, Cash Basis, percent of GDP)

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**15.7**	**15.8**	**16.8**	**15.7**	**17.3**	**16.7**	**17.8**	**17.3**	**18.2**	**18.1**	**18.0**
Taxes	13.1	13.2	14.0	13.3	14.7	14.2	15.3	14.8	15.7	15.6	15.6
Direct taxes	6.2	6.3	6.4	6.1	6.3	6.3	6.5	6.4	6.6	6.6	6.6
Indirect taxes	5.3	5.3	5.7	5.4	6.6	6.2	7.0	6.7	7.3	7.4	7.4
Trade taxes	1.6	1.6	1.8	1.7	1.8	1.8	1.8	1.8	1.7	1.7	1.7
Social security contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax revenue	2.4	2.4	2.5	2.1	2.3	2.1	2.2	2.2	2.2	2.2	2.1
Grants	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.2	0.2	0.2	0.2
Expenditure	**26.7**	**27.7**	**24.3**	**20.4**	**25.3**	**21.7**	**24.5**	**21.6**	**21.8**	**21.2**	**21.1**
Expense	22.5	23.1	21.0	17.1	22.0	18.3	21.2	18.2	17.8	17.2	16.9
Compensation of employees	6.4	6.5	5.9	6.0	6.0	6.1	6.0	6.0	6.0	6.0	6.0
Purchases of goods and services	1.7	2.1	1.2	1.0	1.3	1.1	1.3	1.1	1.2	1.2	1.2
Interest [1]	7.4	7.5	7.0	4.1	8.5	5.5	8.2	5.7	5.1	4.6	4.6
Domestic	5.5	5.6	4.7	2.1	6.2	3.4	5.9	3.6	3.1	2.6	2.6
Foreign	1.9	1.9	2.3	2.0	2.3	2.1	2.2	2.1	2.0	2.0	1.9
Subsidies and transfers	2.3	2.3	2.7	1.9	2.1	1.7	1.9	1.5	1.4	1.3	1.0
o/w transfers to energy producers	0.9	0.9	2.7	1.9	2.1	1.7	1.8	1.5	1.4	1.3	1.0
Social benefits[2]	0.0	0.0	0.1	0.1	0.2	0.1	0.3	0.3	0.5	0.5	0.5
Grants to other government units	4.7	4.8	4.2	4.0	4.0	3.9	3.7	3.6	3.6	3.6	3.6
Net acquisition of nonfinancial assets	4.2	4.0	3.3	3.3	3.3	3.3	3.3	3.4	4.0	4.1	4.2
Domestic financed	2.3	1.9	2.6	2.1	2.4	2.7	2.3	2.5	2.9	2.8	2.9
Foreign financed	1.9	2.0	0.7	1.2	0.9	0.6	1.0	0.9	1.1	1.3	1.3
Other expenditure		0.6									
Primary balance (commitment basis)	-3.6	-4.4	-0.5	-0.5	0.5	0.5	1.5	1.5	1.5	1.5	1.5
Overall balance (commitment basis) [1]	**-11.0**	**-11.8**	**-7.5**	**-4.6**	**-8.0**	**-5.0**	**-6.7**	**-4.3**	**-3.6**	**-3.1**	**-3.0**
Payables (net change)	2.8	1.2	-0.7	0.0	-0.7	-1.1	-0.6	-1.0	-0.9	-0.9	-0.8
Primary balance (cash basis)	-0.8	-3.2	-1.2	-0.5	-0.2	-0.6	0.9	0.4	0.6	0.6	0.7
Overall balance (cash basis) [1]	**-8.2**	**-10.7**	**-8.2**	**-4.6**	**-8.7**	**-6.1**	**-7.3**	**-5.3**	**-4.5**	**-4.0**	**-3.9**
Memorandum items:											
Public sector debt	88.2	93.3	98.1	86.1	92.0	83.6	90.2	80.9	77.9	74.9	72.0
Non-oil revenue (excl. Grants)	13.6	13.7	14.0	14.1	15.0	15.0	15.5	15.6	16.5	16.5	16.5
Oil revenue	2.0	2.0	2.5	1.3	2.1	1.3	2.0	1.4	1.5	1.4	1.4
Primary expenditure	19.3	20.2	17.3	16.2	16.8	16.2	16.3	15.8	16.7	16.6	16.5
Non-oil primary balance	-5.6	-6.3	-3.1	-1.8	-1.7	-0.8	-0.5	0.0	0.0	0.1	0.2
Nominal GDP (GHS, million)	615,259	610,222	873,138	850,656	1,077,423	1,050,978	1,251,506	1,216,854	1,372,186	1,548,313	1,746,882

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

[1] Program approval interest expenditure projections corresponded to a pre- domestic and external debt restructuring scenario. Updated projections correspond to a post-domestic debt restructuring and pre-external debt restructuring scenario.

[2] Comprises of government cash transfer program (LEAP) and subsidy for lifeline consumers of electricity

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2022–28[1]

(GFS 2001, Commitment Basis, GHS millions)

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**96,561**	**96,651**	**146,597**	**133,815**	**186,494**	**175,162**	**222,598**	**210,202**	**249,706**	**280,488**	**315,027**
Taxes	80,533	80,622	122,014	113,017	158,735	149,318	191,196	179,670	215,480	242,178	272,426
Direct taxes	38,356	38,424	56,076	52,274	68,228	65,811	81,201	77,329	91,155	102,231	114,531
Indirect taxes	32,329	32,349	49,792	46,197	71,542	65,008	87,991	80,946	100,798	113,990	128,609
Trade taxes	9,848	9,848	16,146	14,546	18,964	18,499	22,004	21,395	23,526	25,957	29,286
Social contributions	350	350	681	664	943	920	1,047	1,018	1,148	1,295	1,461
Nontax revenue	14,560	14,561	21,978	17,683	24,365	21,809	27,527	26,765	30,012	33,604	37,351
Grants	1,118	1,119	1,924	2,452	2,452	3,115	2,829	2,750	3,066	3,411	3,789
Expenditure	**164,408**	**168,897**	**212,017**	**173,230**	**272,820**	**227,916**	**306,138**	**262,393**	**298,632**	**328,698**	**367,995**
Expense	138,736	140,914	183,640	145,583	237,086	192,802	265,017	221,339	243,825	265,987	294,609
Compensation of employees	39,430	39,434	51,268	51,304	64,134	63,683	74,646	73,147	82,484	92,899	104,813
Purchases of goods and services	10,380	12,556	10,572	8,579	14,015	11,561	15,654	13,385	16,466	18,580	20,963
Interest [1]	45,686	45,687	60,813	35,091	91,382	58,019	102,313	69,923	69,740	71,211	79,879
Domestic	33,881	33,881	41,153	17,886	66,541	35,942	74,214	44,126	42,055	40,728	46,287
Foreign	11,805	11,806	19,660	17,206	24,841	22,078	28,099	25,797	27,685	30,483	33,592
Subsidies and transfers	14,010	13,908	24,002	16,146	22,683	17,851	23,165	18,286	19,360	20,011	17,710
o/w transfers to energy producers	5,238	5,239	23,652	15,797	22,307	17,484	22,761	17,893	18,917	19,511	17,146
Social benefits[2]	94	94	569	545	1,780	951	3,319	3,227	6,383	7,742	8,734
Grants to other government units	29,136	29,135	36,416	33,917	43,092	40,737	45,920	43,371	49,392	55,545	62,510
Net acquisition of nonfinancial assets	25,672	24,189	28,377	27,648	35,733	35,114	41,121	41,054	54,807	62,711	73,385
Domestic financed	14,134	11,833	22,679	17,864	25,969	28,381	29,006	29,813	39,793	42,733	51,358
Foreign financed	11,538	12,355	5,698	9,784	9,765	6,732	12,116	11,241	15,013	19,978	22,027
Other expenditure		3,794									
Primary balance (commitment basis)	-22,161	-26,558	-4,607	-4,324	5,056	5,265	18,773	17,733	20,814	23,000	26,911
Overall balance (commitment basis) [1]	**-67,847**	**-72,245**	**-65,420**	**-39,415**	**-86,326**	**-52,755**	**-83,540**	**-52,191**	**-48,927**	**-48,210**	**-52,968**
Payables (net change)	17,129	7,041	-6,000	0	-7,378	-11,613	-7,786	-12,311	-12,625	-13,962	-14,314
Primary balance (cash basis)	-5,031	-19,517	-10,607	-4,324	-2,322	-6,349	10,986	5,421	8,189	9,039	12,597
Overall balance (cash basis) [1]	**-50,718**	**-65,204**	**-71,420**	**-39,415**	**-93,704**	**-64,368**	**-91,326**	**-64,502**	**-61,551**	**-62,172**	**-67,282**
Memorandum items:											
Oil revenue	12,035	12,037	22,107	11,020	22,917	14,153	25,363	17,178	20,201	21,909	23,590
Non-oil revenue (excl. Grants)	83,408	83,496	122,567	120,343	161,125	157,894	194,407	190,274	226,439	255,168	287,648
Non-oil primary balance	-34,196	-38,595	-26,714	-15,344	-17,861	-8,888	-6,590	554	613	1,092	3,321

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

[1] Program approval interest expenditure projections corresponded to a pre- domestic and external debt restructuring scenario. Updated projections correspond to a post-domestic debt restructuring and pre-external debt restructuring scenario.

[2] Comprises of government cash transfer program (LEAP) and subsidy for lifeline consumers of electricity

Table 2c. Ghana: Public Sector Gross Financing Needs and Sources, 2022–28

(in GHS billions)

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
Gross financing needs (I)	**129.3**	**133.1**	**204.6**	**120.8**	**269.2**	**135.1**	**375.2**	**197.6**	**212.7**	**214.1**	**236.6**
Primary deficit (cash basis)[1,2]	5.0	19.5	10.6	3.9	2.3	4.2	-11.0	-10.2	-12.0	-11.5	-14.8
Financial sector strengthening			22.0	19.3	0.8	3.5					
Debt service [3,4]	124.2	113.5	171.9	97.6	266.0	127.4	386.2	207.8	224.7	225.5	251.4
External	22.1	22.1	41.3	37.6	52.0	46.4	81.0	74.9	70.5	77.0	74.6
Domestic	102.1	91.4	130.6	59.9	214.1	81.0	305.2	132.9	154.2	148.6	176.8
Gross financing sources (II)	**125.7**	**133.1**	**74.9**	**73.8**	**91.3**	**88.7**	**126.6**	**135.1**	**156.5**	**188.8**	**219.3**
External	19.4	25.8	3.8	7.3	7.3	3.6	9.3	8.5	21.4	44.6	46.7
Multilateral	5.4	5.4	3.4	5.1	6.5	2.9	8.4	7.7	8.6	12.8	14.1
World Bank	4.7	4.7	2.7	4.5	5.7	2.2	7.5	6.9	7.7	11.9	13.2
Others	0.7	0.7	0.7	0.6	0.8	0.7	0.9	0.8	0.8	0.9	0.9
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	2.1	2.1	0.4	2.2	0.8	0.7	0.9	0.8	3.4	3.7	4.1
Paris Club	1.0	1.0	0.2	1.9	0.4	0.3	0.4	0.4	1.7	1.9	2.0
Non-Paris Club	1.1	1.1	0.2	0.3	0.4	0.3	0.4	0.4	1.7	1.9	2.0
Private sector	11.9	18.3	0.0	0.0	0.0	0.0	0.0	0.0	9.4	28.1	28.4
Eurobonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.9	18.9
Other commercials	11.9	18.3	0.0	0.0	0.0	0.0	0.0	0.0	9.4	10.2	9.5
Domestic	104.9	105.9	73.1	67.3	86.0	86.5	119.6	128.3	137.1	146.3	174.8
Bank of Ghana	48.4	49.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR on-lending	8.9	8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including overdraft)	41.5	40.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	33.0	33.0	53.7	48.0	86.0	86.5	95.7	102.6	41.1	38.0	38.5
Medium term debt	23.5	23.5	0.0	0.0	0.0	0.0	23.9	25.7	95.9	108.2	136.4
Financial sector strengthening bond			19.4	19.3							
Ghana Petroleum and Sinking Funds, net	1.4	1.4	-2.0	-0.8	-2.0	-1.4	-2.3	-1.7	-1.9	-2.1	-2.2
Financing gap (II)-(I)	**0.0**	**0.0**	**129.7**	**46.9**	**177.8**	**46.4**	**248.6**	**62.6**	**56.2**	**25.3**	**17.4**
Exceptional financing	**0.0**		**22.7**	**17.7**	**18.2**	**19.3**	**18.7**	**17.1**	**10.3**	**0.0**	**0.0**
IMF	0.0	0.0	15.8	13.4	11.5	10.1	12.6	11.5	6.1	0.0	0.0
Other financial partners	0.0	0.0	7.0	4.3	6.7	9.3	6.1	5.6	4.2	0.0	0.0
Residual gap [5]	**0.0**	**0.0**	**107.0**	**29.2**	**159.7**	**27.0**	**229.9**	**45.5**	**45.9**	**25.3**	**17.4**
Discrepancy	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOF, BOG, CSD and IMF staff calculations.

1 Excludes AfDB budget support grants which are reflected under the exceptional financing.

2 Includes Cocobod's net income used for debt service.

3 Includes debt service by ESLA, Daakye and Cocobod excluding the trade facilities. Debt service on local currency debt held by non-residents is included in domestic debt service.

4 Program approval debt service projections corresponded to a pre- domestic and external debt restructuring scenario. Updated projections correspond to a post-domestic debt restructuring and pre-external debt restructuring scenario.

5 Residual gap to be filled under comprehensive debt restructuring through cash debt relief and savings on the interest bill on the relief amount that has to be borrowed in this pre-restructuring scenario.

Table 3. Ghana: Monetary Survey, 2022–28
(in GHS millions)

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
I. Monetary Survey (Central Bank and Commercial Banks)											
Net foreign assets	-12,134	-10,321	-35,551	-36,294	-2,826	-6,047	29,546	27,110	34,771	43,230	54,480
Net domestic assets	192,401	190,588	273,112	257,696	289,623	265,934	300,139	276,813	317,780	365,729	419,912
Net claims on central government	122,554	122,554	143,110	102,251	174,857	114,695	204,936	126,197	136,559	149,919	166,133
Claims on public non-financial corporations	8,063	8,063	-6,542	6,473	-19,663	1,340	-34,882	207	2,759	1,840	4,743
Claims on private sector	70,265	77,016	85,827	85,064	99,311	94,492	111,375	103,884	116,709	133,785	153,423
Other items (net)	-8,481	-17,045	50,717	63,908	35,118	55,407	18,710	46,525	61,752	80,185	95,613
Money and quasi-money (M3)	180,267	180,267	237,561	221,403	286,797	259,886	329,685	303,923	352,551	408,959	474,392
Broad money (M2)	135,142	135,142	178,095	165,981	218,568	194,832	251,253	227,845	264,300	306,588	355,642
Foreign exchange deposits	45,124	45,124	59,466	55,421	68,229	65,055	78,432	76,078	88,250	102,370	118,750
II. Central Bank											
Net foreign assets[1]	-19,300	-17,488	-60,904	-55,489	-34,355	-32,060	-9,036	-5,584	-4,165	-2,563	1,186
Net domestic assets	87,404	85,591	141,856	127,655	129,385	116,770	115,952	100,519	112,042	122,794	135,600
Net claims on other depository corporations	-4,415	-4,057	-3,719	-2,767	-3,715	1,277	-4,016	1,131	1,548	2,015	2,546
Net claims on central government	73,910	73,910	68,246	45,439	68,246	45,439	68,246	45,439	45,439	45,439	45,439
Claims on other sectors[2]	8,327	15,079	8,327	17,034	8,327	19,275	8,327	21,516	23,757	25,998	28,239
Other items (net)[3]	9,582	660	69,002	67,949	56,527	50,779	43,395	32,434	41,299	49,342	59,376
Base money[4]	68,104	68,104	80,952	72,166	95,030	84,709	106,916	94,935	107,878	120,231	136,786
III. Commercial Banks											
Net foreign assets	7,166	7,166	25,352	19,196	31,530	26,013	38,581	32,694	38,936	45,793	53,295
Net domestic assets	136,724	136,724	181,362	160,485	229,351	192,005	273,895	223,846	256,542	298,721	344,117
Net domestic claims	158,631	158,631	203,268	177,330	251,257	208,549	295,801	233,732	261,438	294,754	333,887
Net claims on central bank	39,986	39,986	41,930	42,236	43,470	43,758	44,783	45,019	46,200	47,538	49,047
Net claims on central government	48,644	48,644	74,863	56,813	106,611	69,256	136,690	80,759	91,120	104,480	120,694
Credit to public non-financial corporations	6,247	6,247	7,159	6,481	8,376	7,909	9,465	8,937	10,276	11,817	13,589
Credit to private sector	63,753	63,753	79,316	71,801	92,799	87,626	104,863	99,017	113,842	130,919	150,556
Other items (net)	-21,906	-21,906	-21,906	-16,845	-21,906	-16,544	-21,906	-9,886	-4,896	3,967	10,230
Memorandum items:	(annual percentage change, unless otherwise indicated)										
Base money	57.3	57.3	18.9	6.0	17.4	17.4	12.5	12.1	13.6	11.5	13.8
M2	27.8	27.8	31.8	22.8	22.7	17.4	15.0	16.9	16.0	16.0	16.0
M3[5]	32.9	32.9	31.8	22.8	20.7	17.4	15.0	16.9	16.0	16.0	16.0
Credit to private sector	31.8	31.8	24.4	12.6	17.0	22.0	13.0	13.0	15.0	15.0	15.0
M2 velocity	4.6	4.5	4.9	5.1	4.9	5.4	5.0	5.3	5.2	5.1	4.9
M3 velocity	3.4	3.4	3.7	3.8	3.8	4.0	3.8	4.0	3.9	3.8	3.7
Base money multiplier (M2/base money)	2.0	2.0	2.2	2.3	2.3	2.3	2.4	2.4	2.5	2.6	2.6
Credit to private sector (in percent of GDP)	10.4	10.4	9.1	8.4	8.6	8.3	8.4	8.1	8.3	8.5	8.6

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

[1] Net foreign assets path under pre-external debt restructuring scenario.

[2] Includes private sector, public enterprises and local government.

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

[4] Excludes foreign currency deposits.

[5] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2022-28

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
	(Millions of U.S. dollars)										
Current account	-1,517	-1,517	-1,852	-1,264	-1,573	-1,393	-1,741	-1,680	-1,930	-2,083	-2,182
Trade balance	2,873	2,873	3,287	2,732	4,001	3,280	4,452	3,763	4,031	4,223	4,564
Exports, f.o.b.	17,494	17,494	17,782	16,235	18,901	17,486	19,952	18,596	19,852	20,751	21,815
Imports, f.o.b	-14,621	-14,621	-14,494	-13,503	-14,900	-14,206	-15,499	-14,833	-15,821	-16,529	-17,251
Services (net)	-3,458	-3,458	-3,706	-3,500	-4,236	-3,733	-4,430	-4,339	-4,570	-4,932	-5,279
Income (net)	-4,505	-4,505	-5,078	-4,247	-5,055	-4,879	-5,554	-5,240	-5,733	-5,934	-6,254
Transfers	3,573	3,573	3,644	3,751	3,717	3,939	3,792	4,136	4,343	4,560	4,788
Capital and financial account	-2,141	-2,141	-1,943	-1,881	-33	-296	-4	-317	1,103	2,531	3,119
Capital account	142	142	147	161	154	179	162	172	181	190	200
Financial account	-2,283	-2,283	-2,089	-2,042	-186	-475	-165	-489	922	2,340	2,918
Foreign direct investment (net)	1,473	1,473	1,310	1,159	1,872	1,861	2,480	2,292	2,414	2,601	2,751
Portfolio investment (net)	-2,057	-2,057	-350	-162	-395	-336	-1,549	-1,535	-1,036	-421	-71
Other investment (net)	-1,699	-1,699	-3,050	-3,038	-1,663	-2,000	-1,097	-1,246	-456	160	238
Medium and long term (net)	-867	-867	-2,440	-2,033	-2,026	-1,924	-1,434	-1,491	-686	-77	-18
Short-term (net)	-832	-832	-609	-1,005	363	-76	337	245	230	236	256
Errors and omissions	19	19	...	...	...	...	...	...	...	...	...
Overall balance	-3,639	-3,640	-3,795	-3,145	-1,605	-1,689	-1,744	-1,998	-827	447	937
Financing	3,639	3,640	3,795	3,145	1,605	1,689	1,744	1,998	827	-447	-937
Use of Fund credit (net)	-121	-121	-124	-124	-159	-159	-265	-264	-318	-285	-249
Increase in gross reserves (-)	3,759	3,760	-293	-947	-1,537	-1,465	-2,254	-1,649	-2,176	-1,573	-1,625
Financing gap [1]	...	...	4,212	4,216	3,301	3,312	4,264	3,910	3,321	1,410	937
Memorandum items:	(Percent of GDP, unless otherwise indicated)										
Current account	-2.1	-2.1	-2.8	-1.7	-2.3	-1.9	-2.4	-2.2	-2.4	-2.4	-2.4
Capital and financial account	-2.9	-3.0	-2.9	-2.5	0.0	-0.4	0.0	-0.4	1.4	2.9	3.4
Foreign direct investment (net)	2.0	2.0	2.0	1.5	2.8	2.5	3.5	3.0	3.0	3.0	3.0
	(Millions of US dollars, unless otherwise indicated)										
If financing gap is closed:											
Gross foreign assets [2]	5,644	6,265	6,085	7,283	7,748	8,847	10,134	10,604	12,893	14,581	16,322
Months of imports	2.6	3.0	2.7	3.3	3.3	3.8	4.1	4.4	5.1	5.5	5.8
Gross international reserves [3]	1,441	1,441	1,733	2,388	3,270	3,852	5,524	5,501	7,677	9,250	10,874
Months of imports	0.7	0.7	0.8	1.1	1.4	1.7	2.2	2.3	3.0	3.5	3.9

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

[1] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[2] Includes foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered assets and pledged assets.

[3] Excludes foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered assets and pledged assets.

Table 5. Ghana: External Financing Needs and Sources, 2022–28
(Millions of U. S dollars, unless otherwise indicated)

	2022		2023		2024		2025		2026	2027	2028
	Program Approval	Actual	Program Approval	Proj.	Program Approval	Proj.	Program Approval	Proj.	Proj.	Proj.	Proj.
I. Total Needs	**-452**	**-468**	**5,648**	**5,588**	**5,361**	**5,058**	**7,181**	**6,525**	**6,792**	**6,459**	**6,189**
Current account deficit, excl. official transfers	1,517	1,517	1,852	1,264	1,573	1,393	1,741	1,680	1,930	2,083	2,182
PPG external debt amortization	1,597	1,581	1,769	1,721	1,614	1,590	2,787	2,820	2,252	2,403	2,016
Gross reserves accumulation	-3,759	-3,760	293	947	1,537	1,465	2,254	1,649	2,176	1,573	1,625
Repayments to the Fund	121	121	125	125	161	161	267	267	321	286	249
Other capital flows [1]	73	73	1,609	1,531	475	449	132	109	113	115	117
II. Total Sources	**-452**	**-468**	**1,437**	**1,372**	**2,059**	**1,746**	**2,917**	**2,615**	**3,471**	**5,049**	**5,252**
Official transfers (current and capital)	0	0	0	0	0	0	0	0	0	0	0
Grants	142	142	147	220	154	223	162	172	181	190	200
Private capital flows, net	-2,897	-2,913	1,003	495	1,446	1,264	2,225	1,913	2,028	2,367	2,588
Foreing direct investment, net	1,473	1,473	1,310	1,159	1,872	1,861	2,480	2,292	2,414	2,601	2,751
Other capital flows, net	-4,369	-4,386	-307	-664	-425	-597	-255	-379	-386	-234	-163
Loan disbursments	2,303	2,303	287	657	459	259	530	530	1,262	2,492	2,463
Multilateral	640	640	257	457	409	209	480	480	506	717	747
IMF	0	0	0	0	0	0	0	0	0	0	0
World Bank	555	555	207	407	359	159	430	430	456	667	697
Others	85	85	50	50	50	50	50	50	50	50	50
Bilateral	251	251	30	200	50	50	50	50	200	208	216
Paris Club	120	120	15	170	25	25	25	25	100	104	108
Non-Paris Club	131	131	15	30	25	25	25	25	100	104	108
Private sector	1,412	1,412	0	0	0	0	0	0	556	1,567	1,500
Eurobonds	0	0	0	0	0	0	0	0	0	1,000	1,000
Other commercial	1,412	1,412	0	0	0	0	0	0	556	567	500
III. Financing Gap (I-II)	...	...	**4,212**	**4,216**	**3,301**	**3,312**	**4,264**	**3,910**	**3,321**	**1,410**	**937**
IV. Expected Sources of Exceptional Financing	**...**	**...**	**4,212**	**4,216**	**3,301**	**3,312**	**4,264**	**3,910**	**3,321**	**1,410**	**937**
IMF	...	...	1,200	1,200	720	720	720	720	360	0	0
World Bank	...	...	530	330	420	620	350	350	250	0	0
AFDB	...	...	0	59	0	44	0	0	0	0	0
Residual gap [2]	...	...	2,482	2,627	2,161	1,928	3,194	2,840	2,711	1,410	937
Memo Items											
Gross International Reserves	1,441	1,441	1,733	2,388	3,270	3,852	5,524	5,501	7,677	9,250	10,874
In months of prospective imports of G&S	0.7	0.7	0.8	1.1	1.4	1.7	2.2	2.3	3.0	3.5	3.9
Financing Gap (percent of GDP)	...	...	6	5.5	4.9	4.4	6.0	5.1	4.1	1.6	1.0

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

[1] Includes amortization of BoG FX liabilities and government oil investment for the Petroleum and Stabilization Fund.

[2] To be covered under the envisaged exteral debt restructuring.

Table 6. Ghana: Financial Soundness Indicators
(At end of year and in percent)

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22 [1]	Jun-23 [2]
Capital Adequacy									
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	20.9	19.8	19.6	16.6	14.3
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.1	17.9	17.7	14.9	11.5
Asset Quality									
Nonperforming loans net of loan-loss provision to capital	14.7	15.8	14.9	11.5	5.7	5.2	6.4	4.5	14.3
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8	15.2	14.8	18.7
Bank provisions to nonperforming loans	69.4	72.5	77.7	70.8	82.7	84.3	80.7	87.9	76.8
Profitability and Earnings									
Return on assets (aftex tax)	3.3	2.5	2.4	2.3	2.9	3.0	2.9	1.9	3.6
Return on equity (after tax)	22.2	17.6	18.7	18.5	19.9	21.4	20.6	24.2	37.6
Liquidity									
Liquid asset to total assets	22.3	21.6	22.3	23.4	22.5	20.1	20.0	27.7	27.7
Liquid asset to short-term liabilities	28.9	27.9	28.6	31.2	29.0	26.3	25.9	35.3	33.4
Liquid assets/total deposits	34.3	33.9	35.8	36.8	35.2	28.9	29.7	38.8	35.8

Source: Ghanaian authorities.

[1] The end-2022 position is based on prudential returns (unaudited) and does not factor the impact of the Domestic Debt Exchange Programme (DDEP)

[2] Financial soundness indicators computed with regulatory forbearance measures taken in the context of the DDEP

Table 7. Ghana: Indicators of Capacity to Repay the Fund, 2022-2034

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (in millions of SDRs)													
Principal	16.6	13.3	119.6	198.3	238.9	214.0	232.6	251.2	164.1	90.3	90.3	45.1	0.0
Charges and interest	3.2	10.7	43.1	43.0	43.1	43.1	43.1	43.0	43.1	43.1	43.1	43.0	43.1
Fund obligations based on existing and prospective credit (in millions of SDRs)													
Principal	16.6	13.3	119.6	198.3	238.9	214.0	232.6	368.4	388.8	421.8	448.4	403.2	240.9
Charges and interest	3.2	10.7	43.1	43.0	43.1	43.1	43.1	43.0	43.1	43.1	43.1	43.0	43.1
Total obligations based on existing and prospective credit													
In millions of SDRs	19.8	24.0	162.6	241.4	282.0	257.1	275.7	411.4	431.8	464.8	491.5	446.3	284.0
In millions of US$	26.5	32.1	218.0	325.3	381.6	348.5	375.0	559.6	587.3	632.3	668.5	607.0	386.2
In percent of gross international reserves	1.8	1.3	5.7	5.9	5.0	3.8	3.4	4.7	4.6	4.6	4.7	4.1	2.5
In percent of exports of goods and services	0.1	0.1	0.8	1.2	1.3	1.2	1.2	1.7	1.7	1.7	1.7	1.5	0.9
In percent of debt service [1]	0.6	0.7	4.9	5.4	6.8	5.9	6.5	8.2	8.1	8.0	7.1	6.0	3.8
In percent of GDP	0.0	0.0	0.3	0.4	0.5	0.4	0.4	0.6	0.6	0.6	0.6	0.5	0.3
In percent of quota	2.7	3.3	22.0	32.7	38.2	34.8	37.4	55.7	58.5	63.0	66.6	60.5	38.5
Outstanding Fund credit													
In millions of SDRs	1286.0	2095.8	2514.4	2851.1	2878.1	2664.0	2431.4	2063.1	1674.3	1252.6	804.2	400.9	160.0
In millions of US$	1708.8	2803.7	3378.4	3851.5	3896.4	3617.0	3311.9	2810.2	2280.7	1706.1	1095.4	546.1	218.0
In percent of gross international reserves	118.6	117.4	87.7	70.0	50.8	39.1	30.5	23.8	17.8	12.4	7.7	3.7	1.4
In percent of exports of goods and services	6.6	11.4	13.0	14.2	13.6	12.2	10.7	8.6	6.6	4.7	2.8	1.4	0.5
In percent of debt service [1]	41.6	64.1	75.5	64.5	69.2	60.9	57.7	41.3	31.5	21.6	11.7	5.4	2.2
In percent of GDP	2.4	3.7	4.5	5.1	4.8	4.2	3.6	2.9	2.2	1.5	0.9	0.4	0.2
In percent of quota	174.3	284.0	340.7	386.3	390.0	361.0	329.5	279.6	226.9	169.7	109.0	54.3	21.7
Net use of Fund credit (in millions of SDRs)	-16.6	889.5	418.6	336.7	27.0	-214.0	-232.6	-368.4	-388.8	-421.8	-448.4	-403.2	-240.9
Disbursements	0.0	902.8	538.2	535.0	265.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	16.6	13.3	119.6	198.3	238.9	214.0	232.6	368.4	388.8	421.8	448.4	403.2	240.9
Memorandum items:													
Nominal GDP (in millions of US$)	72,243	76,277	75,244	76,019	81,084	86,456	92,244	98,554	105,568	112,622	120,512	128,749	137,567
Exports of goods and services (in millions of US$)	25,744	24,569	25,917	27,184	28,619	29,714	31,000	32,802	34,664	36,479	38,474	40,125	41,799
Gross international reserves (in millions of US$)	1,441	2,388	3,852	5,501	7,677	9,250	10,874	11,825	12,791	13,759	14,314	14,949	15,530
External debt service (in millions of US$)	4,111	4,374	4,473	5,971	5,633	5,936	5,744	6,805	7,237	7,915	9,353	10,049	10,045
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repayments.

Table 8. Ghana: Access and Phasing Under the Arrangement, 2023-26

(Units as indicated)

Availability Date	Conditions[1]	Disbursements		
		Millions of SDRs	Millions of U.S. dollars	Percent of Quota[2]
Board date	Board approval of the Extended Credit Facility	451.4	600	61
November 1, 2023	Observance of end-June 2023 performance criteria, completion of first review	451.4	600	61
May 1, 2024	Observance of end-December 2023 performance criteria, completion of second review	269.1	360	36
November 1, 2024	Observance of end-June 2024 performance criteria, completion of third review	269.1	360	36
May 1, 2025	Observance of end-December 2024 performance criteria, completion of fourth review	267.5	360	36
October 31, 2025	Observance of end-June 2025 performance criteria, completion of fifth review	267.5	360	36
April 16, 2026	Observance of end-December 2025 performance criteria, completion of sixth review	265.9	360	36
Total		**2,241.9**	**3,000**	**304**
***Memorandum item*:**				
Ghana's quota		738		

Source: IMF.

[1] Observance of performance criteria includes both periodic and continuous performance criteria.

[2] Rounded values.

Annex I. 2021 AIV Consultation Recommendations

Policies	2021 Article IV Recommendations	Progress since the 2021 Article IV Consultation
Fiscal Policy	Faster and deeper fiscal consolidation Enhance domestic revenue mobilization Rapid expenditure reduction to pre-pandemic levels	Under the 2023 ECF programme, the authorities have launched a comprehensive debt restructuring and a large, front-loaded fiscal consolidation plan. The fiscal consolidation will be revenue led.
	Increase social protection spending	Under the 2023 ECF programme, the authorities have doubled social protection spending for the targeted cash transfer program (the Livelihood Empowerment Against Poverty, LEAP), increased the allocation for Ghana School Feeding Program, and more broadly increased the spending on the key socials programs.
Monetary and FX Policy	Refrain from further monetary financing	Monetary financing has been eliminated, starting in May 2023.
	Renew the Memorandum of Understanding (MOU) on monetary financing	Under the 2023 ECF programme, the MOU has been renewed and the authorities have committed to prepare amendments of the BoG Act to enact stricter monetary financing limit and strengthen BoG independence.
	Limit FX intervention Increase exchange rate flexibility Gradually reduce FX borrowing	Under the 2023 ECF programme, the authorities aim to rebuild FX reserve buffers to at least 3 months of imports and to limit central bank FX intervention.
Financial Sector Policy	Gradually roll back the regulatory easing introduced during the COVID-19 pandemic.	Partially completed in 2022; for example the capital conservation buffer and reserve requirement were brought back to the pre-pandemic levels before the debt crisis hit. New regulatory forbereances were then introduced in the context of the domestic debt exchange and will be gradually lifted as the economy stabilizes.
	Reduce sovereign-bank nexus to reduce exposure to soreveign debt risk and private-sector crowding out	The domestic debt exchange has directly and indirectly reduced bank holdings' of government securities and the authorities will implement reforms and prudential measures to further reduce the sovereign-bank nexus and promote credit to private sector.
Public Debt Management	Expand the coverage of government debt statistics to include ESLA, Daakye, Synohydro, Cocobod, and energy sector debts.	The authorities have included ESLA, Daakye, and Synohydro bonds, Cocobills, and energy sector debts in the perimeter of the domestic debt exchange and fiscal framework under the program.
Structural Policies	Complete and implement Energy Sector Reform Program (ESRP)	The updated ESRP is under preparation. Measures are being implemented to strengthen energy sector, including by nearly doubling electricity tariffs over the past year.
	Improve Cocobod financial position and vulnerabilities	The authorities completed a domestic debt exchange that included Cocobills in the perimeter and prepared a Cocobod turnaround strategy to improve Cocobod financial position.
	Complete audit of COVID-19 spending	Auditor General Audit was completed and published in January 2023.
	Complete audit of domestic arrears	The authorities have finalized a comprehensive stock-taking of domestic and energy sector arrears, designed a payable clearance plan, and laid out a reform plan to prevent future accumulation of arrears and address weaknesses in expenditure controls.
	Continue and bolster the implementation of AMF/CFT framework	The authorities have continued building the capacity of reporting entities on various AML/CFT area to ensure the enforcement of targeted financial sanctions.

Annex II. Risk Assessment Matrix

Nature/Sources of Risk	Likelihood	Potential Impact	Policies to Mitigate Risks
▪ **Conjunctural risks**			
Intensification of conflict(s). Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	***High***	***High***: Ghana may not be able to import needed goods, particularly food, the cost of imports may surge. The uncertain environment and investor risk aversion may depress financial inflows, including FDI.	• Build external buffers under the program • Implement structural reforms to support domestic production / import substitution /economic diversification • Improve governance, business environment to attract investors
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	***High***	***High***: Possible issues with essential commodity imports or their costs. A steep drop in commodity prices due to a global slowdown could weigh on exports and growth, raising social tensions in an already difficult economic situation.	• Improve governance, business environment to support domestic commodity production, processing (e.g., fuel refining), diversification • Enhance social protection to shield the vulnerable from price / supply shocks
Social discontent. High inflation, real income loss, and spillovers from crises in other countries (including migration) worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	***Medium***	***High***: Social unrest in Ghana could slow down and/or delay reforms under the program	• Take measures to strengthen governance and anti-corruption frameworks. • Implement orderly fiscal consolidation • Strengthen social and financial safety nets.
Systemic financial instability. Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers.	***Medium***	***High***: Global factors exacerbate the impact of large domestic debt haircuts to banks holdings of sovereign claims on banks' capital adequacy and adversely affect their capacity to lend and dampen credit to the private sector and economic activity	• Strengthen financial safety nets and closely monitor bank and NBFIs liquidity as well as asset quality. • Design an adequate bank and NBFIs recapitalization strategy • Encourage acquisition, mergers if needed.
▪ **Domestic risks**			
Delays in debt restructuring negotiation and implementation	***Medium***	***High***: Delayed financing would risk further lowering FX reserves, excessive depre-ciation and therefore inflation, resulting in social instability	• Engage with creditors and provide needed data and information to mitigate the risk of undue delay to Board approval of program reviews
Domestic policy slippages (e.g., due to election (2024) pressures).	***Medium***	***High***: With debt sustainability in question and IFI financing delayed, the exchange rate and FX reserves would come under pressure, inflation would rise.	• Firm commitment to program implementation to ensure full fiscal and external adjustment, continued exceptional financing.

Annex III. External Sector Assessment

Overall Assessment: *The external position of Ghana in 2022 is assessed as having been broadly in line with the level implied by medium-term fundamentals and desirable policies. The current account deficit narrowed in 2022 on the back of higher commodity exports. This deficit, along with massive portfolio outflows and large external debt-service, were financed by a reserves' drawdown, amid loss of international market access and lower FDI.*

The external position has improved during the first half of 2023. The current account turned into a surplus—as a decline in oil exports was more-than-offset by import compression, strong remittances, and higher income repatriation by mining and oil companies; and international reserves have increased. Over the medium term, the ongoing comprehensive debt restructuring and successful implementation of the Fund-supported program would restore debt sustainability and strengthen the external position.

Recommendations:

- *The ongoing comprehensive debt restructuring and tight fiscal and monetary policies under the Fund-supported program would help restore debt sustainability, reduce the current account deficit and external financing needs significantly, tame exchange rate volatility and contain inflation.*
- *Limiting central bank FX interventions and allowing for greater exchange rate flexibility would enhance monetary policy effectiveness and help rebuild reserve buffers.*
- *Capitalizing on the program's reform agenda and implementing structural measures aimed at diversifying the economy and improving the business environment would help bolster external competitiveness and shift financing of capital investment from debt to FDI.*

Foreign Assets and Liabilities: Position and Trajectory

Background

- **The external assets and liabilities position deteriorated in 2022.** Although external debt remained virtually flat at 48 percent of GDP in 2022, gross foreign exchange reserves fell from 9.9 in 2021 to 2 percent of GDP (0.7 months of prospective imports) on the back of large capital outflows, difficulties in rolling over central bank FX liabilities and reserve drawdowns, suggesting a weaker external financial asset-liability balance (Ghana does not report NIIP statistics).[1]
- **The external position improved in 2023H1 and is expected to strengthen further over the medium term.** Gross reserves have increased in the first half of the year to reach 3.1 percent of GDP, equivalent to 1.0 month of prospective imports, on the back of a stronger current account and lower FX interventions. Over the medium term, gross reserves are projected to continue increasing to reach 9.2 percent of GDP in 2027, equivalent to 3.5 months of prospective imports, while external debt is projected to follow a downward path—after peaking at 55.6 percent of GDP in 2024—to hover around 53 percent of GDP in 2027, reflecting lower financing needs as the fiscal consolidation and growth-enhancing structural reforms start bearing fruit. The ongoing external debt restructuring should bring external debt further down.

[1] Gross reserves refer to headline official reserves, excluding foreign assets held by Ghana Petroleum and Stabilization Fund and encumbered and pledged assets as per IMF-supported program definition.

Assessment

- **Greater exchange rate flexibility, deeper FX market and policies that support further revenue mobilization and more efficient spending**, together with shifting financing away from debt towards FDI would help contain the growth of external debt and help rebuilding reserves.

Current Account

Background

- The current account had steadily improved in the five years to 2021 and stabilized around an average deficit of 2.8 percent of GDP, benefiting from growing volumes of exports and remittances. Imports of goods and services decreased from 36.6 to 31.7 percent of GDP between 2017-2021 despite persistent primary government deficits and robust FDI.
- **The current account deficit narrowed in 2022.** It reached 2.1 percent of GDP down from 2.7 percent of GDP in 2021. This reflected higher exports, which more than offset the increase in imports—leading to an improvement in the trade surplus from 1.4 in 2021 to 4 percent of GDP in 2022—and largely outweighed investment income transfers after the resumption of net profits and dividends payments by mining and oil companies, following the expiration of the distribution moratorium introduced during the pandemic.
- Oil and gold exports increased by 37.5 and 30 percent in 2022, respectively, reflecting soaring global energy prices and the resumption of production in a large gold mine after a technical shutdown in 2021. On the other hand, cocoa exports declined by around 19 percent compared to 2021, as the harvest was severely affected by the drought. Exports of goods and services increased from 30 in 2021 to 35.6 percent of GDP in 2022.
- Imports of goods and services increased from 31.7 in 2021 to 36.4 percent of GDP in 2022, due to higher food and oil prices and a still robust domestic demand. Remittances slightly improved from 4.2 in 2021 to 4.9 percent of GDP in 2022.
- **The current account improved significantly in 2023H1 and is expected to stabilize around 2-2.5 percent of GDP over the next five years.** The current account turned into a surplus in the first half of the year—as a decline in cocoa and oil exports was more-than-offset by import compression, strong remittances, and larger income repatriation by mining and oil companies. In the medium term, an expected increase in cocoa, oil and gold production would maintain the trade balance surplus at 4.8 percent of GDP on average. This, with a lower government deficit as reforms under the Fund-supported program start bearing fruit and the ongoing external debt restructuring, should further lower the current account deficit.

Assessment

- **A model-based approach indicates a small positive current account gap in 2022.** The EBA-Lite CA model shows a cyclically adjusted current account balance of -2.1 percent of GDP that accounts for a 0.9 percent adjustment to reflect the negative output gap and the deviation of terms of trade and a -0.4 percent adjustment to strip out the transient residual component of the COVID-19 shock—particularly the impact on tourism. Comparing the cyclically adjusted current account balance to a norm based on fundamentals and desired policies estimated at -3.0 results in a positive current account gap of 0.9 percent of GDP; suggesting that *the external position is broadly consistent with fundamentals and desirable policy settings.*
- The policy gap estimated at -3.8 percent of GDP in the CA model is dominated by the impact of expected fiscal adjustment and further exchange rate flexibility through reduced FX

interventions. Closing the policy gap would help improve the external position and build buffers.

- The debt restructuring, tight fiscal and monetary stances, and structural reforms aimed at improving business environment, diversifying the economy, and strengthening governance — especially in leading export sectors—and mobilizing larger fiscal revenues would also help further strengthen the external position by reducing dependence on debt financing and attracting FDI.

Ghana: EBA-lite Model Results, 2022

	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-2.1**	
Cyclical contributions (from model) (-)	0.9	
COVID-19 adjustors (-) 2/	-0.4	
Natural disasters and conflicts (-)	-0.5	
Adjusted CA	**-2.1**	
CA Norm (from model) 3/	**-3.0**	
Adjusted CA Norm	**-3.0**	
CA Gap	**0.9**	**7.2**
o/w Relative policy gap	-3.8	
Elasticity	-0.2	
REER Gap (in percent)	**-3.5**	**-30.0**

1/ Based on the EBA-lite 3.0 methodology

2/ Additional cyclical adjustment to account for the temporary impact of the pandemic on tourism (-0.4 percent of GDP).

3/ Cyclically adjusted, including multilateral consistency adjustments.

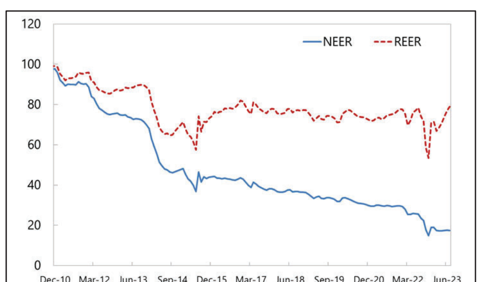
Real Exchange Rate

Background

- **The exchange rate depreciated in 2022, amidst extreme volatility.** The average nominal exchange rate depreciated by around 45 percent on average against the US. dollar in 2022, with the sharpest depreciation in 2022Q4 (by 25 percent Q-o-Q and 50 percent Y-o-Y). The debt

Ghana: Exchange Rate

(Index, 2010=100)



Sources: Ghanaian Authorities; IFS; and IMF staff calculations.

- crisis—including concerns about the impact of the domestic debt restructuring and the tightening of global financial conditions—triggered large capital outflows, which along with loose monetary policy and high inflation put substantial pressures on the exchange rate, leading to depreciation of the nominal effective exchange rate by 20 percent on average in 2022. With average inflation at 32 percent in 2022 (54 percent y-o-y in December), the average real effective exchange rate depreciated by 4 percent. Both the NEER and REER have been depreciating in the last 10 years by 68 and 19 percent on average, respectively.

- **The exchange rate has stabilized in 2023.** Exchange rate volatility declined substantially in the first 7 months of 2023, with the exchange rate depreciating by 7.3 percent vis a vis the U.S. dollar since end-2022.

Assessment

- EBA-Lite exchange rate models point to an undervaluation of the real exchange rate. The CA model estimates an undervaluation of 3.5 percent, against 30 percent by the REER model.

Capital and Financial Accounts: Flows and Policy Measures

Background

- **The capital and financial account declined from a 3.4 percent of GDP surplus in 2021 to a deficit of 3.2 percent of GDP in 2022 due to a fall in FDI and large portfolio outflows.** FDI fell by 39 percent in 2022. Large capital outflows—particularly by non-residents—and loss of market access weighed significantly on the portfolio investment and generated a net portfolio outflow of 2.8 percent of GDP in 2022 against a net inflow of 2.6 percent of GDP in 2021. However, with the announcement of the standstill in December 2022 and the approval of the IMF-supported program in May 2023, capital flight has slowed, and debt obligations declined, leading to a stronger financial account in 2023H1 despite a decline in FDI.
- Over the past five years the capital and financial account averaged 3.7 percent of GDP reflecting strong FDI and portfolio flows. FDI averaged 3.9 percent of GDP while net positive portfolio flows averaged 2.8 percent of GDP thanks to Eurobond issuances and non-resident purchases of local currency-denominated debt.
- Over the next five years, the capital and financial account is expected to gradually improve with FDI expected to increase and reach 3 percent of GDP by 2027 on the back of an expected successful implementation of reforms and improvement of economic sentiment, while portfolio inflows are expected to remain subdued assuming a gradual recovery in international market access over the medium term.

Assessment

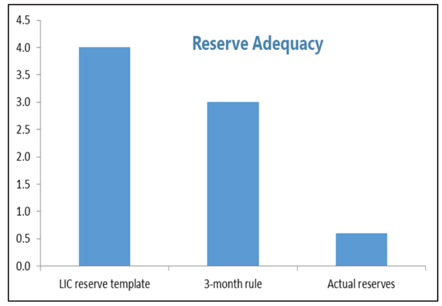
- A further tightening of global financial conditions or a delay in implementing the sovereign debt restructuring and/or failure to implement the reform program could undermine the financial account.
- A capital flow management measure (CFM)—consisting of a US$10,000 withdrawal limit per trip and per annual undocumented transfer—remains in place since 2014. The removal of this CFM would be consistent with the Fund's Institutional View on CFMs.
- Implementing a growth-friendly fiscal consolidation, tighter monetary policy and structural reforms to enhance business environment and strengthen governance and private sector competitiveness, is critical to diversify the economy and boost foreign investors' interest in the domestic market.

FX Intervention and Reserves Level

Background

- **Gross Foreign Assets are estimated to have reached 0.7 months of prospective imports, 2 percent of GDP, and 27.3 percent of foreign currency deposits at end-December 2022**. Gross reserves declined from US$7.9 billion in 2021 and reached US$1.4 billion at the end of 2022. Frequent and broad-based FX interventions, failure to roll over central bank FX liabilities, larger profits and dividends distribution by oil and mining companies, the sharp decline in portfolio inflows and the surge in portfolio outflows from domestic debt market weighed significantly on reserves. Stronger current and financial accounts have boosted gross reserves to US$2.5 billion (3.2 percent of GDP) at end-October 2023.

Assessment



- **Reserve coverage is lower than adequate**. Gross reserves at 0.7 months of prospective imports at end-2022 were well below the standard 3-month metric and represented only 15 percent of the IMF LIC reserve adequacy metric. The metric suggests that the adequate level of reserves would be equal to 4 months of prospective imports. This is based on model that assumes a cost of holding reserves of 8.5 percent (corresponding to the average effective interest rate on external debt for the past five years).

- **FX interventions were lower in 2023H1**. Consistent with the program targets, the BoG's interventions in the FX market were more limited and allowed for further reserves accumulation. In 2022, the central bank intervened regularly in the foreign exchange market to smooth out exchange rate fluctuations in response to global financial tightening and higher uncertainty and to meet sovereign obligations and satisfy FX demand for imports through regular FX auctions to cope with higher global energy and food prices.

- **The proposed Fund-supported program is targeting a buildup of reserves over the medium term to reach 3 months of prospective imports by end-2026.** This will be supported by lower external debt service (thanks to the debt restructuring), tighter fiscal and monetary policies, and policies to increase exchange rate flexibility—including more limited FX interventions and a revision of the FX auction design to improve FX allocation and price discovery.

Annex IV. Mainstreaming Ghana's Climate Adaptation Strategy[1]

1. Ghana has experienced rising mean temperatures (by around 1°C in the last 30 years), erratic rainfalls, coastal erosion, and increased incidence (with higher intensity and frequency) of heatwaves. Temperatures are expected to increase by another 1 to 3 degrees by 2050[2]. Beyond 2050, severe heatwaves will become more frequent, with some parts of Ghana experiencing near-unlivable conditions. To prepare for such eventualities, it is critical for the country to build climate resilience, enhance early warning and disaster risk management, improve food security, and strengthen integrated agriculture and water resource management. Ghana is one of those countries featuring both a strong urgency for climatic action as well as large investment and innovation needs to improve readiness.

2. The Country Climate Development Report for Ghana calls for a strategic approach to pursue the country's development and climate objectives simultaneously. The prevailing macroeconomic constraints have necessitated identifying interventions that promote growth-enhancing climate-resilient transformation and sequencing them appropriately to reflect timing of climate impacts. The report recommends a Climate Resilient and Low Carbon Development pathway, focusing on priority areas and actions, that could potentially help Ghana advance towards being a more green and resilient economy (Table 1).

3. Ghana's updated Nationally Determined Contribution (NDC) under the Paris Agreement is comprised of 13 programs of action on adaptation and 34 on mitigation. While proposed mitigation actions focus on energy, forestry, and waste management, the proposed adaptation actions focus on resilient infrastructure, urban planning, and agriculture landscapes and food systems. Ghana has prepared an NDC Implementation Plan to implement these 47 actions with an estimated investment requirement between US$9.3 and US$15.5 billion.

[1] This Annex draws from (i) Country Climate and Development Report, October 2022, (ii) Climate Knowledge Portal of the World Bank, and (iii) Ghana's Adaptation Communication to the United Nations Framework Convention on Climate Change, November 2021, and (iii) USDA Ghana Climate Change Report, June 2023

[2] Source: Climate Risk Profile: Ghana (2021): The World Bank Group.

Table 1. Ghana: Climate Resilient and Low Carbon Development Pathway: Priority Development Areas, and Recommended Actions

	Priority areas	Recommended Actions		
Climate-resilient and low-carbon development	Adopt an integrated approach to agriculture and the environment	Foster integrated landscape management	Promote climate-smart agriculture	Support adaptation of coastal communities
	Build sustainable cities and infrastructure systems	Improve urban development and resilient infrastructure	Enhance resilient mobility infrastructure and services	Improve waste management
	Boost disaster risk preparedness	Enhance early warning systems	Improve national financial preparedness against climate shocks	Advance adaptive health and social protection systems
	Realize new opportunities for carbon sinks	Operationalize the ambition for zero deforestation	Enable participation in global carbon markets	Reduce use of biomass with clean cooking
	Promote a clean energy transition	Increase access to clean and efficient energy	Scale up the share of renewable energy sources	Strengthen regional energy markets
	Modernize transport	Develop public transport system	Improve vehicle standards	Electrify mobility
Cross cutting	Enhance the enabling environment	Strengthen institutional capacity and legal framework	Unlock finance for climate action and sustainable development	Manage distributional impacts to ensure a just transition

Source: CCDR

4. **The authorities have taken multiple adaptation policy initiatives over the past decade.** These include (i) the National Climate Change Adaptation Strategy (NCCAS, 2012) that spells out Ghana's adaptation priorities and provides the requisite strategic guidelines towards their achievement (ii) the National Climate Change Policy (NCCP, 2013) which integrates Ghana's adaptation and mitigation ambitions more coherently, (iii) the Nationally Determined Contributions (NDC, 2015), and the (iv) National Climate Change Master Plan Action Programmes for Implementation (2015–2020) which is the revised action plan for NCCP. These separate policy documents are currently being consolidated into *Ghana's National Adaptation Planning (NAP) program*, which is providing a framework for the implementation of the country's policies on climate adaptation and resilience building. Initially the NCCP had identified seven policy areas to ensure coordinated adaptation actions to be undertaken. These included:

- Develop Climate-resilient Agriculture and Food Security Systems
- Build Climate-resilient Infrastructure
- Increase Resilience of Vulnerable Communities to Climate-related Risks
- Improve Management and Resilience of Terrestrial and Aquatic Ecosystems (including Marine Ecosystems)
- Impact of Climate Change on Human Health
- Minimize the Impact of Climate Change on Access to Water and Sanitation
- Gender Issues in Climate Change.

5. Drawing from the NAP process, the authorities have prepared their first adaptation communication (AdCom) and identified priority areas for immediate action. These areas include establishing a climate adaptation data-sourcing architecture, conducting targeted risk assessments in different ecological zones, expediting national legislation on climate change that emphasizes adaptation, building adaptation capacity at national and sub-national levels, developing climate financing skills and competencies, using adaptation actions for social transformation, and utilizing local governance and decentralization structures for adaptation planning.

6. While these priorities all go in the right direction, the authorities are encouraged to take immediate actions to mainstream adaptation goals into legislation, planning, and overall public financial management.

- **The existing legal infrastructure needs to be reformed to make it more coherent and enforceable to create an enabling environment for climate change action.** Presently, Ghana has an unsystematic set of legislations and policy frameworks for both adaptation and mitigation. The country needs comprehensive climate change legislation to incorporate NDC policy priorities into binding and enforceable sectoral laws. With World Bank support, important legislation is underway, especially amendment in the Environmental Protection Authority Bill, which will consolidate all the existing laws, policies and development plans related to environmental protection.
- **The authorities should develop data and information systems that support climate risks and impact assessment, as well as adaptation needs assessment.** The authorities also need to make some early progress in developing frameworks for (i) early warning systems in the identified priority areas, (ii) climate-smart agriculture (CSA) and integrated water management, and (iii) climate-informed urban planning and infrastructure. Decision-support tools that assist private sector entities in making informed decisions about adaptation will also help. A recent diagnostic mission by IMF (June 26-30) has recommended the authorities to prioritize development of statistics pertaining to air emissions account and forward-looking physical and transition risk indicators.
- **Without sufficiently investing in adaptation, much higher investment spending would be needed to promote development in sectors that are most vulnerable to productivity losses from climate change**. For instance, in addition to standard investment in agriculture development, adaptation investments, targeting boosting resilience and control adverse impacts on food production, is essential to food security. But at the same time, prevailing budget constraints would necessitate achieving optimal level of adaptation investment to avoid waste and ensure reduction in climate change damages in a cost-efficient manner (Box 1).
- **Rebalancing public spending and developing capacity to develop bankable proposals will be required to implement climate-related interventions.** Financing needs to actively pursue both mitigation and adaptation investment are much higher than available external funding and available public resources, it would be crucial to mobilize new funds including

from private sector. Authorities have cited lack of capacity in preparing bankable proposals as the most binding constraint in mobilizing funds at the moment, calling for technical support from development partners.

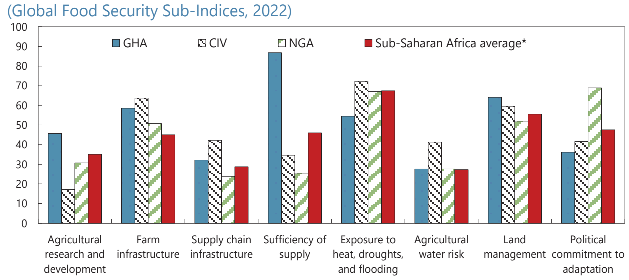
- **Climate change priorities should be reflected in Public Financial Management**. The new Public Financial Management (PFM) Strategy (2022-26) supports both adaptation and mitigation.[3] Climate Budget Tagging system to identify public climate finance resource identification and mobilization has also been developed. However, implementation is not complete. The budget is also linked to SDG targets, which allows for tracking climate-related spending but only at a very aggregated level and has limited use for policy decision-making. However, climate considerations need to be mainstreamed in public investment management, notably project appraisal and selection. In particular, green public procurement is constrained by (i) insufficient institutional capacity at MDAs level, (ii) absence of a binding requirement to ensure bidders comply with environmental regulations to be eligible for contract awards, and (iii) a continued focus on cost-minimization. Over the next few months, FAD will work closely with the newly established Climate Unit within MoF to provide CD support on Climate PIMA and assessment of fiscal risks emerging from climate change.
- **Climate change needs to be integrated into PFM at the subnational level, since these** governments have the main responsibility of implementing the country's climate policies. Presently, subnational governments lack sufficient funds and also struggle with limited capacity. Although their development budgets conform to the national plans, the execution of their projects is affected by lower-than-planned transfers.
- **Climate action plans should be integrated into the Annual Performance Contracts signed between SOEs (especially climate-relevant sectors like energy and mining) and their supervisory agency**. It is also important to assess contingent climate related risks and how this would affect the financial viability and operational performance of SOEs. Moreover, the authorities need to put in place a systematic way of tracking and reporting SOEs' climate-related actions and climate-smart investments.

[3] The strategy includes: (i) disclosure of information on climate-smart investments by the public sector and SOEs, (ii) the introduction of climate change into performance scorecards of MDAs' budget committees, and (iii) automation of public services for reducing GHG emissions from transport.

Box 1. Ghana: Adaptation in Agriculture[1]

Agriculture plays an important role in the economy, providing employment to 40 percent of the labor force and accounting for about 20 percent of GDP. Agricultural products also account for over 40 percent of export earnings; the country is one of the largest producer and exporters of cocoa. The sector is dominated by smallholder family farms that are mostly rain fed and therefore sensitive to climate change. Most of employment in the agriculture sector is informal, often lacking the resources and technology to adapt to climate vulnerability.

Selected Indicators on Agriculture Adapatation
(Global Food Security Sub-Indices, 2022)

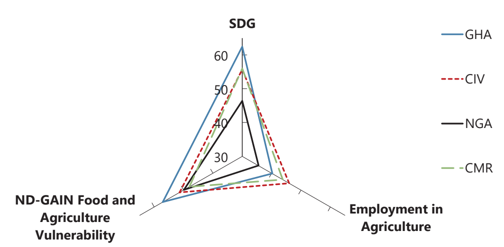


Source: Corteva, Global Food Security Index
Notes: Higher values correspond to less vulnerability. (*) Simple average of 28 countries

Agriculture is the most vulnerable sector to climate change. Rising temperatures are projected to lower yields in major staple crops. For example, cassava yields are projected to fall by 30 percent by 2080 and corn yields by 7 percent by 2050.[2] Higher temperatures are also likely to expand pests and diseases, resulting in crop failure and reduced yields. Areas suitable for cocoa production (mainly along the coast) are also contracting because of temperature increases, floods, soil salinization, and continued coastal erosion. Climate change is also affecting Ghana's water resources as damage and flood exposure is projected to result in damages of US$160 million annually.[3]

Ghana's adaptive capacity in agriculture is broadly comparable with its peers. Over the past decade, economic growth has largely contributed to its overall development. Its citizens have enjoyed enhanced access to social services such as clean water, electric and non-electric energy, as well as public health and education in general. In the agriculture sector, specifically, despite being more exposed to climate risks such as heat, drought, and flooding, Ghana is better equipped to cope with these risks relative to some of its peers in Western African countries. Its agricultural adaptive capacity is strengthened by its enhanced infrastructure investments, better land and water resource management, and stronger research and development efforts.

Agriculture, Adaptation, and SDG, 2019



Adaptation investment in agriculture is necessary to reduce damages from climate change and extreme weather events and maintain food security. In a forthcoming paper,[4] Chen, Kirabaeva, and Zhao show that, in addition to the standard investment in agriculture development, adaptation investments, targeting boosting resilience and control adverse impacts on food production, is essential to food security. Without sufficiently investing in adaptation, much higher investment spending for agriculture development would be needed, to offset the productivity loss from climate change.

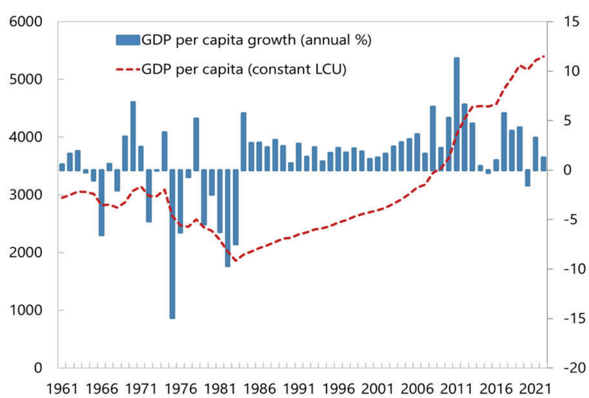
The optimal level of adaptation investment seeks to reduce climate change damages in a cost-efficient manner. Efficiency of adaptation investment vary across different adaptation strategies.[5] Investment needs vary accordingly. In addition, agriculture TFP underscores the overall development level of the sector, typically associated with vulnerability to climate change. Furthermore, trade openness and capabilities of agriculture imports would help maintain food security during crisis. An efficient level of investment in adaptation therefore depends on all these factors.

[1] Prepared by Chen (ICD) and Koralai Kirabaeva (FAD).
[2] USAID (2017) Climate Change Risk Profile Ghana
[3] USDA Chana Climate Change report
[4] IMF WP "Striking a Right Balance: Adaptation Investment in Agriculture" by Chen, Kirabaeva, and Zhao, *forthcoming*.
[5] For example, equipping agriculture land with new irrigation systems could be much less cost-effective than rehabilitating existing irrigation systems for already equipped land, to boost overall resilience of the crop system in a country.

Annex V. Ghana Growth Performance and Prospects

1. Ghana is often assessed as a development success story in Sub Saharan Africa. After almost 30 years of stagnating income per capita, growth took off in the mid-80's, supported by a more stable political environment. Following this initial phase of steady but low growth, a more rapid shift from agriculture to services, greater FDI inflows and liberalization of the economy helped accelerate growth at the turn of the century. The start of the oil and gas exploration in the mid-2000's contributed to the higher growth but also made the economy more volatile. Due to a combination of external shocks and procyclical macroeconomic policies, Ghana has experienced at least three boom-and-bust episodes since then, with crisis peaks in 2010, 2015 and 2022.

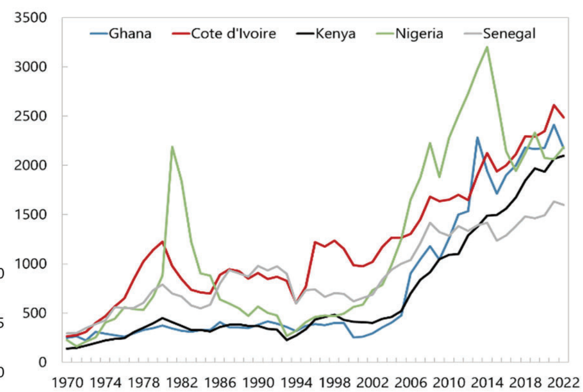
Ghana: GDP per Capita Growth



Source: World Bank, WDI.

Ghana and Comparators: GDP per Capita

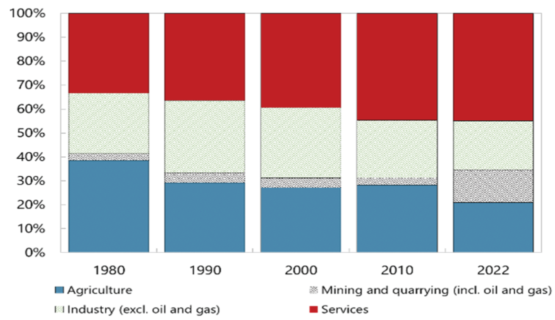
(Current US Dollars)



Source: World Bank, WDI.

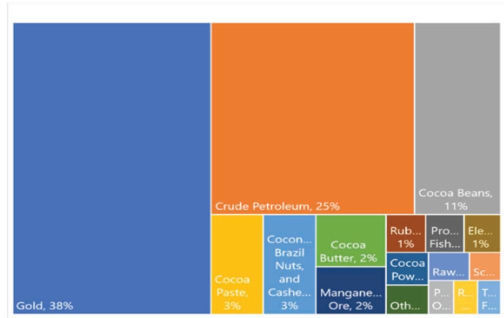
2. Ghana's economic structure remains tilted towards raw material production. The initial phase of the structural change in Ghana from 1990 to 2010 was marked by a transition from agriculture to low-service productivity sectors. Since 2010, in addition to the rise of the extractive industry, manufacturing and high-productivity services (finance, real estate and ICT sectors) increased their contribution to growth. These sectoral shifts and productivity gains within sectors led to a rise in TFP contribution to growth over the recent years. Despite these positive developments, the export structure of Ghana remains dominated by natural resources (oil and gas, mining, and cocoa).

Ghana: Sectoral Share of GDP 1980-22



Source: Ghanaian authorities and IMF staff calculations

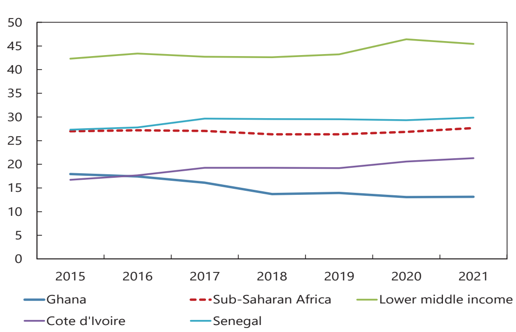
Ghana: Export Composition, 2021
(in percent of total export)



Source: The Observatory of Economic Complexities

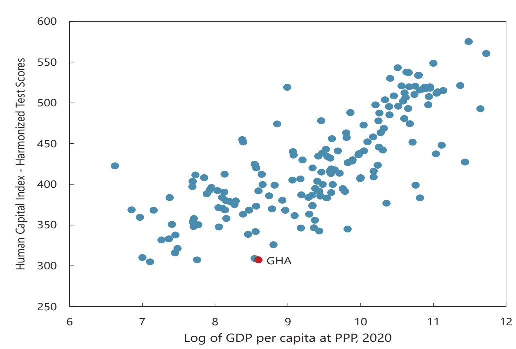
3. Addressing key growth constraints could significantly boost income over the medium term. Ghana has a strong growth potential thanks to its young and dynamic population, political stability, the quality of its backbone ICT infrastructure, and a huge untapped development potential in its agricultural and manufacturing sectors. Key constraints to a strong private sector development include: (i) constrained access to finance (see graph below), (ii) lack of access to land and quality infrastructures (including energy) and (iii) skills mismatches.[1] Reform experiences in low and middle-income countries have shown that implementing a strong structural reforms package can increase annual GDP growth rate by more than 1 percentage point over a 10-year horizon which could entail a much more rapid rise in income per capita compared to a weak reform scenario.[2]

Ghana: Credit to the Private Sector in percent of GDP 2015-21



Source: World Bank, World Development Indicators

Ghana: Education outcomes as measured by harmonized test scores and GDP per capita



Source: World Bank Human Capital Index

[1] See World Bank, 2022, "Ghana Country Partnership Framework", and International Finance Corporation-World Bank, 2018, "Creating Markets in Ghana: Country Private Sector Diagnostic".

[2] See WEO October 2019 chapter "Reigniting Growth in Low-Income and Emerging Market Economies: What Role Can Structural Reforms Play?".

Annex VI. Enhanced Safeguards for Ghana: Composition and Evolution of Debt

1. **Ghana's de facto senior debt plus other multilaterals is one of the lowest among LICs.** It accounts for 26.3 percent of total external debt, equivalent to 11.4 percent of GDP, leaving a significant buffer for restructurable junior debt. Ghana gained access to international capital markets in 2007 and implemented several reforms to attract foreign interest in domestic securities. This helped Ghana shift its borrowing from multilaterals to external and domestic bonds, resulting in a low ratio of senior debt. The IMF, World Bank and African Development Bank are the largest creditors with preferred status, holding US$7.7 billion altogether—about 95 percent of the outstanding senior debt at end-2022 (text table).

2. **Collateralized debt, entirely held by China, accounts for only 2 percent of external debt.** This corresponds to four loan agreements signed in 2007-18 that amount to US$619 million (0.9 percent of GDP) to finance infrastructure projects. These are collateralized against commodity production (cocoa, bauxite and oil) and electricity sales.

Ghana: Debt Composition

(in USD million, unless otherwise specified)

Creditor Profile	**2022**
Total Debt	66,478
External Debt	30,838
Multilateral Creditors	8,100
IMF and WB	6,460
AfDB	1,238
Other	403
Bilateral Creditors	5,186
Paris Club	3,454
Non-Paris Club	1,732
Private Creditors	17,551
o/w Bonds, incl. nonresident holders of local currency bonds	14,718
Domestic Debt	35,641
Memorandum items	
Collateralized debt	619
Nominal GDP (in GHS millions)	610,222
End-of-period exchange rate (GHS per USD)	8.56
Multilateral and Collateralized Debt	
Multilateral Creditors	8,100
Percent of external debt	26.3
Percent of GDP	11.4
IMF and WB	6,460
Percent of external debt	20.9
Percent of GDP	9.1
AfDB	1,238
Percent of external debt	4.0
Percent of GDP	1.7
Other	403
Percent of external debt	1.3
Percent of GDP	0.6
Collateralized debt	619
Percent of external debt	2.0
Percent of GDP	0.9

Appendix I. Letter of Intent

Accra, December 18, 2023

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Georgieva:

1. In the attached update to the Memorandum of Economic and Financial Policies (MEFP) from May 1, 2023, we confirm our commitment to the policies, reforms, and objectives of our economic program, underpinned by the post-Covid-19 Program for Economic Growth (PC-PEG) and supported by an IMF arrangement under the Extended Credit Facility (ECF). We also describe the progress made since the ECF approval and further policy steps we endeavor to take toward meeting our objectives.

2. Over the past few months, implementation of our program has been strong. We met all end-June 2023 quantitative performance criteria (QPCs) and all end-June indicative targets (ITs) but one. Indeed, the IT on payables was missed due to delayed payment to IPPs given ongoing IPP arrears renegotiation. Almost all the 7 structural benchmarks due by end-June and end-September 2023 but one were met. We needed more time to finalize the update to our Energy Sector Recovery Program (ESRP) in collaboration with IMF and World Bank staff, but the ESRP document has now been approved by cabinet and published. The end-December 2023 structural benchmark on the procurement and operationalization of integrated tax administration system (ITAS) will not be met, due to necessary delays to ensure compatibility of system with GRA's specific requirements and the degree of organizational transformation required for its implementation. With your support, we also expect to have reached (before IMF Executive Board consideration of the first ECF arrangement review) an agreement on a debt treatment with official creditors under the G20 Common Framework on terms consistent with program parameters and debt sustainability. We are also in "good faith" negotiations with other creditors on a comparable treatment basis.

3. Based on the strength of the policies outlined in this letter and MEFP and considering our performance under the program, we request completion of the first review, completion of the financing assurances review, and a disbursement of SDR 451.4 million. We also request a modification of (i) the end-December nominal fiscal objectives (primary balance QPC and non-oil revenue IT) to reflect macroeconomic developments having led to a lower nominal GDP projection, while keeping the fiscal effort relative to GDP as envisaged under the program; and (ii) the end-December net international reserves QPC to lock-in part of the overperformance to date. Finally, we also request the resetting of the end-December 2023 structural benchmark on the procurement and operationalization of ITAS to end-2024.

4. The program will continue to be monitored through semi-annual reviews, with quantitative performance criteria and indicative targets described in the attached MEFP and Technical Memorandum of Understanding (TMU). It also includes a series of prior actions and structural benchmarks covering reform areas that are critical to bolster macroeconomic performance and continuous performance criteria related to exchange restrictions and multiple currency practices in the context of the Article VIII. The government is committed to providing the IMF with information on the implementation of the agreed measures and the execution of the program, as provided for in the attached TMU.

5. Should further measures be necessary, we will consult in advance with the IMF on their adoption, in accordance with applicable IMF policies. We are committed to working closely with IMF staff to ensure that the program is successful, and we will provide the IMF with the relevant information necessary for monitoring our progress.

6. An updated safeguards assessment of the Bank of Ghana was completed in July 2023.

7. Consistent with our commitment to transparency in Government operations, we agree to the publication of all the documents submitted to the IMF Executive Board in relation to this request.

Sincerely yours,

/s/
Kenneth Ofori-Atta
Minister for Finance

/s/
Ernest Kwamina Yedu Addison
Governor, Bank of Ghana

Cc: Secretary to the President, Jubilee House, Accra

Attachments:
Memorandum of Economic and Financial Policies
Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Faced with an acute economic and financial crisis, we have adjusted macroeconomic policies, initiated debt restructuring, and launched wide-ranging reforms, supported under an Extended Credit Facility arrangement. This memorandum provides an overview of the progress achieved thus far under our program as well as updated information on the Government's assessment of recent macroeconomic developments and the current state of macroeconomic conditions and challenges facing the economy. It outlines policies and reforms necessary to achieve our objectives of fully restoring macroeconomic stability and debt sustainability and supporting economic growth.

I. PROGRAM PERFORMANCE, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. We have made progress in implementing our program policies and reforms and in advancing our comprehensive debt restructuring:

a. We are on track to lower the fiscal primary deficit on a commitment basis from 4.4 percent of GDP in 2022 to 0.5 percent of GDP in 2023 through a combination of revenue measures and expenditure controls. We have submitted to Parliament a 2024 Budget that is consistent with improving the primary balance by another 1 percentage point of GDP next year, underpinned by new revenue measures consistent with raising non-oil revenue by at least 0.9 percent of GDP next year (***prior action***).

b. We have successfully completed the domestic part of the debt restructuring. We expect to reach agreement with our official bilateral creditors on the terms of the restructuring before IMF Executive Board consideration of the first review under our ECF arrangement. We are also engaging our external commercial creditors in "good faith" negotiations with a view to striking a restructuring deal consistent with program parameters.

c. The Bank of Ghana (BoG) has tightened monetary policy through an increase of the policy rate by a cumulative 1550 basis points since early 2022. It also raised the Reserve Requirements (RR) by a cumulative 800 basis points. BoG has also been mopping up excess liquidity with a view to ensuring full transmission of the monetary policy stance.

d. We have also initiated wide-ranging reforms, including in the macro-critical areas of public financial management, revenue administration, and energy and cocoa sectors.

2. Performance under the IMF-supported program has been strong. All end-June 2023 quantitative performance criteria (QPCs) and continuous performance criteria as well as our objectives under the monetary policy consultation clause were met (see Table 2). All but one of the indicative targets were also met. The indicative target of zero net accumulation of arrears was missed because of the ongoing energy sector debt negotiation. All the structural benchmarks due by end-June and end-September 2023 but one were met. We needed more time to finalize the update to our Energy Sector Recovery Program (ESRP) to allow comprehensive consultations with stakeholders, but the ESRP document has now been approved by cabinet and published.

3. Policy and reform efforts have started yielding results, and some signs of economic stabilization are emerging.

- Activity in extractive sectors slowed down in the first half of the year, reflecting lower oil production, but is expected to improve in the second half of the year. Growth in non-extractive sectors was more buoyant than expected during H1. The first half of 2023 posted an average growth rate of 3.2 percent. Given these developments, we are revising our GDP growth projection up to about 2.3 percent this year, from the 1.5 percent earlier projected.
- Inflation has declined from a peak of 54.1 percent in December 2022 to 26.4 percent in November. The decline in inflation over the rest of the year is now expected to be more rapid than initially anticipated given the monetary policy tightening, the stability of the exchange rate, and the onset of a good harvest season. With a GDP deflator also expected to decline more rapidly, we have revised our nominal GDP projection downwards compared to the initial 2023 budget assumption. These developments also entail lower nominal non-oil revenue projections.
- The external position has improved, with international reserves accumulation outperforming the program objective, and the exchange rate has stabilized. During the first half of 2023, the current account turned into surplus—as a decline in oil exports was more-than-offset by import compression, higher remittances, and income repatriation by mining and oil companies. External reserve buffers declined by more than US$3 billion in 2022, but started to recover in 2023 reaching US$ 2.1 billion by end-October (1.1 months of prospective imports). After the sharp depreciation of the Cedi in 2022, the exchange rate has stabilized since February 2023.

4. Considering our strong reform drive, we expect growth to pick up starting next year and further significant progress toward restoring macroeconomic stability. We expect GDP growth to accelerate to 2.8 percent in 2024 and gradually rise to its long-term potential of around 5 percent in subsequent years, as macroeconomic stability is fully restored, investments plans are implemented, and structural reforms boost confidence and productivity. Inflation is projected to reach 27.7 percent by end-2023 and will be brought down to the BoG's medium-term target of 8±2 percent by end-2025. The current account deficit is projected to hover around 2.5 percent of GDP over the medium term in a pre-debt restructuring scenario, supported by the fiscal consolidation, as well as improved competitiveness. This is expected to improve further once our debt restructuring has been finalized. Reserve buffers will be gradually rebuilt to 3 months of import cover by the end of the program.

II. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

5. Our program's overarching objectives remain to restore macroeconomic stability and debt sustainability and lay the foundations for strong and inclusive growth. Our Post-Covid

Program for Economic Growth (PC-PEG) is designed to address the challenges facing the economy and support structural reforms to promote efficiency and competitiveness. Its key components include (i) restoring public debt sustainability through a combination of a comprehensive debt restructuring and ambitious fiscal adjustment; (ii) strengthening social safety nets; (iii) more flexible exchange rate policies and appropriately tight monetary policy; and (iv) deep structural reforms to anchor economic stability and drive stronger and more inclusive growth.

A. Fiscal Policy

6. **We are pursuing an ambitious and lasting fiscal adjustment to support our goal of restoring debt sustainability.** The fiscal consolidation strategy is driven by strong revenue-enhancing measures both in the short and medium-term as well as expenditure rationalization early on in the program. The program objective remains achieving a primary balance of 1.5 percent of GDP by 2025, to be maintained at least until 2028.

7. **We are on track to meet our 2023 primary balance objective but will rely more on spending adjustment than envisaged at the Fund-supported program inception.** Our non-oil revenue performance has been in line with the program target.[1] However, we are facing significant oil revenue underperformance due to a combination of a stronger Cedi, lower global commodity prices, and lower oil production. The Mid-Year Budget Review (MYBR) presented to parliament in July recognized this shortfall. With the 2023 budget spending ceilings lower than programmed, the government will still be able to meet the primary deficit target of 0.5 percent of GDP for the year without taking any additional measures. With buffers now having been eroded, we are taking steps to bolster revenue performance and ensure expenditure ceilings are respected, including by strengthening, expenditure commitment controls and applying sanctions envisaged in the PFM act in case of deviations.

8. **We are committed to achieving a primary balance surplus of 0.5 percent of GDP in 2024, with the necessary adjustment underpinned by non-oil revenue measures of at least 0.9 percent of GDP.** The main elements of the revenue package include removal of selected VAT exemptions, revision of various taxes on gambling, and introduction of green taxes. To ensure the realization of the expected yields from the VAT exemption removal, we will put strict compliance mechanisms in place. In the case of sale of residential accommodation, we will complete registration of large property developers with GRA by end-2023, make the VAT payment proof a prerequisite for initiating property transfer process, and ensure the use of GRA's online portal for payments. In addition, we will also put in place a mechanism to ensure a real-time data sharing between BoG and GRA on property-related bank transactions. Tax administration and compliance efforts will continue with the ongoing implementation of the E-VAT system. Primary expenditure will be kept at around the 2023 level in proportion to GDP in 2024 but will be rebalanced to support stronger and more inclusive growth. Thanks to the ongoing energy sector and statutory fund reforms, the 2024 Budget allows for higher capital expenditures to support Ghana's large development needs. To help protect

[1] The revised macroeconomic projections will make it difficult to achieve the end-December 2023 nominal target, which we therefore propose to revise down to keep it stable relative to GDP.

the most vulnerable from the impact of the crisis, the 2024 Budget also includes further measures to strengthen targeted social spending (see below). A draft 2024 budget consistent with these objectives has been submitted to parliament (***prior action***).

9. Given the uncertainties about the macroeconomic environment, including domestic financing condition, we continue to stand ready to deploy contingency measures. On the revenue side, some of the measures identified in our Medium-Term Revenue Strategy (MTRS, see below) could be brought forward in case of unexpected underperformance. On the spending side, MDAs budget allocations would be reduced during the year if needed; and we will strictly align quarterly spending allotments with cash forecasts and conditions in domestic debt market (see below).

10. Fiscal adjustment beyond 2024 will continue to be underpinned by domestic revenue mobilization efforts. The government's objective is to enact measures that will permanently raise the non-oil revenue-to-GDP ratio by at least 0.6 in 2025 and 0.4 percent of GDP in 2026, with a view to achieving a non-oil revenue to GDP ratio of at least 16.5 percent by 2026. These measures will create fiscal space to further improve the primary balance and to allow for more growth-enhancing and social spending. Our MTRS, which was adopted by cabinet and published (end-September 2023 ***structural benchmark***), identifies reforms and measures to deliver on these objectives (see below). The MTRS has been designed to include sufficient buffers in case of revenue underperformance or if the impact of Domestic Debt Exchange Program (DDEP) on financial sector tax leads to lower-than-expected revenue mobilization in 2025/26.

B. Social Protection

11. We will strengthen our programs aimed at protecting the most vulnerable from the impact of the economic crisis and to invest in Ghana's human capital. We are on track in meeting the social spending floor in 2023. We had doubled the amount of the Livelihood Empowerment Against Poverty (LEAP) cash transfer program and increased the budgetary allocation for the Ghana School Feeding Program to compensate for higher meal cost. For 2024, the budget for the highly targeted interventions has been increased by 0.05 percentage point to 0.53 percent of GDP. We will again double the LEAP benefits in 2024. Our goal is to cover 20 percent of pre-transfer household consumption over the next few years. We have introduced a framework for automatic indexation for the LEAP benefit to ensure the real value of the benefit is not eroded by inflation (end-September ***structural benchmark***). We will start implementing this framework in the 2024 Budget. Payments delays will be reduced by prioritizing budget disbursement to the program from Ministry of Finance and the Controller and Accountant General.

12. We will also increase the benefit under the Ghana School Feeding Program (GSFP) and expand other social protection programs in health and education. A 25 percent increase in GSFP benefit for 2024 is a step towards achieving our medium-term goal of ensuring provision of 30 percent of children's daily calory intake. This intervention will also help compensate for the high food inflation we have experienced this year. We will improve efficiency of the program to reduce overhead expenditures. In the case of NHIS, we will increase the allocation by at least 40 percent to gradually clear the backlog of medical claim arrears and ensure that the transfers fully cover the accrued medical claims, essential medicines, and vaccines. We want to ensure availability of essential medicines and target a return of child vaccination rates to pre-crisis levels. In the case of the capitation grant, we will increase the allocation by 25 percent. These highly targeted interventions in health and education will help protect the future of Ghana in this difficult time.

C. Public Debt Management Strategy

13. We are committed to completing the comprehensive public debt restructuring operation launched in December 2022 to restore public debt sustainability. The restructuring has been anchored by our objective of restoring a moderate risk of debt distress (as per the IMF-WB LIC-DSF) by 2028, which entails bringing five external and overall debt ratios below their respective thresholds. In particular, we aim at reducing the ratio of the net present value of public debt to GDP to 55 percent and the ratio of external debt service to revenues to 18 percent. The cash debt relief from external debt restructuring also needs to contribute US$10.5 billion to program financing in 2023-26.

14. We have completed the restructuring of domestic debt within the perimeter of the operation. We have successfully exchanged about 90 percent of domestic public debt other than T-bills for a set of instruments with the same total face value but lower coupons, especially in 2023 and 2024, and longer maturity. We carefully designed and executed the exchange so as to ensure the continued stability of Ghana's financial system (see below). We have also restructured the BoG's holdings of non-marketable government debt following technical assistance from the IMF that helped calibrate the operation to deliver continued policy solvency of the BoG.

15. We expect to reach agreement with our official bilateral creditors on the terms of the restructuring before IMF Executive Board consideration of the first review under our ECF arrangement. We applied for debt treatment under the G20 Common Framework for debt treatments beyond the DSSI (CF) in December 2022. Following provision of financing assurances in May 2023, we now have good prospects for reaching agreement on debt treatment and signing a Memorandum of Understanding (MoU) with the Official Creditors Committee (OCC). We have also continued to make good-faith efforts to reach a collaborative agreement with our external commercial creditors. The debt relief laid out in the MoU and credibly achievable through our engagement with the commercial creditors is sufficient to reduce all the LIC-DSF debt ratios below their thresholds (starting in 2028) in combination with other program policies. Moreover, this external debt relief will generate sufficient financing over the program period to help close the overall program external financing gap. Beyond the restructuring, we will impose a limit on the present value of newly contracted external debt to further support restoring debt sustainability.

16. Debt management in the near term will work to ensure sufficient domestic financing before focusing on structural market improvements over the medium term. Our immediate priority remains to ensure sufficient issuance of T-bills to finance the government deficit. At the same time, we will develop a roadmap for the gradual resumption of bond issuances in the coming years. We will carefully manage the first few domestic bond issuances to prioritize successful execution, favoring private placements. Once domestic market access is more firmly established, primary issuance will switch to competitive auctions. We will also increase our surveillance of debt issuance by SOEs and other public entities, strictly limit and monitor collateralized debt issuance, strictly limit borrowing on non-concessional terms, and ensure that debt payments are made on time. Once our external debt restructuring is completed, we will develop and publish a medium-term debt management strategy and an annual borrowing plan.

17. We will also implement policies to increase debt transparency and accountability to enhance debt management effectiveness and efficiency. To achieve this, the current securities operation infrastructure used by the Debt Management Office (CD-RMS) will be completely upgraded to a modern system by end-2024. The implementation strategy will seek to integrate all state institutions involved in the process of contracting and servicing of public debt with the aim of digitalizing the process to increase the pace of debt service processing, improve the accuracy of debt recording and accounting by reducing errors and omissions, and improve debt transparency among relevant state institutions. This system will enhance debt analysis, debt service projections and planning, and hence promote greater efficiency in public debt management. As a key immediate priority to ensure stronger program monitoring, we will significantly strengthen monitoring of borrowing and contingent liabilities stemming from operations of key SOEs such as COCOBOD, ECG, VRA, GWCL, TOR, GNPC, GNGC, and BOST as well as any collateralized debt issuance.

D. Monetary and Exchange Rate Policy

18. We will maintain a sufficiently tight monetary policy until inflation is on a firmly declining path. Our monetary policy aims to bring inflation back to the Bank of Ghana's medium-term objective of 8 ±2 percent. Our policy decisions will continue to be data-dependent to ensure a fast-paced and orderly disinflation path towards the inflation target and the BoG stands ready to further increase the policy rate in case inflation does not decrease as fast as envisaged under our ***monetary policy consultation clause***. We are committed to absorbing excess liquidity and making sure our policy rate is fully transmitted to the market. We are seeking to enhance our inflation targeting framework through improvements in our Forecast and Policy Analysis System (FPAS), macroeconomic data collection including BoG inflation expectations survey, analytical capacity, and central-bank monetary policy communication.

19. We are committed to greater exchange rate flexibility to enhance resilience to shocks and help rebuild central bank reserves to at least 3 months of import cover by the end of the program. We will adhere to a gross FX intervention budget, consistent with achieving our reserve targets. In particular, we are firmly committed to limiting monthly gross FX sales to a ceiling. Should there be a need for higher interventions, we would consult IMF staff on the appropriate policy response. To reduce expenses linked to costly borrowed reserves, we will unwind all swaps and sell-buy back operations that mature in the coming months. We will follow best practices in our purchases of gold from local mines to avoid distortions. To improve the quality of reserve statistics, we have adopted the latest IMF reserve report template with the support of IMF statistics experts.

20. We will take any necessary actions and reforms to ensure a unified foreign exchange market and flexible exchange rate arrangement. We will not introduce policies that create or intensify exchange rate restrictions or multiple currency practices. By end-February 2024, all central-bank FX transactions will be conducted at the prevailing market exchange rate via a new system of FX auctions, designed with IMF technical assistance support. The auction mechanism will be aligned with best practices and will be informed by the recommendations of the October IMF TA. We will also design and adopt a new FX intervention framework, which will define the conditions and modalities of our FX interventions. Based on the IMF technical assistance mission recommendations, we will also adopt an FX reference rate computation method that addresses the risks of Multiple Currency Practices. With a view to deepening the FX market, we are committed to gradually phase out the temporary measures taken during the crisis that encouraged mining companies to sell their repatriated FX to the BoG rather than to commercial banks. Meanwhile, the Government of Ghana will engage key exporting companies on options to increase voluntary domiciliation of export proceeds.

21. We will implement recommendations from the recent IMF safeguards assessment. We will prepare, in consultation with IMF Staff, amendments to the Bank of Ghana Act of 2002 (Act 612) to strengthen the bank's autonomy. The amendments will be approved by Cabinet by May 2024 (*new* ***structural benchmark***). To strengthen the recovery of our net equity over time, and based on an external efficiency review, the BoG will adopt by May 2024 a strategy to streamline its operational costs.

22. The BoG is taking stock of its Gold-for-Oil (G4O) program. It is finalizing the legal documentation for G4O and will conduct a detailed risk analysis of the program covering financial, operational, and legal risks faced by the BoG. This risk assessment and an exit strategy, designed in consultation with Fund staff, will be presented to the BoG Board by June 2024 (new ***structural benchmark***).

E. Financial Sector

23. Preserving financial sector stability in the aftermath of the domestic debt exchange remains a key priority. We stand ready to provide the necessary liquidity and other assistance to ensure financial sector stability. The BoG's existing liquidity facilities, including the repo window and Emergency Liquidity Assistance (ELA) are available to banks. Moreover, the government has pledged to provide funds of up to 2.6 percent of GDP to strengthen the financial sector and rebuild capital buffers. It is also seeking funding support from Development Partners and Multilateral banks for this purpose.

24. We have set up the Ghana Financial Stability Fund (GFSF) to provide additional support to the financial sector. The World Bank is preparing an emergency operation to provide GFSF funding to facilitate the build-up of capital buffers for qualifying banks. Government resources set aside for solvency support will be channeled through the GFSF, but the BoG will not provide financing for the GFSF operations. To avoid adverse selection and incentivize shareholders, the GFSF will only provide funds to eligible financial institutions if their private shareholders are also contributing to the recapitalization. World Bank funds will only be used for state-owned banks if the State is also contributing. Shareholders' injection of additional capital to complement GFSF funding will also ensure that dilution of private shareholders is kept to a minimum.

25. We will ensure that the recapitalization of financial institutions is completed in a timely manner. Following adoption of a strategy for strengthening the financial sector and for rebuilding financial sector buffers (end-June 2023 ***Structural benchmark***) by the end of the program, individual banks submitted their timebound plans to rebuild capital buffers under a scenario accounting for reasonable loss estimates due to expected government debt restructuring and NPL increases. Through these plans, banks pledge to recapitalize by at least one-third of the capital required annually for each of the three years ending in 2025 to reach a 13 percent Capital Adequacy Ratio (CAR), without regulatory forbearance. Insolvent banks will have a more front-loaded recapitalization path to ensure that, in any case, all banks have a positive CAR by end-2023. These recapitalization plans were reviewed for validation by BoG, returned with comments and finalized by banks, allowing for BoG approval (end-September 2023 ***structural benchmark***). To ensure these plans are followed, BoG will escalate, by March 2024, punitive remedial and/or corrective measures against any bank that has not complied with the one-third recapitalization and the non-negative CAR requirements in 2023 (new **structural benchmark)**.

26. BoG will incentivize early recapitalization. BoG has placed banks with capital shortfalls on strict enhanced supervision with reporting requirements on liquidity and solvency conditions and has suspended the payment of dividends for all banks until further notice. Banks with capital shortfalls are also restricted from excessive risk-taking and from making certain capital expenditures. BoG stands ready to deploy other components of its Prompt Corrective Action (PCA) framework if it becomes necessary to help promote safety and soundness of the sector. Consistent with the PCA framework, restrictions or prohibitions on banks will be reviewed and/or lifted in line with improvements in banks' capital positions. In general, government solvency support will be designed to minimize costs and moral hazard, incentivize private capital injections, foster structural reforms improving operational efficiency, and allow for an orderly, early government exit. When acting in its capacity as shareholder, i.e., for state-owned banks, the government will frontload any necessary recapitalizations of state-owned banks, which will be underpinned by credible plans to ensure future viability and a level playing field with private banks.

27. Regulatory forbearance introduced in response to the domestic debt exchange will be lifted as soon as possible. Forbearance on the recognition of debt exchange losses in CAR computations will be lifted by one-fourth each year from 2022 through 2025. A schedule for lifting other temporary forbearances that were offered to the financial sector to facilitate the DDE, including those lowering minimum capital adequacy ratios (CAR), will be implemented. We are closely monitoring any unintended consequences of these forbearance measures and will adjust them as needed to mitigate undue effects.

28. We will endeavor to complete the legacy tasks from the 2017-19 financial sector clean-up. By March 2024, BoG and MoF will design and begin the implementation of a credible, comprehensive, and cost-effective plan to address NIB's challenges (new ***structural benchmark***).

We will also take steps to address risks to financial stability from distressed SDIs and fund management firms by end-2024. Long-standing undercapitalization of SDIs will also be addressed. An assessment of these institutions' operational strategies and corrective actions to prevent the accumulation of further losses will be developed. Any payouts by the government will be made through a burden-sharing approach which will minimize fiscal costs. The authorities will also design a strategy to ensure that state-owned banks adopt sound governance principles, business models and risk management systems to ensure their long-term viability and facilitate orderly government exit.

29. Completion of ongoing reforms to enhance financial sector stability and support credit to private sector will be followed through, including (i) reviewing and monitoring off-balance sheet items; (ii) completing the roll out of Basel II and III capital, liquidity, and supervisory review reforms, (iii) building and implementing strategies to improve operational efficiency, business models, competitiveness of state-owned banks and NBFIs; and (iv) strengthening our nascent deposit insurance scheme. Our goal is to create conditions for private sector growth. In this context, to prevent crowding out of credit to the sector, we will consider further measures to reduce the nexus between the sovereign and financial institutions.

F. Structural Fiscal Reforms

30. We are prioritizing a set of structural fiscal reforms to entrench fiscal discipline, ease budget rigidities and bolster transparency. These reforms have been designed together with Fund/WB staff and draw on the comprehensive strategies we have announced in the areas of prevention of arrears' accumulation, medium-term revenue mobilization, energy sector recovery and rationalization of statutory funds.

Public Financial Management

Spending Controls and Prevention of Arrears' Build-Up

31. In a tight and uncertain financing environment, we will endeavor to significantly strengthen cash management and the use of allotments to manage expenditure based on available funding. This will start with developing as soon as possible 3-month cash forecasts to be updated on a weekly basis. We will then strictly align quarterly allotments with these cash forecasts and conditions in domestic debt markets and tighten the use of allotments as a control on GIFMIS rather than the budget (starting in Q1 2024). We will ensure a very strong and proactive coordination between the public expenditure management unit (PEMU), cash management committee (CMC), treasury management committee (TMC), Budget Division (BD), and Controller and Accountant General's Division (CAGD) to ensure (i) quarterly allotments are tightly aligned with forecast cash availability (forecast revenues, expenses, planned clearance of BTAs, and outstanding claims) as well as market conditions, and (ii) a regular and very strong communication to all the MDAs explaining cash constraints and, if needed, less-than-budgeted allotments to anchor spending. MDAs will be required to revise their cash plans on a quarterly basis to reflect the allotments received and remaining requirements. The Cash Plan module will be configured on Oracle Hyperion by December

2023 and will be deployed to the various MDAs. This will ensure that MDAs are able to revise their cash plans within the window provided.

32. In accordance with the announced Arrears' Clearance and Prevention Strategy (end-June 2023 *structural benchmark*), we will strengthen the enforcement of sanctions under the PFM Act, including penalties for entities committing spending above their quarterly allotments. We have already established a compliance desk that will monitor reports on commitments and arrears accumulation. This desk is responsible for closely tracking tender advertisements from covered entities to ensure that they have the necessary allotments and are on the GHANEPS. In case of non-compliance, the desk will immediately seek explanation and refer such infractions under the PFM to the Attorney-General through the Legal Directorate of the Ministry of Finance for advice or penal actions. We will also train finance officials on the evidentiary requirements for prosecution under the PFM Act. The Auditor General will publish a report on the implementation of recommendations from the 2022 reports on the Accounts of Ghana by end-September 2024. The report will particularly include progress on the implementation of sanctions in accordance with Section 92 of the Public Procurement Act.

33. We will develop and submit to Cabinet a centralized inventory of all ongoing and planned public investment projects by end-March 2024 (new ***structural benchmark***)**.** For each project, the inventory will include information on the (i) nature and age of all ongoing projects, (ii) project start and completion dates and estimates of completion rate, (iii) source of financing, financing resources spent to date, and additional financing required, (iv) list of priority planned and ongoing projects and the required multi-year budget allocation (showing annual funding requirement), and (v) list of non-priority projects and proposed treatment (suspend them temporarily or permanently). This inventory will be regularly updated, and a compendium of this information will become a part of annual budget documents. **We will publish the list of priority planned and ongoing projects and the required multi-year budget allocation (showing annual funding requirement) by end-March 2024.** Thereafter, this will be updated and published on an annual basis as part of the annual budget documents.

34. We will enable the functionality of "Blanket Purchase Agreement" in GIFMIS to fully capture multi-year commitments of public contracts in line with MTEF ceilings. The CAGD/MOF will complete all activities to ensure the GoG business processes are fully integrated on the GIFMIS Platform to reflect projects linked to programmes and sub-programmes, leveraging the dependencies of the GIFMIS chart of accounts segments. This will provide full coverage of projects utilized under the blanket purchase agreement. The MoF will issue a circular to make the use of this functionality mandatory for all multi-year contracts by end-September 2024 (new ***structural benchmark***). We have already launched a pilot and, based on our observations, the full roll out will be completed in the given timeframe. We will enhance usage of GHANEPS in procurement of public goods and services. Presently only 21 percent of entities are using the system actively, but we expect an increase in usage since all entities have now been trained to use the system. We will integrate GHANEPS with GIFMIS to ensure that only those projects/purchase orders that have approved budgets and allotments can obtain procurement approvals to award contracts. This integration will also be completed by end-September 2024.

35. We will integrate all sources of funds into GIFMIS and will improve system usage. The planned rollout of the GIFMIS infrastructure with all available functionalities to over 265 IGF-reliant institutions will be completed by end-2023 (***structural benchmark***). A program will be designed with clear timelines for including all IGF-reliant institutions in GIFMIS and ensuring the use of available functionalities. We will periodically review system usage by NHIF, GETFund, Road Fund, District Assemblies Common Fund and IGF-reliant institutions that have recently been onboarded on GIFMIS. We will address any technical concerns these institutions come across in using system functionalities including allotments, issuance of payment warrants and overall budget execution. We will ensure that GIFMIS can produce an exhaustive report of payables/arrears generated by these institutions during the year.

36. We will align the wage negotiation process with the budget cycle. This year, we endeavor to complete the wage negotiation process in time for the finalization of the draft budget. The HRMIS system will be integrated with GIFMIS and the Payroll system to strengthen control on "ghost names", promotions, hiring and payroll costs. This integration will be completed by end-December 2024. GIFMIS will be tightly integrated with other systems including Hyperion, GHANEPS, and bank clearing system (SWIFT and GHIPSS) to ensure real time data exchange (end-March 2024). Automatic bank reconciliation (ABR) functionality for GIFMIS-linked accounts will be rolled out (end-March 2025). We will finalize TSA reforms during the program period. To this end, we will integrate all MDAs, MMDAs accounts in BOG and commercial banks to the TSA by end-December 2024.

Rationalizing Earmarked Funds

37. We have announced a cabinet-approved strategy to streamline earmarked funds (end-September 2023 ***structural benchmark***) in line with Section 6(1)(A) and (B) of the Earmarked Funds Capping and Realignment Act, 2017 (Act, 947). The strategy is based on recommendations from an external consultant that has thoroughly evaluated all the 16 earmarked funds on their usefulness, efficiency, value for money and other parameters specified under the scope of the review. The strategy that we have designed includes (i) a decision for each earmarked fund on whether to retain it or have it absorbed within the line ministry, and (ii) recommendations to improve operational efficiency of each earmarked fund.

38. We will follow through with the strategy's proposed measures for ensuring transparency and accountability in the operations of earmarked funds. We will enforce the use of GIFMIS to enhance oversight of financial transactions in all earmarked funds. We will also institute a mechanism to ensure that earmarked funds do not engage in collateralization of their receivables, and until then, no objection certificates will not be issued to any statutory fund by the governing authority in this regard. We will lay out a plan to systematically include all the earmarked funds into the treasury single account (TSA) and will ensure that all earmarked funds submit their audited financial statements under the timelines consistent with PFM regulations. We will also work toward clearing the audit backlog, ensure a more regular audit of these funds, and will implement audit recommendations in line with recently issued Audit Recommendations Implementation and Follow-up Instructions for Public Institutions.

39. We will make necessary amendments to existing legislation to implement the strategy. We have started designing a communication plan to systematically disseminate approved changes to all required stakeholders, build momentum and secure key stakeholder buy-in. We will connect change management activities across all institutions and ensure that these activities are aligned with the MoF's program to ensure consistency in messaging and activities.

FISCAL FRAMEWORK AND INSTITUTIONS

40. We will reform our fiscal framework and institutions to durably strengthen fiscal discipline. The fiscal rule will be reinforced by adding a debt target with a broad coverage to control extra-budgetary spending and a simplified framework by focusing on a single operational rule (either on the primary balance or the overall balance). Circumstances for exceptions and correction mechanisms will be further detailed. To ensure the fiscal rule is correctly implemented and to bolster the credibility of macro-fiscal projections, we will reform the existing Fiscal Advisory Council. The Council will be engaged in assessing the realism of the Budget macro-fiscal projections, and to evaluate ex-post fiscal performance, including the fiscal rule. The Council will be provided with complete and timely information needed to perform its mandate. The Council will have a strong operational independence. We endeavor to submit to the Parliament draft amendments to the Fiscal Responsibility Act (2018) by end-October 2024 (new ***structural benchmark***). We will consult with internal stakeholders and with IMF staff in preparing this reform.

41. We will publish our fiscal strategy document and fiscal risk statements in line with the PFM Regulation and international best practice.

REVENUE ADMINISRATION AND TAX POLICY

42. We will introduce policy, administrative and legal reforms to significantly enhance revenue mobilization over the medium term. These reforms are outlined in our cabinet-approved Medium Term Revenue Strategy (MTRS) (end-September 2023 ***structural benchmark***). The medium-term revenue goals are to broaden the tax base, minimize tax avoidance, and ensure a progressive tax system. We are committed to using the MTRS as a tool to promote equity and transparency, provide tax certainty and predictability for businesses and individuals in the short to medium-term.

43. **We will complete the project of cleaning GRA's taxpayer register and submit to the MoF the report by end-June 2024** (new ***structural benchmark***). To this end, (i) duplication of Taxpayer Identification Numbers (TIN) will be eliminated (ii) a separate active taxpayer list will be identified from the pool of registered individuals/entities, (iii) individuals with no payment or filing obligation will be eliminated from the list of registered PIT taxpayers who are not required by law to be registered as PIT taxpayers. This measure will be completed before the data is migrated to the newly procured ITAS.

44. We are determined to revamp our Integrated Tax Administration System (ITAS), but the timeline previously envisaged will need to be extended. We will complete the ITAS procurement process by end-December 2023. We will put in place the necessary governance structure (comprising of project steering committee, project manager and project team) and the required transformation and communication effort to guide seamless implementation of ITAS. However, given the necessary delays to ensure compatibility of system with GRA's specific requirements and the degree of organizational transformation required for its implementation, we will not be able to finalize full operationalization by end-year. We will complete data migration from all existing portals to ITAS and operationalize major modules (registration, returns filing and payments) for major tax types in the system (and processes needed to be completed prior to that) by end December 2024 (end-December 2023 ***structural benchmark*** that will not be met and is proposed to be reset).

45. We will finalize the new fiscal regime framework for extractive industries in consultation with stakeholders and based on the work conducted with IMF Technical Assistance. We will submit the framework to Cabinet by end Q1-2024 with the view to adopting it in 2024.

PUBLIC SPENDING EFFICIENCY

46. We will review our public spending portfolio to identify efficiency gains and make it fully reflective of our development and social challenges and priorities. A part of this effort will be supported by a comprehensive public expenditure review undertaken with the World Bank and expected to be finalized by December 2023. By end-June 2025, we will complete a functional review of selected MDAs that will guide us in calibrating public sector wages so as to better balance burden sharing, productivity, and capacity to pay. The efficiency gains thus achieved will help create fiscal space for key development, social and climate-related priorities.

47. We will recalibrate the expenditure portfolio of MDAs responsible for social spending. The key objective is to shift the composition of spending by these MDAs towards targeted and well-designed interventions. In addition to functional review of relevant MDAs, we will carry out a comprehensive assessment of public sector wages, including in education and health sectors. In the education sector, we will review and rationalize the Free Senior High School (SHS) program. We will continue our support to tertiary education, take targeted measures to improve foundational learning (e.g., increasing capitation grants) and introduce reforms with the help of development partners to improve overall learning outcomes. In the health sector, we will enhance effectiveness of National Health Insurance Scheme (NHIS), by increasing its coverage, reducing the administrative cost, ensuring timely transfers from the consolidated fund, and reviewing the package of benefits and the tariff structure. For the cash transfer program (LEAP), we will gradually increase the benefit level to 20 percent of pre-transfer consumption of beneficiaries and expand the coverage of the program to all 2,500,000 extremely poor individuals.

48. We will initiate the review of all government flagship programs and publish a rationalization strategy by end-December 2024. The decision for rationalization will depend on the assessment of efficiency, effectiveness, and value for money for each program. For social programs, we will rationalize and align the spending envelope with SDG targets.

Fiscal Reporting and Budget Documentation

49. We will review the PFM Act to set realistic timelines for quarterly submission of budget performance by MDAs (end-June 2024). We will also improve the timeliness of CAGD Quarterly Financial Statements and switch to reliance on quarterly CADG cash reports for fiscal analysis (end-December 2024).

50. Starting from the 2025 Budget, we will include a separate budget line for MDAs against each spending item to reflect allocations for arrears clearance. Annual clearances over the medium term would be determined in accordance with the medium-term budget framework agreed with the Fund. The Budget document will provide rationale for selecting certain sectoral payments over others based on the criterion laid out in the Arrear's Clearance and Prevention Strategy.

51. We will prepare quarterly, semi-annual, and annual reports on the implementation of the arrears' clearance and prevention strategy over the stipulated timeframe. We will collect periodic data on the stock of payables and the payment including mode of payment per economic classification and by MDA. The report will also include progress made on the measures to be implemented and any new measures introduced while implementing the strategy.

ENERGY SECTOR MEASURES

52. We will introduce additional measures to reduce the energy sector shortfall, improve transparency in ECG collections and payments, and promote competition in the energy market. These include**:**

- *Continuing to implement quarterly tariff adjustments to reflect automatic transmission of changes in exchange rate, inflation, and fuel prices to electricity tariffs.*
- *Publishing technical notes to explain and justify quarterly tariff decisions* to promote transparency within 30 days of the decision announcement.
- *Prioritizing IPP payments under the revised cash waterfall mechanism and ensuring a monthly fixed payment to IPPs for energy purchase.*
- *Merging all the sub-accounts of ECG into a single account to be used for collections and disbursements.*
- *Conducting quarterly audits of ECG's single account and sub-accounts (if any), and publishing on the PURC's website the final report of Jul-Sep 2023 audit by end-February 2024 (new **structural benchmark**)*. This report will highlight audit findings for the collection of revenues from ECG customers and disbursements to IPPs, SOEs and fuel suppliers under the cash waterfall mechanism.

- *Publishing by PURC monthly data on collections by ECG (with a 2-month lag), and disbursements to IPPs and SOEs under the CWM after verifications from individual entities.*
- *Submitting to Parliament a Legislative Instrument mandating distribution licensees to procure new power generation* or entering into new power purchase agreements (PPAs) only through competitive tendering (end-December 2023).
- *Concluding agreements with IPPs on fixed monthly payment by end-November 2023.*
- *Developing and operationalizing a framework in consultation with the Fund staff to guide the granting of energy sector subsidies by January 2024.* The framework will also cover a mechanism to insulate vulnerable population fully or partially from large tariff increases.

53. We are in the process of negotiating a facility to refinance a GNPC loan and guarantee. In doing so, we are ensuring that the design is consistent with the performance criteria under the program. In particular, we are working toward avoiding collateralization. We are also working toward ensuring that any payment made to IPPs in this context would be financed through the budget rather than this facility.

MEASURES TO IMPROVE COCOBOD'S VIABILITY

54. We will publish a cabinet-approved turnaround strategy for Cocobod. As set out in this strategy, we will make necessary amendments in the Cocobod Act (1984) to adopt a framework for setting producer purchase prices to ensure sufficient revenues for farmers but also guarantee a revenue stream sufficient to recover Cocobod's operational and financial costs. This framework will be finalized in consultation with the Fund and Bank staff and will require provision of complete cashflow projections of the Board for the medium term. At the current juncture, we are committed to ensuring that the minimum and maximum producer purchase prices for the 2024 and 2025 seasons would be set at [60-70] percent of the FOB international price (inclusive of LID). This range will be reviewed every two years. We will initiate a functional review of all departments and subsidiaries of the Board by an external consultant to identify the scope for cost cutting and implement the identified cost rationalization measures.

55. We are rationalizing Cocobod's quasi fiscal spending on cocoa roads, fertilizer, and pesticides programs. In the case of cocoa roads, we have reviewed all existing contracts and have rationalized them based on their completion status, performance and termination costs; however, we will pursue additional rationalization if financing becomes challenging. To make these reforms sustainable, we will amend Ghana Cocobod Act to prevent the Board from engaging in any activity related to construction and repair/ maintenance of roads.

56. In addition to these efforts, to limit risks that Cocobod would still post deficits, we are strengthening the Ministry of Finance's financial oversight, including by establishing a cocoa desk at the MoF. Funding plans will be reviewed regularly and associated with contingency planning exercises. Should these risks materialize, we will ensure that Cocobod scales down spending further to ensure a balanced financial position. Consistent with the program design, Cocobod will refrain from mobilizing any non-concessional funding and/or any collateralized funding—except for its annual syndicated loan.

G. Governance and Anticorruption

57. We will continue to improve governance and strengthen our anticorruption efforts. Our immediate priority is to fully implement recommendations from the Auditor General's report on the audit of Covid-19 spending. The MoF has prepared an initial report on the status of implementation and shared the same with the Auditor General's (AG) office and the Fund staff. The AG office is verifying the reported progress with individual ministries and is in the process of preparing its independent implementation report. Once verified, these reports will be made public (by end-December 2023). We have also issued Audit Recommendations Implementation and Follow up Instructions for Public Institutions (June 2023) to systemize the process. Related specifically to the Covid-19 spending, we have also issued Emergency Expenditure Management Guidelines for Public Institutions in June 2023 with the support from World Bank. These guidelines would help strike a delicate balance between the need for expedited decision-making in deploying funds during emergencies and the requirement to comply with existing PFM laws and ensure transparency and accountability. Transparency of procurement will be strengthened by facilitating the access to beneficial ownership information of companies awarded contracts which are governed by public procurement legislation.

58. We will continue to strengthen organizational and legal arrangements for addressing corruption and enhancing accountability and integrity:

- We have requested IMF technical assistance to conduct a Governance and Corruption Diagnostic Assessment. This assessment is ongoing and covers the following areas: anti-corruption, rule of law (property rights and contract enforcement), fiscal governance, public financial management, revenue administration, AML/CFT and financial sector regulation. We are committed to publishing the Diagnostic Assessment report when finalized.
- We will undertake in 2024, with the support of United Nations Office on Drugs and Crime (UNODC), an evaluation of the ten-year National Anticorruption Action Plan (NACAP) that started in 2014. This evaluation as well as the IMF Governance Diagnostic Assessment will inform the update of the NACAP that we will finalize in early 2025.
- We have prepared a draft new Conduct of Public Officers Act that seeks to address current weaknesses in the asset declaration system. The new Act will notably introduce provisions that ensure public officers submit their declaration in time and that an effective verification system is in place. The draft Act will be approved by Cabinet by May 2024.

59. Building on the recent reforms which have culminated in Ghana's exit from the FATF grey list, Ghana will continue to make further progress in upgrading its AML/CFT framework. The Financial Intelligence Center (FIC) will continue to engage, sensitize, train and build the capacity of all reporting entities in various AML/CFT related areas – including Customer Due Diligence (CDD), risk assessment, current trends and typologies – and to collaborate with all financial sector supervisors for the enforcement of targeted financial sanctions. Transparency of Beneficial Ownership (BO) of legal entities operating in Ghana, including the implementation of the recent updates from March 2022 to FATF's R.24, will also be further strengthened. We are taking steps to ensure that legal entities which predate the Companies Act, 2019 (Act 992)—which makes BO declaration mandatory for newly created legal entities—declare their BO pursuant to relevant provisions of Act 992. Measures will also include providing and facilitating access to the BO register to all accountable institutions and competent authorities. Additionally, it would be a requirement for the registry to request companies for their BO, to strengthen CDD/BO. We will also finalize a Bill on Non-Profit Organization which aims at limiting AML/CFT risk of this sector.

H. Growth

60. We are developing a set of coherent and focused policies to boost growth. The policies will support private sector development and inclusion and will focus on:

- *Improving the business environment:* We will deepen the cross-cutting Business Regulatory Reform (BRR) program to simplify business regulations. By end-December 2024, the process of new business registration through the Company Registration system will be fully digitalized. We will fully operationalize the construction permitting portal by end-December 2024 to further streamline the construction permitting process. We will seek to address identified corruption issues in key government-to-business relations. By end-2024, with the support of the World Bank, we will approve and implement the Regulations of the Private Public Partnership Act and of the Corporate Insolvency and Restructuring Act.
- *Attracting FDI:* To strengthen Ghana's FDI attractiveness, amendments to the Ghana Investment Promotion Centre Act to substantially reduce minimum foreign capital requirements, approved by Cabinet in November 2023, will be submitted to Parliament by March 2024. By end-2024 we will roll out an e-visa system for all visitors with an online portal for application, payment, and approval and we will introduce an investors grievance mechanism to address concerns and challenges encountered by investors in the conduct of their business related to the government. We will review our local content requirement laws to ensure they don't deter foreign investors and consider replacing LCRs with provisions on Responsible Business Conduct (RBC). By end-2025, with the support of the World Bank, we will enact a new Investment Law that seeks to make the legal framework for investors more binding, robust and predictable.
- *Export competitiveness and integration into global value chain:* We will focus on measures to improve our integration into global value chains by reducing trade barriers and through the implementation of the African Continental Free Trade Area. We will also ensure that Ghana is compliant to its obligations under the ECOWAS Common External Tariff (CET) regarding exemption of duties for goods traded under the ECOWAS Trade Liberalization Scheme (ETLS) to spur industrialization and inclusive trade. This includes ensuring a smooth transposition/migration of Ghana's Tarif Book from the current Harmonized System (HS) 2017 to HS 2022 to avoid unwarranted rejection at the border by customs authority of approved and eligible enterprises. By end-June 2024, Ghana is expected to build full capacity to enable Ghanaian businesses and other economic operators to leverage the implementation of AfCFTA

Agreement. These require strengthening the national institutional and implementation structures and committee; equipping the National Coordinating Office (NCO); recruitment of qualified technical staff; and installing a robust database as information repository for access to trade information. We will accelerate our efforts to facilitate trade, notably through the modernization of the Tema Port seeking to reduce clearance times, revise the transshipment regime, invest in infrastructure that facilitate shipping through containers, the simplification and harmonization of import and export procedures and the establishment of special economic zones to facilitate exports. By end-2024, we will update our 2005 Trade Policy, to include current developments and agreements in regional and global trade including trade in services, digital trade and climate change – Trade and Sustainability Development (TSD). The reforms will be crystalized into a five-year Trade Sector Support Programme to guide implementation actions and the delivery of results.

- *Upskilling our workforce:* We will continue to strengthen our education system by seeking to improve learning outcomes through improved learning materials and programs, expanding teacher content knowledge, training and evaluation. We will make the Free Senior High School program more efficient. We will also strengthen existing vocational training programs by systematically collaborating with the private sector to identify critical skills gaps and by strengthening digital, STEM and job-related skills training.
- *Promoting entrepreneurship:* Through initiatives such as the implementation of the YouStart Programme (creating about a million jobs in three years) with the Banking Sector and Faith Based Organizations (FBOs) we will enable the Youth to harness local opportunities.
- *Streamlining sectoral and industrial policies:* We will assess our different sectoral policy initiatives with a view to making our support to specific industries or businesses more efficient. We will reorient the Planting for Food and Jobs program to rationalize fertilizers subsidies, improve land access and strengthen support for land development. We will further develop the Economic Enclave Projects to develop medium to large scale agricultural production and agro-processing activities. By the end of the first quarter 2024, Cabinet will approve a new Special Economic Zones Policy, and a new Special Economic Zones Act will be adopted, along with related regulations. The sustainable long-term financing of the "one-district, one-factory" program will be addressed to boost value-addition, trade and private sector investment across critical value chains and to among others, limit the exposure of banks to further NPL increase related to some of the manufacturing projects provided short-term funds for long-term capital investment. Strategic Industries supported to anchor Ghana's industrialization drive including, the Auto Assembly and Auto Components Manufacturing, Textiles and Garments Manufacturing and Pharmaceutical Manufacturing will be actively supported to accelerate growth-oriented investment expansion and the development of local supply chains.
- *Improving access to finance*: Improving private sector access to finance will primarily come from applying a sound supervision framework to financial institutions, restoring capital buffers in institutions affected by the debt restructuring, ensuring a stable inflation environment that allows lower interest rates and maintaining a strict fiscal discipline to limit the crowding out of private sector financing. With the support of the World Bank, the European Investment Bank and the

KfW, we will accelerate the implementation of the new development bank, Development Bank Ghana, which will provide wholesale long-term funding to financial institutions to on-lend to creditworthy enterprises in agribusiness, manufacturing, and high value services. We will implement new credit reporting regulations to improve the quality of our credit infrastructure, including by expanding the sources of data used by credit bureaus, leveraging the new biometric ID system and enhancing data submissions rules, quality requirements, and data protection.

- *Encouraging digitalization*. We will further expand broadband mobile coverage by improving enabling policies such as active infrastructure sharing and applying tech-neutrality in spectrum bands. We will improve basic digital skills in school and fill the gap of advanced digital skills through tertiary education, bootcamps and technical and vocational training. We will expedite the implementation of government digital initiatives such as the National ID, digital address systems, land records digitization, Ghana. Gov and consolidate them into a single stop shop for users.

III. STATISTICAL ISSUES

61. **We will work to improve the quality and timeliness of our official balance of payments statistics with the help of IMF technical assistance.** The BoG has benefited extensively from IMF technical assistance to improve the quality of balance of payments and International Investment Position (IIP) statistics. Some challenges with the data timeliness, frequency and quality of data sources nonetheless remain. We will take advantage of further technical assistance to develop a quarterly survey of cross-border flows and address remaining gaps related to the identification and compilation of Independent Power Producers (IPPs) cross-border transfers.

IV. PROGRAM MONITORING

62. **The program will continue to be monitored on a semi-annual basis**, through quantitative performance criteria, continuous performance criteria related to the Article VIII, a monetary policy consultation clause, indicative targets, and structural benchmarks**.** The phasing of access under the arrangement and the review schedule are set out in Table 1 of this memorandum. A Memorandum of Understanding between the government and the BoG has been established to set their respective responsibilities for servicing financial obligations to the Fund. The quantitative performance criteria and indicative targets through end-2024 are set out in Table 2. The structural benchmarks are described in Table 3.

V. COMMUNICATION

63. **Ghana's current economic situation requires building consensus to tackle the socioeconomic challenges ahead.** Several rounds of intensive engagements have been held with the media and diverse stakeholders including Cabinet, Parliament, the Association of Ghana Industries, Trade Unions, Faith Based Organizations, Academics and CSO's, Chief Directors of MMDAs, and Ministry of Finance staff themselves, as frontline advocates of Ghana's IMF backed growth program. Government representatives and spokespersons have also thoroughly explained on

radio and TV, the parameters of Ghana's Economic Growth Programme and the need for Ghanaians to rally in support.

64. A robust communications strategy to build public support for the program's objectives will enhance the prospects of program success and help build social cohesion. To achieve this goal, we will develop and implement a strategy to engage Ghanaians and all stakeholders to build public awareness and broad support for the policies underpinning the Fund-supported program. We are determined to build confidence in the financial sector in particular because candid engagement will help us achieve our medium-term financing goals.

Table 1. Ghana: Access and Phasing Under the Arrangement, 2023-26
(Units as indicated)

Availability Date	Conditions[1]	Disbursements		
		Millions of SDRs	Millions of U.S. dollars	Percent of Quota[2]
Board date	Board approval of the Extended Credit Facility	451.4	600	61
November 1, 2023	Observance of end-June 2023 performance criteria, completion of first review	451.4	600	61
May 1, 2024	Observance of end-December 2023 performance criteria, completion of second review	269.1	360	36
November 1, 2024	Observance of end-June 2024 performance criteria, completion of third review	269.1	360	36
May 1, 2025	Observance of end-December 2024 performance criteria, completion of fourth review	267.5	360	36
October 31, 2025	Observance of end-June 2025 performance criteria, completion of fifth review	267.5	360	36
April 16, 2026	Observance of end-December 2025 performance criteria, completion of sixth review	265.9	360	36
Total		**2,241.9**	**3,000**	**304**
***Memorandum item*:**				
Ghana's quota		738		

Source: IMF.
[1] Observance of performance criteria includes both periodic and continuous performance criteria.
[2] Rounded values.

Table 2a. Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2023

	2023						
	June				September		
	Performance Criteria						
	Prog. Request	Adjusted	Actual	Status	Prog. Request	Adjusted	Actual
Performance Criteria:							
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	-98.5	-98.5	856.2	**Met**	270.7	270.7	866.7
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (millions of cedis) [2]	0.0	0.0	-33.6	**Met**	0.0	0.0	-110.5
Present value of newly contracted or guaranteed external debt by the central government and public entities, cumulative ceiling (millions of U.S. dollars) [3]	66.2	66.2	0.0	**Met**	66.2	66.2	0.0
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-4,008.4	-5,404.5	2,245.3	**Met**	-5,756.4	n.a.	n.a.
Non-accumulation of external debt payments arrears by the central government and the Bank of Ghana, continuous ceiling (millions of U.S. dollars) [5]	0.0	0.0	0.0	**Met**	0.0	0.0	0.0
Newly contracted collateralized debt by the central government and public entities, continouous cumulative ceiling (millions of U.S. dolllars)	0.0	0.0	0.0	**Met**	0.0	0.0	0.0
Monetary Policy Consultation Clause							
Twelve-month consumer price inflation (percent)							
Outer band (upper limit)	48.1	48.1			45.6	45.6	
Inner band (upper limit)	45.1	45.1			43.6	43.6	
Central target rate	**42.1**	**42.1**	42.5	**Met**	**40.6**	**40.6**	**38.1**
Inner band (lower limit)	39.1	39.1			37.6	37.6	
Outer band (lower limit)	36.1	36.1			35.6	35.6	
Indicative Targets:							
Non-oil public revenue, cummulative floor (millions of Cedis) [3]	49,843	49,843	50,142	**Met**	79,871	n.a.	n.a.
Social spending, cumulative floor (billions of cedis) [3]	2,034	2,034	2,122	**Met**	3,051	n.a.	n.a.
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis) [3]	0	0	1,572	**Not Met**	0	n.a.	n.a.

Sources: Ghanaian authorities; and IMF staff estimates and projections.
1 Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report. Cumulative change since January 1.
2 Cumulative change since the beginning of the program
3 Cumulative from January 1.
4 Includes net change of payables of the central government reported in GIFMIS.
5 Accumulation of new arrears since previous test date.

Table 2b. Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2023-2024

	2023		2024			
	December		March	June	September	December
	Performance Criteria	Performance Criteria		Performance Criteria		Performance Criteria
	Prog. Request	Proposed	Proposed	Proposed	Proposed	Proposed
Performance Criteria:						
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	655.0	988.2	413.4	463.8	948.2	1,588.6
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (millions of cedis) [2]	0.0	0.0	0.0	0.0	0.0	0.0
Present value of newly contracted or guaranteed external debt by the central government and public entities, cumulative ceiling (millions of U.S. dollars) [3]	66.2	66.2	84.7	84.7	84.7	84.7
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-4,607.1	-4,323.5	-2,250.6	-2,520.6	1,122.9	5,264.7
Non-accumulation of external debt payments arrears by the central government and the Bank of Ghana, continuous ceiling (millions of U.S. dollars) [5]	0.0	0.0	0.0	0.0	0.0	0.0
Newly contracted collateralized debt by the central government and public entities, continouous cumulative ceiling (millions of U.S. dolllars)	0.0	0.0	0.0	0.0	0.0	0.0
Monetary Policy Consultation Clause						
Twelve-month consumer price inflation (percent)						
Outer band (upper limit)	33.4	33.4	35.7	29.0	24.0	19.0
Inner band (upper limit)	31.4	31.4	33.7	27.0	22.0	17.0
Central target rate	**29.4**	**29.4**	**31.7**	**25.0**	**20.0**	**15.0**
Inner band (lower limit)	27.4	27.4	29.7	23.0	18.0	13.0
Outer band (lower limit)	25.4	25.4	27.7	21.0	16.0	11.0
Indicative Targets:						
Non-oil public revenue, cummulative floor (millions of Cedis) [3]	116,365	114,186	30,992	61,976	103,711	150,330
Social spending, cumulative floor (billions of cedis) [3]	4,068	4,068	1,393	2,786	4,179	5,572
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis) [3]	0	0	0	0	0	0

Sources: Ghanaian authorities; and IMF staff estimates and projections.
1 Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report. Cumulative change since January 1.
2 Cumulative change since the beginning of the program
3 Cumulative from January 1.
4 Includes net change of payables of the central government reported in GIFMIS.
5 Accumulation of new arrears since previous test date.

Table 3. Ghana: Proposed Structural Conditionality Under the Extended Credit Facility, 2023-24

Prior Actions	*Objective*	Date	Status
• **Submit to Parliament a 2024 Budget and the associated revenue measures to achieve the 2024 fiscal objective --** an adjustment of the primary balance (measured on a commitment basis) of at least 1 percent of GDP, with revenue measures that will permanently improve the non-oil revenue-to-GDP ratio by at least 0.9 percent of GDP.	*Ensure a credible fiscal adjustment in order to restore fiscal and debt sustainability.*	Prior action	**Met**
Existing Structural Benchmarks	***Objective***	**Date**	**Status**
• **Finalize the comprehensive stock-take of payables accumulated by all MDAs, design a payable clearance plan and lay out a structural reform plan to reduce future accumulation of arrears.**	*Get clarity on the current situation regarding stock of payables of the central government (including of statutory funds) and ensure that payables are cleared with appropriate prioritization and in a timely manner*	End-June 2023	**Met**
• **Finalize strategy to strengthen the financial sector and rebuild financial institutions' buffers** in collaboration with Fund staff. The strategy will lay out steps and timelines to (i) address the impact of the domestic debt exchange and the ongoing macroeconomic challenges on the financial system, including by rebuilding financial sector buffers by the end of the program; and (ii) complete the legacy tasks from the 2017-19 financial sector cleanup.	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-June 2023	**Met**
• **Publish the updated Energy Sector Recovery Plan**, after Cabinet approval, with well-identified measures and timelines in the following areas: (i) removal of subsidies, (ii) reduction in transmission and distribution losses, (iii) improvement in recoveries, (iv) a credible solution to cut idle capacity cost (including excess capacity as well as reserve margin), and (v) improvement in operational performance of SOEs. These will have been established in consultation with Fund staff.	*Sustainably reduce losses in the energy sector*	End-June 2023	**Not met.** Action completed with a delay in October 2023.
• **Publish a strategy - after cabinet approval - to streamline statutory funds. The strategy should include the following:** (i) Key findings of the review process for each statutory fund; (ii) Assessment of whether these funds served the stated purpose; and (iii) Well-articulated reasons to support retaining statutory funds (and not merging them under the line ministry - this should justify why the line ministry cannot serve the objectives of statutory fund).	*Reduce budget expenditure rigidities*	End-September 2023	**Met**
• **Publish a medium-term revenue strategy - approved by cabinet -** that is consistent with the agreed fiscal adjustment under the program, delivers permanent non-oil public revenue increase of at least 1.5 pp of GDP over the 2024-27 period, and clearly identifies measures related to tax policy, compliance and administration (with estimated yields and timelines). These will have been established in consultation with Fund staff.	*Enable revenue-based fiscal adjustment and increase fiscal space for development spending*	End-September 2023	**Met**
• **Approve plans of all banks, negotiated during the previous quarters, to rebuild capital buffers and initiate corrective actions on institutions whose plans are not deemed credible.**	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-September 2023	**Met**
• **Introduce an indexation mechanism of the benefits under the Livelihood Empowerment Against Poverty**, approved by Cabinet, to ensure the benefits value is not eroded by inflation.	*Stengthen the social safety net and protect the most vulnerable from the impact of inflation*	End-September 2023	**Met**
• **Expand GIFMIS infrastructure to 265 IGF-reliant institutions with all the avalaible functionalities**	*Strengthen budget execution, commitment control and reporting*	End-December 2023	
• **Operationalize the Integrated Tax Administration System by completing:** (i) procurement of the system, (ii) data migration from other portals (including E-VAT and GITMIS), (iii) Appraisal of current situation and verification of requirements (data checks) (iv) Implementation of the functionality of VAT (v) Implementation of the functionality of CIT (vi) Implementation of the functionality of PIT	*Fundamentally and sustainably improve tax administration*	End-December 2023	**Not met.** Reset to end-December 2024

Table 3. Ghana: Proposed Structural Conditionality Under the Extended Credit Facility, 2023-24 (Concluded)

New Structural Benchmarks	*Objective*	Date
• **Publish on PURC's website the final report of the first quarterly audit of ECG's single account.** This report will highlight audit findings for the collection of revenues from ECG customers and disbursements to IPPs, SOEs and fuel suppliers under the cash waterfall mechanism.	*Enhance energy sector transparency and facilitate estimation of energy related revenues and shortfall*	End-February 2024
• **BoG escalates punitive remedial and/or corrective measures against any bank that has not complied with the one-third recapitalization and the non-negative CAR requirements in 2023,** computed in a way that includes a reasonable estimate of expected government debt restructurings and NPL increases through 2023.	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-March 2024
• **BoG and MoF design and begin the implementation of a credible, comprehensive, and cost-effective plan that seeks to address NIB's insolvency challenges by end-2024**	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-March 2024
• **The authorities develop and submit to cabinet a centralized inventory of all ongoing and planned public investment projects.** For each project, the inventory will include information on: (i) Nature and age of all ongoing projects; (iii) Project start and completion dates and estimate of project completion (%) (iv) Source of financing (domestic vs external), financing resources spent to date, and additional financing required (iv) List of priority planned and ongoing projects and the required multi-year budget allocation (showing annual funding requirement) (v) List of non-priority projects and the proposed treatment (suspend them temporarily or permanently)	*Strengthen budget credibility, exercising commitment control, and prevent accumulation of spending arrears*	End-March 2024
• **Cabinet approves amendments to the BoG Act aimed at addressing the recommendations by the IMF's safeguard assessment to strengthen BoG's autonomy.** These amendments will have been developed in consultation with IMF staff.	*Strenghten BoG independance and reduce the risk of fiscal dominance*	End-May 2024
• **Present to the BoG Board a risk assessment report of the gold-for-oil program and an exit strategy from the program, prepared in consultation with IMF Staff.**	*Reduce operational, legal and governance risks of BoG*	End-June 2024
• **The GRA shares with the MoF the final report of the project of cleaning taxpayer register and ledgers.** The project's objective is to ensure: (i) Duplication of taxpayer identification numbers (TIN) will be eliminated (ii) The registry will be able to separate active taxpayer list (iii) Elimination of individuals with no payment or filing obligations from the list of registered PIT taxpayers	*Provision of accurate indicators for performance of revenue administration*	End-June 2024
• **Enable "Blanket Purchase Agreement" to fully capture multi-year commitments / contracts** in GIFMIS, in line with the MTEF ceilings. The MoF issues a circular to make the use of this functionality mandatory for all multi-year contracts.	*Strenghten spending controls and prevent arrears' accumulation*	End-September 2024
• **Submit to parliament draft amendments to the Fiscal Responsibility Act (2018).** The amendments, prepared in collaboration with Fund staff, will focus on the following: (i) Design of new fiscal rules. (ii) A revised framework for the Fiscal Advisory Council ensuring its independence. The mandate of the Council will be laid out in consultation with the Fund Staff.	*Enhance budget credibility and underpin lasting fiscal discipline*	End-October 2024

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs), indicative targets (ITs), and consultation clauses that will be applied under the Extended Credit Facility, as specified in the authorities' Letter of Intent (LoI) and Memorandum of Economic and Financial Policies (MEFP) of May 1 and their attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. The exchange rates for the purpose of the program are specified in the Table below. The gold price for the purpose of the program is US$ 1,826.92 per ounce (as per Bloomberg data as of February 2023).

Ghana: Program Exchange Rates (Rates as of February 28, 2023)		
	Cedi per currency unit	US Dollars per currency unit
US Dollar	11.01	1.00
GB Pound	13.32	1.21
Euro	11.68	1.06
SDR	14.63	1.33
Japanese yen	0.080	0.0073
Chinese yuan	1.582	0.1437
Australian dollar	1.636	0.1486
Swiss franc	11.69	1.06
South African rand	0.601	0.055
Source: Bank of Ghana, Bloomberg, and IMF		

I. QUANTITATIVE PERFORMANCE CRITERIA

Definition

3. The central government is defined as comprising the central government, all special funds (including the Ghana Education Trust Fund, the Road Fund, the District Assemblies Common Fund, the National Health Insurance Fund and Mineral Income Investment Fund), and all subvented and other government agencies that are classified as government in the Bank of Ghana (BoG) Statement of Accounts (SOA). The Social Security and National Insurance Trust (SSNIT) and public enterprises, including Cocobod, are excluded from the definition of central government.

4. In addition to the performance criteria listed in Table 2 of the MEFP, the arrangement will include the performance criteria standard to all Fund arrangements, namely:

i. no imposition or intensification of restrictions on the making of payments and transfers for current international transactions;

ii. no introduction of modification of multiple currency practices;

iii. no conclusion of bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Arrangement;

iv. no imposition or intensification of import restrictions for balance of payments reasons.

These four performance criteria will be monitored continuously.

A. Net International Reserves of the Bank of Ghana, Floor (Millions Of U.S. Dollars)

Definition

5. Net International reserves (NIR) of the Bank of Ghana for program monitoring purposes[1] are defined as reserve assets minus short-term foreign-currency liabilities and liabilities to the Fund. All values not in U.S. dollars are to be converted to U.S. dollars using the program exchange rates and gold price defined in paragraph 2.

- Reserve assets (RA) are readily available claims on nonresidents denominated in foreign convertible currencies. RA include Bank of Ghana holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposit abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, precious metals other than gold, assets in nonconvertible currencies, and illiquid assets. Encumbered assets include Ghana Petroleum Heritage and Stabilization Fund and Bank of Ghana deposits with Ghana International Bank London.

- Short-term foreign-currency liabilities include Bank of Ghana contractual foreign-currency obligations to residents and nonresidents scheduled to come due during the 12 months ahead. They comprise of Deposits of International Institutions, Liabilities to International Commercial Banks, FX Swaps with non-resident and resident banks, foreign currency deposits held at the BoG. Liabilities with an asset counterpart that is encumbered (which are excluded as well from the asset side) are excluded from short term foreign-currency liabilities.

- The liabilities to the Fund include all outstanding use of IMF credit, including IMF budget support for the MoF. The liabilities to the Fund exclude SDR allocations.

Adjustors

6. The NIR floors will be adjusted upward for any excess of budget grants, loans, and foreign exchange received in the context of the sales of 5G spectrum licenses, relative to the program baseline, except where this financing is used to repay outstanding domestic arrears at a more rapid pace than programmed. The NIR floors will be adjusted downward for any shortfall in budget grants

[1] Note this definition differs from the one reported in the Balance of Payments and Monetary Survey which reflects a more traditional definition of foreign assets and liabilities based on a residency basis.

and loans relative to the program baseline. Budget grants and loans assumptions of the program NIR target are specified in the Table below.

Ghana: Expected Budget Grants and Loans in 2023

in mn USD	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024
Grants - AfDB	59	0	0	0	44
Loans - WB	330	150	35	435	0
Development Policy Operations	300	0	0	300	0
Financial Sector Support Project	0	150	0	100	0
Social Protection Project	30	0	35	35	0

B. Bank of Ghana Claims on the Central Government and Public Entities, Cumulative Ceiling (Billions Of Cedis)

Definition

7. Outstanding gross credit to central government (as defined in paragraph 3) and public entities – (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye. PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST) – by the Bank of Ghana for program monitoring purposes is defined as the change in the total amount, measured from the start of the program and net of the stock adjustment from the debt operation (e.g. capitalization of interest payment), of (i) all BoG loans and advances to central government and public entities, (ii) all central government and public entities overdrafts, (iii) the face value for all outstanding Government of Ghana treasury bills, notes and bonds purchased by BoG in the primary and the secondary market. For purposes of this TMU the stock of gross credit to central government and public entities by Bank of Ghana includes all called guarantees given by Bank of Ghana for all operations between the central government or public entities and a third party. For the purposes of this TMU, the stock of gross credit to central government does not include (i) BoG holdings of Government of Ghana T-bills as collateral from commercial banks (ii) BoG reversible market transactions involving Government of Ghana securities , and (iii) BoG loans to the central government from the on-lending IMF resources through the SDR allocations and PRGT loans.

C. Present Value (PV) of Newly Contracted or Guaranteed External Debt by the Central Government and Public Entities, Cumulative Ceiling (Millions of U.S. Dollars)

Definition

8. External debt is defined on a residency basis. The definition of "debt" is set out in paragraph 8 (a) of the 2014 Guidelines on Public Debt Conditionality in Fund Arrangements (Executive Board's Decision No.15688-(14/107). The definition also refers to commitments contracted or guaranteed for which value has not been received. The definition of debt is as follows:

(a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of financial and nonfinancial assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:

(i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);

(ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

(b) Under the definition of debt set out in point 8(a) above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

9. This performance criterion (ceiling) applies to the cumulative PV of new external debt, contracted or guaranteed by the central government and the following public entities: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye. PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod, excluding the annual syndicated trade financing facility (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST). The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended.

10. For program purposes, a debt is considered to be contracted when all conditions for its entry into effect have been met in accordance with the terms of the contract and as provided in the national legislation. Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

11. For the purpose of this performance criterion, the ceiling on the cumulative PV of new contracted or guaranteed external debt excludes: (i) loans and bonds stemming from the restructuring or rescheduling or refinancing of external debt; (ii) renewal of an existing suppliers' credit; (iii) rollover of a credit line; (iv) short-term debt including suppliers' credit and credit lines with a maturity of less than 6 months for public entities mentioned in ¶8 (v) debt contracted from the IMF, World Bank and AfDB; and (vi) Government of Ghana securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by non-residents.

12. A 'guaranteed debt' is an explicit promise by the central government and public entities to pay or service a third-party obligation (involving payments in cash or in kind).

13. The present value (PV) of debt at the time of its signing date of an underlying loan agreement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

14. A debt is considered concessional if it has at least a grant element of 35 percent. The grant element of a debt is the difference between the PV debt and its nominal value, expressed as a percentage of the nominal value of the debt. For debts with a grant element equal to or below zero, the PV will be set equal to the nominal value of the debt.

15. For loans carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the loan would be calculated using the program reference rate plus the fixed spread (in basis points) specified in the loan contract. The program reference rate for the three-month U.S. Secured Overnight Financing Rate (SOFR) is 2.97 percent and will remain fixed for the duration of the program. The spread of three-month JPY Tokyo Interbank Offered Rate (TIBOR) over three-month USD SOFR is -300 basis points. The spread of three-month U.K. Sterling Overnight

Index Average (SONIA) over three-month USD SOFR is equal to 50 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over three-month USD SOFR is 0 basis points.[2] Where the variable rate is linked to a benchmark interest rate other than the three-month USD SOFR, a spread reflecting the difference between the benchmark rate and the three-month USD SOFR (rounded to the nearest 50 bps) will be added. Given the ongoing transition away from LIBOR, once operationally feasible, this TMU can be updated to reflect the benchmark replacement for JPY LIBOR, the Tokyo Overnight Average Rate (TONAR).

16. **Reporting.** For the purposes of this performance criterion, which will be monitored continuously, the MOF will immediately report to the IMF staff details of any new external loans before being contracted or guarantees before being issued by the central government and public entities mentioned in ¶8. Moreover, the MOF should provide, *on a monthly basis and within 30 days from the end of each month*, detailed data on all new concessional and non-concessional external debt (as defined in ¶12) contracted or guaranteed by the central government and public entities mentioned in ¶8 ,. The information should include (i) amounts contracted or guaranteed; (ii) currencies; and (iii) terms and conditions, including interest rates, maturities, grace periods, payments per year, commissions and fees, and collaterals.

Adjustors

17. The PV of newly contracted or guaranteed external debt by the central government and public entities will be adjusted upward for excesses in contracted concessional project loans, relative to the following baseline:

Ghana: Expected PV of Contracted Project Loans

(in mn USD)	September-2023	December-2023	March-2024	June-2024	September-2024	December-2024
Baseline PV of contracted concessional loans (cumulative from begining of the year)[1/]	0.0	0.0	0.0	0.0	0.0	0.0

1/ Excluding World Bank and African Development Bank project loans as per the debt PC definition.

D. Primary Fiscal Balance of the Central Government, Commitment Basis, Cumulative Floor (Millions Of Cedis)

Definition

18. The program's primary fiscal balance is cumulative from the beginning of the fiscal year and is measured as the difference between the primary balance on cash basis from the financing side and of the net change in the stock of payables ("outstanding payments") of the central government

[2] The program reference rate and spreads are based on the "average projected rate" for the three-month USD SOFR over the following 10 years from the Fall 2022 World Economic Outlook (WEO).

reported in GIFMIS, including payables of statutory/earmarked funds (SFs) defined as outstanding payments from the consolidated funds to the SFs. Starting in 2024, for the four SFs who have started using GIFMIS for budget execution (Road Fund, NHIF, GETFund and DACF), payables are computed as any outstanding payments of these funds to their suppliers, contractors, service providers, and other counterparts. For the remaining SFs, their payables represent outstanding payments from the consolidated fund to these SFs. A positive net change in the stock of payables means more payables are built up than cleared over the period considered (so the primary balance on a cash basis needs to be adjusted downward to obtain the primary balance on a commitment basis).

19. The primary balance on cash basis is measured as the sum of net financial transactions of the central government (as defined in paragraph 3 above)—comprising the sum of net foreign borrowing (as defined in paragraph 20 below), net domestic financing (defined in paragraph 21 below), receipts from net divestitures and net drawing out of oil funds, minus domestic and external interest payments. It excludes financing for the financial sector recapitalization.

20. Net foreign financing of central government is defined as the sum of project and program loans by official creditors and commercial external borrowing, minus amortization due.

21. Net domestic financing of central government is defined as the change in government deposits plus domestic debt issuance proceeds, minus domestic debt amortization due.

Adjustors

22. The primary balance floor for September 2023-December 2024 will be adjusted for excesses and shortfalls in disbursed concessional project loans, relative to the program assumptions. The primary balance floor will be adjusted downward (upward) for the full amount of any excess (shortfall) in concessional project loans relative to the following baseline:

Ghana: Expected Concessional Project Loans Disbursement

in mn USD	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Baseline concessional project loan disbursement (cumulative from the beginning of the year)	204.3	272.4	82.6	165.1	254.9	359.0

23. The primary balance floor will be adjusted upward by the full amount of non-tax revenue proceeds stemming from the sale of 5G Spectrum licenses.

E. Non-Accumulation of External Debt Payments Arrears by the Central Government and the Bank of Ghana, Continuous Ceiling (Millions Of U.S. Dollars)

Definition

24. For the purpose of the ceiling on the accumulation of external debt service payment arrears, external payment arrears will accrue when payments such as interest or amortization on debts of the government (as defined in paragraph 6) to non-residents are not made within the terms of the contract, taking into account all applicable grace periods. The definition excludes arrears relating to debt subject to renegotiation (dispute or ongoing renegotiation) or rescheduling. This performance criterion will be monitored on a continuous basis.

F. Newly Contracted Collateralized Debt by the Central Government and the Public Entities, Cumulative Zero Ceiling

Definition

25. Collateralized debt is any contracted or guaranteed debt that gives the creditor the rights over an asset or revenue stream that would allow it, if the borrower (as defined in paragraph 25) defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

26. The performance criterion (ceiling) applies to debt contracted or guaranteed by the central government and the following public entities: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye. PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod, excluding the annual syndicated trade financing facility (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST).

II. MONETARY POLICY CONSULTATION CLAUSE

27. The consultation bands around the projected 12-month rate of inflation in consumer prices (as measured by the headline consumer price index (CPI) published by the Ghana Statistical Service), are specified in the Performance Criteria table in the MEFP. If the observed 12-month rate of CPI inflation falls outside the lower or upper outer bands specified in the PC table for the relevant test dates, the authorities will complete a consultation with the IMF Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for deviations from the program targets, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary. When the consultation with the IMF Executive Board is triggered, access to Fund resources would be interrupted until the consultation takes place and the relevant program review is completed. In addition, the authorities will conduct discussions with Fund staff should the observed 12-month rate of CPI inflation fall outside the inner bands specified for the end of each quarter in the Performance Criteria table.

28. Central bank Foreign Exchange Intervention (FXI) is defined as the total of BoG FX sales to commercial banks in (i) the spot market (ii) the regular FX auction, (iii) and the special FX auction including for fuel distributors.

III. INDICATIVE TARGETS

A. Non-Oil Public Revenue, Cumulative Floor (Millions Of Cedis)

Definition

29. The central government's total non-oil revenue includes total tax revenue—all revenue collected by the GRA, whether they result from past, current, or future obligations such as Direct Taxes (taxes on income and property), Indirect Taxes (excises, VAT, National Health Insurance Levy (NHIL), GETFund Levy, Covid-19 Health Levy, E-Levy, and Communication Service Tax (CST)), and Trade Taxes— and total non-tax revenue—including IGFs retention, Fees and Charges, Dividend/interest and profits from oil and others, Surface rental from oil/PHF interest, property rate collection and yield from capping policy— and excludes grants, oil revenue as defined in paragraph 25, social security contributions and ESLA proceeds. Total non-oil revenue is recorded on a cash basis.

30. Oil revenue is defined as the central government's tax and non-tax net proceeds from the sale of oil, excluding any revenue allocated to Ghana National Petroleum Corporation (GNPC).

Adjustors

31. Total non-oil revenue floor will be adjusted upward for the full amount of the non-tax revenue proceeds of the sale of 5G Spectrum licenses.

B. Social Spending, Cumulative Floor (Millions of Cedis)

Definition

32. The expenditure floor on poverty-reducing social programs of the central government will include the disbursement of the National Health Insurance Fund used to pay for medical claims, essential medicine, and vaccines, and the budget release from the central government to the respective line ministries for the purpose of the Ghana School Feeding Program, the Livelihood Empowerment Against Poverty Program, and the Capitation Grant. The measured expenditure on the above social programs will exclude all donor-supported expenditure.

C. Net Change in the Stock of Payables of the Central Government and of Payables to IPPs, Ceiling (Millions of Cedis)

Definition

33. Stock of payables is the sum of two components. First, the stock of payables of the central government reported by CAGD at the end of each quarter. CAGD payables report will cover the stock of payables of all MDAs—including MDA's unreleased claims—and the consolidated stock of payables of all statutory funds and of selected IGFs (National Pension and Regulatory Authority, National Petroleum Authority, National Communication Authority, Gaming Commission, Securities and Exchange Commission). Second, the stock of energy sector payables. For the purpose of program monitoring in 2023, the energy sector payables comprise of energy-sector-related outstanding payments of the ECG and GNPC (including those to be paid by the MoF) to Independent Power Producers (IPPs) and fuel suppliers. For the purpose of program monitoring in 2024, the energy sector payables comprise of energy-sector-related outstanding payments of the ECG and GNPC (including those to be paid by the MoF) to power generators (both IPPs and State Owned Enterprises) and fuel suppliers. Payables denominated in US$ will be assessed at the program exchange rate.

D. Provision of Data to the Fund

34. Data with respect to the variables subject to performance criteria and indicative targets will be provided to Fund staff on a monthly basis with a lag of no more than eight weeks (except for select data for which the reporting lag is explicitly specified in Table 1). The authorities will transmit promptly to Fund staff any data revisions. For any information (and data) that is (are) relevant for assessing performance against program objectives but is (are) not specifically defined in this memorandum, the authorities will consult with Fund staff.

35. The authorities will share any prospective debt agreements relevant for the programme monitoring (see Section C, E, and F or quantitative performance criteria) with Fund staff before they are submitted to cabinet and before they are contracted.

Table 1. Ghana: Data to be Reported to the IMF

Item	Periodicity
Fiscal data (to be provided by the MoF)	
Central budget operations for revenues, expenditures and financing.	Monthly, within six weeks of the end of each month
The stock and quarterly flows of buildup/clearance of GIFMIS payables ("outstanding payments")	Quarterly, within six weeks of the end of each quarter
The stock of payables of the central government including consolidated payables of all statutory funds prepared by CAGD	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of unreleased claims as defined in para 28	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of payables to Independent Power Producers (IPPs)	Quarterly, within six weeks of the end of each quarter
Updated list of (prioritized) projects to be financed by non-concessional loans and concessional loans.	Monthly, within six weeks of the end of each month.
Cash flow of the central government and cash flow projections.	Monthly, within six weeks of the end of each month
Monetary data (to be provided by the BoG)	
Detailed balance sheet of the monetary authorities including the usual monetary bridge data.	Monthly, within four weeks of the end of each month.
Monetary survey detailing the consolidated balance sheet of commercial banks.	Monthly, within six weeks of the end of each month.
Summary position of central government and public entities committed and uncommitted accounts at BoG, and total financing from BoG, including the details of BoG financing to the central government and public entities: central government and public entities overdrafts, central government local-currency and FX deposits, SDR on lent, etc.	Monthly, within four weeks of the end of each month. (continued)
Composition of banking system and nonbanking system net claims on central government.	Monthly, within four weeks of the end of each month.

Table 1. Ghana: Data to be Reported to the IMF (continued)

Item	Periodicity
Debt registry showing structure and holders of domestic government debt, at face value and at discount. Similar table showing holders of treasury bills for open market operations.	Monthly, within four weeks of the end of each month.
Itemized overview of outstanding liquidity support, granted to financial institutions, at the aggregate level and at the institution level (i.e., by bank, by pension fund, by investment fund, by insurance firm, etc).	Monthly, within four weeks from the end of each month.
Inflation expectation survey data.	Bi-monthly, within four weeks after the survey is collected.
Detailed monthly inflation data including BoG's various measures of core inflations, imported vs. locally produced good inflation, tradable and non-tradable good inflation.	Monthly, within four weeks from the end of each month.
Monthly business and consumer confidence indices.	Monthly, within four weeks from the end of each month.
Financial market data (to be provided by the BoG)	
Weekly gross international reserves and net international reserves.	Weekly, within a week of the end of each week.
Stock of BoG FX swaps, FX loans, and encumbered assets. For the encumbered assets used as collaterals, please provide the corresponding loans/ derivatives.	Weekly, within a week of the end of each week.
Principal and interest payment of BoG swaps, FX loans, and encumbered assets.	Weekly, within a week of the end of each week.
Monthly BoG FX Cash Flow Projection. Please update the realized monthly cash flow and the projection, if any.	Monthly, within a week of the end of each week.
Daily computations for the BoG local-currency interbank market rate, including all transactions used to derive it.	Weekly, within a week of the end of each week.
Daily computations for the BoG reference exchange rate, including all transactions used to derive it.	Weekly, within a week of the end of each week.

Table 1. Ghana: Data to be Reported to the IMF (continued)

Item	Periodicity
Daily BOG FX sales, including the direct sales to government and government entities, the bilateral market support through the interbank market, and through FX auctions. Please provide the amount and the exchange rate of each transaction.	Weekly, within a week of the end of each week.
Bank-to-bank and BOG-and-bank FX transactions in the interbank market. Please provide the transaction amount and the exchange rate of each transaction.	Weekly, within a week of the end of each week.
Bi-weekly FX auction results. Please provide the amount and rate of the submitted bids, the amount and rate of the accepted bids. Please provide the banks or the sector (if known) of the firms winning the bids.	Monthly within two weeks of the end of each month.
Banking Sector and Non-bank Financial Instructions data (to be provided by the BoG)	
Financial sector indicators at the aggregate and bank level data. The data should include Net Open FX position and FX liquidity position at bank-by-bank level data.	Monthly, within four weeks from the end of each month.
Dividend payment by banks.	Quarterly, within four weeks form the end of each quarter.
Balance of payments data (to be provided by the BoG)	
Monthly oil, gas, and gold productions at the aggregate and by mine/ field level.	Monthly, within four weeks from the end of each month.
Monthly cocoa production and exports.	Monthly, within four weeks from the end of each month.
Monthly fuel imports.	Monthly, within four weeks from the end of each month.
Monthly imports of fertilizer, and essential and non-essential foods	Monthly, within four weeks from the end of each month.

Table 1. Ghana: Data to be Reported to the IMF (continued)

Item	Periodicity
Monthly services, credit and debit	Monthly, within four weeks from the end of each month.
Export and import data on value, volume, and unit values, by major categories and other major balance of payments variables.	Quarterly, with a maximum lag of two months.
External and Domestic Debt Data (to be provided by MoF)	
Total debt stock of the central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt by creditor: loan-by-loan database for external debt and by tenor for domestic debt.	Monthly, within four weeks from the end of each month.
Total debt service due and debt service paid by creditor. Perimeter is central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt.	Monthly, within four weeks from the end of each month.
Information on the concessionality of all new external loans contracted by the central government, Daakye, ESLA, GIADEC, or with a central government guarantee.	Monthly, within four weeks from the end of each month.
Short-term liabilities to nonresidents (maturity in one year or less), including overdraft positions and debt owed or guaranteed by the government or the BoG. Data on the BoG short-term liabilities to nonresident commercial banks on accounts 1201 plus 301 plus Crown Agent).	Monthly, within four weeks from the end of each month.

Table 1. Ghana: Data to be Reported to the IMF (concluded)

Item	Periodicity
Disbursements of grants and loans by creditor	Quarterly, within four weeks of the end of each quarter.
National accounts by sector of production, in nominal and real terms.	Annual, within three months of the end of each year (switching to quarterly when they become available).
Quarterly financial statements of main state-owned enterprises. (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; vi) GRIDCO; vii) Ghana Water Company Limited.	Quarterly, within three months of end of quarter
Quarterly financial statements of GIIF	Quarterly, within three months of end of quarter
Annual financial statements of main state-owned enterprises. (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; vi) GRIDCO; vii) Ghana Water Company Limited.	Annual, within six months of end of year
Electricity pricing (to be provided by the Ministry of Energy) Data on the tariff structure and the cost of producing electricity.	Quarterly, within four weeks of the end of each quarter.
Petroleum pricing (to be provided by the Ministry of Energy)	
(i) a breakdown of costs, including the ex-refinery price, duties, levies, and margins, for each of the individual petroleum products; and	Bi-weekly, within two days of the completion of the pricing review.
(ii) the indicative maximum price approved in the bi-weekly review of petroleum pricing for each of the individual petroleum products.	See above.
Electricity grid losses to be provided by the Ministry of Energy) (I) transmission losses (Gridco) (ii) distribution losses (ECG and Nedco)	Monthly, within six weeks from the end of each month
Bills' recoveries to be provided by the Ministry of Energy (ECG and Nedco)	Monthly, within six weeks from the end of each month

GHANA

December 18, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
Abebe Adugna Dadi and Manuela Francisco (IDA) and Annalisa Fedelino (IMF)

The Debt Sustainability Analysis (DSA) was prepared by the staffs of the International Monetary Fund and the International Development Association, in consultation with the authorities.

Ghana: Joint Bank-Fund Debt Sustainability Analysis [1, 2]	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Unsustainable*
Application of judgment	*No*

Given the ongoing debt restructuring and large and protracted breaches to the DSA thresholds, Ghana remains in debt distress and the debt sustainability analysis shows that debt is unsustainable, unchanged from the DSA published in May 2023.

Ghana's fiscal and external positions deteriorated significantly in the wake of the Covid-19 pandemic, the tightening in global financial conditions and the war in Ukraine. These external shocks, combined with pre-existing fiscal and debt vulnerabilities, have pushed public and external debt up. Ghana lost international market access in late 2021, and the macroeconomic situation became more challenging in 2022, with large losses in

[1] This DSA is prepared in line with the Guidance Note of the Joint Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] The Composite Indicator (CI) score of 2.75 remains between the cut-off values for weak and strong debt-carrying capacity, 2.69 and 3.05, respectively. The CI is the weighted average of the 10-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) score and macroeconomic variables from the April 2023 WEO vintage.

international reserves, sharp depreciation of the exchange rate and soaring inflation, an increase in Eurobond spreads to distressed levels, and extremely constrained domestic financing conditions. In this context, the authorities requested support from the IMF in July 2022. They hired financial and legal advisors; and in December 2022, they launched a debt restructuring covering domestic debt as well as external commercial and official bilateral debt and announced a standstill on external debt service to all but multilateral creditors. On the domestic debt front, the authorities completed their domestic debt restructuring over the summer 2023. On the external side, the authorities expect to rapidly reach agreement with the Official Creditor Committee under the G20's Common Framework on the terms of a debt treatment in line with the financing assurances obtained in May 2023. They have been further advancing discussions with external commercial creditors, and there are good prospects to reach an agreement in the near-term on comparable terms.

Under the baseline, which accounts for the outcome of the domestic debt restructuring and does not incorporate the impact of the contemplated external debt relief, the present value (PV) of external debt-to-GDP breaches its threshold until 2030, while the external debt service-to-revenues exceeds its thresholds throughout the full-time horizon of the DSA. The external debt service-to-exports breaches its thresholds in 2025 for one year and breaches it again in 2029 to remain above it throughout the full remaining horizon. The PV of external debt-to-exports ratio remains below its threshold under the baseline throughout the full-time horizon of the DSA, while breaching the threshold in 2025 and onwards under the exports shock scenario—the most extreme shock for this indicator. The PV of public debt-to-GDP, which reflects the outcome of the domestic debt restructuring, breaches its 55 percent benchmark throughout the full-DSA horizon. Stress test results show that a combined contingent liability shock would put overall public debt well above the current unsustainable trajectory throughout the full DSA horizon. In addition, developments over the past few years and stress tests highlight the sensitivity of the debt ratios to commodity prices, exports and exchange rate shocks.

Pending completion of the external debt restructuring and implementation of a credible reform plan, underpinned by a feasible and growth-friendly fiscal adjustment, Ghana's public debt remains unsustainable. Strong ownership of the IMF-supported program and commitment to reforms by the authorities are key.

BACKGROUND

A. Public Debt Coverage

1. The Debt Sustainability Analysis (DSA) covers public and publicly guaranteed (PPG) debt of the central government, with additional important liabilities of the public sector. The DSA also includes (i) *explicitly guaranteed* debt of other public and private sector entities including state-owned enterprises (SOEs) and (ii) certain *implicitly guaranteed* SOEs debt, namely: (a) Energy Sector Levy Act (ESLA) debt in the energy sector; (b) Ghana Educational Trust Fund (GETFund/Daakye) debt for education infrastructure; (c) debt related to the financing of infrastructure projects by Sinohydro and (d) gross debt of Cocobod[3]—one of the largest SOEs operating on non-commercial terms and largely engaging in quasi-fiscal activities. The DSA also includes the stock of domestic arrears to suppliers estimated at 8.1 percent of GDP.[4]

2. The financial sector clean-up and energy sector losses have weighed on government debt and continue to generate significant fiscal risks. The fiscal cost of the financial sector recapitalization (estimated to have reached 7.1 percent of GDP over 2017-21) has led to an increase in the government deficit and debt. Additional recapitalization costs are expected in the coming years resulting from the domestic debt restructuring—some 2.6 percent of GDP are included in the DSA's baseline. Regarding the energy sector, the Government has made budgetary transfers to cover the sector's annual shortfalls averaging 1.7 percent of GDP between 2019 and 2021 and has accumulated arrears to independent power and gas producers (IPPs) of 2.3 percent of GDP at end-2022. The DSA's baseline assumes the government will continue to cover annual shortfalls with budget transfers going forward.

3. Remaining potential contingent liabilities from the financial sector, SOEs and PPPs are modeled in a tailored stress test. These shocks assume an increase of the PPG debt by adding: (i) 2 percent of GDP in non-guaranteed SOE debt;[5] (ii) 5 percent of GDP stemming from further financial sector costs; and (iii) 2.4 percent of GDP, the equivalent to 35 percent of the outstanding public private partnership (PPP) arrangements.

[3] In line with the treatment of SOEs laid out in the LIC DSF GN (appendix III), as Cocobod operations pose fiscal risks related to its heavy involvement in extra-budgetary spending, the DSA perimeter includes Cocobod's total gross debt. This debt accounts for all Cocobod's external and domestic gross liabilities, excluding the intra-year short-term syndicated trade credit that is contracted and reimbursed annually within the cocoa season to pay for cocoa purchases from farmers and cover part of operational costs.

[4] In line with the LIC DSF GN (¶25-29), end-2022 domestic arrears, which amount to 8.1 percent of GDP—of which 2.3 percent of GDP constitute unpaid bills to independent power producers (IPPs); and the remaining accounts for unpaid bills to other domestic suppliers—are now included in the stock of debt, as they were recognized by the government and reconciled as part of the arrears stocktaking exercise undertaken in line with the Arrears' Clearance and Prevention Strategy (a structural benchmark under the IMF-supported program). The DSA baseline assumes repayments over 5 years.

[5] This figure captures the non-guaranteed SOE debt that is not already included in the baseline, covering mainly non-guaranteed debt of smaller SOEs.

4. **The DSA classifies debt based on the residency of the creditor**. The stock of local-currency denominated domestic debt *held by non-residents* is included in the external debt in line with the LIC-DSF Guidance Note. Outstanding nonresident holdings of domestic debt decreased from $4.8 billion in 2021 (6.2 percent of GDP; 14.3 percent of public external debt) to $1.6 billion in 2022 (2.3 percent of GDP; 5.3 percent of public external debt).

Text Table 1. Public Debt Coverage and the Magnitude of the Contingent Liability Tailored

	Subsectors of the public sector	Covered
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	X

Stress Test

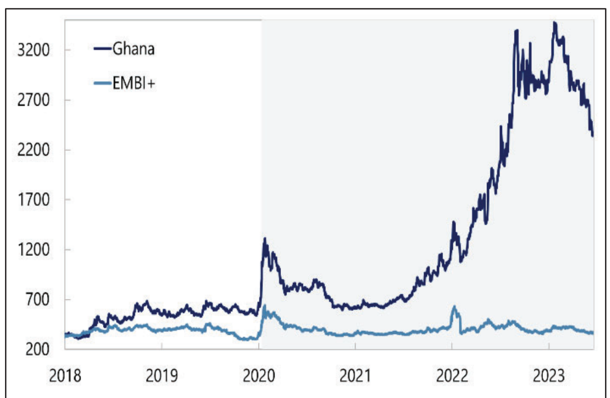
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt	
		Default	Used for the analysis
2	Other elements of the general government not captured in 1.	0 percent of GDP	0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2
4	PPP	35 percent of PPP stock	2.4
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

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

B. Debt Developments and Profile

5. **The compounded effects of large external shocks and pre-existing vulnerabilities have caused a deep economic and financial crisis.** The impact of the COVID-19 pandemic, the tightening in global financial conditions, and the war in Ukraine have exacerbated fiscal and debt vulnerabilities. Faced with large development needs and complex social and political situations, the government's fiscal policy response has been insufficient to maintain investors' confidence. This eventually resulted in a loss of international capital market access in late 2021 and increasing difficulties in rolling over domestic debt and central bank's liabilities—forcing the government to rely increasingly on monetary financing by the Bank of Ghana—and triggered an acute crisis. Against this backdrop, the government requested financial support from the IMF in mid-2021 and launched a public debt restructuring covering domestic debt as well external commercial and official bilateral debt in December 2022.

Sovereign Spreads
(Basis points)



Sources: Bloomberg L.P.
Note: Gray shading indicates the onset of the pandemic in Ghana.

6. These shocks have led to a sharp deterioration in Ghana's fiscal position. After reaching more than 11 percent of GDP in 2020, and notwithstanding the government's efforts to rein in spending and raise additional revenue, the primary deficit measured on a commitment basis remained at 4.8 percent in 2021 and 4.4 percent in 2022.[6] Rising interest payments (to more than 7 percent of GDP) brought the overall fiscal deficit to 12 percent of GDP in 2021 and 11.8 percent in 2022.

Text Table 2. Ghana: Decomposition of Public Debt at end-2022 [1]

	Debt Stock			Present Value[2]	
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ mn)*	*(Percent total debt)*
Total	**66,478**	**100.0**	**93.3**	**68,041**	**100.0**
External	**30,838**	**46.4**	**43.3**	**32,401**	**47.6**
Multilateral creditors	8,100	12.2	11.4	5,574	8.2
IMF	1,710	2.6	2.4	1,379	2.0
World Bank	4,750	7.1	6.7	3,132	4.6
African Development Bank	1,238	1.9	1.7	759	1.1
Other Multilaterals	403	0.6	0.6	304	0.4
Bilateral Creditors	5,186	7.8	7.3	4,713	6.9
Paris Club	3,454	5.2	4.8	3,086	4.5
o/w: Belgium	452	0.7	0.6	440	0.6
o/w United Kingdom	481	0.7	0.7	480	0.7
Non-Paris Club	1,732	2.6	2.4	1,627	2.4
o/w: China [3]	1,029	1.5	1.4	911	1.3
o/w: India	475	0.7	0.7	496	0.7
Bonds	13,104	19.7	18.4	16,490	24.2
Commercial creditors	4,447	6.7	6.2	5,623	8.3
o/w local-currency government debt held by non-residents	1,614	2.4	2.3	2,481	3.6
Domestic	**35,641**	**53.6**	**50.0**	**35,641**	**52.4**
Short-term bills	5,009	7.5	7.0	5,009	7.4
Medium-to-long term bonds	18,392	27.7	25.8	18,392	27.0
Loans	238	0.4	0.3	238	0.3
Arrears	5,744	8.6	8.1	5,744	8.4
Other (Overdraft and SDRs on-lent)	6,258	9.4	8.8	6,258	9.2
Memo items:					
Collateralized debt[4]	619	0.9	0.9		
Contingent liabilities	308	0.5	0.4		
o/w: Public guarantees	284	0.4	0.4		
o/w: Other explicit contingent liabilities [5]	24	0.04	0.03		
Cocobod debt	1,430	2.2	2.0		
Nominal GDP (in GHS mn)	610,222				

1/ As reported by Country authorities based on disbursments.

2/ The PV of external debt is discounted at 5 percent.

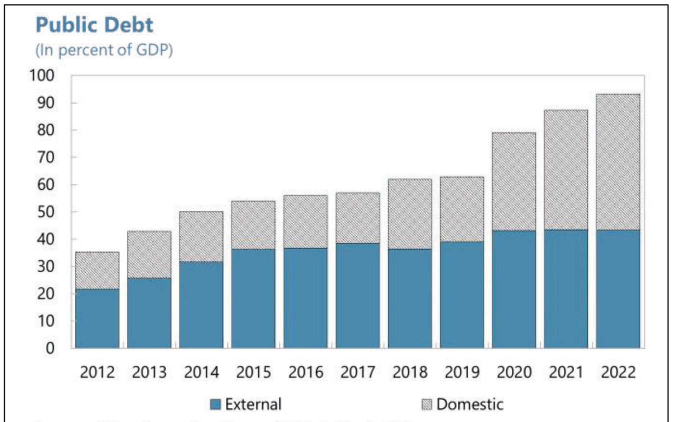
3/ Sinosure backed loans from commercial creditors are classified as commercial loans.

4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

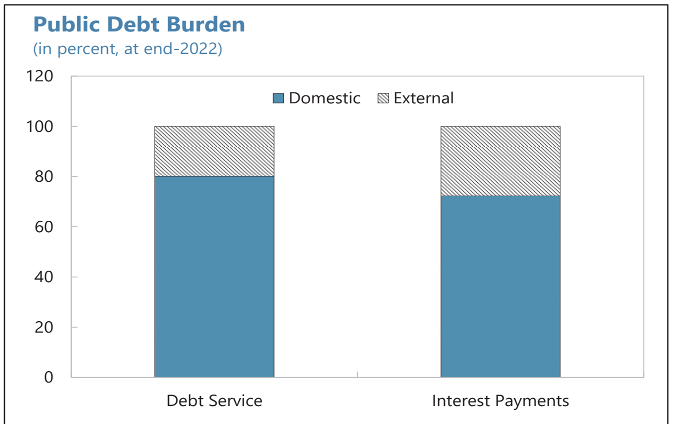
5/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

[6] The fiscal deficit on a commitment basis takes into account the spending that has been committed but remained unpaid, leading to accumulation of payables to domestic suppliers and to IPPs. On a cash basis, the primary deficit declined from 9.5 percent of GDP in 2020 to 1.6 percent of GDP in 2022.

7. Against this backdrop, public debt has increased dramatically over 2019-22. The large fiscal deficits and the economic slowdown in the wake of the pandemic led to an increase in public debt from 63 percent of GDP in 2019 to 93.3 percent of GDP at end-2022. Domestic debt reached 50 percent of GDP in 2022, of which 16 percent of GDP was held by the Bank of Ghana,[7] while public external debt stood at 43.3 percent of GDP.



Sources: Ghanaian authorities and IMF staff calculations



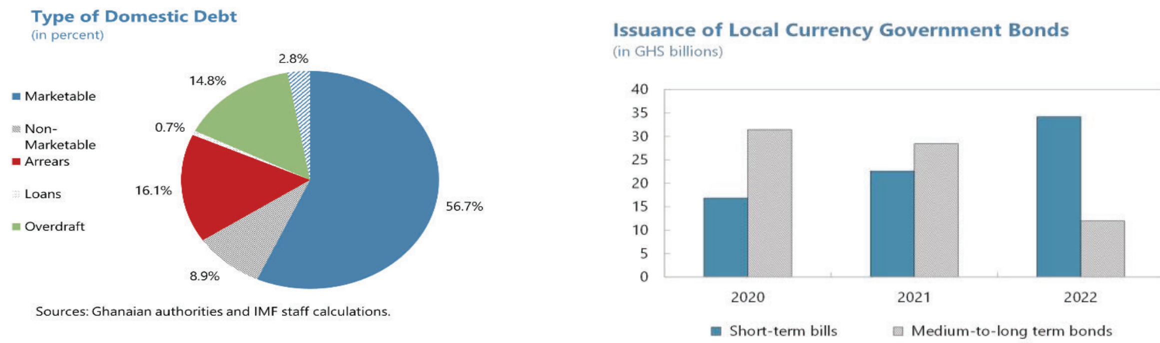
Sources: Ghanaian authorities and IMF staff calculations

8. Liquidity pressures have increased over the past few years. The debt service-to-revenue ratio reached an all-time high of 127 percent in 2020, the highest among the SSA countries and among the highest in the world. Despite the increase in debt service—particularly for domestic debt—the debt service-to-revenue indicator declined to 117.5 percent in 2022 reflecting higher government revenues due to the resumption of the economic activity after the pandemic and higher inflation. Debt-service to private external creditors constitutes the largest share of the external debt service payments in 2022 and accounts for 69 percent, followed by debt service to bilateral creditors that represents 20 percent. Gross financing needs (GFN) reached 19.5 percent of GDP in 2022, well above the market financing risks benchmark of 14 percent, and expected to decline gradually over the medium term.

9. These developments led to higher borrowing costs and shorter maturities. Domestic debt increased from 24 percent of GDP in 2019 to 50 percent of GDP at end-2022. While the effective interest rate for government debt rose slightly from 10.8 percent in 2021 to 11 percent in 2022 on the back of rising domestic borrowing costs, the average time to maturity of public debt dropped from 8.2 years in 2021 to 7.6 years in 2022, as most of the increase in the local currency marketable debt was at short-term maturities. In addition, domestic debt service rose significantly and accounted for 81.7 percent of the public debt service burden in 2022. With T-bills excluded from the domestic debt restructuring perimeter and the virtual elimination of monetary financing since the IMF-supported program was approved in May 2023, the government has relied mainly on short-term papers to finance its deficit. Consistent with the tightening in monetary policy, this was done at increasing nominal interest rates—though still negative in real terms.

[7] Bank of Ghana's holding of domestic debt (marketable, non-marketable, SDRs on-lent and overdraft) increased from 11 percent of GDP in 2019 to 16 percent of GDP in 2022.

Composition of Domestic Debt
As of end-December 2022



Sources: Ghanaian Authorities; and IMF staff calculations

C. Macroeconomic Assumptions and Risks

The macroeconomic framework underpinning this DSA—staffs' baseline scenario—is based on the macroeconomic trajectory envisaged under the Fund-supported program aiming to restore macroeconomic stability and debt sustainability in the medium term. This involves in particular implementing fiscal adjustment program that is both realistic and feasible, appropriately tightening monetary policy, enhancing exchange rate flexibility, and implementing growth-enhancing structural reforms. This DSA is based on a scenario that accounts for the completed domestic debt restructuring and does not model any external debt relief which would be needed to restore debt sustainability.

10. The deepening economic crisis has led to a significant downgrade in growth and a surge in inflation. With the deterioration in consumer and business confidence, real GDP growth have slowed from 5.1 percent in 2021 to 3.1 percent in 2022 on the back of weaker domestic demand; but is estimated to have eased during the first half of 2023. Headline inflation reached 54 percent in December 2022, driven by the residual impact of the large fiscal and monetary stimulus deployed during the pandemic, soaring global energy and food prices, exchange rate depreciation, and monetary financing of the deficit. Inflation gradually declined to 26 percent in November 2023. Gross international reserves have declined by about $6.5 billion since end-2021 to $1.4 billion at end- 2022, corresponding to 0.7 months of prospective imports, on the back of large capital outflows, loss of market access and failure to roll over central bank FX liabilities.[8] With limited FX interventions and a stronger current account so far this year, gross reserves have increased to $2.5 billion (1.1 month of prospective imports) at end-October 2023.

11. Under the Fund-supported program's baseline, there would be a gradual improvement in macroeconomic conditions. Non-extractive growth is projected to remain robust at 2.5 percent in 2023 and to strengthen further in the medium-term to reach its long-term potential starting from 2027 onwards (Text Table 3) as the drag from fiscal consolidation slows, the economy stabilizes, structural reforms start

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[8] Gross international reserves are defined as the headline official international reserves, excluding foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered and pledged assets, as per the program definition.

bearing fruit, and consumer and business confidence recovers. Growth in extractive activities is expected to stabilize around 5.3 percent on average in the next five years, buoyed by high commodity prices, recovery in the small-scale gold mining and the exploitation of new gold and oil fields. Overall, real GDP growth is expected to slow down to 2.3 percent in 2023 and to recover gradually to reach 5 percent in 2027. This 5-percent growth rate is projected to be sustained over the long-term, as growth-enhancing structural reforms under the Government Post Covid Program for Economic Growth (PCPEG) boost productivity and help attract private investment, thereby offsetting the short-term impact of the crisis on the economy. These reforms include steps to improve the business environment—with short term reforms aiming at reducing minimum capital requirements for FDI and reforming the Public Private Partnership Act—and export competitiveness, promote entrepreneurship, strengthen public sector management, and accelerate the transition to the digital economy, as well as policies to adapt to climate change. As the tightening in macroeconomic policies takes effect, inflation is projected to gradually fall to the central bank's target range of 6-10 percent by 2025, while the fiscal and external positions strengthen. The current account deficit is projected to stabilize at around 2-2.5 percent of GDP over the medium term; and official reserves would gradually rise to 3 months of prospective imports (US$7.7 billion) by 2026.

12. The DSA's baseline scenario assumes a large and frontloaded, yet feasible, fiscal adjustment by the central government and accounts for Cocobod's net income. The central government's primary balance on a commitment basis—the key fiscal anchor under the proposed IMF-supported program—would improve by 5.9 percent of GDP between 2022 and 2026, to reach a surplus of 1.5 percent of GDP in 2025, which should be maintained at least until 2028. The Fund-supported program aims at a significant fiscal adjustment in 2023—targeting a primary balance of -0.5 percent of GDP (some 3.8 percentage points adjustment compared to 2022), underpinned by permanent non-oil revenue measures of some 1 percent of GDP and efforts to streamline expenditure.[9] Fiscal consolidation goals appear to be broadly on track, although a shortfall in oil revenues (due to a less depreciated exchange rate and lower global oil prices and production) is to be compensated for by lower-than-programmed primary expenditure, consistently with the lower nominal spending ceilings in the 2023 budget. In line with the LIC-DSF, projections of central government revenues are augmented with Cocobod's net income that will be used for debt service as Cocobod is part of the debt coverage (Text Table 3).

13. Going forward, the consolidation is expected to be based on further revenue mobilization over the program period, given Ghana's low tax-to-GDP ratio compared to peers and Ghana's large development and social needs. The authorities' objective is to raise the government revenue-to-GDP ratio to over 18 percent by the end of the program from 15.8 percent in 2022. Expenditure will need to be streamlined, particularly in the short term, while preserving growth-enhancing public investment, expanding social safety nets and eliminating extra-budgetary spending and arrears buildup. Additional savings over the medium term will come from a more efficient spending allocation and a reduction in the large subsidies to the energy sector through tariff adjustments and cost reduction measures—with the

[9] Some key measures have been supported by the World Bank's SDFP, such as flagship revenue measures in the 2023 budget (FY23 PPA1); in FY24 the SDFP should continue to support fiscal sustainability and include a debt limit (PPA note pending approval).

latter included in the baseline's projected spending.[10] A plan to clear the large stock of domestic arrears to suppliers has been prepared as part of the Arrears' Clearance and Prevention Strategy (a structural benchmark under the IMF-supported program).

Text Table 3. Ghana: Macroeconomic Assumptions, 2021–43

	2021	2022	2023	2024	2025	2026	2027	2028-43
				Annual Percentage Change				
Real GDP growth								
2023 Program Approval	5.4	3.2	1.5	2.8	4.7	5.0	5.0	5.0
Current	5.1	3.1	2.3	2.8	4.4	4.9	5.0	5.0
Inflation GDP deflator								
2023 Program Approval	11.2	29.8	39.9	20.1	10.9	7.6	7.6	7.7
Current	12.1	28.2	36.3	20.2	10.9	7.5	7.5	7.7
Nominal GDP (in Billion of USD)								
2023 Program Approval	79.2	72.8	66.5	67.6	71.5	75.9	80.9	146.7
Current	79.6	72.2	76.3	75.2	76.0	81.1	86.5	159.2
Exports, Goods & Services								
2023 Program Approval	9.1	7.7	1.0	4.7	4.3	5.0	4.0	6.6
Current	8.3	7.7	-4.6	5.5	4.9	5.3	3.8	4.5
Imports, Goods & Services								
2023 Program Approval	5.8	1.4	0.3	3.9	3.3	5.5	4.7	6.5
Current	5.8	4.5	-3.8	4.1	5.3	5.0	4.3	4.7
				In percent of GDP				
Non-interest Current Account Deficit								
2023 Program Approval	-0.4	-0.2	0.0	-0.4	-0.2	0.4	0.5	1.0
Current	-0.9	-0.2	-0.7	-0.6	-0.3	0.0	0.1	0.2
Revenue and Grants 1/								
2023 Program Approval	15.3	15.7	16.8	17.3	17.8	18.7	18.7	18.7
Current	15.2	15.8	15.9	16.9	17.7	18.5	18.3	18.0
Primary Expenditure 2/								
2023 Program Approval	17.2	16.5	18.0	17.5	16.9	17.7	17.7	17.7
Current	17.1	16.8	16.2	17.3	16.8	17.6	17.5	17.0
Primary Deficit 1/ 2/								
2023 Program Approval	1.9	0.8	1.2	0.2	-0.9	-0.9	-1.0	-1.0
Current	1.9	0.9	0.4	0.3	-0.8	-0.9	-0.7	-1.0
				In percent				
Average real interest rate on domestic debt								
2023 Program Approval	3.5	-12.8	-20.6	-1.0	6.3	5.5	4.6	4.8
Current	2.7	-11.6	-24.1	-9.0	0.5	3.0	2.3	4.4
Average real interest rate on external debt								
2023 Program Approval	4.5	-2.5	1.6	2.9	3.0	2.9	2.8	3.6
Current	4.5	-2.5	1.4	2.4	2.7	2.7	2.7	3.5

Source: Ghanaian Authorities; and IMF staff estimates and projections.
1/ Accounts for Cocobod's net income used for debt service.
2/Primary expenditure and deficit are computed on a cash basis.

14. The draft 2024 Budget submitted to parliament is consistent with the IMF-supported program's fiscal policy objectives. It aims at reaching a primary surplus of 0.5 percent of GDP—an improvement of about 1 percentage point in 2024. This is to be achieved mainly through revenue measures to permanently improve the non-oil revenue-to-GDP ratio by 0.9 percent of GDP. They consist in the streamlining of large VAT exemptions, the strengthening of excise taxes, measures to improve the extractive industry tax regime and reforms to reinforce tax compliance and revenue administration. Although 2024 primary expenditure in percent of GDP remains broadly unchanged, it will be more supportive towards Ghana's large development and social protection needs. The ongoing energy sector

[10] Transfers to the energy sector are projected to increase in 2023, despite the reforms, due to the large depreciation of the currency relative to 2022. In subsequent years they will decrease gradually thanks to continuous reform efforts.

and statutory fund reforms should create space for critical spending. In particular, the planned reforms to the LEAP program (a structural benchmark under the IMF-supported program) are expected to better support the most vulnerable.

15. The authorities have been implementing a comprehensive debt restructuring, which aims at achieving debt sustainability and a moderate risk of debt distress under the LIC-DSF framework by bringing debt stock and flow ratios down to their respective thresholds. In particular, this includes a reduction in the PV of total debt-to-GDP and external debt service-to-revenue ratios to 55 and 18 percent, respectively, by 2028. The authorities have made a substantial progress with respect to their debt restructuring process. The government completed its domestic debt restructuring—which had been launched under the Domestic Debt Exchange Program (DDEP) in early-December 2022, announced a standstill on external commercial and bilateral debt in late December and formally requested a debt treatment under the G20's Common Framework. The authorities expect to rapidly reach agreement with the official creditor committee (OCC) on the terms of a debt treatment in line with the financing assurances they provided in May 2023 and are aiming for signing an MOU in the coming weeks. They have also been further engaging with external commercial creditors and there are good prospects for reaching an agreement on comparable terms.

16. The DSA's baseline scenario reflects the completed domestic debt restructuring. The government launched the DDEP in early-December 2022, opting for a voluntary approach, seeking to swap outstanding medium- and long-term domestic bonds for lower-coupon and longer maturity bonds. Following the completion of the first stage of DDEP in February, the second phase included Cocobills, US$-denominated domestic debt, and pension funds' holdings of government bonds. The government also restructured the BoG's holdings of non-marketable debt, while ensuring the central bank's solvency (see Box).

17. Financing assumptions under the baseline scenario are conservative. The DSA scenario assumes that the government will not regain external market access until 2027. External disbursements over the period 2023-26 are thus limited to the World Bank, IMF, AfDB and other bilateral development partners (see text Table 4). The World Bank[11] is assumed to disburse US$3 billion of which US$1.45 billion for project loans, US$1.15 billion for budget support, and US$400 million for other projects contributing to program financing[12]. In addition, the AfDB is assumed to disburse US$338 million, of which US$235 million of project loans and grants over the period 2023-26 and US$104 for budget support over the first two years of the program 2023-24. The scenario assumes new exceptional financing of US$3 billion from the IMF in 2023-26. Other bilateral development partners are expected to contribute by US$500 million. After accounting for the completed domestic debt restructuring, the residual financing gap is assumed to be

[11] Consistent with IDA20's new financing terms, the DSA assumes that 24 percent of the allocation are concessional Shorter Maturity Loans (SMLs), with a 12-year maturity, 6-year grace period, zero interest or service charge and a grant element of 36 percent. The remaining 76 percent continue to be blend-term credits.

[12] Beyond the IDA20 period, IDA financing figures are based on assumptions; actuals will depend on IDA replenishment volumes, country performance, and other operational factors. Delivery of DPFs will be dependent on an agreement with the government on a strong program of policy and institutional reforms, and adequacy of the macroeconomic policy framework.

filled through accumulation of further external arrears.[13] As central bank financing has been eliminated and given the current situation in the domestic debt market and the government's ongoing debt operation, domestic financing needs in 2023 and 2024 are assumed to be met through issuance of T-bills as the T-bill market remains functional.[14] Starting in 2025, a gradually increasing share of domestic financing needs is projected to be met through issuance of longer-term Cedi debt as the T-bond market functionality is restored.

Box 1. Ghana: Domestic Debt Restructuring

Domestic debt: All domestic debt except for T-bills has been included in the restructuring perimeter. The exchanges have been completed for medium-term debt in local currency (government T-bonds as well as debt issued by ESLA and Daakye), government bonds in USD, Cocobills issued by Cocobod and non-marketable debt held by the Bank of Ghana. The domestic debt restructuring is expected to generate about US$ 8 billion of debt service savings over 2023-26; and lower the present value of overall public debt to GDP by 9 percentage points in 2028.

Medium-term marketable debt in GHS: Different options were offered by debt holder class:

- **Holders other than individuals and pension funds:** Most of these holders' debt (approximately 90 percent participation) was voluntarily exchanged at fixed exchange proportions into a set of new bullet bonds maturing in 2027-38 paying coupons of up to 10 percent (with part of the coupons capitalized rather than paid in cash in 2023 and 2024).
- **Individuals:** individuals' holdings of debt were exchanged (62 percent participation) at somewhat better terms. Holders below 60 years of age could exchange their bonds into a set of bonds amortized in 2027-28 with a cash coupon of 10 percent whereas those over 60 years old were offered similar instruments but with a cash coupon of 15 percent.

Pension funds: Following labor unions' resistance to have pension funds participate in the February exchange, pension funds' holdings of medium-term debt were voluntarily exchanged (95 percent participation) on substantially better terms. Old debt was exchanged into the 2027 and 2028 bonds issued during the February DDE at a 115 percent exchange ratio. Pension funds were also provided with additional strip coupons of 10 percent of the same 2027 and 2028 maturities as the underlying securities.

Government bonds in USD: Most of these bonds (92 percent participation) have been voluntarily exchanged into a set of new bullet bonds maturing in 2027 and 2028 with 2.75 and 3.25 percent coupons.

Cocobills: Most Cocobills (97 percent participation) have been voluntarily exchanged into a set of new bullet bonds (issued by Cocobod) maturing between 2024 and 2028 with a 13 percent coupon.

Non-marketable debt held by the Bank of Ghana: The government exchanged the BoG's holdings of nonmarketable debt (existing non-marketable securities as well as the current overdraft balance of the government) into the 2038 bond used in the completed domestic debt exchange at a 50 percent exchange ratio. The USD 1 billion loan to the government related to the BoG's use of the recent SDR allocation to Ghana was not treated.

[13] Through the simulated issuance of stylized "arrears bonds" at 5 percent interest rate and 10-year maturity.

[14] Domestic interest rates are expected to decline over time as inflation is expected to return to its target by end-2025, with real interest rate in positive territory.

D. Projections Realism

18. Staffs' projections have historically tended to overestimate fiscal adjustment and thus have underestimated overall and external debt growth. Compared to the five-year projection in the 2018 DSA, total public debt exceeded estimates by 33.4 percentage points of GDP on average[15] due to higher-than-expected fiscal deficits and other factors. This is a reflection of the unexpected impact of the COVID-19 pandemic and other exogenous shocks, the financial sector cleanup costs, and a rising interest bill due to deteriorating economic conditions and Ghana's creditworthiness. The average five-year gap between the actual and projected overall debt growth amounts to 8.5 percentage points of GDP in 2022. External debt has also exceeded the 2018-DSA 5-year projections by 12 percentage points of GDP due mainly to higher-than-expected external borrowing costs and currency depreciation.[16]

Text Table 4. Ghana: Summary Table of External Borrowing Program 1/ 2/

(2023-24)

PPG external debt	2023				2024			
	Volume of new debt		Present value of new debt		Volume of new debt		Present value of new debt	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
Sources of debt financing	80	100	66	100	100	100	0	0
Concessional debt, of which	0	0	0	0	0	0	0	0
Multilateral debt	0	0	0	0	0	0	0	0
Bilateral debt	0	0	0	0	0	0	0	0
Non-concessional debt, of which	80	100	66	100	100	100	86	100
IFIs debt	50	63	39	59	50	50	40	46
Bilateral debt	30	38	27	41	50	50	46	54
Commercial debt	0	0	0	0	0	0	0	0
Uses of debt financing	80	100	66	100	100	100	86	100
Infrastructure	80	100	66	100	100	100	86	100
Budget financing	0	0	0	0	0	0	0	0
Memorandum items								
Indicative projections								
Year 2	100		86		100		87	
Year 3	100		87		250		222	

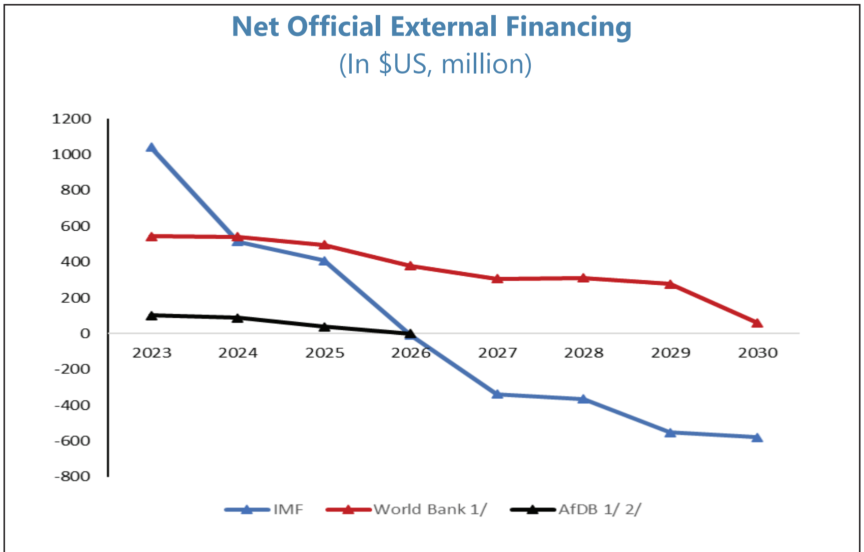
1/The proposed Fund-supported program will include a debt ceiling on the PV of newly contracted or guaranteed external debt by the government and SOEs. In line with the TMU definition of the debt ceiling, figures in the table do not include new financing from the IMF, World Bank, AfDB, projected issuances of local currency debt to non-residents, loans and bonds stemming from the restructuring or rescheduling or refinancing of external debt, renewal of an existing suppliers' credit, rollover of a credit line; (iv) short-term debt including suppliers' credit and credit lines with a maturity of less than 6 months for public entities mentioned in ¶8 of the TMU.

2/The World Bank SDFP will also support a debt limit, consistent with the Fund-support program, under the FY24 PPAs (to be adopted).

Source: IMF staff calculations based on the authorities' reported data.

[15] This refers to the average difference between the public sector debt in the current DSA and the 2018DSA during the period 2018-22 (rebased using the new GDP).

[16] Relatively large unexplained residuals are significantly contributing to the accumulation of PPG debt and external debt during 2018-22. They reflect mainly the external private sector debt and the enlargement of the debt coverage to include domestic arrears and implicitly guaranteed SOEs debt (ESLA, GETFund/Daakye, Sinohydro).



Source: IMF and World Bank staff projections.
1/ Includes project grants.
2/ This includes new budget support for 2023-24.

19. The baseline's projected primary balance adjustment of 5.9 percent of GDP over three years is feasible. Under the program, projections assume achievement of a primary balance surplus of 1.5 percent of GDP by 2025 on a commitment basis—expected to be maintained over the medium term. Although the consolidation falls within the top quartile for peers' consolidation distribution, it remains much lower than the top of the distribution, supporting the consolidation plan's realism.[17] Moreover, the authorities firmly committed to the fiscal adjustment to restore fiscal sustainability and macroeconomic balances. This has been evidenced by meeting the performance criteria on the targeted primary balance for June 2023 thanks to the adoption of revenue measures such as the VAT rate increase, elimination of discounts at customs, an increase in an existing levy; and the implementation of other expenditure measures (public sector wage bill growth kept well below inflation, reduction of capital expenditures, lower cap on transfers to statutory funds, upfront energy tariff adjustment), accompanied by reforms to strengthen expenditure commitment controls.

20. Downside risks to the baseline are significant. Baseline projections are contingent on successful program implementation, further progress in the execution of the external debt restructuring and adequate financing from development partners. Delays in implementing the needed adjustment and reforms, compounded with delays in obtaining the external debt relief, weak interagency coordination, lower agricultural and commodity production and deterioration in global conditions may lead to a further weakening of the macro-financial situation. The domestic debt restructuring presents significant risks to domestic financial sector stability. Continued uncertainty regarding the exchange rate path, large domestic financing needs and still high inflation despite monetary policy tightening represent domestic vulnerabilities. Policy slippages and reversals also represent risks that could be exacerbated by the

[17] This is as assessed based on the change in the primary deficit on a commitment basis. Figure 4 shows a much lower adjustment as the DSA is based on the primary balance on a cash basis.

upcoming 2024 elections. Finally, the need for higher support to Cocobod and larger-than-expected financial sector support due to the domestic debt exchange program could also adversely affect debt dynamics. However, strong political support for the program constitutes an important mitigating factor.

E. Debt-Carrying Capacity and Determination of Stress Tests

21. Ghana's debt carrying capacity is assessed as "*medium*", unchanged from the last DSA. Although higher than its level in the 2021 DSA, the Composite Indicator (CI) score of 2.75 remains between the cut-off values for weak and strong debt-carrying capacity, 2.69 and 3.05, respectively, suggesting a medium debt carrying capacity. The CI is the weighted average of the 10-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) score and macro-economic variables from the April 2023 WEO vintage.

Text Table 5. Ghana: Debt Carrying Capacity

Debt Carrying Capacity	Medium		
Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.750	Medium 2.82	Medium 2.73

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

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	3.569	1.37	50%
Real growth rate (in percent)	2.719	4.117	0.11	4%
Import coverage of reserves (in percent)	4.052	25.709	1.04	38%
Import coverage of reserves^2 (in percent)	-3.990	6.609	-0.26	-10%
Remittances (in percent)	2.022	4.916	0.10	4%
World economic growth (in percent)	13.520	2.856	0.39	14%
CI Score			2.750	100%
CI rating			Medium	

New framework				
	Cut-off values			
Weak	CI <	2.69		
Medium	2.69	≤ CI ≤	3.05	
Strong	CI >	3.05		

Source: CI score calculations based on LIC DSF.

22. Stress tests applied to public and external debt show that contingent liabilities, exchange rate, commodity prices and exports are the most relevant for debt dynamics. A set of *standard shock scenarios* affecting GDP growth, the primary balance, exports and FDI are calibrated at 1 standard deviation in 2024 from their respective historical averages, while the exchange rate is stressed with a one-time 30 percent depreciation in 2025. A combined shock including all the above at half magnitude is also applied. *Tailored stress tests* are carried out on commodity prices—with interactions with other macroeconomic variables—since commodities represent over 70 percent of exports; on contingent liabilities stock and on market access due to the large stock of outstanding Eurobonds. The tailored commodity price test simulates a one standard deviation drop in both fuel and non-fuel commodity export prices, while the market financing shock simulates a 400 bps increase in the cost of borrowing for 3 years, a shortening of average maturities on external debt by 2 years and a 15 percent exchange rate depreciation. The contingent liability stress test suggests a one-off increase in the public debt to GDP ratio, with the shock components are set at their default values.[18]

F. External DSA Assessment

23. Under the baseline, three external debt burden indicators breach their thresholds, with one of them doing so over the full horizon and by large margins (Figure 1). The debt service-to-revenue ratio exceeds its thresholds of 18 percent by large margins throughout the entire forecast horizon, while the PV of PPG external debt-to-GDP remains above its 40 percent threshold under the baseline until 2030. The debt service-to-exports ratio breaches its 15 percent threshold briefly in 2025 and breaches it again in 2029 to remain above it throughout the projection horizon. The one-off 30-percent nominal depreciation of the cedi and the commodity price shock are the most extreme shocks for the PV of PPG external debt-to-GDP and the debt service-to-revenue ratios, respectively, while the exports shock seems to have the highest impact on the debt service-to-exports indicator. The fourth indicator—the PV of external debt-to-exports ratio—does not breach its 180 percent threshold under the baseline, while it breaches it in 2025 and onwards under an exports shock scenario—the most extreme shock for this indicator.

G. Public DSA Assessment

24. Under the baseline, despite the completion of the domestic debt restructuring, the PV of total PPG debt-to-GDP continues breaching its 55 percent benchmark throughout the medium and long terms (Figure 2). Although public debt declines gradually over time, it remains above 55 percent throughout the full horizon. A combined contingent liability shock has the most severe impact on public debt to GDP indicator, followed by an adverse primary balance shock. For other public debt indicators, the commodity price shock is the most severe.

25. With the loss of market access, the market financing risks are assessed as "high", signaling further liquidity pressures amid worsening market sentiment over the forecasting horizon. Both market financing risks indicators breach their respective thresholds. Gross financing needs (GFN), at 19.5 percent of GDP in 2022, are above the 14 percent benchmark, although they are expected to decline gradually towards 13.5 percent of GDP in 2028. Eurobond spreads surged since mid-2021 to surpass 3400 bps at early 2023, well above the 570-bps benchmark, as rollover and liquidity risks have materialized (see Figure 5).

SUSTAINABILITY ASSESSMENT

26. Ghana's external and overall public debt are assessed to be in distress and debt to be unsustainable. Despite the assumption of maximum feasible fiscal adjustment and incorporating the -completed domestic debt restructuring in the baseline, most debt burden indicators continue to exhibit extended and large breaches. The country lost international market access in 2021 amid a sharp

[18] The contingent liability shock has 2 components: (i) a minimum starting value of 5 percent of GDP; and a tailored component which encompasses contingent liabilities stemming from the financial market (5 percent of GDP), PPPs (2.4 percent of GDP) and other SOEs debt that is not captured by the debt coverage (2 percent of GDP).

deterioration in market sentiment and a surge in market spreads. The sovereign bond spread accelerated from 660 bps in mid-2021 to exceed 3400 bps at early 2023, with several consecutive downgrades by global rating agencies reflecting the continued deterioration of Ghana's public finances and external position. The authorities requested financial support from the IMF in July 2022. They hired financial and legal advisors; and in December 2022, they launched a debt restructuring covering domestic debt as well as external commercial and official bilateral debt and announced a standstill on external debt service to all but multilateral creditors. Domestic debt restructuring has been completed in September 2023. On the external front, the authorities expect to reach agreement soon with the OCC on the terms of a debt treatment under the G20's Common Framework, 2023 and will continue working with commercial creditors on agreements on comparable terms.

27. Finalizing the public debt restructuring, and successfully implementing the reform agenda under the IMF-supported program, will be necessary to restore debt sustainability. The baseline assumes strong program ownership and the authorities' full commitment to implement the Fund-supported program in order to restore debt sustainability and bring the debt risk rating to "moderate" in the medium term. This includes in particular reducing the PV of total debt-to-GDP and external debt service-to-revenue ratios to 55 and 18 percent, respectively, by 2028. This entails a revenue-based fiscal consolidation with higher spending efficiency and stronger social safety nets and structural reforms to support greater exchange rate flexibility, a more diversified economy and stronger growth.

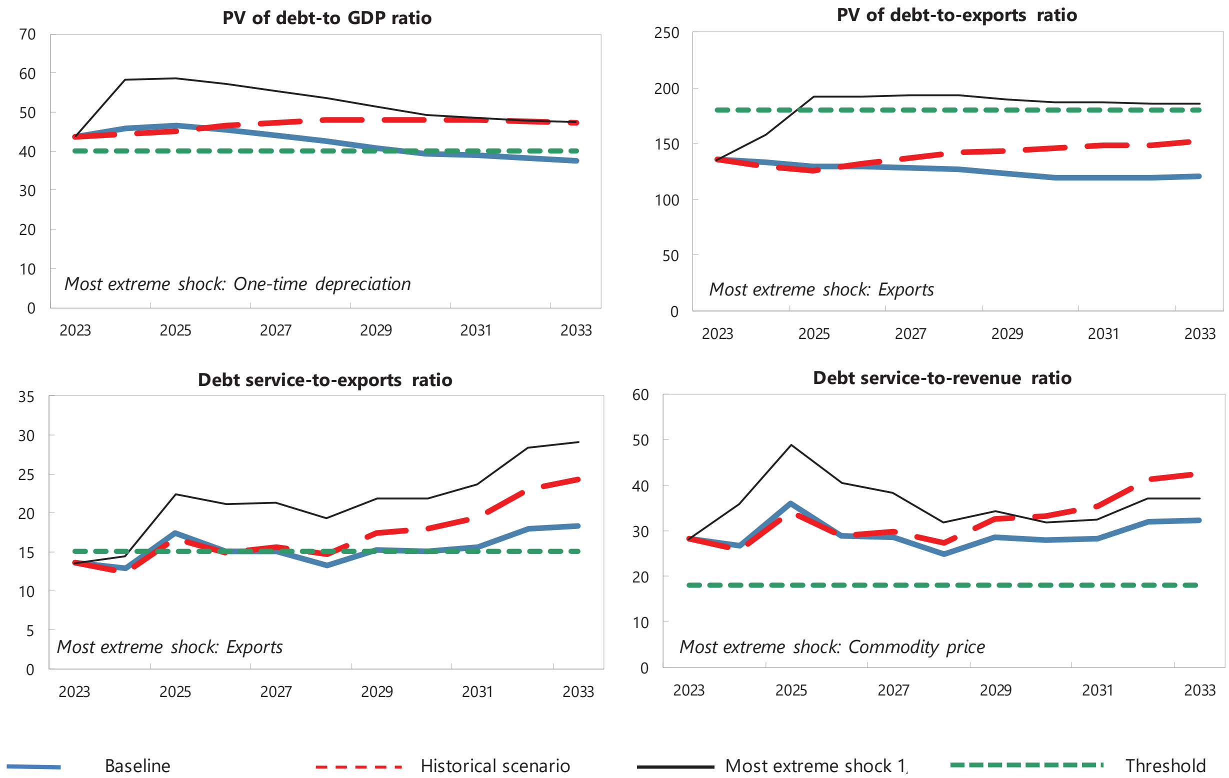
28. Enhancing debt data and transparency are essential to better identify PPG debt and contingent liabilities and allow for a more accurate assessment of debt vulnerabilities. Materialization of contingent liabilities, off-budget operations, and domestic arrears have been drivers of debt accumulation in the past (along with rapid cedi depreciation, underlining the need to restore macroeconomic stability). Furthermore, SOEs represent a potential source of government obligations, either in the form of undisclosed debt or contingent liabilities.[19] A more comprehensive coverage of SOEs debt and guarantees—particularly those that engage in quasi-fiscal activities—should allow for a more accurate assessment of fiscal risks and enhance debt coverage.

AUTHORITIES' VIEWS

29. The authorities generally shared staff's assessment of debt sustainability and renewed their commitment to continue with their strong implementation of the IMF-supported program and expedite the restructuring of their external debt to restore debt sustainability. The authorities acknowledged the importance of a successful implementation of the reform agenda underpinned by the IMF-supported program to restore economic stability—a critical pillar for restoring debt sustainability.

[19] As part of its Sustainable Development Finance Policy (SDFP), the World Bank supported the publication of the 2020 State Ownership Report in 2022, to provide a better picture on large SOEs' financial liabilities.

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–33 [2/]



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	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 on additional financing needs resulting from the 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	5.2%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	6	6

* 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.

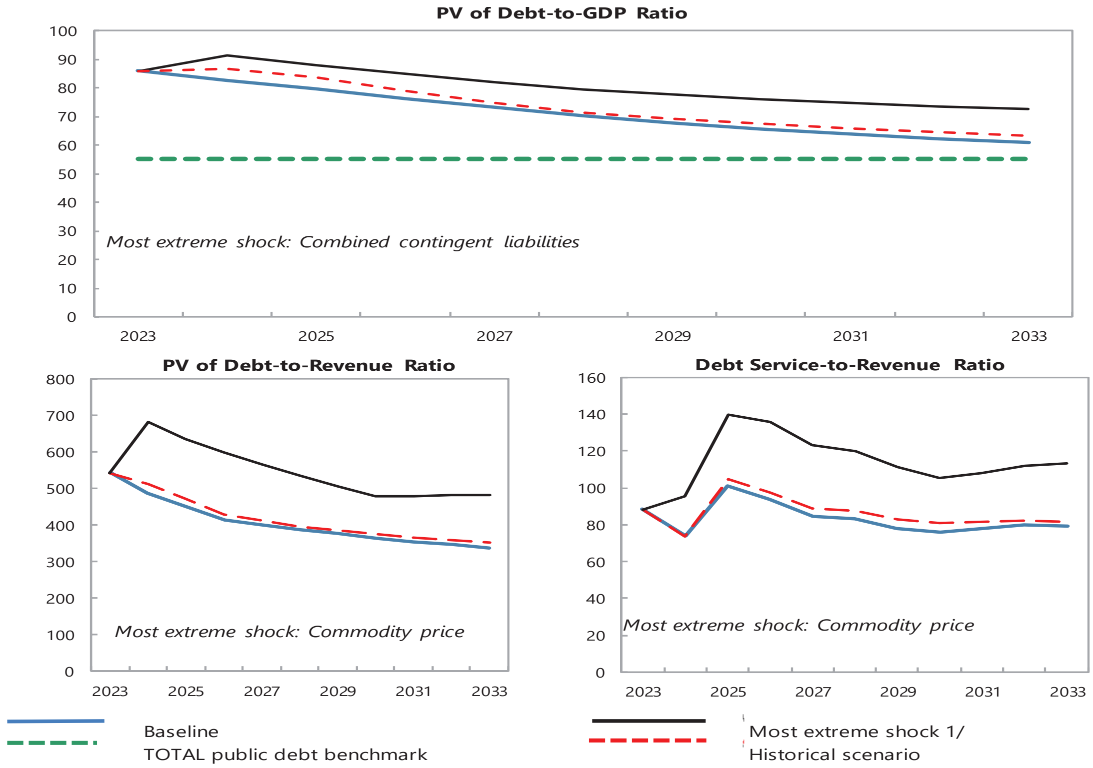
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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.

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.

Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

Figure 2. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2023-33



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	37%	37%
Domestic medium and long-term	38%	38%
Domestic short-term	25%	25%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.2%	9%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	2.2%	5.0%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	2.8%	2.8%

* 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.

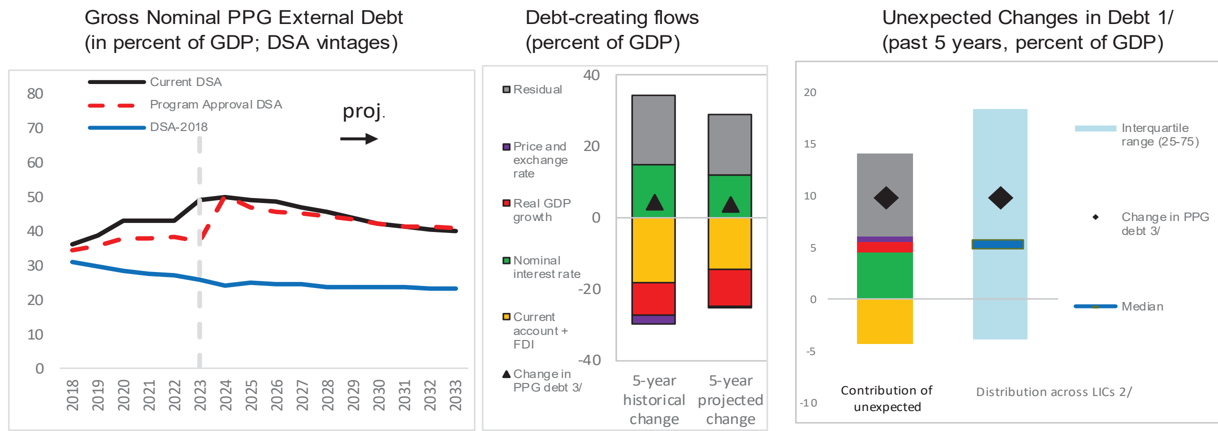
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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.

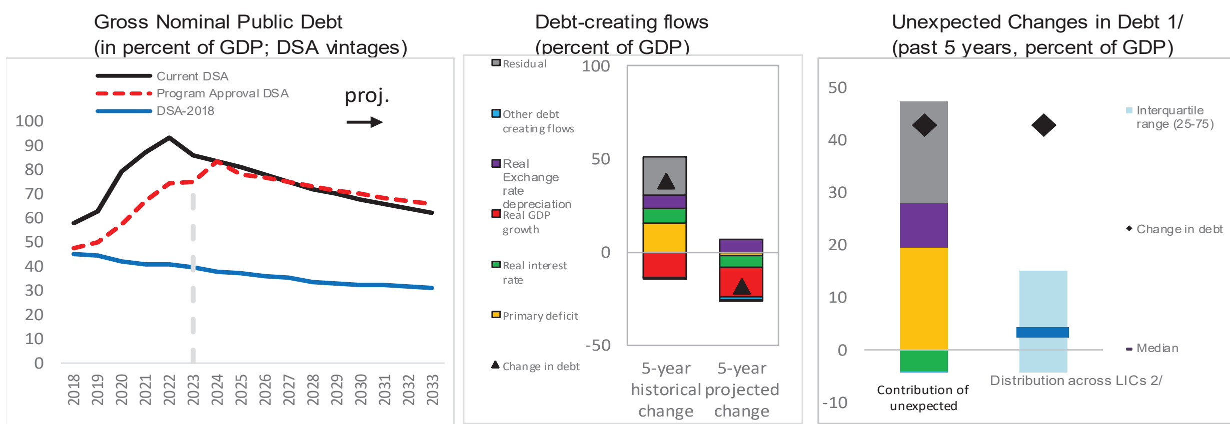
Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

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

External Debt



Public Debt

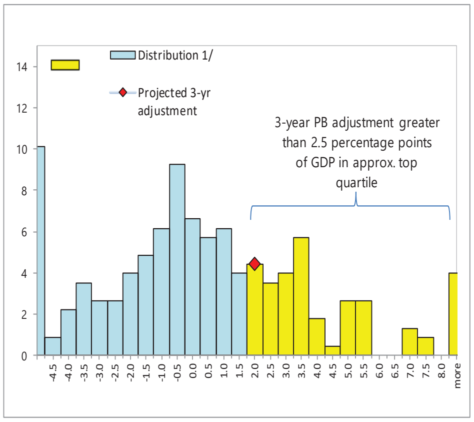


1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICS for which LIC and DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

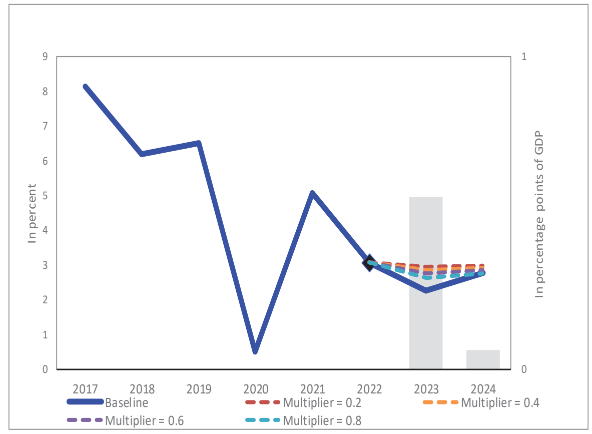
Figure 4. Ghana: Realism Tools

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



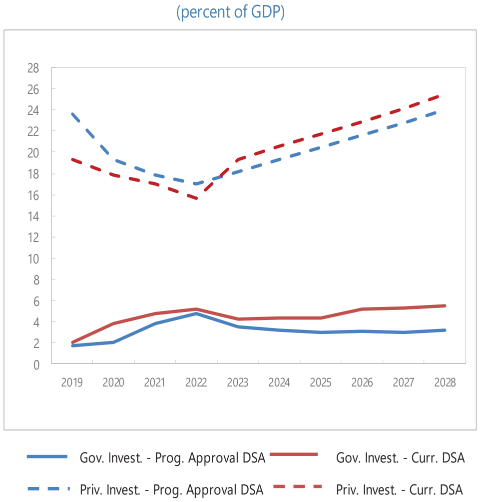
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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)

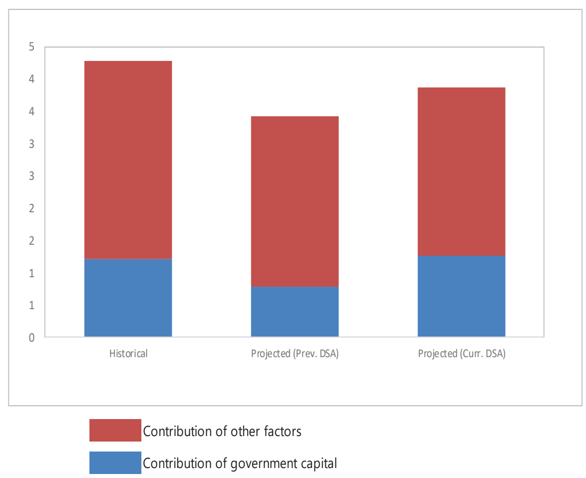
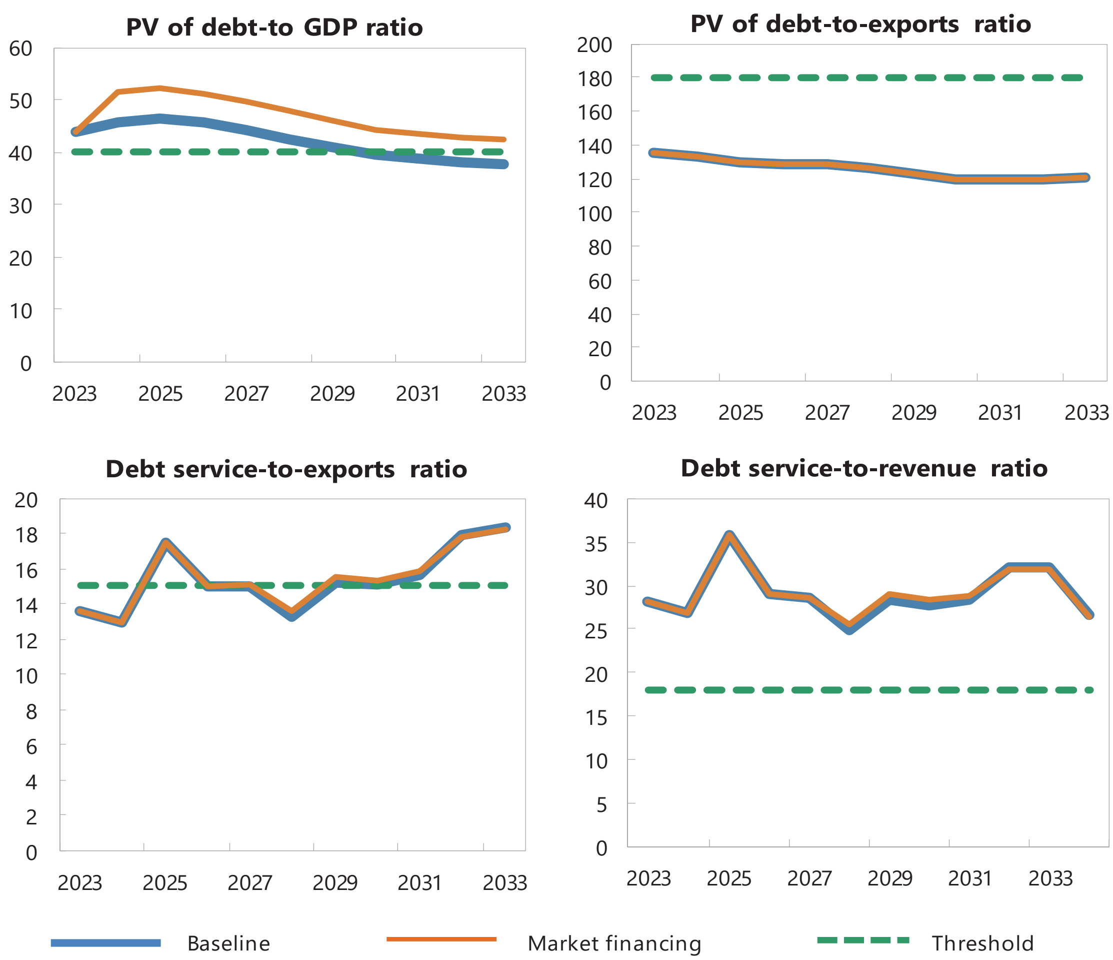


Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	16	2460
Breach of benchmark	Yes	Yes
Potential heightened liquidity needs	High	

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



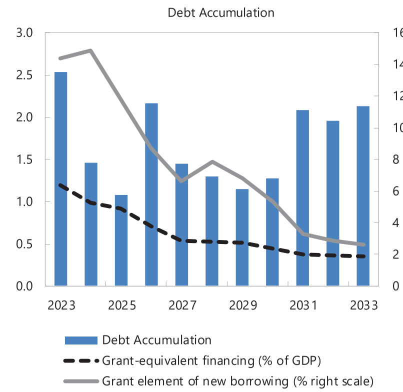
Sources: Country authorities; and staff estimates and projections.

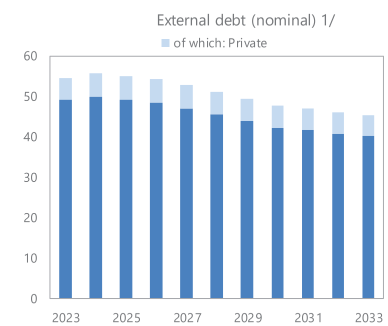
Note: Both the baseline and market financing shock scenarios display very similar paths for PV of debt-to-exports, debt service-to-exports and debt service-to-revenue ratios due to the low level of new envisaged commercial borrowing in the 3 years from the second year of the projection (2024-26).

Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2022–43
(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	48.6	54.4	55.6	55.0	54.4	52.8	51.2	45.3	41.9	41.7	50.8
of which: public and publicly guaranteed (PPG)	43.3	49.1	49.9	49.1	48.6	47.1	45.6	40.2	37.6	37.4	45.3
Change in external debt	0.3	5.8	1.2	-0.6	-0.6	-1.5	-1.6	-0.6	0.2		
Identified net debt-creating flows	2.8	-0.9	-2.2	-3.2	-3.1	-3.1	-3.1	-0.9	0.3	-1.9	-2.1
Non-interest current account deficit	-0.2	-0.7	-0.6	-0.3	0.0	0.1	0.0	0.1	0.4	2.0	0.0
Deficit in balance of goods and services	0.8	1.0	0.6	0.8	0.7	0.8	0.8	0.8	1.3	4.1	0.8
Exports	35.6	32.2	34.4	35.8	35.3	34.4	33.6	31.2	24.1		
Imports	36.4	33.2	35.0	36.5	36.0	35.2	34.4	32.0	25.4		
Net current transfers (negative = inflow)	-4.9	-4.9	-5.2	-5.4	-5.4	-5.3	-5.2	-5.0	-4.2	-4.3	-5.2
of which: official	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)	4.0	3.2	4.0	4.4	4.6	4.5	4.5	4.3	3.2	2.2	4.3
Net FDI (negative = inflow)	-2.0	-1.5	-2.5	-3.0	-3.0	-3.0	-3.0	-1.2	-0.5	-4.5	-2.3
Endogenous debt dynamics 2/	5.0	1.3	0.9	0.1	-0.1	-0.2	-0.1	0.2	0.5		
Contribution from nominal interest rate	2.3	2.4	2.5	2.5	2.4	2.4	2.3	2.3	2.4		
Contribution from real GDP growth	-1.6	-1.0	-1.5	-2.4	-2.6	-2.5	-2.5	-2.2	-1.9		
Contribution from price and exchange rate changes	4.3	...	...	...	...	...	...	...	...		
Residual 3/	-2.4	6.7	3.3	2.6	2.5	1.6	1.5	0.3	-0.1	4.4	1.8
of which: exceptional financing	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	43.6	43.7	45.8	46.4	45.5	44.1	42.5	37.7	35.2		
PV of PPG external debt-to-exports ratio	122.5	135.8	133.0	129.8	129.0	128.2	126.5	120.9	146.3		
PPG debt service-to-exports ratio	12.2	13.6	13.0	17.5	15.0	15.0	13.3	18.4	17.5		
PPG debt service-to-revenue ratio	27.7	28.1	26.8	35.8	29.0	28.5	24.9	32.1	23.5		
Gross external financing need (Million of U.S. dollars)	2521.7	2676.7	2151.6	3453.7	3185.9	3378.8	3025.3	8623.7	15177.0		
Key macroeconomic assumptions											
Real GDP growth (in percent)	3.1	2.3	2.8	4.4	4.9	5.0	5.0	5.0	5.0	4.5	4.5
GDP deflator in US dollar terms (change in percent)	-12.0	3.3	-4.0	-3.2	1.6	1.5	1.6	1.7	1.8	-1.6	0.9
Effective interest rate (percent) 4/	4.2	5.1	4.5	4.6	4.7	4.6	4.7	5.4	6.2	5.6	4.8
Growth of exports of G&S (US dollar terms, in percent)	7.7	-4.6	5.5	4.9	5.3	3.8	4.3	4.3	4.3	4.8	4.2
Growth of imports of G&S (US dollar terms, in percent)	4.5	-3.8	4.1	5.3	5.0	4.3	4.2	4.0	4.6	2.1	4.2
Grant element of new public sector borrowing (in percent)	...	14.4	14.9	11.8	8.7	6.6	7.8	2.6	1.9	...	7.7
Government revenues (excluding grants, in percent of GDP)	15.7	15.6	16.6	17.4	18.3	18.1	17.9	17.8	17.9	13.7	17.5
Aid flows (in Million of US dollars) 5/	132.4	957.3	1002.0	952.2	887.1	857.5	896.8	709.5	870.1		
Grant-equivalent financing (in percent of GDP) 6/	...	1.2	1.0	0.9	0.7	0.5	0.5	0.4	0.3	...	0.6
Grant-equivalent financing (in percent of external financing) 6/	...	18.1	19.9	15.1	12.2	10.8	12.7	5.8	5.4	...	11.7
Nominal GDP (Million of US dollars)	72,243	76,277	75,244	76,019	81,084	86,456	92,244	128,749	250,449		
Nominal dollar GDP growth	-9.2	5.6	-1.4	1.0	6.7	6.6	6.7	6.8	6.9	2.9	5.4
Memorandum items:											
PV of external debt 7/	49.0	49.1	51.5	52.3	51.4	49.8	48.2	42.8	39.5		
In percent of exports	137.5	152.3	149.5	146.3	145.5	144.9	143.3	137.4	164.1		
Total external debt service-to-exports ratio	16.0	17.8	17.3	22.0	19.7	20.0	18.5	25.0	26.0		
PV of PPG external debt (in Million of US dollars)	31532.4	33360.1	34473.6	35286.7	36929.8	38101.3	39229.2	48507.4	88247.8		
(PVt-PVt-1)/GDPt-1 (in percent)		2.5	1.5	1.1	2.2	1.4	1.3	2.1	2.4		
Non-interest current account deficit that stabilizes debt ratio	-0.5	-6.5	-1.8	0.3	0.6	1.6	1.7	0.8	0.1		

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 in total external debt.

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.

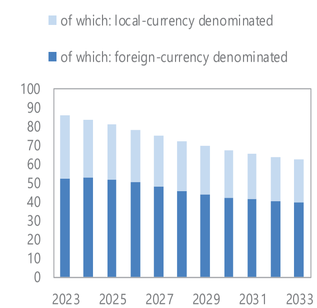
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

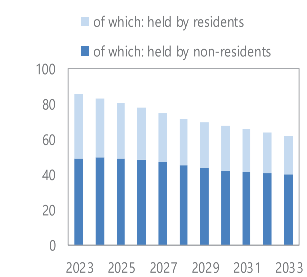
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–43
(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	93.3	86.1	83.6	80.9	77.9	74.9	72.0	62.3	48.8	63.8	73.1
of which: external debt	43.3	49.1	49.9	49.1	48.6	47.1	45.6	40.2	37.6	37.4	45.3
Change in public sector debt	6.4	-7.2	-2.5	-2.7	-3.0	-3.1	-2.9	-1.6	-1.0		
Identified debt-creating flows	-0.9	-14.8	-3.1	-2.5	-2.5	-2.5	-2.4	-1.8	-1.5	3.0	-3.5
Primary deficit	0.9	0.4	0.3	-0.8	-0.9	-0.7	-0.8	-1.0	-1.0	2.4	-0.7
Revenue and grants	15.8	15.9	16.9	17.7	18.5	18.3	18.2	18.0	18.0	14.1	17.8
of which: grants	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2		
Primary (noninterest) expenditure	16.8	16.2	17.3	16.8	17.6	17.5	17.3	17.0	17.0	16.5	17.1
Automatic debt dynamics	-1.8	-12.6	-4.0	-2.0	-1.6	-1.8	-1.6	-0.8	-0.5		
Contribution from interest rate/growth differential	-8.9	-12.6	-4.0	-2.0	-1.6	-1.8	-1.6	-0.8	-0.5		
of which: contribution from average real interest rate	-6.3	-10.6	-1.7	1.5	2.2	1.9	2.0	2.2	1.9		
of which: contribution from real GDP growth	-2.6	-2.1	-2.3	-3.5	-3.8	-3.7	-3.6	-3.0	-2.4		
Contribution from real exchange rate depreciation	7.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-2.5	0.6	0.3	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Privatization receipts (negative)	0.0	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		
Debt relief (HIPC and other)	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	-2.5	0.6	0.3	0.0	0.0	0.0	0.0	0.0		
Residual	7.3	7.6	0.6	-0.2	-0.5	-0.5	-0.5	0.2	0.4	2.8	0.7
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	94.2	86.0	82.8	79.5	76.3	73.1	70.2	60.9	47.9		
PV of public debt-to-revenue and grants ratio	594.9	542.6	488.8	450.2	412.8	400.2	386.5	337.5	265.5		
Debt service-to-revenue and grants ratio 3/	117.5	88.2	74.2	100.7	93.5	84.2	83.5	79.0	49.9		
Gross financing need 4/	19.5	14.1	12.5	16.2	15.5	13.8	13.6	13.3	8.0		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	3.1	2.3	2.8	4.4	4.9	5.0	5.0	5.0	5.0	4.5	4.5
Average nominal interest rate on external debt (in percent)	4.3	5.2	4.9	4.8	4.7	4.6	4.7	5.2	6.0	5.9	4.9
Average real interest rate on domestic debt (in percent)	-11.6	-24.1	-8.9	0.5	3.1	2.3	2.9	4.4	3.8	5.0	-0.3
Real exchange rate depreciation (in percent, + indicates depreciation)	19.0	...	...	...	...	...	...	...	...	4.5	...
Inflation rate (GDP deflator, in percent)	28.2	36.3	20.2	10.9	7.5	7.5	7.5	7.7	7.8	14.6	11.7
Growth of real primary spending (deflated by GDP deflator, in percent)	1.1	-1.0	9.3	1.7	9.8	4.6	3.7	5.0	5.0	4.3	4.7
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-5.5	7.6	2.8	1.9	2.1	2.3	2.1	0.6	0.0	-6.2	2.1
PV of contingent liabilities (not included in public sector debt)	7.5	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.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–33

(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	**44**	**46**	**46**	**46**	**44**	**43**	**41**	39	39	38	38
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**44**	**45**	**45**	**46**	**47**	**48**	**48**	**48**	**48**	**48**	**47**
B. Bound Tests											
B1. Real GDP growth	**44**	**48**	**50**	**49**	**48**	**46**	**44**	**43**	**42**	**41**	**41**
B2. Primary balance	**44**	**47**	**52**	**53**	**52**	**52**	**51**	**50**	**50**	**49**	**49**
B3. Exports	**44**	**50**	**58**	**57**	**56**	**54**	**53**	**52**	**51**	**50**	**49**
B4. Other flows 3/	**44**	**49**	**54**	**53**	**52**	**51**	**49**	**48**	**47**	**46**	**45**
B5. Depreciation	**44**	**58**	**58**	**57**	**55**	**53**	**51**	**49**	**49**	**48**	**47**
B6. Combination of B1-B5	**44**	**50**	**56**	**55**	**53**	**52**	**51**	**49**	**48**	**47**	**46**
C. Tailored Tests											
C1. Combined contingent liabilities	**44**	**49**	**51**	**51**	**50**	**50**	**49**	**48**	**48**	**47**	**47**
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**	**50**	**50**	**50**	**49**	**47**	**45**	**45**	**44**	**43**
C4. Market Financing	**44**	**51**	**52**	**51**	**50**	**48**	**46**	**44**	**44**	**43**	**42**
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	136	133	130	129	128	127	123	120	120	119	121
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	136	129	126	132	137	143	144	146	148	149	152
B. Bound Tests											
B1. Real GDP growth	136	133	130	129	128	127	123	120	120	119	121
B2. Primary balance	136	136	146	150	152	154	152	151	153	154	157
B3. Exports	136	158	**193**	**193**	**194**	**193**	**190**	**187**	**188**	**185**	**186**
B4. Other flows 3/	136	143	151	151	151	151	148	145	146	144	145
B5. Depreciation	136	132	128	127	126	124	120	117	117	117	119
B6. Combination of B1-B5	136	153	152	168	168	167	164	162	162	160	160
C. Tailored Tests											
C1. Combined contingent liabilities	136	141	142	145	147	148	147	146	147	148	152
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	136	134	138	141	143	143	141	137	137	136	137
C4. Market Financing	136	133	130	129	128	127	123	120	120	119	121
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	14	13	**17**	15	15	13	**15**	**15**	**16**	**18**	**18**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	14	12	**17**	15	**16**	15	**17**	**18**	**19**	**23**	**24**
B. Bound Tests											
B1. Real GDP growth	14	13	**17**	15	15	13	**15**	**15**	**16**	**18**	**18**
B2. Primary balance	14	13	**18**	**17**	**17**	**15**	**18**	**17**	**19**	**22**	**23**
B3. Exports	14	14	**22**	**21**	**21**	**19**	**22**	**22**	**24**	**28**	**29**
B4. Other flows 3/	14	13	**18**	**17**	**17**	**15**	**17**	**17**	**19**	**22**	**22**
B5. Depreciation	14	13	**17**	15	15	13	**15**	15	**15**	**18**	**18**
B6. Combination of B1-B5	14	14	**20**	**19**	**19**	**17**	**19**	**19**	**21**	**24**	**25**
C. Tailored Tests											
C1. Combined contingent liabilities	14	13	**18**	**16**	**16**	15	**17**	**17**	**18**	**20**	**21**
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	14	13	**18**	**16**	**17**	15	**17**	**17**	**18**	**21**	**21**
C4. Market Financing	14	13	**17**	15	**15**	14	**16**	**15**	**16**	**18**	**18**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**28**	**27**	**36**	**29**	**29**	**25**	**28**	**28**	**28**	**32**	**32**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**28**	**26**	**34**	**29**	**30**	**27**	**33**	**33**	**35**	**41**	**42**
B. Bound Tests											
B1. Real GDP growth	**28**	**28**	**39**	**31**	**31**	**27**	**31**	**30**	**31**	**35**	**35**
B2. Primary balance	**28**	**26**	**37**	**32**	**32**	**29**	**33**	**32**	**34**	**39**	**40**
B3. Exports	**28**	**27**	**38**	**34**	**34**	**30**	**34**	**34**	**36**	**43**	**43**
B4. Other flows 3/	**28**	**27**	**38**	**33**	**32**	**29**	**32**	**32**	**34**	**39**	**39**
B5. Depreciation	**28**	**34**	**46**	**37**	**36**	**31**	**36**	**35**	**36**	**40**	**40**
B6. Combination of B1-B5	**28**	**27**	**39**	**33**	**33**	**29**	**33**	**33**	**35**	**41**	**40**
C. Tailored Tests											
C1. Combined contingent liabilities	**28**	**26**	**37**	**31**	**31**	**28**	**32**	**32**	**32**	**36**	**37**
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	**28**	**36**	**49**	**41**	**38**	**32**	**34**	**32**	**32**	**37**	**37**
C4. Market Financing	**28**	**27**	**36**	**29**	**29**	**25**	**29**	**28**	**29**	**32**	**32**
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, 2023–33
(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	**86**	**83**	**80**	**76**	**73**	**70**	**68**	**66**	**64**	**62**	**61**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**86**	**87**	**84**	**79**	**75**	**72**	**69**	**68**	**66**	**65**	**63**
B. Bound Tests											
B1. Real GDP growth	**86**	**86**	**87**	**85**	**83**	**82**	**81**	**80**	**80**	**80**	**80**
B2. Primary balance	**86**	**87**	**91**	**88**	**85**	**83**	**81**	**79**	**78**	**77**	**76**
B3. Exports	**86**	**86**	**90**	**87**	**84**	**81**	**79**	**77**	**75**	**73**	**71**
B4. Other flows 3/	**86**	**87**	**87**	**84**	**81**	**79**	**76**	**74**	**73**	**70**	**68**
B5. Depreciation	**86**	**84**	**80**	**75**	**71**	**68**	**65**	**62**	**60**	**57**	**55**
B6. Combination of B1-B5	**86**	**83**	**86**	**83**	**80**	**78**	**76**	**75**	**73**	**72**	**71**
C. Tailored Tests											
C1. Combined contingent liabilities	**86**	**91**	**88**	**85**	**82**	**80**	**78**	**76**	**75**	**74**	**73**
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	**86**	**89**	**87**	**87**	**87**	**86**	**86**	**86**	**87**	**87**	**87**
C4. Market Financing	**86**	**83**	**80**	**76**	**73**	**70**	**68**	**66**	**64**	**62**	**61**
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	543	489	450	413	400	386	376	365	356	346	338
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	543	511	473	428	411	395	386	376	367	359	353
B. Bound Tests											
B1. Real GDP growth	543	506	490	458	454	448	448	445	445	445	445
B2. Primary balance	543	512	515	476	466	455	448	439	433	425	419
B3. Exports	543	510	509	470	459	447	438	428	418	406	393
B4. Other flows 3/	543	511	495	456	445	433	424	413	403	391	380
B5. Depreciation	543	497	450	407	390	372	359	344	331	319	307
B6. Combination of B1-B5	543	493	487	450	440	430	423	414	407	400	394
C. Tailored Tests											
C1. Combined contingent liabilities	543	539	499	460	450	439	432	423	416	409	402
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	543	682	635	599	567	534	507	479	480	482	484
C4. Market Financing	543	489	450	413	400	387	377	365	356	346	338
Debt Service-to-Revenue Ratio											
Baseline	88	74	101	94	84	83	78	76	78	80	79
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	88	74	105	98	89	88	83	81	81	82	81
B. Bound Tests											
B1. Real GDP growth	88	74	110	106	99	101	97	96	100	104	105
B2. Primary balance	88	71	111	115	102	102	98	96	98	100	100
B3. Exports	88	74	102	98	89	88	83	81	85	90	88
B4. Other flows 3/	88	74	103	97	88	87	82	80	84	87	86
B5. Depreciation	88	69	97	92	83	83	78	76	77	80	78
B6. Combination of B1-B5	88	70	101	103	94	94	90	88	90	92	91
C. Tailored Tests											
C1. Combined contingent liabilities	88	71	121	108	98	98	94	92	93	94	93
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	88	96	140	136	124	120	111	105	108	112	113
C4. Market Financing	88	74	101	94	84	84	79	77	78	80	79

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.

GHANA

December 18, 2023

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—INFORMATIONAL ANNEX

Prepared By

African Department
(In Consultation with Other Departments)

CONTENTS

FUND RELATIONS

(As of September 30, 2023)

Membership Status: Joined: September 20, 1957, Article VIII

General Resources Account:	**SDR Million**	**%Quota**
Quota	738.00	100.00
IMF's Holdings of Currency (Holdings Rate)	645.61	87.48
Reserve Tranche Position	92.46	12.53

SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	1,061.21	100.00
Holdings	18.65	1.76

Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	738.00	100.00
ECF Arrangements	936.27	126.87

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	May 17, 2023	May 16, 2026	2,241.00	451.40
ECF [1/]	Apr 03, 2015	Mar 29, 2019	664.20	664.20
ECF [1/]	Jul 15, 2009	Jul 23, 2012	387.45	387.45

[1/] Formerly PRGF.

Outright Loans:

Type	Date of Commitment	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Apr 13, 2020	Apr 16, 2020	738.00	738.00

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

	Forthcoming				
	2023	2024	2025	2026	2027
Principal	29.89	119.56	198.34	238.93	214.02
Charges/Interest	10.69	43.08	43.04	43.06	43.06
Total	40.58	162.64	241.38	281.99	257.08

[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.

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 cannot 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.

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.

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

Safeguard Assessment

Safeguards assessments of the Bank of Ghana (BoG) were conducted between 2009 and 2023. The 2023 assessment noted that the BoG Board had been reconstituted after a political transition hiatus in 2021. However, risks at the BoG were elevated given significant monetary financing since 2020 and the central bank's participation in the government's Gold-for-Oil (G4O) program. Board oversight was needed to monitor these risks and measures to strengthen the central bank's financial position. Further, a previous safeguards recommendation to strengthen the autonomy provisions in the BoG Act, remained outstanding. As an interim measure, the BoG established a Memorandum of Understanding to eliminate monetary financing under the IMF program; however, sustainable autonomy safeguards are needed in the law.

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 is "other managed". Ghana currently maintains one exchange restriction and multiple currency practices (MCPs) 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 reference rate (calculated as the previous day's weighted average exchange rate for spot transactions between banks and customers, between banks, as well as between banks and the BOG): (1) for government transactions; (2) for the surrender of foreign exchange proceeds from cocoa exports funded through the cocoa syndicated loan; and (3) for purchases of inward remittance by commercial banks plus or minus 100 basis points; without having a mechanism in place to ensure that the reference rate does not differ from the rate prevailing in the market (i.e., the interbank exchange rate) at the time of the transaction, the rates used by banks in their transactions with their customers, and the Bloomberg Regional rate (used by the BoG to purchase FX from mining companies), by more than 2 percent. On October 18, 2023, the average exchange rate for transactions in the interbank market was GHc 11.36 per U.S. dollar.

Article IV Consultations

The previous Article IV consultation discussions were held in Accra during April 28 to May 12, 2021. The staff report (Country Report No. 21/165) was discussed by the Executive Board on July 19, 2021 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.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

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

African Development Bank: https://www.afdb.org/en/countries/west-africa/ghana

STATISTICAL ISSUES

As of October 18, 2023

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for 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 are released with delays.
National Accounts: The Ghana Statistical Service (GSS) compiles annual and quarterly estimates of GDP by the production and expenditure approaches at current and constant prices (base year 2013). Despite progress, the compilation of the annual national accounts needs to be further strengthened. The GSS is planning to undertake the next GDP rebase exercise to provide more reliable estimates that reflect the current size and structure of the economy. The new base year is expected to be the year 2023. This also will be the opportunity to incorporate new economic and household surveys and census data as well as to further improve the national accounts methodology. The GSS will conduct an economic census which was postponed to the fourth quarter of 2023, that will be followed by an industrial business economic survey (IBES) latter in 2024. The GSS recently developed the quarterly GDP by expenditure approach and the results were published in June 2023. The GSS is currently understaffed with a current manpower of 274 relative to the institutional approved establishment of 370 personnel, leading to limited number of staff for the compilation of National Accounts Unit. There are only 5 staff who produce annual and quarterly GDP as well as work with the Annual Household Income and Expenditures Survey (AHIES) results, and other activities. The GSS should strengthen the national accounts unit with additional staff.
Price Statistics: The concepts and methods used to compile the consumer price index (CPI) for Ghana largely follow the recommendations and best practice as described in Consumer Price Index Manual: Concepts and Methods (2020). Significant methodological improvements were implemented when the GSS updated the CPI in 2018. The GSS has drafted and published a detailed methodology note describing the concepts and methods used to compile the CPI. While the methods largely follow best practice and international recommendations from the CPI Manual, there is scope for improvement. Specifically, all varieties deemed to be permanently missing should be replaced. Outlets that close or refuse to participate should also be replaced immediately. Quality adjustment methods should be implemented to ensure the index reflects pure price changes and not changes due to differences in quality. Ghana released an updated producer price index (PPI) in October 2022. In addition to updating weights, coverage was expanded to include construction, transportation, food and accommodation services, and information and communication. ISIC Rev. 4 was also implemented. Data collection for the first Household Income and Expenditure Survey (HIES) in Ghana began in January 2022 and these data will be used to update CPI weights.

Labor statistics: In the past couple of years, production of labour statistics has been enhanced with the roll-out of quarterly data collection since the beginning of 2022. The GSS compiles labour mobilities across different economic status and activity based on the quarterly panel data collection. A further boost will be the upcoming release of the maiden national labour and multi-factor productivity statistics which is being compiled in collaboration with the International Labour Organization (ILO), Ghana, under the Productivity Ecosystem for Decent Work Project. The release is scheduled for December 2023. The Ministry of Employment and Labour Relations 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. IMF TA missions have recommended several reform measures that would help alleviate current data quality concerns. The identified problems in coverage and compilation practices of the macro-fiscal reports could be addressed by (i) eliminating the discrepancy in institutional coverage between above and below the line, and (ii) eliminating the use of a mix of cash and accrual data. Further expanding GFS coverage to the general government will be reliant on the improvement of expanding the institutional coverage of Ghana Integrated Financial Management Information System (GIFMIS) to include all statutory funds and IGF-reliant institutions. Another structural benchmark is the onboarding of 265 IGF-reliant institutions on the system. Good progress has been made in the public sector debt statistics. The coverage has been expanded to include the most significant state-owned enterprises. Finalizing the delineation of the public sector and extending the coverage of fiscal and debt data to general government are strongly encouraged.
Monetary and Financial Statistics: Good progress has been made in implementing the recommendations made by the 2017 and 2020 MFS technical assistance missions, concerning the account classification and the reporting of the commercial bank restructuring. Important achievements included (i) improved classification of some accounts in the SRFs 1SR and 2SR to be in line with the MFSMCG, (ii) elimination of some reported negative balances and minimizing the discrepancies in reporting interbank financial positions, and (iii) including the balance sheets of all banks with revoked license in the ODCs subsector coverage until their assets and liabilities were assumed by the acquiring or bridge banks. More efforts are needed to implement the technical assistance mission's recommendations to include the remaining ODCs in the MFS compilation. The RD has compiled the SRF 2SR for RBs, FHs, S&L, and CUs. Some data issues identified remain pending. These issues included some unexplained breaks in time series, occasional out of trend values, and some negative balances in assets and liabilities. Bank of Ghana reports data on some key series of the Financial Access Survey (FAS), including mobile and internet banking and mobile money data, and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the United Nations to monitor Target 8.10 of the Sustainable Development Goals.
Financial Sector Surveillance: BOG reports the 12 core financial soundness indicators (FSIs) and 5 of the 12 additional FSIs for deposit takers on a quarterly basis within a lag of one quarter for posting on the IMF's FSI website.

External Sector 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 participated 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 collection and dissemination of private sector flows and the timeliness of the data. Next steps include working with STA on the development of the quarterly survey of cross-border flows. Despite the progress achieved in improving the data sources and compilation techniques, substantial work is still needed to strengthen existing, develop new, data sources to improve the accuracy and reliability of the current, capital, and financial account and enhance the IIP's timeliness. 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 (MOF), through its Treasury and Debt Management Division (TDMD), maintains the external debt database. It is responsible for recording debt payment obligations, issuing payment requests, leading the debt restructuring and reporting to Parliament and all stakeholders. 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 TDMD 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. To enhance timeliness and broader coverage of the debt statistics, the TDMD would require a Technical Assistance in collection and dissemination of SOEs, Statutory Funds and MMDAs debt.
Trade Statistics: The GSS released the maiden standalone trade statistics in August 2023 reflecting the time period 2022, based on available administrative data from the Customs, Excise, and Preventive Service (CEPS). These statistics have been institutionalized for a quarterly release starting November 2023 where trade statistics for the first two quarters of 2023 will be released. 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 started participating in the General Data Dissemination System (GDDS) in 2005 and launched its National Summary Data Page under the Enhanced General Data Dissemination System (e-GDDS) in November 2018. Ghana disseminates 14 of the 15 encouraged data categories under the GDDS. Ghana should continue to progress with e-GDDS implementation, in particular by improving the timeliness of the categories they already publish in their National Summary Data Page (NSDP). The GSS has already initiated discussions with the IMF on this subject matter. Ghana received a mission to produce a Data module of the Reports on Observance of Standards and Codes (data ROSC) in July 2004. In this report the IMF assesses in detail the quality of the statistical systems of its member countries.

Ghana: Table of Common Indicators Required for Surveillance
(As of September 30, 2023)

	Date of latest observation	Date received	Frequency of data [6]	Frequency of reporting [6]	Frequency of publication [6]
Exchange rates	Jun 2023	Jul 2023	M	M	M
International reserve assets and reserve liabilities of the monetary authorities [1]	Jun 2	Sep 2023	M	M	M
Reserve/base money	Jun 2023	Sep 2023	M	M	M
Broad money	Jun 2023	Aug 2023	M	M	M
Central bank balance sheet	Jun 2023	Sep 2023	M	M	M
Consolidated balance sheet of the banking system	Jun 2023	Sep 2023	M	M	M
Interest rates [2]	Jul 2023	Sep 2023	M	M	M
Consumer price index	July 2023	Aug 2023	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	Mar 2021	Apr 2021	M	M	I
Stocks of central government and central government-guaranteed debt [5]	Dec 2020	Apr 2021	M	Q	A
External current account balance	Dec 2022	Aug 2023	Q	Q	Q
Exports and imports of goods and services	Dec 2022	Aug 2023	Q	Q	Q
GDP/GNP	2023, Q1	Aug 2023	Q	Q	Q
Gross external debt	March 2023	April 30, 2023	M	M	M
International investment position [7]	2022	Aug 2023	A	A	A

[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, and rates on treasury bills, notes and bonds.
[3] Foreign, domestic bank, and domestic nonbank financing.
[4] The general government consists of the central government (budgetary funds, extra budgetary 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 nonresidents.

INTERNATIONAL MONETARY FUND

GHANA

January 12, 2024

STAFF REPORT FOR THE 2023 ARTICLE IV CONSULTATION, FIRST REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION, AND MONETARY POLICY CONSULTATION

Approved By
Annalisa Fedelino and Guillaume Chabert

Prepared by the Ghana team of the African Department

This supplement provides additional information to the Staff Report circulated to the Executive Board on December 19, 2023. Specifically, it includes an update on the progress on the debt restructuring with official bilateral creditors and recent developments. It also presents staff and the authorities' views regarding the status of the Monetary Policy Consultation Clause (MPCC), which was triggered with the December 2023 inflation data release.

This supplement includes a proposed draft decision for the completion of the review under the Extended Credit Facility in an attachment.

FINANCING ASSURANCES

1. **As foreseen in the staff report, staff's assessment is that there are sufficient assurances regarding the debt restructuring needed to restore debt sustainability and generate financing consistent with program parameters.** Ghana reached on January 12, 2024 an agreement in principle with the Official Creditor Committee (OCC) under the G20 Common Framework on a debt treatment consistent with program parameters and the objective of restoring the country's debt sustainability over the medium term. This agreement is in line with the financing assurances provided in May 2023 and subject to finalization of internal procedures by some OCC members. As the OCC has provided financing assurances that are adequately representative and includes representatives of Paris Club creditors, arrears to other official bilateral creditors can be deemed away under the Lending into Official Arrears (LIOA) Policy.

2. **In the alternative restructuring scenario based on the treatment agreed with the OCC, Ghana would remain in debt distress due to arrears to private creditors**. However, considering the authorities' continuing good faith negotiations with private creditors on a treatment consistent with debt targets and program parameters, and respecting the comparability of treatment requirements on which the official bilateral treatment is conditioned, Ghana's debt would be assessed as sustainable on a forward-looking basis.

RECENT DEVELOPMENTS

3. **Economic activity data recently released by the Ghana Statistical Service were broadly consistent with staff's expectations**. Year-on-year real GDP growth declined to 2 percent in the third quarter of 2023 (from 3.3 percent) in Q2, mainly reflecting a deeper contraction of industrial output and, to a lesser extent, a slowdown in services. This outturn is consistent with staff's estimated growth of 2.3 percent in 2023.

4. **The 2024 budget and associated tax bills presented to parliament as a prior action under the program were enacted in late December 2023**.

MONETARY POLICY CONSULTATION

5. **The program's MPCC was triggered for end-December 2023 due to a more favorable outturn.** Inflation at end-2023 was 23.2 percent, below the 25.4 percent lower bound of the outer band of the MPCC (see table in Attachment II). As noted in the authorities' letter (Attachment I), this outturn reflected several favorable developments (e.g., a stronger currency than expected, stable fuel prices, and a good agricultural harvest season).

6. **Staff and the authorities agree that the Bank of Ghana's policy stance has been appropriate and expect overall inflation to continue to decline in the coming months consistent with inflation gradually returning to its target.** The Bank of Ghana is committed to

monitor price developments closely and adjust the policy stance as needed to ensure inflation is brought back to the 6-10 percent target range by the end of the program.

STAFF ASSESSMENT

7. With further progress on the debt restructuring and completion of the monetary policy consultation, the thrust of the staff appraisal contained in the staff report remains appropriate. Staff assesses that financing assurances are in place and recommends completion of the first review under the Extended Credit Facility.

Attachment I. Consultation with the IMF Executive Board on Inflation Falling Below Target Under the MPCC

Accra, Ghana, January 12, 2024

Consultation on Breach of MPCC Target in December 2023.

Bank of Ghana (BoG)

Following several months of decline, inflation ended the year 2023 at 23.2 percent (December, year-over-year), which was below the lower bound of the outer band of the program's Monetary Policy Consultation Clause (MPCC)of 25.4 - 33.4 percent. This note explains the reasons for this development and discusses the policy response and the outlook of inflation.

I. Inflation Deviation from the Consultation Band

1. While acknowledging the difficulty of making accurate projections during a crisis, when inflation is high and volatile, the more favourable outturn than expected can be explained by several factors.

- **The stronger than expected exchange rate of the domestic currency played a significant role in the disinflation process.** The actual end-year exchange rate was GHC 11.9 compared to GHC15.5 expected at the start of the programme.

- **Stable crude oil prices led to stable fuel prices with favourable impact on transportation costs**. The relative stability of the exchange rate along with fairly stable crude oil prices in the international commodities market resulted in a relatively stable ex-pump prices and transport fares, key drivers of goods and services prices in the country.

- **Favourable climatic conditions on the food supply chain process also allowed for a rapid disinflation process in the second half of the year.** Food inflation, fell significantly as a result of a strong harvest and the easing of supply chain bottlenecks.

II. Policy Responses

2. In response to rising inflationary pressures which begun in March 2022, the BoG's Monetary Policy Committee responded aggressively to tighten policy and anchor inflation expectations. Over the course of March 2022 to June 2023, the Monetary Policy Committee (MPC) increased the policy rate cumulatively by 1,550 basis points to 30 percent. Stepped-up sterilization efforts and increases in the cash reserve ratio were employed as additional policy measures to ensure adequate transmission of the monetary policy tightening. In addition, Bank of Ghana eliminated monetary financing of the government deficit.

3. Together with an ambitious fiscal adjustment program, these policies helped dampen aggregate demand pressures, tame pressures on the exchange rate, and reduce inflation.

III. The Outlook for Inflation

4. In the near-term, BoG forecasts suggest that the disinflation process will continue in 2024. Given the current momentum and continued tight policy stance, inflation is expected to continue to decline next year. However, the revenue measures in the 2024 budget, especially the removal of selected VAT exemptions, the alignment of custom tariffs with the VAT Act, and introduction of green taxes could marginally slow the disinflation pace. Considering these factors, BoG expects overall inflation to continue to decline in the coming months, but with smaller monthly increments, allowing for headline year-on-year to gradually return in its target band.

8. The BoG will continue to monitor the impact of the policy measures and developments in the global and domestic economy and stands ready to take measures as necessary to bring inflation back to the 6-10 percent target range by the end of the program.

/s/
Ernest Kwamina Yedu Addison
Governor, Bank of Ghana

Attachment II. Updated Performance Criteria and Indicative Targets Table

Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2023

	2023							2023		
	June				September			December		
	Performance Criteria							Performance Criteria	Performance Criteria	
	Prog. Request	Adjusted	Actual	Status	Prog. Request	Adjusted	Actual	Prog. Request	Proposed	Actual
Performance Criteria:										
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	-98.5	-98.5	856.2	**Met**	270.7	270.7	866.7	655.0	988.2	n.a.
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (millions of cedis) [2]	0.0	0.0	-33.6	**Met**	0.0	0.0	-110.5	0.0	0.0	n.a.
Present value of newly contracted or guaranteed external debt by the central government and public entities, cumulative ceiling (millions of U.S. dollars) [3]	66.2	66.2	0.0	**Met**	66.2	66.2	0.0	66.2	66.2	n.a.
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-4,008.4	-5,404.5	2,245.3	**Met**	-5,756.4	n.a.	n.a.	-4,607.1	-4,323.5	n.a.
Non-accumulation of external debt payments arrears by the central government and the Bank of Ghana, continuous ceiling (millions of U.S. dollars) [5]	0.0	0.0	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	n.a.
Newly contracted collateralized debt by the central government and public entities, continouous cumulative ceiling (millions of U.S. dolllars)	0.0	0.0	0.0	**Met**	0.0	0.0	0.0	0.0	0.0	n.a.
Monetary Policy Consultation Clause										
Twelve-month consumer price inflation (percent)										
Outer band (upper limit)	48.1	48.1			45.6	45.6		33.4	33.4	
Inner band (upper limit)	45.1	45.1			43.6	43.6		31.4	31.4	
Central target rate	**42.1**	**42.1**	42.5	**Met**	**40.6**	**40.6**	**38.1**	**29.4**	**29.4**	**23.2**
Inner band (lower limit)	39.1	39.1			37.6	37.6		27.4	27.4	
Outer band (lower limit)	36.1	36.1			35.6	35.6		25.4	25.4	
Indicative Targets:										
Non-oil public revenue, cummulative floor (millions of Cedis) [3]	49,843	49,843	50,142	**Met**	79,871	n.a.	n.a.	116,365	114,186	n.a.
Social spending, cumulative floor (billions of cedis) [3]	2,034	2,034	2,122	**Met**	3,051	n.a.	n.a.	4,068	4,068	n.a.
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis) [3]	0	0	1,572	**Not Met**	0	n.a.	n.a.	0	0	n.a.

Sources: Ghanaian authorities; and IMF staff estimates and projections.
1 Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report. Cumulative change since January 1.
2 Cumulative change since the beginning of the program
3 Cumulative from January 1.
4 Includes net change of payables of the central government reported in GIFMIS.
5 Accumulation of new arrears since previous test date.

Statement by Mr. Bijani and Mr. Akosah on Ghana
January 19, 2024

Introduction

1. Our Ghanaian authorities thank Mr. Roudet and the mission team for their constructive and cordial engagements during the First Review of the Extended Credit Facility (ECF) program and the Article IV consultation. They are also grateful to management and the Executive Board for their continued support to Ghana. They further extend their deep gratitude to the Official Creditor Committee, co-chaired by France and China, for the timely agreement-in-principle and financial assurances on January 12, 2024, which facilitated the Board's First Review under the ECF. The authorities broadly share staff's assessment and the thrust of policy recommendations.

Ghana continues to face serious macroeconomic challenges, driven by multiple external shocks and exacerbated by long-standing economic fragilities. Despite the socio-political risks, the authorities have taken several difficult, but necessary remedial actions to restore macroeconomic stability and revive the economy, consistent with their post-Covid-19 Program for Economic Growth (PC-PEG).

Program Performance

2. **The ECF-supported program is on track despite a challenging socioeconomic environment, demonstrating the authorities' strong commitment and ownership of the program.** All end-June 2023 quantitative performance criteria and continuous performance criteria were met, and inflation over-performed the Monetary Policy Consultation Clause (MPCC) for end-December 2023. All but one end-June 2023 Indicative Targets (ITs) as well as the end-June and end-September 2023 Structural Benchmarks (SBs) were also met. The IT of zero net accumulation of arrears was missed due to increased energy sector payables amid low recoveries, tight financing conditions and the ongoing renegotiations with independent power producers. The remaining SB on the publication of an updated energy sector recovery program was met with a delay as the authorities needed more time to finalize the update and to allow for comprehensive consultations.

Recent Economic Development and Outlook

3. **The authorities' resolute implementation of policies under the program has started showing notable signs of economic stabilization and recovery.** Real GDP growth averaged 2.8 percent (year-on-year) in the first three quarters of 2023—about the same level recorded in 2022—and is consistent with staff's higher revised growth projection of 2.3 percent in 2023 (from initial 1.5 percent). Robust growth in the services and agriculture sectors—more than offsetting the continuous declines in industrial output—underpins the more optimistic growth projection for 2023. Economic growth is expected to further pick up in 2024 before averaging an annual rate of around 5 percent in the subsequent years, as macroeconomic stability is fully restored, and structural reforms boost investment and productivity. Inflation, which was on an upward spiral and peaked at 54.1 percent in December 2022, has decelerated faster-than-expected reaching 23.2 percent in December 2023, below the lower outer band of the MPCC (25.4 percent). The steady disinflation is underpinned by decisive fiscal and monetary tightening, and the relative stability of the Cedi. The external position has also improved, with FX accumulation outperforming the program objectives, as the current account recorded a surplus of US$1,047.7 million (1.4 percent of GDP) by end-September 2023 against a deficit of US$1,835.1 million (-2.5 percent of GDP) in 2022 underpinned by a trade surplus, reduced income payments—mainly driven by external debt standstill since December 2022—and improved remittance flows. The improved current and financial account balances boosted gross reserves to US$2.5 billion by end-October 2023 (equivalent to 1.1 month of import cover).

4. Recognizing the significant downside risks to the macroeconomic outlook, the authorities reaffirm their continued strong commitment to implement policies and reforms under the ECF-program to restore macroeconomic stability and foster medium-term fiscal and debt sustainability, with durable inclusive growth.

Fiscal Policy and Debt Management

5. **The authorities are committed to an ambitious and frontloaded fiscal adjustment, underpinned by strong revenue mobilization effort, to reestablish fiscal and debt sustainability.** They will accelerate the implementation of reforms under their Medium-Term Revenue Strategy (MTRS) to address the prevailing tax gaps with the aim of widening the tax base and improving compliance. The authorities have frontloaded the revenue package in the MTRS in the approved 2024 Budget to boost non-oil revenue. They will also accelerate the onboarding of the remaining large taxpayers on the E-VAT platform and complete the ongoing clean-up of the tax registry by end-June 2024 to enable migration of accurate taxpayer data to the new integrated tax administration system.

6. **Prioritizing and rationalizing expenditure while improving spending efficiency ranks high on the authorities' fiscal agenda.** The authorities will focus on growth-enhancing capital projects and continue to implement the quarterly tariff adjustments to mitigate fiscal risks from energy sector shortfall. They are resolved to further strengthen public financial management (PFM) to enhance fiscal oversight, reinforce commitment controls and avert arrears accumulation. Relatedly, they stand ready to implement recommendations arising from the on-going review of government flagship programs under the Public Expenditure Review exercise being undertaken with the help of the World Bank. The Fiscal Responsibility Act (2018) will be amended, and the Fiscal Advisory Council reformed to strengthen fiscal discipline.

7. **The authorities also prioritize social intervention programs to protect the most vulnerable from the impact of the ongoing fiscal adjustment.** They remain determined to improve the targeting and coverage of key social intervention programs. They have increased the budgetary allocations for the highly targeted social intervention programs for 2024 and will implement the recently introduced automatic indexation framework to help maintain the real value of social benefits.

8. **Furthermore, they acknowledge the urgency to improve the debt management framework.** In this respect, they will: (i) continue to impose hard limits on newly contracted non-concessional external debt and prioritize concessional financing for projects; (ii) strengthen governance and viability of SOEs—particularly Cocobod and those in the financial and energy sectors—to mitigate potential fiscal risks stemming from contingent liabilities and collateralized debt issuance; (iii) modernize the securities operation infrastructure currently used by the Debt Management Office to improve debt analysis; and (iv) develop a medium-term debt management strategy immediately after completing the external debt restructuring. Regarding the latter, they plan to swiftly complete the agreements with all external official creditors in a transparent manner and are committed to advance their good-faith negotiations with external commercial creditors to reach a collective and timely agreement on comparable terms.

Monetary, Financial Sector, and Exchange Rate Policies

9. **The authorities regard the current monetary policy stance as appropriate and expect disinflation to continue in 2024.** The Bank of Ghana (BoG) will continue to monitor price developments and adjust its policy stance in a data-dependent manner to firmly anchor inflation expectations and steer inflation toward the 8±2 percent target as envisioned under the MPCC. The BoG will also eschew monetary financing of the budget and further intensify efforts to improve the monetary policy framework and the transmission mechanism with TA support from the Fund. The authorities remain committed to further amend the BoG Act 2002 (Act 612) to strengthen the BoG's financial and operational autonomy. The BoG is further committed to greater exchange rate flexibility to facilitate reserve accumulation and

build resilience to external shocks. It will intensify efforts to unify the FX market and limit FX market interventions to episodes of excessive market volatility.

10. **The authorities are keen to prioritize financial sector stability following the DDEP.** Ghana's financial system is broadly stable as most banks entered the DDEP in strong balance sheet positions fostered by the comprehensive 2017-19 restructuring of the banking sector. Nevertheless, the authorities acknowledge the lingering financial sector challenges following the DDEP, including rising NPLs and declining capital buffers due to large sovereign-bank exposure. To safeguard financial stability, the authorities would ensure timely implementation of banks' recapitalization plans and continue to strengthen the supervision and oversight of banks with capital shortfalls. They have established the Ghana Financial Sector Fund (GFSF)—with financing support from the World Bank—to provide additional support to the financial sector, and its operational framework has already been prepared. They also remain resolved to complete the legacy tasks from the 2017-19 financial sector clean-up and will further strengthen the AML/CFT framework to maintain alignment with FATF international standards and to uphold financial stability.

Governance and Structural Reforms

11. **The authorities are committed to macrocritical structural reforms.** In this context, they are redoubling their efforts to implement the Cabinet-approved Growth Strategy (August 2023) to foster private sector development and stimulate strong, sustainable, and inclusive medium-term growth. Additionally, the authorities will strengthen the governance and anti-corruption frameworks to enhance accountability and integrity. To this end, they plan to fully implement the recommendations of the audit report of Covid-19 spending and publish the ongoing IMF's Governance and Corruption Diagnostic Assessment when finalized. They have also prepared a draft New Conduct of Public Officers Act to address existing defects in the asset declaration system which is expected to be approved by Cabinet by May 2024.

12. **Strengthening Ghana's resilience to climate shocks remains a priority.** The authorities are accelerating and scaling up efforts to build climate resilience via adaptation actions with the aim of shielding the country's development gains and supporting the achievement of its SDGs. For that reason, the authorities are currently coalescing the multiple adaptation policy initiatives into Ghana's National Adaptation Planning (NAP) with the aim of fully integrating adaptation into the country's economic, environmental, and social decision making to foster climate-resilient sustainable development across sectors. They have prepared Ghana's first adaptation communication from the ongoing NAP process and identified priority areas for immediate actions. They also plan to leverage climate financing for green growth.

Conclusion

13. Ghana continues to face acute economic and financial challenges caused by multiple external shocks and magnified by long-standing domestic vulnerabilities. Nevertheless, our Ghanaian authorities reaffirm their strong commitment to continue the timely implementation of sound macroeconomic policies, supported by the Fund and other development partners, aimed at restoring macroeconomic stability and medium-term fiscal and debt sustainability, together with fostering sustainable, inclusive, and green growth. In view of this strong commitment and the satisfactory program performance, the authorities look forward to Executive Directors' support for the completion of the first review under the ECF arrangement and the related requests to further anchor the implementation of their ambitious stabilization and reform agenda.