Letter of Intent

Accra, March 7, 2019

Ms. Christine Lagarde
Managing Director
International Monetary Fund (IMF)
Washington, D.C. 20431

Dear Ms. Lagarde,

1. On behalf of the Government of Ghana, we hereby transmit the attached Memorandum of Economic and Financial Policies (MEFP) that sets out progress that has been made in the Extended Credit Facility programme which was agreed with the Authorities in April 2015.

2. Two years ago, this Government assumed office after winning an overwhelming mandate from the people of Ghana in December 2016. The Government inherited an economic programme that had been derailed with severe macroeconomic imbalances, significantly deviating from the programme objectives. During the last two years, the Government requested for an extension of the programme and recalibrated the macroeconomic framework with the aim of restoring macroeconomic stability. During this period, some decisive and painful actions were taken to uphold fiscal consolidation and financial stability to promote growth and job creation.

3. We are happy to report that the economy has responded positively to these measures. Growth has picked up from 3.4 percent in 2016 to 8.1 percent in 2017 and 6.7 percent for the first three quarters of 2018. Inflation has declined from 15.4 percent to 9.0 percent in January 2019. The consolidation of our public finances has been successful leading to a significant reduction in the fiscal deficit from 7.3 percent of GDP in 2016 to 3.8 percent in 2018. The primary balance turned positive at the end of 2017, the first time in almost a decade, and remained positive and as programmed at the end of 2018. Our efforts have been welcomed both domestically and internationally, culminating in the first ratings upgrade from Standard and Poor's in 2018, after almost a decade as well as the largest Eurobond issuance in 2018 consisting of the issuance of the first 30-year bond and achieving the lowest rate on a 10-year bond since Ghana's debut Eurobond issuance in 2007. While progress on some structural reforms has been slower than anticipated, we continue to address outstanding vulnerabilities.

4. In light of the resolve and commitment shown in implementing macroeconomic policies and reforms, the Government of Ghana requests the IMF Executive Board to waive the nonobservance of the Performance Criteria (PC) on the wage bill, the net international reserves of Bank of Ghana (BoG), for both end-June and end-December 2018, the PC on the primary balance for end-June (though met for end-December) and the continuous PC on gross credit to the government by the Bank of Ghana (missed in November 2018 following the exceptional intervention of the Bank of Ghana in monetizing the bond assigned to the Consolidated Bank, Ghana as part of the financial sector clean

up), to complete the combined seventh and eighth reviews of the Extended Credit Facility (ECF) arrangement, and to disburse the seventh and eighth tranches totaling the equivalent of SDR 132.84 million.

5. Going forward, we are committed to continue to pursue the appropriate mix of policies to support growth while at the same time being mindful of the need to safeguard macroeconomic stability. Securing the irreversibility of our policies, through the building of strong institutions, remains a key strategy for enabling us to achieve our vision of moving "Ghana Beyond Aid". We have, therefore, put in place a legal framework to help secure fiscal discipline. As a first step, we have passed the Fiscal Responsibility Act, 2018 (Act 982) which caps the fiscal deficit at 5 percent of GDP, and ensures the maintenance of an annual primary surplus. We have also established and inaugurated a Fiscal [Responsibility] Advisory Council and a Financial Stability Advisory Council. These frameworks and structures should ensure irreversibility of reforms and measures introduced to sustain macroeconomic stability and discipline, and provide an anchor to guide policies in the medium term.

6. The President's "Ghana Beyond Aid" agenda remains on course. This transformation agenda is anchored in growing the productive sectors of the economy, boosting domestic revenue mobilization, diversifying our export receipts to value added products, and positioning Ghana as the Regional Hub for financial services, transportation, energy, fintech and logistics hub, while making Ghana a WISER Society (Wealthy, Inclusive, Sustainable, Empowered, and Resilient). We are also confident that renewed collaboration with Republic of Côte d'Ivoire in the cocoa sector will strengthen our bargaining power as we process more locally; and other partners in the oil sector will ensure we retain maximum benefit as numerous major oil players emergence on our shores.

7. As we conclude and exit this Extended Credit Facility arrangement, we extend our gratitude to you, the Board and all Fund staff for being our trusted advisors. We are graduating from the ECF program on a strong note and are optimistic about our medium-term prospects to create a prosperous society for all.

8. The government consents to make public the content of the IMF staff report, including this letter, the attached MEFP and Technical Memorandum of Understanding (TMU), and the Debt Sustainability Analysis (DSA) performed by IMF and World Bank staff and, therefore, authorizes the IMF to publish these documents on its website once the IMF Executive Board approves the completion of the seventh and eighth reviews under the ECF program.

/s/	/s/
Ken Ofori-Atta	Ernest Addison
Minister of Finance	Governor of Bank of Ghana

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

Attachment I. Memorandum of Economic and Financial Policies, 2019

1. This Memorandum of Economic and Financial Policies (MEFP) updates the one outlined for the completion of the fifth and sixth reviews, approved by the IMF Executive Board on April 30, 2018. It describes the government's assessment of recent economic developments, Fund-supported program implementation, the economic outlook and risks, and policies to achieve objectives under the ECF arrangement.

A. Background and Recent Economic Developments

2. Economic performance during 2018 has been strong, despite a challenging domestic and external economic environment.

3. Growth momentum remained strong in the first three quarters of 2018. Preliminary estimates for the first three quarters of the year shows that overall real GDP growth (using the rebased GDP series[1]) was 6.7 percent for the first three quarters, similar to the growth observed during the same period in 2017; mainly on the back of oil production, which has expanded by 20.1 percent. The expectation for more ramped-up economic activity in the manufacturing sector following improvement in electricity supply has delayed as businesses and firms take time to reorganize their operations to take advantage of the improved environment.

4. The disinflation process continued strongly in 2018. Supported by a sharper decline in non-food inflation, headline inflation[2] declined from 11.8 in December 2017 to 9.4 percent in December 2018. Inflation further fell to 9.0 percent in January 2019 and remains well within the inflation target band of 8±2 percent. This reflects a well-anchored disinflation path consistent with the stance of monetary policy. In line with the disinflation process, the Monetary Policy Committee (MPC), lowered its key policy rate by 300 basis points between December 2017 through to May 2018 to 17 percent. In January 2019, after having kept the key policy rate unchanged since May 2018, the Monetary Policy Committee lowered it by a further 100 basis points, as immediate risks to the disinflation path seem well contained.

5. Provisional fiscal performance through end-December was in line with programme targets, with primary balance, excluding financial sector costs, reaching 1.7 percent of GDP. Fiscal performance in the first half of the year was weaker than expected due to revenue shortfall and frontloading of current expenditures related to government flagship programs. Yet, to

[1] The recent GDP base year change from 2006 to 2013 has increased nominal GDP in 2017 by 25 percent.

[2] To improve measurement of inflation and its dynamics, Ghana Statistical Services will launch a new CPI index by March 2019 which will improve the current index and reflect current consumptions patterns by households.

safeguard the end-year fiscal targets and to ensure that Performance Criteria (PCs) under the programme are met, the Government introduced a fiscal package amounting GHc 1.7 billion (0.5 percent of GDP) during the mid-year review of its fiscal policy in July 2018. In the same vein, additional measures, strengthening compliance, were taken in the last quarter of 2018.

6. **Compared to the revised Budget, total revenues amounted to 15.9 percent of GDP, 2.9 percent below target**. Higher Corporate and Personal Income taxes, as well as downstream Petroleum taxes, partly compensated for the shortfalls in other Tax and Non-Tax Revenue handles which, altogether, amounted to 0.6 percent of GDP.

7. **Generally, expenditures remained lower compared to the 2018 revised Budget by 0.2 percent of GDP.** Expenditures on government priority programmes, frontloaded at the beginning of the year, were executed in line with annual targets. The overruns in expenses on the Use of Goods and Services amounting to 0.5 percent of GDP, reflected mainly one-off security related expenses. Wages and Salaries exceeded the budget target by 0.04 percent of GDP, due to unplanned recruitments and higher-than programmed wage-related allowances. These were partly offset by lower Capital Expenditure and lower transfers to Statutory Funds which are proportional to the non-oil tax revenues.

8. **Financing conditions have recently eased, following difficult market conditions in the second half of 2018.** Initially, the successful issuance of US$1billion in 10-year and US$1billion in 30-year Eurobonds in May 2018 eased up financing needs. However, financing conditions tightened in the second half of 2018: spreads on external debt widened, while rollover rate on domestic bonds dropped, resulting in increased coupon repatriations. Consequently, yields of domestic bonds also increased while maturities shortened; although conditions have stabilized during the first two months of 2019. We remain fully committed to the implementation of the Medium-Term Debt Management Strategy and intend to build on the considerable progress achieved so far, including continuing with our strategy to lengthen the average time to maturity of the domestic debt portfolio and reducing refinancing risks. In this regard, we used part of the 2018 Eurobond proceeds for Eurobond buyback and for management of maturing domestic debt held by foreign investors.

9. **The external developments were mixed during the year.** The trade balance continued to improve, underpinned by strong performance in some of the major export commodities, especially crude oil (which benefited from both volume and price developments), resulting in a trade surplus of US$1.78 billion (2.7 percent of GDP) at the end of December 2018. This is an improvement upon the US$1.19 billion trade surplus recorded in the same period of 2017. The current account recorded a deficit of US$2.07 billion (3.2 per cent of GDP) in 2018 compared to a deficit of US$2.00 billion ([3.4] per cent of GDP) in 2017 mainly as a result of the net outflows in the income and services account outweighing the gains in the trade balance. During the same period, the capital and financial accounts attracted lower inflows (net) than expected, coming mainly from foreign direct and portfolio investments. These developments resulted in an overall balance of payments deficit of US$0.67 billion (1.0 percent of GDP), compared with a surplus of US$1.09 billion in the same period of 2017. As a result, gross international reserves amounted to US$7.02 billion (3.6 months of imports

cover) at end-December 2018, compared with US$7.55 billion (4.3 months of import cover) recorded at end-December 2017.

10. The unfavorable external environment especially in Emerging Markets (EMs) and Frontier Markets (FEs), exerted pressure on the domestic currency in the second half of the year, resulting in some sharp depreciations of the local currency and loss of reserves. Despite the cedi remaining relatively stable in the first five months of the year, and actually appreciating against the dollar, the impact of the unfavorable external developments resulted in a depreciation of the cedi by 8.4 percent against the US dollar at the end of December 2018, compared with a depreciation of 4.9 percent in 2017. The unfavorable external developments also coincided with increased domestic demand from the energy sector (Bulk Distribution Companies and Independent Power Producers) and coupon repatriations from non-resident holders of domestic bonds.

11. Financial stability remains central to the Government's economic development agenda, and reforms are ongoing to enhance the resilience of the financial system. Faced with legacy problems in the banking sector including poor asset quality, insolvency, and liquidity challenges, the Bank of Ghana (BoG) took decisive resolution actions in accordance with the legal framework. In August 2017, the BoG began a banking sector clean-up exercise, by resolving two insolvent banks (Capital Bank and UT Bank) through a receivership process. To mitigate potential systemic risks, BoG approved the transfer of deposits and good assets of the two banks to an existing bank namely GCB Bank, under a Purchase and Assumption Agreement ("P&A"). In August 2018, the BoG placed five more banks (uniBank, Royal Bank, Construction Bank, Sovereign Bank, and Beige Bank) in receivership on the grounds of insolvency or significant capital deficiencies. In the absence of a willing acquirer of the deposits of the five failed banks, the Government of Ghana established Consolidated Bank Ghana Limited (CBG) as a bridge bank to assume deposits and borrowings and good assets of the five banks. More recently on 4th January 2019, the BoG placed two more banks (Premium Bank and Heritage Bank) in receivership and approved a P&A transaction via which the receiver transferred certain assets and liabilities of the banks to CBG.

12. The BoG completed the minimum capital requirement exercise at the end of December 2018. In September 2017, the BoG issued the Minimum Capital Directive (BG/GOV/SEC/2017/19) by which all universal banks were required to increase their minimum paid-up capital to GHc 400 million by 31st December 2018. Banks were required to comply with the new minimum paid-up capital requirement through a fresh capital injection, capitalisation of income surplus, or a combination. The exercise ended at the close of business on 31st December 2018 and following the exercise, there are now 23 universal banks operating in Ghana that met the new minimum paid-up capital of GHc 400 million. Of the twenty-three banks, 16 banks met the new minimum paid-up capital requirement through the capitalization of income surplus and fresh capital injection. The BoG also approved three applications for mergers. Consequently, First Atlantic Merchant Bank Limited and Energy Commercial Bank have merged, Omni Bank and Bank Sahel Sahara have merged, and First National Bank and GHL Bank have merged. The three resulting banks out of these mergers have all met the new minimum capital requirement. In addition, the government has arranged to ensure the injection of fresh equity capital, through the setting up of the Ghana Amalgamated Trust

Limited (GAT), into some indigenous banks. One indigenous bank opted to have its banking licence reclassified as a savings and loans company licence to avoid meeting the new minimum capital requirement. The BoG has approved this and continues to monitor the transition to a savings and loans operation in six months.

13. The banking sector is well-capitalized and strong following the completion of the minimum capital requirement exercise at end-December 2018. Liquidity in the banking system remains high, and growth in credit to the private sector has started to recover as banks continue to repair their balance sheets. Broad money growth declined to 15.7 percent in December 2018 from16.7 percent in December 2017, driven by slower growth in savings and time deposits. Credit growth to the private sector declined due to the resolution of some banks but has since recovered to 13.4 percent at end December 2018 compared with 10.6 percent in December 2017. The inflow of the Cocoa syndicated loan and BoG emergency liquidity assistance to the other depository corporations contributed to the increased banking system.

14. The average NPL ratio has declined marginally as we continue to implement our NPL reduction strategy. The stock of non-performing loans (NPLs) in the banking industry declined from GHc 8.19 billion in December 2017 to GHc 6.65 billion in December 2018, representing 18.9 percent contraction in growth compared with a 33.4 percent growth a year earlier. Consequently, the ratio of NPLs to gross advances (NPL ratio) declined from 21.6 percent to 18.2 percent during the same review period. The NPL resolution process is critical to foster sustainable credit delivery to the rest of the economy and to support the process of growth, and we are committed to seeing it through. We expect further improvements in asset quality with the appropriate disclosures of loan write-offs in banks' year-end published financial statements. The draft Credit Reporting Regulations and the draft Borrowers and Lenders Bill are in their final stages of preparation. When finalised and passed by Parliament, these pieces of legislation should help improve the credit underwriting processes of banks, and facilitate the enforcement of loan and collateral agreements.

B. Performance Under the Programme

15. Overall policy implementation under the programme through end-December 2018 has been successful after several interventions were put in place during the mid-year budget review to meet end-year targets. Three out of nine PCs were not met at end-June 2018 (NIR, wage bill, and fiscal primary balance), while only two out of nine PCs were not met at end-December 2018 (NIR, and wage bill,). The continuous PC on credit to the government by the BoG was also missed. The reasons for our inability to meet these PCs include:

a. **Wage bill:** The PC was missed by a small margin both at end-June as well as at end-December 2018. Overruns by two Ministries (Education and Health) due to higher than programmed wage-related allowances. The Government had to absorb a few more teachers and nurses who had completed their training about two years ago and needed to be employed to improve the student-teacher ratio and nurse-patient ratio both of which are currently below our peer country average. Corrective measures, including tighter monitoring of wages and salaries' budget.

b. **Fiscal primary balance:** The PC was missed by a small margin at end-June, due to shortfalls in revenues and overruns in expenditures, but was met at end-December 2018, thanks to Mid-Year Budget Review measures. In addition, enhanced compliance measures in the last quarter of 2018 complemented the effort.

c. **Credit to the government by the BoG.** The continuous PC was missed due to valuation effects on a foreign currency account as well as the CBG bond monetization by the BoG in November 2018. BoG is in discussions with a number of international financial institutions with a view to offloading the bond at a market-based price in order to free up its balance sheet.

d. **Net international reserves of the Bank of Ghana:** The PC was missed by large margin both at end-June by US$825 million, as well as at end-December 2018 by US$1,413 million. This deviation is explained by a number of factors including loss of reserves due to the higher-than-projected outflow from coupon payments and payments to independent power producers and BDCs, amounting to about US$1 billion, and lower-than our projected sovereign bond net receipts (actual receipts of US$750 million instead of the programmed inflow of US$1.5 billion). Going forward, we have taken bold measures to restore FX buffers by aggressively implementing targeted FX purchases and activating a facility with an international bank. The expected 2019 Eurobond will also help building buffers.

16. Performance on indicative targets was satisfactory.

17. Implementation of structural benchmarks (SB) are at advanced stages of completion, with some completed despite delays that occurred earlier in the year (see table on Structural Benchmarks). We are committed to continue with the implementation of these SBs beyond the duration of the ECF programme to ensure irreversibility of the current policies.

C. Policies for 2019 and Beyond

18. The external outlook remains uncertain as risks heighten and global forecasts are being marked down. This could result in further tightening of financing conditions that could pose additional pressures on domestic growth. As a result, the key commodity prices are likely to trade mix, alongside marginal improvements in production leading to some moderation in the current account. Accordingly, the trade surplus in 2019 is projected to contract relative to 2018. However, the current account balance is projected to improve somewhat reflecting private remittances and net improvement in the service account, alongside continued improvement in the capital and financial account on the back of increased FDIs and portfolio inflows. Overall, the gross foreign asset is expected to improve gradually to above 4 months of imports of goods and services.

19. Economic growth is therefore projected to remain strong at a conservative 7.6 percent in 2019, with non-oil GDP growth at 6.2 percent. Growth will be led by the oil sector which will continue to be dominated by developments in the upstream petroleum sector. In years of increased production, the sector is expected to record buoyant growth and vice versa. The economy is expected to grow at an average conservative rate of about 7 percent annually over the medium term, as the non-oil sector grows steadily in responses to the strategic policies identified in paragraphs 20, 21 and 22.

20. The Government remains fully committed to the reform strategy and the supporting policies introduced so far in the last two years of programme implementation. The policy mix for 2019 and beyond is anchored on the President's Coordinated Program (CP), the Medium-Term National Development Policy Framework (2018-2021), building the foundations for a "Ghana Beyond Aid" and the implementation of the Sustainable Development Goals (SDGs).

21. A number of flagship programmes have been launched in line with the President's vision of transforming the Ghanaian economy, creating jobs and prosperity for all, consistent with the broad objectives of the "Ghana Beyond Aid" agenda. In 2019, Government will consolidate and build on these programmes. The six strategic growth pillars for 2019 are:

i. **Infrastructure:** Government is committed to embarking on an integrated infrastructural development programme across the country that will move goods, food and people from one location to another, create jobs and prosperity and ensure value for money for Ghana as well as position Ghana as the financial services, transportation, energy, fintech and logistics hub in the region.

ii. **Agricultural Modernization:** Following a year of implementation of the Planting for Food and Jobs (PFJs) Programme, the agricultural sector witnessed a growth rate of 8.4 percent in 2017. This was after almost a decade of erratic sector performance with an average growth rate of 3.4 percent. On account of this massive success, Government implemented an expanded version of the PFJs in 2018 with more ambitious targets. Compared with a target of 500,000 farmers, a total of 577,000 farmers were supplied with subsidized fertilizers and seeds for the 2018 cropping season and we expect another highly successful year. In 2019, Government plans to expand the program to cover a million farmers. In 2019, Government will also launch the livestock model of PFJ called "Rearing for Food and Jobs" (RFJ) with the objective of increasing the production of selected livestock, especially poultry.

iii. **Industrialisation:** Government will support the development of agro-processing mainly through the One-District-One-Factory Programme (1D1F), taking advantage of the increased agricultural production engendered by the PFJ and RFJ programmes. By the end of 2018, a total of 79 factories, in 9 regions of the country, will be at various stages of construction or operation under the 1D1F scheme. Many of these factories shall process perishable agricultural produce into processed foods which hither to were imported. In 2019, the scheme will continue to partner with private financial institutions to fund more factories and expand the geographic reach of the programme. In particular, 1D1F will include feed mills and chicken processing facilities in the poultry industry.

iv. **Entrepreneurship:** Government's economic transformation agenda continues to have the private sector at its core with fundamental structures being put in place to support a buoyant and flourishing private sector. Government will prioritize and fast-track the implementation of the Business Regulatory Reform programme including the Legislative and Administrative reforms to further improve Ghana's ranking on the Doing Business Index. In addition, an online Electronic Registry will be launched in 2019. It will document all business-related laws, regulations, administrative notices, procedures and fees. This will provide open and transparent access to business regulations in Ghana.

v. **Improving Efficiency in Revenue Mobilization and Protecting the Public Purse:** In our drive towards a "Ghana Beyond Aid", it is imperative that we significantly grow domestic revenue, raise efficiency in the use of public resources, and protect the public purse from leakages. Government will continue to broaden the tax net by simplifying payment of taxes through different routes under the guidance of GRA including the elimination of paying for any Government service with cash, enforce the provisions in the Revenue Administration Act which require persons to provide valid TINs when dealing with Government or Sub-Divisions of Government, filing cases in Court, Citizens shall be required to show their TIN before accessing social services like free health care under the National Health Insurance programme, free secondary school education under the Free SHS programme beginning in September 2019 and other services like vehicle licensing and registration, passport services, banking service as well as mobile money services.

vi. **Social Partnership:** One of the key measures we are institutionalizing is the Social Partnership Compact amongst Organised Labour, Ghana Employers Association, and Government which we believe will provide an avenue for the partners to deliberate on significant development matters and provide relevant solutions and build a social consensus on Ghana's development strategy.

22. Government will adopt new financing streams in 2019 to support its infrastructural drive to boost inclusive growth. Government announced its intention to issue longer dated sovereign bonds this year as part of our bilateral engagement with other countries. Our phase of massive economic transformation requires a more ambitious financing arrangement, and the capacity to refinance and or retire about half of the country's high cost existing debt. The decision to raise these ultra-long-term bonds is not intended to derail our debt sustainability path, but rather to enhance it. The Sovereign Century Fund programme shall engage on a bilateral basis to raise long term concessional financing to underwrite our other commercial infrastructure needs through the Ghana Infrastructure Investment Fund (GIIF), Ghana Integrated Aluminium Development Corporation (GIADC), Public-Private-Partnership (PPP) projects and other entities as well as liability management. New financing schemes will be used for budget spending, given their impact on overall fiscal targets and debt sustainability and in line with value for money considerations.

Financing plans should not go beyond presently agreed levels and shall be used to fund already budgeted expenditure (see Paragraph 61).

23. Parliament also reviewed and passed the Ghana Minerals Investment Income Fund Bill into law which seeks to establish the Ghana Minerals Investment Income Fund. The objective is to hold and manage the equity interests of the Government in mining companies, receive mineral royalties and rents due to Government, and manage and invest the assets of the Fund. Accordingly, the Fund can raise resources by way of an Initial Public Offering (IPO) and listing on the Ghana Stock Exchange, and any other stock exchange market by securitizing those royalty flows. Government expects to raise up to US$750 million from such a transaction in 2019. This is a non-debt, non-re-payment obligation, non-interest bearing and non-guarantee requirement transaction.

Fiscal Policy

24. The fiscal consolidation efforts over the last two years will continue in 2019 and the medium term. Parliament enacted the Fiscal Responsibility Act to cap the fiscal deficit at 5 percent of GDP and maintain a primary surplus in each fiscal year.[3] Government is committed to maintaining a positive primary balance of 1.2 percent of GDP (excluding financial sector costs), to achieve an overall fiscal deficit of 4.2 percent of GDP (excluding financial sector costs). Over the medium term, the fiscal deficit is expected to decline steadily, remaining safely within the fiscal deficit cap of 5 percent of GDP with primary surplus consistent with the overall debt sustainability objective as prescribed by the Fiscal Responsibility Act, 2018 (Act 982).

25. The 2019 Budget reflects the government's commitment to pursue transformational programmes that will boost economic growth. It fully provisions for Government's flagship programmes including the free SHS programme which enters its second full year of implementation.

- The cost of funding the free SHS policy in 2019 is estimated at about GHc 1.7 billion up from GHc 1.1 billion programmed in 2018. Additionally, the school enrolment in 2018 was 490,882 representing an increase of 36 percent over 2017 enrolment of 361,771. As at October 30, a total of 484,743 students have been placed in school for the 2018/2019 academic year. To match the increase in enrollment, teacher recruitments will be increased, leading to a rise in the wage bill which has been budgeted for.

- The school feeding programme has also been allocated a budget of GHc 462 million from GHc 425 million in 2018.

- Finally, the 2019 Budget also incorporates other one-off expenditures amounting to GHc 120 million, including the provision of seed capital for the creation of six new regions.

[3] The Act provides sanctions for the Minister responsible for Finance who breaches the rule by more than one percentage point. This law also complements the PFM Act and its sanctions.

26. Revenue measures introduced in the 2018 midyear budget are expected to be fully realised in 2019 and complement collection efforts of the Ghana Revenue Authority (GRA). Government will continue to step up efforts to boost domestic revenue mobilization in 2019. The Ministry of Finance has put together a framework for a medium-term revenue policy that would outline revenue reforms targeted at ensuring adequate revenue to support Government initiatives. The policy is expected to be rolled out in 2019. This would then pave the way for development of a Medium-Term Revenue Strategy that would comprehensively address our revenue challenges.

27. Several revenue-enhancing strategies will be adopted in 2019 including the intensification of revenue compliance. In 2019, the Government will focus its revenue mobilization strategies on reforming the revenue institutions, and intensifying compliance measures. Consequently, a draft Exemptions Bill was submitted to Parliament (SR, ¶18). The new Bill rationalizes exemptions, outlines criteria and procedures and strengthens the power of the Minister to minimise exemptions. We will also continue broadening the tax base with the mandatory rollout of the Tax Identification Number (TIN) by sanctioning state and private entities that fail to enforce these TIN requirements. Other measures include: the use of Third-Party data from the NIA, Driver Vehicle Licensing Authority, Law Enforcement Agencies among others, to capture more persons into the tax net. Government is committed to reforming the tax exemptions regime.

28. A key challenge in optimizing mining revenues for the state is the verification, assessment and collection of what is due the state. Despite work done to address these challenges some loopholes, escape clauses, implementation weaknesses, and administrative lapses still exist. The Government will intensify measures to address these challenges in the short to medium term. Additional measures will be aggressively deployed to enforce existing legislation and regulations. The strategies to be adopted will be most intensive in the following areas:

a) Ensuring greater scrutiny of the quantity and quality of minerals produced in Ghana as the basis of revenue determination and export valuation;

b) Curbing base erosion as a source of systemic under-valuation of royalties and profits;

c) Tightening the regime that governs foreign exchange repatriation through the Bank of Ghana;

d) Capitalizing Tax Expenditures (Exemptions) and recognizing them as additional government equity holdings in mining companies; and

e) Revitalizing the Inter-Agency Technical Committee on Mining

29. In 2019, the central Government will also partner Metropolitan, Municipal and District Assemblies (MMDAs) to enhance revenues mobilized at the local Government level. This partnership will be in the following areas:

a) Property registration and property data management;

b) The use of a simplified inexpensive tool for property valuation;

c) The setting up of a system for the generation and distribution of bills; and

d) The setting up of a system for the efficient collection of property rates and other rates.

30. In addition, the Ministry of Finance will strengthen its oversight over public revenue management of the MMDAs. An electronic payment platform will be put in place to automate the collection and administration of rates in all local government entities and to give central government a comprehensive view of the finances of MMDAs.

31. In respect of tax debt recovery, we have already prepared files to enable us to bring legal action against big tax defaulters. We will use various strategies to retrieve tax liabilities from tax payers who have a habit of defaulting on their tax obligations. The revenue laws of Ghana provide various methods for recovery of taxes, including the imposition of penalties and the sealing off of business premises. Other methods include the imposition of a lien on assets of defaulters; requiring debtors or banks of defaulters to make those payments to the GRA and, where relevant the seizure and auction of assets to pay off tax debts.

32. Efficient execution of public expenditures will be critical in achieving fiscal policy objectives for 2019. Expenditures on the Compensation of Employees and Interest Payment constitute close to 72 percent of domestic revenue, posing significant budget rigidities and limiting fiscal space. This calls for an expenditure management strategy continuously focused on eliminating waste and inefficiencies by ensuring that MDAs expenditures are aligned to the overall government agenda. In addition, we remain committed to fiscal discipline, including by avoiding off-budget spending.

Monetary Policy

33. Monetary policy will continue to be guided by the BoG's inflation targeting (IT) framework. The Bank's MPC will continue to monitor developments and take necessary actions to ensure the attainment of its medium-term inflation target of 8±2 percent.

34. The BoG remains committed to the elimination of fiscal dominance through zero central bank financing of the government, which is critical to strengthening the IT framework. The government continues to respect the Memorandum of Understanding (MoU) on zero central bank financing of the budget and has refrained from borrowing from the BoG since 2016 for above the line transactions.[4] The Government has re-affirmed their commitment to this arrangement and the MoU has been published on the website of the Ministry of Finance.

[4] As noted in MEFP Table 1, the related PC was breached owing to the one-off monetization of the CBG bond by the BoG (see below).

35. The BoG will continue to work on strengthening the FX market. To improve the functioning of the FX market and promote market deepening and development, the BoG's intervention policy will focus on smoothening excessive volatility in the foreign exchange market while achieving an appropriate level of external buffers, consistent with the inflation targeting framework (SR, ¶34).

Financial Sector

36. Following the successful resolution of nine banks, the banking sector clean-up has ended, and the sector is now on a stronger footing. The receiverships of the failed banks are progressing steadily, and the banking sector is now broadly safe, sound, and stable.

37. The ultimate fiscal burden from the banking sector clean-up exercise may be less than the initial outlays, given recovery prospects. In addition to the equity capital of GHc 450 million provided by the Government to establish CBG, it has also provided bonds now totaling 3.75 percent of GDP to fund the difference between the liabilities and good assets of the nine failed banks which were assumed by GCB and CBG. A Government bond with a face value of GHc 2.2. billion was issued in favour of GCB for assuming liabilities and good assets of the two banks resolved in August 2017, while two bonds with total face value of GHc 7.6 billion were issued in favour of CBG in August 2018 for the 5 banks resolved. A third bond with face value of GHc 1.5 billion was issued to CBG in January 2019 for the two recently-resolved banks. An amount of GHc 480 million has so far been recovered by the receivers of the two banks resolved in August 2017, and recovery efforts for all nine failed banks continue. Proceeds from recoveries will be used to pay down claims in accordance with the priorities set out by law. Government is expected to take the place of the depositors in the hierarchy of claims and will be repaid to the extent there are net recoveries after payment of the costs of the receivership and the Bank of Ghana's ELA claims.

38. Efforts are being made to stabilize CBG, and to make it sustainable and ready for privatization over the medium-term. CBG has a strong balance sheet, with the bonds issued by Government providing a strong asset base to support its assumed liabilities. To fund the liquidity needs of CBG, the BoG monetised, on an exceptional basis, the first tranche of GHc 3.2 billion of the GHc 7.6 billion bond issued by Government in August 2018. BoG is in discussions with a number of international financial institutions with a view to offloading the bond at a market-based price in order to free up its balance sheet. At the same time, CBG's plans are far advanced for a foreign financial institution to monetise the second tranche of the August 2018 bond to provide it with further liquidity. Strategies put in place by CBG to improve deposit mobilization, restructure its deposits profile, and establish correspondent banking relationships, are beginning to show positive results. CBG's deposits are beginning to stabilize after the first few months of outflows when there was initial skepticism in the minds of the public. New correspondent banking relationships recently secured have positioned the bank to provide new lines of trade finance business, to help improve its revenues. Efforts are underway to attract additional business from private and public sector sources and to continue to solidify its market share, under the oversight of its Board of Directors composed of competent private sector individuals with proven experience in banking among others.

39. To reduce moral hazard risks, measures are being taken to ensure accountability for the failure of the seven banks. A number of court actions have been initiated by the receivers of the failed banks against some shareholders, directors, and senior managers of the banks for various breaches of their duties to the banks. Results of initial investigations carried out by the BoG have been forwarded to the appropriate State agencies for criminal investigations and possible prosecution. The BoG has recently contracted an international firm to conduct a forensic audit into the failure of the banks, findings from which should help the criminal investigations process. The Bank of Ghana has also established an Office of Ethics and Internal Investigations to investigate the possible role of BoG staff who may have been complicit in the conduct of their supervisory duties which contributed to the failure of these banks.

40. The recently completed mandatory recapitalisation exercise in the banking sector has consolidated the industry and strengthened the capital base of banks. Banks have now accumulated capital buffers to promote their safety and soundness and are better positioned to support the growing needs of the Ghanaian economy.

41. The BoG is now focused on strengthening the supervisory framework to help ensure that the gains realized from the reforms so far are irreversible. Implementation of the Basel II/III framework is ongoing and is expected to help improve on compliance and risk governance within the banking sector. In that regard, banks are required to fully comply with the pillar 1 capital measurement (capital adequacy) framework in line with the Capital Requirement Directive issued in 2018 with effect from January 2019, after a parallel-run phase which ended in December 2018. The BoG will continue working on the development of Pillar II of the Basel II framework in the course of the year with technical assistance from the IMF.

42. To address the key causes of the failure of the nine banks, additions to the regulatory framework have been introduced or are being developed. For example, a new Corporate Governance Directive was issued in December 2018 to hold bank Boards and executives more accountable for banks' performance and compliance with regulatory requirements. Draft Directives on "fit and proper persons", related-party transactions, and the regulation of financial holding companies are being finalised. The BoG is also strengthening its own regulatory and supervisory capacity through improved systems (including the acquisition of a new surveillance software), processes, and accountability which should help the BoG identify and address early warning signs of distress.

43. The banking industry's efforts at reducing the high levels of NPLs is gradually taking shape, supported by compliance with BoG's loan write-off directive. We expect further improvements in asset quality with the appropriate disclosures of loan write-offs in banks' 2018 published financial statements. BoG will continue to enforce quarterly reporting by banks in line with the IFRS 9's expected credit loss standard adopted by banks in 2018. Breaches of large exposure limits are being regularized. The energy sector-related large exposures are being settled with the ESLA bond issuance programme, while all non-oil related large exposures are being brought in compliance with the provisions of the Banks and Specialized Deposit-Taking Institutions (BSDI) Act, 2016, (Act 930). As of end-December 2018, the stock of ESLA bonds held by the industry amounted to GHc 2.6 billion from the August 2018 position of GHc 2.46 billion. With the coming into force of the BSDI Act of 2016 (Act 930), BoG is strictly enforcing the statutory single obligor limit to ensure that large exposures are avoided. Following the new minimum capital obtained by banks, we expect that banks' exposures will remain well contained. A Risk Management Directive is also being developed by the BoG while efforts are being made to enhance the credit infrastructure, all with a view to helping banks better manage their credit risks. In this regard, the draft Credit Reporting Regulations and the draft Borrowers and Lenders Bill have been submitted to the MoF for submission to Cabinet for review. When passed by Parliament, these pieces of legislation should help improve the credit underwriting process and facilitate enforcement of loan and collateral agreements by banks and other regulated institutions.

44. The BoG is taking steps to address pockets of distress in the specialized deposit-taking institutions (SDI) sector. A number of savings and loans companies, finance houses, microfinance companies, and rural and community banks remain distressed. The BoG has adopted a comprehensive action plan for cleaning up the sector by resolving insolvent SDIs over the next few months, with financial support from the Ministry of Finance (SR, ¶38). Already, the estimated costs of cleaning up the MFI/RCB sector has been obtained and earmarked by the Ministry of Finance for this purpose (SR, ¶38).

45. We are strengthening our financial safety net and improving our crisis preparedness to better withstand financial stability risks. Work is far advanced to start the implementation of the Ghana Deposit Protection Scheme established under the Ghana Deposit Protection Act, 2016 (Act 931) as amended, before September 2019. The scheme should help protect depositors while reducing potential fiscal risks from bank failure. The BoG is also reviewing the policy, operational, and governance framework for liquidity support to banks with a view to insulating its balance sheet from credit losses and reducing moral hazard. A preliminary report of an interdepartmental Working Group has been reviewed by Management of the BoG, and technical assistance has been requested from the IMF to help develop a more robust framework. An IMF mission is being proposed for April 2019 to move this process forward. Meanwhile, recoveries from outstanding facilities are continuing. BoG's exposure to ADB has been converted to common equity shares for the purpose of meeting the new minimum capital requirement, which shares are currently held in trust for the BoG by the Financial Investment Trust. Further, a Financial Stability Council with membership from the Ministry, BoG, the Securities and Exchange Commission (SEC), the National Insurance Commission (NIC), and the Ghana Deposit Protection Corporation (GDPC), and chaired by the Governor, has recently been established and inaugurated by the President of the Republic to improve regulatory cooperation in the financial sector, help identify and address macroprudential risks, and help to coordinate contingency planning and crisis preparedness among members of the financial safety net.

46. The Government and relevant State institutions are committed to strengthening the AML/CFT framework in line with international best practices. After a successful first round of evaluation in line with the Financial Action Task Force (FATF)'s AML/CFT mutual evaluation process, Ghana volunteered for a second-round of assessments making it the first country in the West African sub-region to have volunteered for this enhanced evaluation. The second round evaluation led to findings of strategic deficiencies in our national AML/CFT framework, leading to FATF placing Ghana on its "grey list" in October 2018. A number of critical steps have since been taken or are being taken by relevant agencies to address the strategic deficiencies. The implementation of a national action plan is being monitored by an Inter-Ministerial Committee chaired by the Minister for Finance. Other measures underway include (i) enhancing the capacity of law enforcement agencies, prosecutors, and the Judiciary in the fight against ML/TF; (ii) the recent launch by the FIC of the goAML software to enable the electronic submission of intelligence reports to law enforcement agencies to help conduct financial investigations; (iii) adoption by financial regulators of an AML/CFT risk-based supervision manual developed with technical assistance from the IMF; (iv) the ongoing preparation of a National AML/CFT Policy for Cabinet approval by the end of March 2019; and (v) the drafting of an omnibus law by the end of 2019 to help strengthen the AML/CFT legal framework.

47. We have made significant progress in our engagement with the FATF, but new risks to our international AML/CFT profile have recently emerged with the European Commission (EC's) action. While we continue to update the FATF's International Cooperation Review Group on progress towards the successful implementation of our reform action plan ahead of time in order to exit the FATF grey list by close of 2019, the EC placed Ghana on its AML/CFT "black list" on 13th February 2019 on the basis of the FATF's grey-listing of Ghana. We have already notified the European Commission of our reservations with their action and will continue engage with them with a view to a seeing a remediation of this unfortunate situation.

D. Structural Reform Agenda

48. The successful implementation of Government's economic programme hinges on a strong and efficient public service delivery mechanism. Consequently, several reforms are required in specific sectors of the economy to enable government to achieve its objectives. As such, in 2019, Government is committed to implementing ongoing macroeconomic reforms in the area of Tax Policy and Revenue Administration, Public Financial Management, Debt Management and Energy Sector SOE restructuring. These four areas are critical if we are to boost domestic revenues, ensure efficiency in public expenditures, manage our public debt prudently and promote the viability of the energy sector as well as other SOEs.

Tax Policy and Revenue Administration

49. Government's decision to use tax policy as a tool to support production in 2017 came with the need to broaden the tax base and improve tax compliance. In view of this the GRA has been implementing some administrative tax measures in 2018 including:

a. **Withholding Tax on VAT Supplies:** To improve VAT compliance, the Value Added Tax, 2013 (Act 870) was amended to allow Withholding 7 percent of VAT payable to the supplier. The withholding applies to taxable supplies made to VAT registered entities, whose supplies are zero rated, and selected Government and other VAT registered entities. implementation of the policy commenced in July 2018 after the Commissioner-General of the GRA had selected the eligible traders.

b. **Tax Amnesty**: In 2018, parliamentary approval was sought to exempt taxpayers who register and file returns or make outstanding payments within a targeted period from paying penalties and interests for late or non-submission of returns and late payments. An Amnesty Act was passed to this effect and the window for applications closed on August 31^{st}.

c. **Excise Tax Stamp**: The Implementation of the Policy was intended to secure Government revenue and curb smuggling. The implementation of the policy begun in January 2018 starting with the ports and subsequently in March 2018 at the point of sale. However, due to concerns raised by manufacturers, full implementation of the policy was delayed until August 2018. Retailers of excisable products were required to have the tax stamps affixed to their products or risk the removal of their unstamped products from their shelves. A moratorium ending December 2018 was given for the clearance of old stocks of unstamped products.

d. **Automatic Exchange of Information**: Following the passage of the Standard for Automatic Exchange of Financial Account Information Act 2018 (Act 967), in the early part of 2018, GRA is collaborating with DFID-Ghana and World Bank to create an IT System to enable GRA to accept information from financial institutions and transfer same to Revenue Authorities in other jurisdictions.

50. As part of efforts to strengthen domestic revenue mobilization and restore fiscal discipline, the government will also implement the following tax administration enhancing measures in 2019:

a. **Fiscal Electronic Device (FED) -** An Act to provide for the use of an approved Fiscal Electronic Device by specified taxable persons at each point of sale on the premises of the taxable persons was passed by Parliament in March 2018. Tenders for the supply of the devices and software have been received and are undergoing evaluation prior to selection of manufacturers. Full implementation of the policy will commence in 2019.

b. **Voluntary Disclosure Procedures (VDP) -** The 2018 Budget provided for the introduction of a Voluntary Disclosure Procedure to waive penalty on voluntary disclosures and payment of unreported and understated taxes by taxpayers to encourage voluntary compliance. A draft bill to this effect has been completed and has been submitted for further stakeholder consultation. It will be laid before Parliament for passage and implementation in 2019.

c. **Alternative Dispute Resolution (ADR) in resolving tax disputes -** ADR is widely accepted as the best and more cost-effective approach to resolving tax disputes. This is normally introduced to instill confidence in investors. A draft bill to this effect has been completed and has been submitted for further stakeholder consultation. It will be laid before Parliament for passage and implementation in 2019.

d. **Expansion of the requirement for Tax Clearance Certificate -** Bidders for Government contracts are required to provide tax clearance certificates as part of the tendering process. This provision will be extended to cover sub- contractors for these bids and contracts above a specified sum awarded by private entities. Provisions have been made in the draft Revenue Administration (Amendment) Act for passage in 2019.

e. **Deployment of Nation Builder's Corps (NABCO) -** The GRA will be assigned about five thousand officers from the NABCO who will be deployed to identify and register potential taxpayers and follow up on arrears. The data will be used to update the GRA taxpayer database. They will also assist in the preventive activities of the Customs Division of the GRA.

f. **Full usage of trips™ -** To enhance tax administration through effective data collection and management of tax payer information, the GRA has fully deployed the system in all Domestic Tax Revenue Division offices across the country. In 2019 further action will be carried out to ensure full uptake and usage of the system for total domestic tax administration.

Public Financial Management

51. The Ministry of Finance has made significant progress towards the implementation of its Public Finance Management Reforms. We will continue to incrementally improve expenditure control by sensitizing public officers on the PFM Act (Act 921) and its accompanying regulations. The Ministry will enhance compliance by strengthening its monitoring and enforcement unit to instill discipline per the provisions of the Act.

a. The accompanying regulations to the PFM Act, 2016 (Act 921) will be submitted to the legislative committee of Parliament by early March and will come into effect at the end of 21 sitting days (SR, ¶21).

b. To ensure a more predictable release system, the Ministry has streamlined the current parallel GIFMIS system to reduce the duplication of effort by Budget Division and the Controller and Accountant-General's Department (CAGD).

c. Additionally, to improve strategic management of public financial resources for enhanced accountability, transparency as well as public service delivery, the Ghana Integrated Financial Information System (GIFMIS) has been rolled out to 216 MMDAs, 20 Development Partner (DP) Funds and 52 Internally Generated Funds (IGF) institutions including teaching hospitals. In the coming years GIFMIS will be rolled out to the 38 newly created MDAs. GIFMIS has been deployed to 54 IGF Sites out of 62. These include the 4 teaching Hospitals: Korle-Bu, Tamale, Kumasi and Cape Coast. GIFMIS has also been successfully deployed to the District Assembly Common Fund (DACF), bringing the total deployment to four (4) Statutory Fund

Agencies. The other three are Road Fund, Ghana Education Trust Fund and Energy Fund. Stakeholders' engagement with National Health Insurance Authority is ongoing.

d. The Ministry will also seek to improve the quality of budget analysis and reporting by deploying an Oracle Business Intelligence Suite Enterprise Edition system to facilitate real time fiscal and budget reporting. Furthermore, to improve the quality of budgeting in all MDAs and to facilitate adherence to PFM Act, the Ministry intends to transform the current Institute of Accountancy Training (IAT) into a globally structured PFM training centre in future.

e. The HRMIS is now live in all the 9 pilot MDAs. The pilot MDAs constitute a total staff strength of 427,166, which is about 80 percent of the workforce of the public service on the payroll of the Controller and Accountant-General. The HRMIS has also been rolled out to 51 additional MDAs. This brings the total number of MDAs that have so far gone live on the system to 60, constituting a total staff strength of 451,247, which is about 84 percent of the workforce of the public service on the payroll of the Controller and Accountant-General. The 60 MDAs that have gone live on the system are made up of 10 Commissions, 7 Services, 18 Ministries, 3 Departments and 22 Agencies.

f. To ensure judicious use of public resources, the ministry will speed up payroll clean-up implementation. The Ghana Audit Service has already commenced payroll clean-up of personnel taking their salaries from the CAGD to support this effort. To improve overall efficiency in payroll management, government-initiated procurement processes to outsource payroll management on a pilot basis for implementation in 2019.

g. In addition, to ensure that Statutory Fund Agencies budgets are aligned with government priorities, the Ministry engaged six Agencies (Students Loan Trust Fund, Youth Employment Agency, Ghana Education Trust Fund, Road Fund, National Health Insurance, District Assemblies Common Fund) to enable them prepare their 2019 – 2022 Budget in the manner and format prescribed by the PFM Act, 2016 (Act 921) and currently being used by all MDAs. Subsequently, the remaining Agencies will be brought on board.

h. The Ministry will continue to build the capacity of staff of key PFM stakeholders by training and re-training to bring them up to speed on some to the reforms being undertaken with respect to budget implementation, payroll, Internal Audit, procurement and GIFMIS in line with the objectives of the PFMR strategy.

52. The Ministry of Finance (MoF) established a Fiscal Risk Unit in April 2018. The Ministry benefitted from a mission from the IMF's FAD and GIZ in 2018 to help operationalize the Unit. The Fiscal Risks Unit has started monitoring and reporting fiscal risks in close collaboration with relevant agencies and divisions within MoF. The MoF has published the first Fiscal Risks Statement (including estimates of quasi-fiscal activities of SOEs and other extra-budgetary funds), in fulfillment of the Structural Benchmark under the ECF programme.

53. The Executive has established the Financial Stability and Fiscal Responsibility Advisory Councils in December 2018. The Financial Stability Council will strengthen and reinforce the stability of the financial sector as an inter-institutional consultative and co-ordination body. The Fiscal Council will promote sound fiscal policy management and fiscal forecasts. These two Councils comprise a cross-section of eminent economists and industry practitioners with clearly defined Terms of Reference (TOR).

54. The implementation of the National Public Sector Reform Strategy (NPSRS) seeks to improve access, quality and accountability of delivery of administrative services provided by MDAs. The Public Sector Reform for Results Project (PSRRP), provides for the partial implementation of the NPSRS, 2018-2023 aims at providing modernized and timely services using available ICT infrastructure. The selected entities include the Driver and Vehicle Licensing Authority (DVLA), the Passports Office (PO), the Ghana Immigration Service (GIS), the Environmental Protection Agency (EPA) and the Births and Death Registry (BDR).

Debt Management

55. The Government is committed to maintaining public debt below the established threshold of [65] percent of GDP in line with the objectives of the fiscal responsibility law recently passed by Parliament. This is expected to be achieved by the binding fiscal rule which caps the fiscal deficit at 5 percent of GDP and deliver primary surpluses at all times. In addition, Government will continue to pursue policies to bolster growth. We remain fully committed to the implementation of the Medium-term Debt Strategy and intend to build on the considerable progress achieved so far, including lengthening the average time to maturity of the domestic debt portfolio and reducing refinancing risks.

56. The government will further strengthen its debt management strategy. Ghana's debt management strategy has focused on bringing down the cost of debt and minimizing refinancing risks. This strategy will continue for 2019 and the medium term. It will focus on an appropriate financing mix to mitigate the costs and risks in the Government's public debt portfolio. The Ministry of Finance and the BoG will work together to finalize a Fiscal Agency Agreement on debt management operations and debt issuance process to further enhance fiscal and monetary cooperation. It also assumes the creation of a cash buffer of up to GHc 1 billion in 2019 on top of the programmed net financing for active liability management and cash management purposes.

57. Furthermore, the strategy assumes the following issuances in the domestic market in 2019. We plan to issue long term instruments (7-year, 10-year & 15-year bonds) and a 3-year US Dollar denominated bond. We also plan on extending the domestic yield curve by issuing a new 20-year domestic bond, provided favorable market conditions. Additionally, our debt management strategy will include (i) the prompt publication of the 2019 borrowing plan (consistent with the 2016 PFM Act); (ii) active LMOs (to ease rollover risks ahead of large upcoming maturities); and (iii) building on the recent issuance of 6-year bonds to issue MT and LT instruments per the MTDS and according to the quarterly issuance calendars.

58. To foster primary market development, Ministry of Finance in collaboration with the BoG will publish an annual borrowing and recovery plan for 2019. This will be done in accordance with Section 60 (5) of the Public Financial Management Act, 2016 (Act 921). In order to reduce refinancing risks, we intend to maintain adequate cash buffers and will conduct active liability management operations on both the domestic and external debt stock in 2019. Based on the results of Technical Assistance from the IMF, we intend to further develop the primary and secondary markets by reforming the primary dealer framework and the securities on the domestic market.

59. For 2019, the Annual Borrowing Plan sets two ceilings for non-concessional external debt: (i) for sovereign borrowing up to US$3 billion; and (ii) up to US$750 million in additional borrowing for priority development projects which cannot be financed on concessional terms. The proceeds from the planned sovereign bond issue will be used for both liability management and financing of the budget.

60. The MoF prepared the borrowing guidelines to regulate loan acquisition for MDAs and SOEs. The MoF is yet to engage stakeholders on the draft guidelines for publication before the end of the year. As part of Government's efforts to manage fiscal risk arising from issuance of guarantees and on-lent facilities to public entities, a credit risk assessment framework was developed and operationalised. The operationalisation of the framework focused on specific SOEs in the energy sector as they constitute about 2.8 percent of Government debt portfolio. In all, eight SOEs were assessed and the results of the assessment is expected to guide Government in its decision to provide support in the form of guarantees and /or on-lending.

Restructuring of Energy Sector State-Owned Enterprises (SOEs)

61. Government's ongoing restructuring effort aims at addressing the sector's legacy debts, improving efficiency and strengthening the financial position of the SOEs. This will enable SOEs to be more operationally viable and enhance their ability to secure the necessary funding for capital expenditure and working capital requirements on the strength of their own balance sheets. This will pave the way for the creation of a more financially robust, efficient and reliable power utility sector.

62. As a complement to the financial reforms, Government has initiated some policy reforms to improve the governance and oversight of SOEs and JVCs. As part of efforts to address the challenges with the currently fragmented oversight framework for the SOEs sector, Government has made significant strides in establishing a State Interest and Governance Authority (SIGA) to manage, oversee and administer the state's interests in SOEs, JVCs and other specified public bodies. The SIGA Bill was submitted to Parliament (SR, ¶29). Besides, a State Ownership Policy is being developed and implemented to clearly define the relationship between the State as the owner and the companies. The Policy will help streamline how the state exercises its ownership rights in SOEs and JVCs and improve transparency and accountability, as part of Government's overarching objective to improve corporate governance.

63. To underscore Government's determination, the 2017 Annual State Ownership Report was published in September 2018. This second annual report covered 49 entities in total made up of 36 SOEs and 13 JVCs. A formal plan has also been formulated by a joint standing Committee on Energy tasked with reviewing efficiency mechanisms.

64. Other ongoing measures related to the energy sector SOEs include:

a) **Activities of the Regulator:** The Public Utility Regulatory Commission will soon announce new electricity tariffs. The Ministry of Finance, in collaboration with the World Bank and the Ministry of Energy is working on a comprehensive energy sector financial recovery plan.

b) **Energy Sector Levies**: As part of our strategy to restructure the energy sector debt of approximately GHc 10 billion, we have taken steps to settle legacy debts owed by SOEs through the establishment of the ESLA Plc Energy Bond Programme. ESLA Plc is currently in the process of on-lending the proceeds from the energy bond issuance to the SOEs at favorable rates and terms (longer tenors, capital moratorium etc.) and at the same time ensuring SOE financial management discipline, following the settlement of the more expensive legacy debts (owed to creditors and suppliers) which reduces SOE interest burden and financial costs. A second phase of the energy bond issuance of up to GHc 4 billion will be issued once the receivables from the EDRL improves and can cover 2 times the issuance.

65. The nature of agreements to be executed between ESLA Plc and the SOEs is in the form of an on-lending/ cash support agreement. The process is underway, and negotiations are on-going between ESLA Plc and the SOEs on the on-lending/ cash support agreements to be executed subject to the validation of the net debt position of the Energy Sector by Ernst & Young and the sign off by MOF. MOF has appointed an independent auditor (Ernst & Young) to update the validation of the net debt position as at 30th June 2018 to help determine the on-lending/ cash support amount between ESLA plc and the SOEs.

66. Status of ECG concession: Currently, the key Conditions Precedent (CP) for the handover have been negotiated among the parties[5]. The Consortium is majority Ghanaian-owned and has been determined to have the requisite technical expertise and adequate financial resources to make the required investments. These will ensure that the Consortium has the necessary attributes to achieve the required level of success in line with key performance benchmarks designed by PURC and the EC, all the goals of the ECG PSP Activity, including loss reductions, investments in the Distribution System, and the equitable treatment of ECG Staff transferred to the Company. The formal takeover is scheduled for 27th February 2019. The outstanding key CPs relate to portfolio Power Purchase Agreements, List of Strategic installations/facilities and the treatment of VAT/Levies

[5] Power Distribution Services Ghana Limited, Electricity Company of Ghana, and the Government of Ghana.

for non-lifeline residential consumers. Solutions to all the above have been proposed and been approved by Cabinet.

67. Status of VRA restructuring The financial restructuring that began with the Phase 1 Restructuring and subsequently subsumed under the First Tranche of the ESLA Bond program has resulted in substantial portions of the company's costly debts to local banks being taken off its balance sheet. Other reforms geared towards making the company focus on its core activities are on course. Consultants will also be engaged to begin detailed work on the process of divesting some thermal assets owned by VRA in the second quarter of 2019 following discussions with VRA. VRA's audited financial results for 2017 showed a significant reduction in a net loss position over that of 2016.

68. Treatment of net debt among agencies MOF will coordinate the inter-utility debt matrix to ensure timely reconciliation and settlement of debt via the cross-debt mechanism. The Government has contracted Audit firm Ernst & Young (E&Y) to conduct a reconciliation and balancing of the inter-utility debts. E & Y has already commenced the exercise and we are hopeful of getting its findings in due course.

69. COCOBOD has stepped up efforts to improve its financial conditions. In order to preserve fair producer prices to the farmers, COCOBOD has incurred a loss of about GHc 1 billion due to low international cocoa prices. Against this background, the management of COCOBOD is currently launching a series of cost saving operations, including: (a) searching for long term borrowing in order to withdraw expensive cocobills, (b) improving procurement activities, (c) strengthening internal audit control, mainly through training, and (d) decrease fertilizer costs by launching a special team that would control the use of fertilizers.

70. To boost production and efficiency, the African Development Bank (AfDB), will provide financial support to COCOBOD. A US$600 million loan is expected to be signed by the second quarter of 2019 focusing on production enhancement activities, building of new warehouses, and fighting diseases.

E. Safeguarding Ghana's Medium-Term Prospects for a "Ghana Beyond Aid"

71. The macroeconomic gains achieved over the past two years has precipitated the restoration of macroeconomic stability and the return of the ECF Programme back on track since programme objectives were derailed at the end of 2016.

72. However, we recognise that to consolidate these gains, ensure permanency of good policies and safeguard our bright medium-term prospects, our irreversibility structures must be firm especially in the post IMF-ECF programme era. These structures are designed to promote fiscal discipline and fiscal and debt sustainability. They include:

i. Passage of a Fiscal Responsibility Act by Parliament to ensure fiscal and debt sustainability;

ii. Establishment of the Financial Stability and Fiscal Responsibility Advisory Councils;

iii. Fully resourced and operationalized Office of the Special Prosecutor and other governance institutions;

iv. Strict enforcement of the PFM Act;

v. Continuation of the zero central bank financing arrangement with the BoG to strengthen the inflation targeting regime;

vi. Institutionalization of the Economic Policy Coordination Committee (EPCC) co-chaired by the Finance Minister and Bank of Ghana Governor to coordinate government macro-fiscal policy and address challenges facing the government's economic programme towards set objectives;

vii. Enforce the Public Procurement Act and ensure sole sourcing is minimized to promote competition and efficiency in public spending, thereby, promoting value for money;

viii. Institution of risk management framework and the establishment of the Fiscal Risk Unit at the Ministry of Finance as part of measures to mitigate macro-fiscal risks;

ix. Prudent medium-term debt management strategies to reduce the public debt burden and promote debt and fiscal sustainability. The strategies include placing a cap on non-concessional borrowing, undertaking cost-effective liability management, creation of a cash buffer, issue of longer dated instruments to extend the yield curve, and the annual publication of the Borrowing Plan;

x. Operationalization of the Public Entities Credit Risk Assessment to regularly assess, monitor and report on the credit risk of SOEs in order to ameliorate any unintended consequences of non-payment of outstanding obligations on the fiscal position of government;

xi. Social Partnership arrangement among Government, Organised Labour/Associations and Employers to, among others, provide a platform for reaching national consensus on development issues and work together to accelerate Ghana's development. It is expected that this Social Partnership arrangement will provide a medium for building a sense of cohesion, trust, self-management, frank and open discussions with mutual sacrifices and contributions from all stakeholders to champion the course of Ghana's development.

73. With the irreversibility structures firmly rooted, the bright medium prospects ahead of us will be safeguarded and further boosted. These prospects include:

a. The introduction of additional oil and gas production from new fields. These new fields include the AKER, AGM and the ExxonMobil fields. The AKER field has proven reserves of over 900 million barrels. The AKER accelerated and integrated plan of development that will ensure that first oil is realised in the fourth quarter of 2020. It is anticipated that with the inclusion of the

Aker field (using 1 out of 3 FPSOs), total crude oil production will increase from 171,972 barrels of oil per day in 2018 to 220,000 barrels per day in 2020. Similarly, gas production is expected to increase from 278.66 mmscf per day in 2018 to 318.41 mmscf per day. Initial projections show that if AKER, AGM, and the ExxonMobil fields are fully operational, Ghana will attain crude oil production of 1 million barrels in the next 4-5 years. The prospects of discovering and producing more crude oil and gas are higher given the profile of the sixteen (including ExxonMobil, Total, ENI, Tullow, Kosmos, Aker) out of sixty companies which were shortlisted for the three blocks in the recently published bidding rounds;

b. Strengthening the management of the Ghana Petroleum Funds to position it to contribute more significantly to the development agenda, given the higher expected crude oil production in the medium term. To this effect, the Investment Advisory Committee responsible for advising the Minister on the management of Ghana Petroleum Funds has been reconstituted;

c. Strategies to improve non-oil real GDP growth in the wake of the increasing crude oil production. Government interventions such as the Planting for Food and Jobs, Rearing for Food and Jobs, Fishing for Food and Jobs, One village One Dam, One District One Factory, and the Infrastructure for Poverty Eradication Programme are being implemented as part of measures to diversify the economy and promote economic growth. The non-oil sector is also being boosted by improved electricity production which will trigger manufacturing in particular and industrial production in general. The increasing use of Fintech such as mobile money transfers and the inter-operability of the payment platforms are also supporting services sector growth;

d. A more vibrant and well capitalised financial sector following the financial sector clean-up exercise to amply support economic activity;

e. Ghana is currently being positioned as a regional hub for financial services, petroleum and petroleum services, airport, logistics & transport, manufacturing, real estate and higher education as outlined in the 2019 Budget.

74. Government plans to sustain and deepen reforms over the medium term. Our policies and actions over this period will be guided by our **"Ghana Beyond Aid"** agenda, which builds on the President's Coordinated Programme of Economic and Social Development Policies (2017-2024) and its associated Medium-Term National Development Policy Framework (2018-2021) and is consistent with the SDGs of the United Nations.

75. The Ghana Beyond Aid agenda has two key components. The first is a **Vision** of the Ghana we want in the medium term—a prosperous and self-confident nation that is beyond needing aid, but instead engages with other countries competitively through trade and investments and through political cooperation for enhanced regional and global peace and security.

76. The second component of the Ghana Beyond Aid agenda is **a change in mindset and behaviour** that reflects the internalization of the reality by Ghanaians that the destiny of Ghana is in the hands of Ghanaians; others *might help, but it is up to Ghanaians to shape our country's destiny by efficiently and effectively mobilizing and deploying all of our resources for rapid economic transformation and inclusive growth*.

77. Underpinning the broad vision of Ghana Beyond Aid are the five goals of building: **A Wealthy, Inclusive, Sustainable, Empowered, and Resilient Ghana, or in short, a W.I.S.E.R Ghana**, using the first letters of the 5- goals. A *Wealthy and Inclusive* Ghana will require rapid private sector-led economic growth and transformation that creates productive jobs. And a *Resilient Ghana* is one that is economically diversified and is macroeconomically and financially stable, and that efficiently mobilizes and deploys domestic and foreign resources for development. Above all, these goals require that we do things differently and better by: continued strengthening of fiscal management and improvements in the efficiency of government expenditures, increasing domestic revenue mobilization, improving the private sector environment to attract both domestic and foreign investors, building up our human capital, and setting up institutions that promote national consensus on national development and that provide oversight and restraint to enforce transparency, accountability, and macroeconomic and financial stability.

78. Ghana Beyond Aid is a National Project that mobilizes all Ghanaians across partisan divides, rather than a programme of the Government of the Day. We are therefore engaged in a process of broad consultations to build national consensus and support for the Ghana Beyond Aid project or agenda. Meanwhile, based on feedback already received, Government has started putting in place in the 2019 budget (and to some extend in the 2017 and 2018 budgets) some of the requisite measures and institutions in place, including: A Fiscal Council, A Financial Stability Council, a Social Partnership Framework among Government, Labour, and Employers, and flagship projects aimed at boosting the quality of our human capital, infrastructure, and reviving our agriculture and industry.

F. Policies to Support Growth and Poverty Reduction

79. Government will focus on 6 strategic pillars that build on the flagship programmes and Ghana's achievements over the past two years to support growth and poverty reduction (see section 3). These strategic pillars are:

i. Infrastructure;

ii. Agricultural Modernisation;

iii. Industrialisation;

iv. Entrepreneurship;

v. Improving Efficiency in Revenue Mobilisation and Protecting the Public Purse; and

vi. Social Partnership

80. Government interventions in the infrastructure and social sectors are aimed at creating the needed environment for the citizenry to participate in the fight against poverty. The specific interventions include: Infrastructure for Poverty Eradication Programme (IPEP), National Entrepreneurship and Innovation Plan (NEIP), Nation Builders' Corps (NABCO)—all of which have been aligned to the Sustainable Development Goals (SDGs) and Africa Union (AU) Agenda 2063. Other interventions aimed at creating an equitable society include the Free SHS policy.

Supporting Entrepreneurship and Private Sector Development

81. Under the Government's Ten-Point Industrial Transformation Programme, investments into new Strategic Anchor Industries in order to establish as new growth and export poles for the Ghanaian economy, including but not limited to, Automotive and Vehicle Assembly, Pharmaceuticals, Garments and Textiles, Vegetable Oils and Fats, Industrial Starch, Industrial Chemicals, and Iron and Steel are being facilitated.

82. In 2018, Government signed MOUs with three major global automobile companies, Volkswagen, Nissan and Sinotruk. In 2019, these three automobile assembly plants are expected to be fully operational and a comprehensive Automotive Industry Policy will be launched to provide clear and consistent guidelines and regulations for the industry.

83. Government's engagement with Sinohydro Corporation Limited is to leverage on proceeds from refined bauxite for various infrastructure projects in Ghana. The Government is in the process of facilitating the establishment of an integrated bauxite and aluminium industry in Ghana to add value to Ghana's bauxite reserves. As a result, a new law has recently been passed to establish the Ghana Integrated Aluminium Development Corporation (GIADC). GIADC will be responsible for the management of Ghana's bauxite reserves and in the process of entering into joint venture partnerships with investors for the mining and refining of Ghana's bauxite.

84. Government has negotiated an agreement with Sinohydro Corporation of China under which Sinohydro will provide $2 billion worth of infrastructure, in exchange for proceeds of refined bauxite. The proceeds will be placed in an escrow account by the off-taker for the benefit of GIADC and Sinohydro. In the interim, Government is negotiating on behalf of GIADC but once the GIADC is finally set up, it will become the obligor under the Sinohydro arrangement. This structure seeks to ensure that the GIADC obligation will not add to the Government of Ghana's debt stock. The infrastructure will be provided in phases. The first phase will involve US$646 million of infrastructure of which 10 No EPC contracts have been signed, pending financial closure.

85. GETFund long-term Financing for education infrastructure: Government has presented to Parliament, a proposal to secure up to US$1.5 billion long-term financing for GETFund on the back of a portion of VAT receivables as prescribed in Act 581, and which will be issued in three (3) tranches of US$500 million. This will be used for critical education infrastructure, especially to complete the numerous uncompleted buildings in secondary and tertiary institutions around the country. We are committed to stay within adopted budgetary envelopes for GETFund. Additional borrowing will only be used to clear GETFund arrrears to its suppliers.

86. The National Entrepreneurship and Innovation Plan (NEIP) is a key flagship initiative for providing integrated support for start-ups and small businesses. So far, 7,000 entrepreneurs have been trained and 1,350 successful entrepreneurs who presented innovative and bankable business plans have also been provided with financial support. It is expected that each of these entrepreneurs would create a minimum of two jobs, totaling 2,700 direct jobs. In 2019, another set of 10,000 entrepreneurs will be trained and financial support provided to about 2,000 beneficiaries. Additionally, the development of a comprehensive policy document to guide National Entrepreneurship has been initiated and is expected to be ready by the end of the year.

87. The National Industrial Revitalization Programme - A Stimulus Package for Industry. In collaboration with participating Financial Institutions, Government has disbursed GHc 227.2million to 14 distressed companies. An additional 35 companies are in the pipeline for consideration by the participating Financial Institutions in 2019.

88. Industrializing Ghana from the Ground Up: "One District, One Factory". The One District One Factory (1D1F) Initiative aims at establishing at least one factory in each district across the country. The initiative is Private Sector-led whilst the Government plays a facilitation role including providing technical assistance for the planning and implementation of projects, as well as facilitating access to credit and infrastructure support. The enterprises being established are therefore owned and managed by private investors or entrepreneurs who determine the location of their projects. The 1D1F programme has generated strong interest from several banks. Fifty-five (55) companies have been funded, with several others in the pipeline. By the end of 2018, a total number of 79 projects would have been approved under the 1D1F and at various stages of implementation.

89. The Nation Builders Corps (NABCO), a three - year transitional job opportunity for young graduates has enrolled 100,000 young graduates to support the delivery of critical public services. The GRA has been assigned ten thousand officers from the NABCO who will be deployed to support the implementation of revenue measures by identifying and registering potential taxpayers, collection of property rates, and follow up on debtors. Between 2017 and 2018, financial clearance has been granted to various agencies to recruit about 88,719 Ghanaians into critical sectors of the economy including agriculture, health, revenue, IT and education to enable us to improve service delivery.

90. To support the National Agenda for Jobs, Government will also roll out the "Aquaculture for Food and Jobs" (AFJ) flagship programme in 2019 to complement the ongoing "Planting for Food and Jobs" (PFJ) initiative. The AFJ Programme will be implemented in collaboration with "Feed Ghana" (module 3) and "Enterprise Ghana" (module 5) of the NABCO. Under the AFJ programme, 10,200 unemployed youth will be mobilized nationwide into Aquaculture Enterprise Groups. Successful beneficiaries will be trained in modern aquaculture production techniques and supported with inputs such as fish feed, fingerlings, tanks and cages to engage in commercial fish farming.

Supporting the Poor and Vulnerable

91. To increase coordination among Social Protection Programmes, the Social Protection Single Window Citizens Service has been established with a single window call centre (Helpline of Hope) to promote the rights of the vulnerable. A total of 213,044 households have received support in 2018 from the LEAP. To also ensure that all vulnerable and poor persons have access to quality health care, 550,000 Livelihood Empowerment Against Poverty (LEAP) beneficiaries were either registered onto the NHIS or had their expired cards renewed.

92. In consonance with SDG 4, Government continued with the successful implementation of the Free SHS Policy. The enrolment in 2018 was 490,882 representing an increase of 36 percent over the 2017 enrolment of 361,771. An amount of GHc 1.7 billion has been budgeted as funding for the free SHS programme for 2019. To meet increasing demand for secondary education, the Ministry of Education introduced the double track school calendar as a temporary measure in 400 schools to accommodate more students and ease congestion in schools. The system ensured that an estimated 181,000 students who would have, otherwise, been denied secondary education due to constraints with space, were placed in schools.

Table 1. Ghana: Quantitative Program Targets[1]

(Cumulative from the beginning of the calendar year, unless otherwise indicated)

		End-April 2018			End-June 2018			End-September 2018			End-December 2018		
		Target	Adjusted target	Actual	Target	Adjusted target	Actual	Target	Adjusted target	Actual	Target	Adjusted target	Actual
I	**Quantitative Performance Criteria** [2]												
	Primary fiscal balance of the government (floor in millions of cedis)	769		-907	1,067	792	426	2,737	3,060	2,311	4,745	4,950	5,121
	Wage Bill (ceiling; in millions of cedis)	5,466		5,656	8,245		8,450	12,469		12,798	16,762		17,213
	Net international reserves of the Bank of Ghana (floor; millions of U.S. dollars) [3]	-700		-731	175		-650	310		-1,121	504		-910
	Non-accumulation of new domestic arrears (ceiling; millions of cedis)	0		0	0		0	0		0	0	0	0
	Net change in stock of arrears (ceiling, millions of cedis)	-275		-688	-515		-809	-670		-856	-858		-858
II	**Continuous Performance Criteria**												
	Gross financing of BoG to the Government and SOEs (ceiling; in millions of cedis) [4]	15,384		15,390	15,384		15,384	15,384		15,416	15,384		19,152
	Non-accumulation of external arrears (ceiling; millions of U.S. dollars)	0		0	0		0	0		0	0		0
	Contracting or guaranteeing of new external non-concessional debt (ceiling; millions of U.S. Dollars)[5]												
	o/w: Debt for a debt management purpose[6]	1,750		1,250	1,750	1,250	1,250	1,750	1,250	1,250	1,750	1,250	1,250
	Debt for projects (cumulative from the beginning of 2015)[7]	3,500		2,696	3,500		2,735	3,500		2,885	3,500		3,432
	Debt for project (GNPC)[8]	350		100	350		100	350		100	350		125
III	**Monetary Policy Consultation Clause**												
	Twelve-month consumer price inflation (percent)												
	Outer band (upper limit)	13.0			12.0			11.5			11.0		
	Inner band (upper limit)	12.0			11.0			10.5			10.0		
	Central target rate of inflation	10.0		9.6	9.0		10.0	8.5		9.8	8.0		9.4
	Inner band (lower limit)	8.0			7.0			6.5			6.0		
	Outer band (lower limit)	7.0			6.0			5.5			5.0		
IV	**Indicative Targets**												
	Contracting or guaranteeing of new external concessional debt (ceiling; millions U.S. Dollars)	500		77	500		299	500		299	500		299
	Net after tax profit of ECG and VRA (floor; millions of cedis)	...			...						-1,012		
	Change in accounts payables of ECG and VRA (ceiling; millions of cedis)	...			...						0		
	Social Protection spending (floor, in million of cedis)	996			2,065		2,102	3,573		3,763	5,391		5,529

[1] Targets as defined in the attached Technical Memorandum of Understanding (TMU).

[2] Performance criteria for end-June and end-December, and Indicative targets for end-April and end-September.

[3] Program definition excludes foreign currency deposits in BOG. Defined as a change from end-2017.

[4] Defined as a level.

[5] The two subceilings, one for a debt management purpose and the other for projects, apply starting from the date of completion of the second review. Prior to this date, the ceiling remains as specified in Table 1 of the August 25, 2015 Supplementary Letter of Intent, and as specified in the August 2015 TMU.

[6] Non-concessional debt used to improve the overall public debt profile, including Eurobonds.

[7] Also includes a Eurobond (equivalent to US$750mn) used for project financing (not for liability management) in 2018.

[8] Associated with non-concessional debt to be contracted by GNPC, which had been counted against the 2015 limits but delayed for unforeseen reasons.

Table 2. Ghana: Structural Benchmarks

Structural Benchmarks	Indicative Timeframe	Comment
Complete roll-out of GIFMIS to all Internally Generated Funds (IGFs) and statutory funds.	December 2018	Not met. Progress is ongoing.
Complete the central government TSA.	September 2018	Not met. Progress is ongoing.
Fully enforce the ELA guidelines, including approval by the BoG of plans, submitted by all of ELA beneficiaries, for the timely repayment of the outstanding facilities.	June 2018	Not met. Progress is ongoing.
Submit to Parliament legislation to restructure the tax incentives regime in Ghana, in line with IMF recommendations.	June 2018	Not met. Changed to prior action.
Submit to Parliament legal amendments to the Banks and SDI Act, prepared in consultation with IMF staff, to address important weaknesses in the current legislation.	August 2018	Not met. Will be taken up by BoG in the future.
Finalize roll out of the HRMIS to remaining MDAs.	December 2018	Not met. Progress is ongoing.
Integrate the GIFMIS Payroll, financial HRMIS and Hyperion in the Education sector.	August 2018	Met.
Publish a fiscal risk statement, including estimates of quasi-fiscal activities of SOEs and other extra-budgetary funds.	December 2018	Met with delay.
Approval by BoG Management of a strategy for reducing the overhang of nonperforming loans.	June 2018	Met with delay.
Implementation of MFI action plan.	December 2018	Not met. Changed to prior action.
Adoption by BoG Management of specific measures (MEFP ¶27) to improve FX management and that ensure market-based pricing of transactions.	August 2018	Not met. Changed to prior action.

Table 3. Ghana: Proposed Prior Actions

Prior Action	Economic Rationale
Submit to Parliament an exemption draft bill removing total exemptions of GHc 500 million and tightening the exemptions granting process (with all exemptions to be approved by the Ministry of Finance)	Improve domestic revenue mobilization.
Secure funds needed for the cleanup of MFIs.	Extend financial sector clean-up beyond the banking sector and further buttress depositor confidence.
BoG to finalize timeline for the remaining SDI resolutions, in agreement with the Ministry of Finance.	Extend financial sector clean-up beyond the banking sector and further buttress depositor confidence
Adopt FX management policy by BOG (in line with MCM recommendations).	Improve FX management and ensure market-based pricing of transactions.
Maintain NIR at the level observed at end-December 2018	Restore FX buffers
Submit to Parliament legislation establishing single supervisory entity for SOEs.	Strengthen oversight of SOEs and mitigate fiscal risks
Minister of Finance to submit PFM regulations to Parliament in line with FAD recommendations.	Strengthen fiscal transparency and accountability

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) defines the variables subject to quantitative targets (performance criteria and indicative targets), as specified in the authorities' Letter of Intent (LOI) and Memorandum of Economic and Financial Policies (MEFP) of March 20, 2015. It also describes the methods to be used to assess the program performance and the information requirements to ensure adequate monitoring of the targets. The authorities will consult with the Fund before modifying measures contained in this TMU, or adopting new measures that would deviate from the goals of the program, and provide the Fund with the necessary information for program monitoring.

2. **Program exchange rate:** For the purpose of the program, the exchange rates of the Ghanaian cedi (GHc) to the U.S. dollar will be GHc 4.00 per US$1 for 2016, GHc 4.40 for 2017, and GHc 4.7 for 2018 and GHc 5.0 for 2019. The exchange rates to other currencies will be calculated as the average of buying and selling exchange rates against the U.S. dollar.

A. Quantitative Program Indicators

3. For program monitoring purposes, the performance criteria and indicative targets are set for end-June 2018 and end-December 2018. Performance criteria, indicative targets, and adjusters are calculated as cumulative flows from the beginning of the calendar year, unless indicated otherwise.

4. The **performance criteria** under the arrangement are:

- a floor on the primary fiscal balance of the government on a cash basis, measured in terms of financing (below the line);
- a continuous ceiling on gross credit to government by the Bank of Ghana (level);
- a floor on the net international reserves of the Bank of Ghana (level);
- a ceiling on wages and salaries;
- a ceiling on the net change in the stock of domestic arrears;
- a ceiling on non-accumulation of new domestic arrears;
- a continuous ceiling on non-accumulation of new external arrears;
- a ceiling on the contracting or guaranteeing of new external non-concessional debt, with two sub-ceilings on (i) debt for debt management purposes and (ii) debt for projects integral to the development program for which concessional financing is not available; and
- a monetary policy consultation clause set for the twelve-month rate of **consumer price inflation,** with discussions with the Fund to be held if inflation is outside the target bands.

5. **Indicative targets** are established as:

- a floor on poverty-reducing government expenditures;
- a ceiling on the contracting or guaranteeing of new external concessional debt;
- a ceiling on net domestic assets of Bank of Ghana (level);[1]
- a ceiling on the change in accounts payable of Electricity Company of Ghana (ECG) and Volta River Authority (VRA); and
- a floor on the net after tax profit (excluding government subsidies) of ECG and VRA.

Government

6. **Definition:** The 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, and the National Health Insurance 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 government.

7. The central government's **total tax revenue**—i.e., all revenue collected by the GRA, whether they result from past, current, or future obligations—includes Direct Taxes (taxes on income and property), Indirect Taxes (excises, VAT, National Health Insurance Levy (NHIL), and Communication Service Tax (CST)), and Trade Taxes. Total tax receipts are recorded on a cash basis.

8. **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).

9. The **wage bill** of the central government is defined as the sum of basic wages and allowances paid to public servants on the mechanized payroll and in subvented agencies.

10. **The program primary fiscal balance** is cumulative from the beginning of the fiscal year and is measured from the financing side. The primary deficit is defined as the sum of net financial transactions of the government (as defined in paragraph 6 above)—comprising the sum of net foreign borrowing (as defined in paragraph 14 below), net domestic financing (defined in paragraph 13 below), receipts from net divestitures and net drawing out of oil funds, minus domestic and external interest payments.

11. **Domestic payments arrears** are payments not made "when due". These will be measured as the sum of five components. The first component, arrears to the government's statutory funds, represents any delay of more than one month in revenue transfers to these statutory funds, relative

[1] Not set for 2018.

to the normal payment schedule (typically monthly or quarterly, and defined as a specific percentage of the previous month or quarter's revenue collections).[2] The second component, employees compensation arrears (consisting of wages and salaries, pensions, gratuities, and social security arrears), is defined as payments outstanding after the agreed date for payment to staff or the social security fund. The third component, debt service arrears, is defined as payments of domestic and external interest, amortization, promissory notes, that are due and not settled within the grace period specified in the contract. The fourth component, the MDAs expenditure arrears (road and other MDAs expenditure arrears), is defined as approved invoices on the GIFMIS system that remain unpaid three months after the quarter in which the invoices were approved by the MDA. The fifth component, arrears to SOEs,[3] is defined as payments for debt owed to SOEs that are due and not settled within 30 days after the end of the quarter.

12. Budgeted expenditures on social protection programs of the central government (as defined in text table below) will be taken from each year's final appropriations bill and will include only spending financed by the government or from internally generated funds. Actual spending on social protection programs, including LEAP, will be supplemented with the transfers to the National Health Fund (NHF)—which the government considers as poverty-related. Accordingly, actual poverty spending will exclude all donor-supported expenditure.

Overview of Social Protection Programs	
1. National Health Fund (NHF)	2. Teacher and nurse trainee allowances
3. Livelihood Empowerment Against Poverty (LEAP)	4. Other education social safety nets
5. Free senior high school	6. Health spending on essential drugs
7. Planting for food and jobs program	8. School feeding program
9. Zongo Development Fund	

13. Net domestic financing of government is defined as the change in net credit to government by the banking system (i.e., the Bank of Ghana plus deposit money banks) plus the net change in holdings of treasury bills and other government securities by the nonbank sector, excluding divestiture receipts.

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

[2] Transfers to the statutory funds are scheduled as follows: (i) District Assemblies Common Fund—quarterly, with a one-quarter lag; (ii) Social Security Fund, National Health Fund, Ghana Education Trust Fund, Road Fund, Petroleum-related Fund—monthly, with a one-month lag.

[3] Tema Oil Refinery (TOR), Volta River Authority (VRA), Bulk Oil Storage and Transport Company (BOST), utility companies, Cocobod, other SOEs.

15. Outstanding net credit to the government by the Bank of Ghana comprises the sum of claims on government including overdrafts of the government with the BoG, and claims on the government resulting from accrued interest on government securities less government deposits as defined in the monetary template.

16. Outstanding net credit by deposit money banks comprises deposit money bank (DMB) holdings of government securities at cost of purchase value, as reported by the BoG Treasury Department's Debt Registry, direct loans less government deposits as reported by DMBs in the revised BSD2 report forms (and defined in the Monetary Template), plus deferred accrued interest on their holdings of inflation-indexed bonds.

17. Nonbank financing is the difference between total net cash receipts to the treasury main cash account (issues/redemptions account when it becomes operational) from the sale/repurchase of government securities, less the corresponding net cash value received from the BoG and DMBs as indicated on the Debt Registry by holder at discount value, plus deferred accrued interest on their holdings of inflation-indexed bonds.

Bank of Ghana

18. Net foreign assets are defined in the monetary survey as short- and long-term foreign assets minus liabilities of the BoG that are contracted with nonresidents. Short-term foreign assets include: monetary gold (valued at the spot market rate for gold, US$/fine ounce, London), holdings of SDRs, reserve position in the IMF, foreign notes and travelers checks, foreign securities, positive balances with correspondent banks, encumbered external assets and other positive short-term or time deposits. Short-term foreign liabilities include foreign currency liabilities contracted by the BoG at original maturities of one year or less (including overdrafts), outstanding liabilities to the IMF, deposits of international institutions at the BoG and swaps with non-resident commercial banks. Long-term foreign assets and liabilities are comprised of: other foreign assets, investments abroad, other long-term liabilities to nonresidents, and bilateral payment agreements. All values not in U.S. dollars are to be converted to U.S. dollars at the program exchange rate defined in paragraph 2. A more detailed listing of accounts to be included in the measure of net foreign assets is contained in the monetary template provided to the IMF on January 21, 2015.

19. Net international reserves (NIR) of the BoG are defined for program monitoring purposes[4] as short-term foreign assets of the BoG, minus short-term external liabilities. The definition of NIR will exclude short-term foreign assets that are not fully convertible external assets readily available to, and controlled by, the BoG (that is, they are pledged or otherwise encumbered external assets, including assets encumbered by BoG guarantees issued to third parties). All values not in U.S. dollars are to be converted to U.S. dollars at the average of buying and selling exchange rates against the U.S. dollar as defined in paragraph 2.

[4] 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.

Net international reserves are defined as:

- Short-term assets (composed of: Gold, Holdings of SDR, Foreign Notes and Coins, Foreign Securities/Short-term Deposits, Disposal Balances with Correspondent Banks, Fixed Deposits (excludes encumbered assets), any other short-term foreign assets),

- **Minus:** foreign short-term liabilities (composed of Deposits of International Institutions, Liabilities to International Commercial Banks, Swap Deal Payable with non-resident banks). Short-term liabilities should exclude liabilities with an asset counterpart that is encumbered (which are excluded as well from the asset side).

- **Minus** all liabilities to the IMF,

- **Minus** MoF's liabilities to the IMF used for budget support,

- **Minus** all positive foreign currency deposits at the BoG held by resident deposit money banks (which includes the stock of swaps deal payable with resident banks), public institutions, nonfinancial public enterprises, other financial institutions, and the private sector.[5]

- **Minus** all Bank of Ghana deposits with Ghana International Bank London (GIB).

20. **Net domestic assets** of the Bank of Ghana are defined as the difference between reserve money and net foreign assets of the BoG, converted from U.S. dollars to cedis at the program exchange rate. In accordance with the treatment for net international reserves, government deposits at the BoG from disbursements of Fund resources for budget financing are also subtracted.

21. **Outstanding gross credit to government and public enterprises by the Bank of Ghana** for program monitoring purposes is defined as the total amount of (i) all BoG loans and advances to government and public enterprises, (ii) all government overdrafts, (iii) the absolute value of government deposits reflected as negative values in the monetary survey; (iv) 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 government by Bank of Ghana includes all called guarantees given by Bank of Ghana for all operations between the central government or state owned enterprises and a third party. For the purposes of this TMU, the stock of gross credit to government does not include: BoG holdings of government T-bills as collateral from commercial banks and BoG reversible market transactions involving government securities that do not result in a change of security ownership.

[5] This item is not deducted from NIR in the Balance of Payments and Monetary survey definition which is based on the standard residency criteria.

Monetary Policy Consultation Clause

22. 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 Performance Criteria table for end-June 2018 and end-December 2018 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 program deviations, 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 year-on-year rate of CPI inflation fall outside the inner bands specified for the end of each test date in the Performance Criteria table.

Non-Accumulation of New External Arrears

23. For the purpose of the ceiling on the accumulation of external payment arrears, external payment arrears will accrue when undisputed 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. This performance criterion will be monitored on a continuous basis.

Ceiling on the Contracting or Guaranteeing of New Non-Concessional External Debt

24. For the purposes of this TMU, the definition of debt is set out in paragraph 8 of the 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:

> 8 (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 some time 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.

25. For the purposes of the ceiling on the contracting or guaranteeing of new non-concessional external debt, external debt is any debt as defined in paragraph 24, which is denominated in foreign currency, i.e., currency other than Ghanaian cedis (GHc).[6]

26. Nonconcessional external debt is defined as external debt contracted or guaranteed by the government (defined in paragraph 6), the BoG, and specific public enterprises (defined in paragraph 27) on non-concessional terms (defined in paragraph 28) [7]. External debt and its concessionality will be reported by the Debt Management Division of the Ministry of Finance and Economic Planning, and will be measured in U.S. dollars at current exchange rates.

27. A performance criterion (ceiling) applies to the nominal values of new nonconcessional external debt, and an indicative target (ceiling) applies to the nominal value of new concessional external debt, contracted or guaranteed by the government and the BoG, and the following public 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; (viii) GIIF. The ceiling applies to debt and commitments contracted or

[6] Excluded from this performance criterion are the use of Fund resources, rollover of BOG's existing liabilities, normal import-related credits, pre-export financing credits of public enterprises, cocoa loans collateralized by cocoa contracts, and individual leases with a value of less than US$100,000.

[7] For a program monitoring purpose, debt is considered as contracted or guaranteed when all conditions precedent for effectiveness of the underlying loan agreement are satisfied. Only debt signed since the beginning of 2015 will be counted against this performance criterion.

guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended.

28. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV 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 5 percent.

29. 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 a program reference rate plus the fixed spread (in basis points) specified in the loan contract. The program reference rate for the six-month USD LIBOR is 3.34 percent and will remain fixed for the duration of the program. The spread of six-month Euro LIBOR over six-month USD LIBOR is -250 basis points. The spread of six-month JPY LIBOR over six-month USD LIBOR is -300 basis points. The spread of six-month GBP LIBOR over six-month USD LIBOR is -100 basis points. For interest rates on currencies other than Euro, JPY, and GDP, the spread over six-month USD LIBOR is -200 basis points.[8] Where the variable rate is linked to a benchmark interest rate other than the six-month USD LIBOR, a spread reflecting the difference between the benchmark rate and the six-month USD LIBOR (rounded to the nearest 50 bps) will be added.

30. Starting from the completion of the second review, the performance criterion on new non-concessional external debt includes two sub-ceilings on (i) debt for debt management purposes and (ii) debt for projects integral to the development program for which concessional financing is not available. Debt for debt management purposes is defined as non-concessional debt used to improve the overall public debt profile. The debt management sub-ceiling shall be cumulative from the beginning of each calendar year. For 2018, the exemption for debt management is limited to $1,750 million. Liability management operations are defined as repurchases of existing debt with the proceeds from newly issued debt with the purpose of improving the composition of the public debt portfolio, in a broadly NPV-neutral manner.

31. The sub-ceiling on any contracting or guaranteeing of non-concessional external debt for projects integral to the development program for which concessional financing is not available refers to debt for those projects specified in the list below. Any contracting or guaranteeing of non-concessional external debt for projects other than those listed below results in the nonobservance of the PC. The total amount of contracting of non-concessional external debt for projects on this list will be strictly limited to US$3,500 million on a cumulative basis from the beginning of 2015. Amounts applied toward this limit do not count toward the sub-ceiling on non-concessional borrowing for debt management purposes.

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[8] The program reference rate and spreads are based on the "average projected rate" for the six-month USD LIBOR over the following 10 years from the Fall 2014 World Economic Outlook (WEO).

- Takoradi Port Expansion 2
- Supply Agricultural equipment under Food for Africa programme
- Electricity Company Ghana Limited Prepaid meter distribution
- Construction and Equipping of Ten (10) Polyclinics in the Central Region
- Self-help electrification project (SHEP) - 4 -Hunan
- 4 District Hospitals and accident and emergency center in Bamboi, Somanya, Tolong, Weta, and Buipe
- Kumasi market phase 2
- SHEP five regions-CWE
- Strengthening of Lots 1,2& 4 Central Corridor
- Eastern Corridor Road Project Refinancing for Section I: Asikuma Junction - Have and Section II: Nkwanta - Oti Damanko
- Obetsebi Lamptey Drainage network and Interchange
- Bekwai Hospital Rehabilitation
- Sugarcane Development and Irrigation Project
- KARPOWER PROJECT B
- Takoradi 4 Thermal Power Project (T4)
- Renovation of Ghana Missions Abroad
- Works at Kumasi Airport
- Development of Tamale Airport- terminal building and related infrastructure phase
- Eastern University
- Damango Yendi Water project
- Tema to Akosombo - Western Railway Line Construction Project in Ghana
- Transport Sector Project (World Bank)
- Rural Water and Sanitation (World Bank)
- Secondary Education Improvement (World Bank)
- Polytechnics, Technical and Vocational training centres
- Obetsebi Lamptey Interchange - phase 2
- Kumasi Road Rehabilitation
- The Modernization of Kumasi Central Market and Execution of Selected Infrastructure in the CBD (phase 2)
- Koforidua Regional Hospital
- Rehabilitation of Mampong, Atibie, Aburi and Kyebi hospitals in the Eastern Region
- Completion of Legon Medical Center
- Aqua Africa water project
- Elimina Fishing Port Rehabilitation and Expansion

- Essiama Enclave Water Supply
- Planting for Food and Jobs
- Free Senior High School
- Infrastructure for Poverty Eradication Programme
- H.E. Nana Akufo-Addo's Plan for Agricultural Roads
- Infrastructure for Zongo communities
- One-district one-factory
- Street lighting and SHEP
- Flood control
- Water systems and toilet facilities
- Critical security equipment
- School feeding
- LEAP
- National ID program
- Support for business incubator

32. Further an additional sub-ceiling of US$350 million for a project is established for 2017 in the context of third review to accommodate GNPC's non-concessional borrowing, which was counted against debt limits for 2016 but did not materialize due to unforeseen delays in its loan negotiation with the creditor.

SOEs

33. The net after tax profit of ECG is defined as the difference between total operating revenues and total costs as reported in the unaudited income statement. Total operating revenues are defined as the sum of: (i) sales of electricity; and (ii) all other operating income, excluding proceeds from central government transfers or payments of ECG's obligations on ECG's behalf. Total costs are defined as the sum of: (i) power purchases and all operating costs related to electricity distribution to be borne by ECG; (ii) administrative expenses, including on wages and remuneration of the board of directors, and provisions; (iii) depreciation; (iv) interest expense and any other financial costs.

34. The net after tax profit of VRA is defined as the difference between total operating revenues and total costs as reported in the unaudited income statement. Total operating revenues are defined as the sum of: (i) sales of electricity; and (ii) all other operating income, excluding proceeds from central government transfers or payments of VRA's obligations on VRA's behalf. Total costs are defined as the sum of: (i) generation of electric power and all operating costs related to electricity generation to be borne by VRA; (ii) administrative expenses, including on wages and remuneration of the board of directors, and provisions; (iii) depreciation; (iv) financial expenses and any other financial costs, including foreign exchange gain/losses from foreign currency denominated transactions and exchange fluctuation gains/losses on foreign currency denominated loans.

35. The zero ceiling on change in gross payables of VRA and ECG applies to the total stock of payables, current and non-current, due to trade creditor, related parties and other creditors.

Adjustors to the Program Targets

Program's quantitative targets are subject to the following adjustors:

Primary Fiscal Deficit of the Government

36. The deficit ceilings for 2015–18 will be adjusted for excesses and shortfalls in oil revenue and program loans and grants as defined below, relative to the program assumptions in the table below. The fiscal deficit will be adjusted:

i) Downward (upward) by 50 percent of any excess (shortfall) in **oil revenue**.

ii) Downward by 50 percent of any **shortfall in concessional program loans**.

iii) Upward for the full amount of any **excess in concessional program loans**, where these are used to repay outstanding domestic arrears at a more rapid pace than programmed.

iv) Downward by the full amount of **any excess of program grants less any use of program grants** used to repay outstanding domestic arrears at a more rapid pace than programmed.

v) Upward by 50 percent of any **shortfall in program grants.**

37. The primary balance floor for 2018 will be adjusted downwards by 100 percent for financial sector related costs (including for the bond issued to Ghana Commercial Bank related to the purchase and assumption transaction undertaken in 2017, costs associated with the bank that was intervened in 2018 with the appointment of an official administrator, and for costs associated with other special depositary institutions like micro-finance institutions).

Non-concessional External Debt

38. The sub-ceiling on contracting of new non-concessional external debt to be used for debt management purposes for 2018 will be adjusted downwards at end-December 2018 by the full amount of any shortfall in liability management operations implemented relative to $1,750 million.

Net international reserves of the Bank of Ghana

39. The net international reserve (NIR) floors will be adjusted upward for any excess of budget grants and loans relative to the program baseline excluding the IMF's budget support (see text table), except where this financing is used to repay outstanding domestic arrears at a more rapid pace than programmed. The NIR floors will be lowered by 50 percent of any shortfall in budget grants and loans relative to the program baseline excluding the IMF's budget support.

Budget Financing and oil revenues, 2016 1/ (GHc millions, cumulative from the start of the calendar year)				
	March	**June**	**September**	**December**
Program grants	0	0	112	133
Program loans	0	600	844	844
Oil revenues, net of transfers to GNPC	325	460	785	1,640

1/ Used to compute adjustors for performance criteria for end-March, end-June, end-September, and end-December.

Budget Financing and oil revenues, 2017 1/ (GHc millions, cumulative from the start of the calendar year)				
	March	**August**	**September**	**December**
Program grants	0	0	73	73
Program loans	0	211	617	1,902
o/w: IMF Program loan for budget support	0	0	406	811
Oil revenues, net of transfers to GNPC	391	800	800	1,138

1/ Used to compute adjustors for PCs and indicative targets for end-March , end-August, end-September, and end-December.

Budget Financing and oil revenues, 2018 1/ (GHc millions, cumulative from the start of the calendar year)				
	April	**June**	**September**	**December**
Program grants	0	0	18	18
Program loans	0	908	908	1,362
o/w: IMF Program loan for budget support	0	908	908	1,362
Oil revenues, net of transfers to GNPC	958	1,135	1,599	2,206

1/ Used to compute adjustors for PCs and indicative targets for end-April, end-June, end-September, and end-December.

Provision of Data to the Fund

40. 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. The authorities will share any prospective external loan agreements 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, including clearance of arrears.	Monthly, within six weeks of the end of each month.
Divestiture receipts received by the budget (in cedis and foreign exchange, net of divestiture transactions costs).	Monthly, within six weeks of the end of each month.
The stock of domestic payments arrears by sub-category (as defined in para. 11 of the TMU)	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
Income, cash flow, and debt service projections for the state-owned energy utilities.	Monthly, within six weeks of the end of each month
Itemized data on the proceeds from the energy sector levies.	Monthly, within six weeks of the end of each month
Financial statements of ESLA Plc and details on amount and timing of interest payments on ESLA bond.	Monthly, within six weeks of the end of each month
Expenditures committed but not paid and within the legal period before they become arrears (float).	Monthly, within six weeks of the end of each month.
Wage bill monthly reports including breakdown of developments per MDAs.	Monthly, within six weeks of the end of each month.
Monetary data (to be provided by the BoG)	
Net domestic assets and net international reserves of the BoG.	Monthly, within two weeks of the end of each month.
Detailed balance sheet of the monetary authorities.	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.
Weekly balance sheet of the central bank, including gross international reserves, net international reserves.	Weekly, within a week of the end of each week

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

Item	Periodicity
Summary position of government committed and uncommitted accounts at BoG, and total financing from BoG.	Monthly, within four weeks of the end of each month. (continued)
Composition of banking system and nonbanking system net claims on government.	Monthly, within four weeks of the end of each month.
Financial soundness indicators.	Monthly, within four weeks of the end of each month
Stock of BoG swaps and encumbered and non- encumbered loans with resident and non-resident commercial banks.	Monthly, within two weeks of the end of each month.
Daily computations for the BoG benchmark exchange rate, including all transactions used to derive it.	Monthly, within two weeks of the end of each month.
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,	Monthly, within four weeks from the end of each month.
Balance of payments (to be provided by the BoG)	
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.
Foreign exchange cash flow.	Monthly, within four weeks of the end of the month.
Monthly foreign exchange cash flow projections (with actual historical figures updated)	Monthly update, with a maximum lag of two weeks of the end of the month.
External debt and foreign assistance data (to be provided by MoF)	
Information on the concessionality of all new external loans contracted by the government or with a government guarantee.	Quarterly, within four weeks of the end of each quarter.
For the coming quarter: (i) total debt service due by creditor, and (ii) debt service paid and Report should cover government and government-guaranteed debt (as defined in this document).	Quarterly within four weeks of the end of each quarter.
External debt and external debt service incurred by enterprises with government ownership above 50 percent, even if loans have not been explicitly guaranteed by the government.	Quarterly, within three weeks of the end of each quarter.
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).	Quarterly, within three weeks of the end of each quarter.

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.
Other data (to be provided by GSS)	
Overall consumer price index.	Monthly, within two weeks of the end of each month.
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.