

Ghana: Selected Issues

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GHANA

Selected Issues and Statistical Appendix

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I. DETERMINANTS OF GROWTH AND POVERTY REDUCTION IN GHANA¹

1. **Compared with other sub-Saharan African countries, in which per capita GDP fell by 0.3 percent per year during the past two decades, growth in Ghana has been largely positive** (averaging 0.7 percent per year) and has contributed to a reduction in the level of poverty overall. Arguably, the most important factor contributing to growth has been a shift, from 1983 onward, away from an administrative system of economic management to one more reliant on market forces. Policy reforms over the period helped to reduce fiscal deficits and inflation, improve infrastructure services, and shift relative prices and incentives toward tradables, exports in particular. Progress in policy implementation has not been even over the period, however, and at times has been marked by fiscal slippages, particularly during elections cycles, and occasional exogenous shocks.
2. **The incidence of poverty in Ghana has fallen from the late 1980s onward**, as growth contributed to poverty reduction through overall increased income and consumption levels that were only slightly offset by a modest rise in income inequality. Gains have not been shared by all regions, however, and have been smaller for the poorest segments of society, in particular the rural poor.
3. **In July 2000, the authorities commenced preparation of the Ghana Poverty Reduction Strategy (GPRS)**, which builds on Ghana's interim poverty reduction strategy paper. The GPRS was finalized in February 2003, and is now the guiding framework for government policies, external support from donors and the IMF, and for the use of resources released under the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative).
4. **This section reviews trends in GDP and their impact on poverty reduction.** It highlights the structural constraints that are believed to have affected output growth, along with potential sources of increases in output in future years. The section begins with a discussion of trends in the main production sectors, and is followed by an assessment of the underlying determinants of growth and poverty reduction. Finally, it explores the key elements of the authorities' strategy to raise GDP per capita growth as set out in the GPRS.

A. Sectoral Composition and Measurement of GDP Growth

5. **Sustained real income growth in Ghana largely reflects progress on structural and macroeconomic reforms** that increased private sector activity and investment and raised income levels per capita. The introduction of major policy reforms began in earnest in 1983, prior to which real growth had been sharply negative (Table I.1). Reforms were accompanied by a political evolution to a firmly democratic form of government in 1992, although developments were periodically interrupted by episodes of weak macroeconomic management during elections.

¹ Prepared by Alphecca Muttardy.

6. **Nevertheless, real growth has been continuously positive since 1984**, rising somewhat faster in the first half of the period (5.4 percent per year on average during 1984-91) than in the second half (4.4 percent per annum in 1992-2002; Table I.1).

Table I.1. Ghana: Composition and Growth of Gross Domestic Product by Category, 1980-2001 1/
(Calculated from data in constant 1993 prices)

	1980-83	1984-91	1992-2001	1998	1999	2000	2001	GPRS Targets for 2003-05 Proj.
(Annual percentage change)								
GDP at market prices	-4.9	5.4	4.4	4.7	4.4	3.7	4.2	4.9
Agriculture	-4.9	3.0	3.2	5.1	3.9	2.1	4.0	4.7
Industry	-11.9	8.3	4.3	3.2	4.9	3.8	2.9	5.2
Services	0.6	7.4	6.2	6.0	5.0	5.4	5.1	5.0
Exports (GNFS) 1/	-29.1	13.8	9.4	9.5	12.6	0.8	0.0	...
Imports (GNFS) 1/	-19.3	10.9	9.9	1.5	11.1	-18.0	7.7	...
Total expenditure								
Consumption	-5.0	2.4	6.1	1.9	7.1	-2.7	3.8	...
Investment	14.7	46.0	2.1	4.7	-2.3	-16.9	22.5	...
Per Capita Growth Rate	-9.7	2.4	1.8	2.1	1.8	1.2	1.6	...
(In percent of GDP)								
GDP at market prices	100.0	100.0	100.0	100.0	100.0	100.0	100.0	...
Agriculture 2/	48.8	43.9	36.6	36.7	36.5	36.0	35.9	...
Industry 2/	23.2	23.9	25.0	25.1	25.2	25.2	24.9	...
Services 2/	20.2	23.6	28.5	29.0	29.2	29.7	29.9	...
Exports (GNFS) 1/	16.3	14.7	24.1	26.7	28.8	28.0	26.9	...
Imports (GNFS) 1/	29.6	26.9	42.0	51.6	55.0	43.4	44.9	...
Total expenditure								
Consumption	111.5	97.0	96.5	102.4	105.0	98.5	98.2	...
Investment	1.8	15.2	21.4	22.5	21.1	16.9	19.8	...

Source: Quarterly Digest of Statistics, Fund estimates.

1/ GNFS denotes "goods and nonfactor services."

2/ Excludes fourth sectoral component, namely, indirect taxes.

By expenditure category, growth has been consistently strongest for exports and imports, which, in turn, have stimulated growth in the services sector in Ghana. A substantial surge in spending on gross domestic capital formation appears to have followed on the heels of the 1983 reforms, as this category rose from 4 percent of real GDP in 1984 (based on 1993 prices) to 20 percent by 2001. Current account trade deficits over the period (averaging about 15 percent of GDP in real terms) were financed by a combination of grants and a ratcheting up of external official debt. Meanwhile, per capita growth was consistently positive, averaging 2.1 percent over the 1984-2001 period. Although per capita growth appears modest, it has been sufficient to result in a broad-based reduction in poverty over the past decade and a half.

7. **Ghana's national accounts are in need of upgrading**, in particular because surveys that form the basis for the estimations are outdated and may be underestimating the contributions to GDP of services, private investment, and the informal sector; see Box I.1. Real sector surveys are expected to be gradually replaced and updated, along with a rebasing of the national accounts, using 2000 (a census year) as the new base year. Work will need to proceed first, however, on a reestimation of the consumer price index—thought to substantially underestimate the growth and level of domestic prices, particularly after end-1999—along with a recalculation of related nominal GDP. Real sector national accounts, upon which this study is based, are, therefore, subject to some uncertainties as a consequence of the associated weaknesses in data.

Agriculture

8. **The economy of Ghana is largely agrarian, as evidenced by the size of the agriculture sector**, comprising just over one-third of GDP, and the significant share of workers employed in agriculture (more than half of the active labor force; see Table I.2). Meanwhile, the incidence of poverty is highest among agricultural workers. The agriculture sector of Ghana is composed of crops (excluding cocoa) and livestock, which together account for 63 percent of the value of agricultural production, cocoa (comprising 13 percent), offshore and inland fishing (13 percent), and forestry (11 percent). The principal food crops of Ghana are cassava and yam, corn (maize), and millet and sorghum, while cocoa is by far the most important cash crop and second-largest export commodity. Wood is harvested for export, both in sawn wood and finished form, but there are questions as to the sustainability of the current high rate of logging.

Table I.2. Ghana: Labor Force Status by Employment Category, 1987/88-1998/99 1/

	(In percent of total labor force, unless otherwise specified)			
	1987/88 GLSS1	1988/89 GLSS2	1991/92 GLSS3	1998/99 GLSS4
Wage Employees	17.3	18.1	15.4	13.2
Government	8.0	7.9	7.8	5.9
State Enterprises	1.9	2.3	1.2	0.6
Private	7.4	7.9	6.4	6.7
Farmer	58.7	54.6	56.7	55.7
Nonagricultural Self-Employment	19.5	24.2	23.5	27.3
Unpaid Family	2.2	1.1	1.3	0.3
Unemployed	2.2	1.9	3.2	3.5
Total	100.0	100.0	100.0	100.0
Labor force participation (ratio)	0.87	0.89	0.89	0.86
Population (millions)	13.4	13.8	14.9	17.7

Source: Ghana Living Standard Surveys (GLSS) 1-4.

1/ Figures adjusted to ensure maximum degree of comparability across surveys.

Box I.1. Ghana's National Accounts

Ghana's national accounts are prepared using the production, or value-added approach. Under this approach, the gross volume or sales (including those for exports) of goods and services produced by the private and public enterprises, by the government sector, and by private households, are estimated (including net increases in inventories). These volumes are multiplied by market prices to get the gross value of production. Purchases of all intermediate goods used during the production process (including imported ones) are then subtracted to obtain the total domestic value added. No separate surveys are currently compiled by income or by final expenditure. In their absence, the Fund staff estimates these national accounts using total GDP by productive sector, fiscal and balance of payments information, and estimates for gross capital formation, holding private sector consumption as the residual.

National accounts composition. The current set of national accounts uses 1993 as the base year and is based on information collected from the third Ghana Living Standards Survey (GLSS). As a share of total production in 2001, Ghana's national accounts are composed of agriculture (35.9 percent); industry (24.9 percent); services (29.9 percent); and indirect taxes (9.3 percent).

Data sources. The Ghana Statistical Service (GSS) is the agency responsible for compiling national accounts statistics. Data sources include statistical reports and surveys prepared by the Ministry of Food and Agriculture (MOFA), Animal Health and Production Department, Ghana Cocoa Board, Forestry and Fisheries Departments, Ghana Statistical Service, and Mining Department, and annual reports of the various parastatals and government agencies.

Compilation methodology. Gross value added at current prices is calculated by subtracting input costs from the value of gross output, while output at constant prices is calculated by multiplying the constant 1993 producer price by the actual quantities produced each year. This method is applied to all agricultural activities—cocoa, other crops, plantation output, livestock, and hunting and gathering—although the basket of inputs netted off differs by activity. Data compilation for “distributive trade” activities, encapsulating wholesale and retail trade, is based on the “commodity flow approach.” This approach assesses all products entering the distributive trade (from local production to imports), less commodity taxes (sales, purchases, and other nondeductible taxes), to arrive at gross output at market price. Gross output is further adjusted downward by the costs of intermediate consumption to avoid double counting.

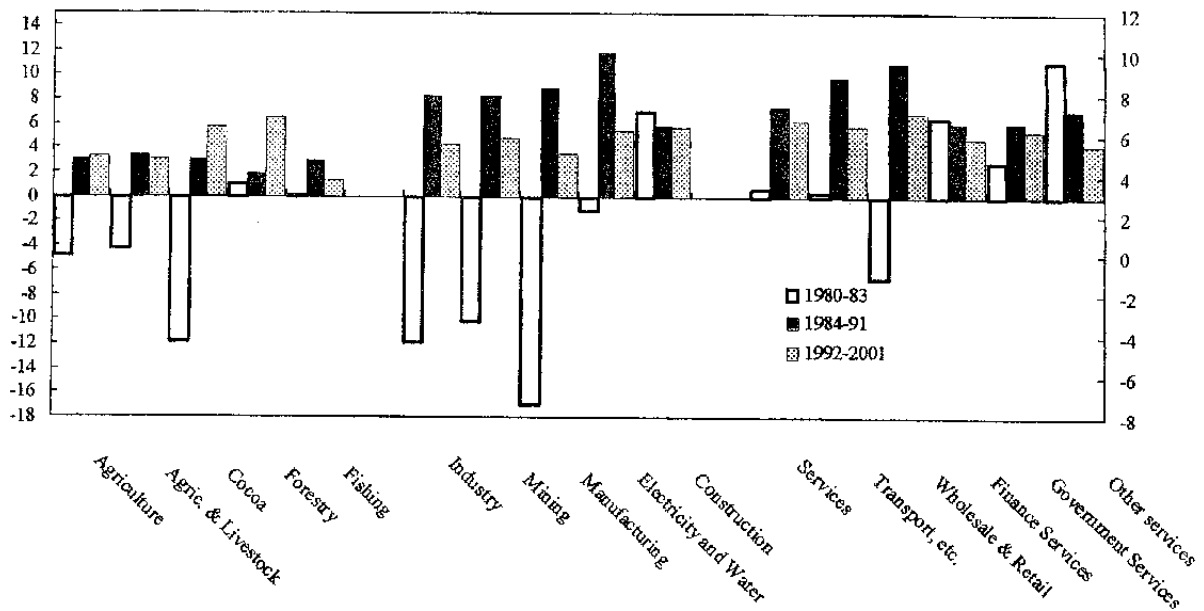
Data weaknesses. Ghana's national accounts are in need of revision, as the existing sector surveys that form the basis for the estimations are outdated, in particular relating to services, private investment, and the informal sector. In addition, national accounts series have not been revised backwards before 1993, resulting in a discontinuity between the 1975-based series and the current one (as a result, staff have computed benchmarked estimates for earlier years). Specific shortcomings of the data are demonstrated by:

- gross fixed investment, which in consultation with Fund staff, was revised downward in March 2001, resulting in a decrease in the investment-to-GDP ratio in the range of 20 to 25 percent during the second half of the 1990s;
- omission of data compiled by the Ghana Investment Promotion Centre on foreign direct investment, which show a declining trend during 1999–2001, at odds with trends in gross fixed investment; and
- construction sector data, which are highly unreliable, as the deflator for deriving value at constant prices exhibits large fluctuations from year to year, and movements do not reflect developments in the overall economy, either in price terms or as measured by construction activity.

9. **Growth in agricultural production during the past two decades has been slower than in the industry and services subsectors, and, as a result, agriculture's share in GDP fell from an average of nearly 50 percent in 1980–83 to 36 percent in 2001. All of the decline is attributable to negative or declining growth in farming and livestock production (see**

Figure I.1), which has been constrained in part by the rudimentary farming methods employed—hoes and cutlasses are the standard implements of the farmer—and a considerable underutilization of arable land: only 22 percent of the total surface area, or about 40 percent of land suitable for agriculture, is under cultivation. As a result, one independent study estimates that Ghanaian agriculture is operating at only 20 percent of its maximum potential.²

Figure I.1. Sectoral Growth Rates, 1980-2001 (Annual percentage change)



10. Consistent with the important role agriculture plays in growth and its consequent impact on poverty reduction, **the authorities launched a series of initiatives to stimulate agricultural development and production.** In the 1990s, policies and programs were guided by the Medium-Term Agricultural Development Program, a framework aimed at improving the allocation of public and private resources, and institutions, so as to fully realize Ghana's agricultural potential, while addressing the major constraints on growth in agriculture. These constraints are thought to include:

- a lack of appropriate technology, both in the form of inputs (fertilizer and seeds) and farm machinery and implements;

² Global Coalition for Africa (2001).

- inadequate and poorly maintained rural infrastructure, in particular, limited road access to domestic, regional and international markets, and, a lack of adequate post-harvest handling, storage, and processing facilities;
- an underdeveloped rural finance system, high real interest rates, and the virtual withdrawal of commercial banks from agricultural credit following liberalization of the banking sector;
- generally weak rural institutions (farmers' organizations and cooperatives) exacerbated by a low level of education and extensive illiteracy among farmers; and,
- excessive reliance on rainfed crops in the presence of a low and erratic rainfall, and other environmental problems (principally degradation caused by surface mining).

11. **By 2000, the strategy to address these shortcomings was absorbed into "Vision 2020," which set out fairly ambitious growth targets for industry and agriculture.** Although some progress was made under both initiatives, growth did not reach the levels targeted in Vision 2020, in part owing to a lack of integration of the strategy into mainstream fiscal policies and budgeted spending, and to a lack of monitoring and evaluation of progress in agricultural reform. Accordingly, more recently a sector-wide approach has been adopted, with the aim of accelerating agricultural development, food and raw material security, and poverty reduction under the GPRS (see below).

Industry

12. In line with the overall trend, **growth in the industry subsector fell sharply during the 1980-83 period, rebounded during 1984-91, and performed roughly the same as the rest of the economy after that.** The removal of high levels of protection, combined with substantial real devaluations, improved the environment in which Ghanaian industry operated, and, in particular stimulated construction, which rose from 4.8 percent of GDP in 1984 to 8.8 percent of GDP in 2001. A strong privatization program provided the backdrop for the partial sale of Ashanti Goldfields, Ltd. in 1994 (the single largest foreign investment for the country in 30 years), which, in turn, stimulated gold mining for export, as well as the development of the Ghana Stock Exchange. Development of bauxite mining was aided by a special agreement with a private U.S.-based company, and by enactment of the Mining Code in 1986, and Investment Code in 1994 (considered to be the best in Africa at the time). However, both codes are in need of updating, as evidence by a net foreign disinvestment from Ghana's mining sector in recent years.

13. **Manufacturing, meanwhile, has remained stable at about 9 percent of GDP since 1985.** Much of its growth was sustained by a substantial rise in nontraditional exports, which grew from US\$220 million in 1995 (accounting for 15 percent of total exports) to US\$626 million in 2000 (or 30 percent of exports).³ Positive factors contributing to manufacturing growth (in addition to improvements in the overall investment climate) are thought to include:

- the 1994 Ghana Investment Promotion Centre (GIPC) Act, which simplified the administrative steps for the start-up of a foreign-owned company), protected firms from expropriation, and provided corporate tax and duty incentives (especially for nontraditional exports),
- the relatively high proportion of foreign direct investment (FDI) directed to food, aluminum, and plastic products, and nontraditional agribusiness export industries, as well as secondary effects from FDI (including improved technology, products, and managerial skills); and,
- Ghana's general comparative advantages, which comprise ample supply of low-cost labor, fertile soils and climate, and experience with garment manufacturing.

14. **However, there have also been missed opportunities for manufacturing and nontraditional exports.** Ghana's free trade zone (FTZ) has not taken off as envisaged, with a substantial portion of its developed land still unsold, while industrial property in Ghana remains relatively scarce.⁴ In addition, FDI levels have been lower in Ghana than in other countries and have been concentrated in investment in the greater Accra area. As a result, these have not led to upstream and downstream development, growth in small and medium-sized enterprises, or a resolution of key sector bottlenecks. Examples of the latter are the paucity of cold storage facilities and fast-turnaround marketing and transport systems, which currently impede the export overseas of pineapples, bananas, and freshly caught fish, as well as transit trade with neighboring countries.

Services

15. In comparison to agriculture and manufacturing, **growth was highest in the services sector during the 1990s** (6.2 percent per annum; Table I.1), with higher-than-average growth in wholesale and retail trade (6.8 percent), transport, storage, and communications

³ Under Ghana's official definition adopted in 1995, nontraditional exports comprise all merchandise exports except cocoa beans, logs and sawn timber, and mining products.

⁴ Principal reasons for underdevelopment of the FTZ include: lower land prices available outside the zone, lack of world-class infrastructure, and failure to work closely with private sector developers to develop cluster and supporting industries inside the zone (see UNCTAD (2002)).

(5.8 percent), and finance and other business services (4.8 percent). Services grew principally on account of their complementarity with exports and imports, which, in turn, grew more rapidly than GDP during the period. Underlying factors contributing to growth in trade relate to Ghana's strategic location in west Africa, which stimulated transit trade; liberalization of the cocoa sector, which promoted a recovery in cocoa production for export; the continuing positive effects of earlier public investments in roads, rail, and ports; and Ghana's divestiture program, which emphasized banking and telecommunications.

16. **Developments in the services sector are consistent with trends in foreign direct investment** and household survey data. Information collected by the GIPC suggests that 60 percent of investment in wholly owned or foreign/Ghanaian joint ventures between 1995 and 2001 was directed at non-tradable services (with the remaining share invested in tradables). Furthermore, data on income and individual employment from a series of household surveys indicate that while nonfarm self-employment activities cut across all real sectors, they are essentially services-based, and thus explain the contribution of growth in services to poverty reduction.

B. Public Policy Reforms and Underlying Determinants of Growth

17. With the introduction of the Economic Reform Program (ERP) in 1983⁵ and the ongoing structural reforms since then (see Box I.2), Ghana has made a successful transition from an administered economy to an open market one. Gross domestic production grew at an average annual rate of 5.4 percent between 1984 and 1991, and gross fixed capital formation quadrupled (from 5.8 to 24.4 percent) as a share of GDP.

18. **One channel of transmission of public policies to growth was through the encouragement of FDI as a means of financing private investment.** In the case of many African economies, FDI has been found to be linked to the exploitation of natural resources (petroleum and mining in particular); locational advantages; specific investment policies designed to attract FDI (e.g., export processing zones); or broad-based economic policy reforms, including the privatization of state-owned enterprises or other nonequity arrangements, such as management or licensing agreements.⁶ Ghana falls under the latter category, with FDI highly correlated with the sale of state-owned enterprises, which, in turn, has encouraged the acquisition of new technologies into the country. Ghana has not recently benefited from investment in mining or agriculture (both of which are relatively risky in the current climate) and, compared with other countries, FDI in Ghana is rather low (Ghana was ranked 15th out of 47 sub-Saharan African countries in 2002, with South Africa, Nigeria, and Angola accounting for 62 percent of all FDI in the group).⁷ Also, FDI flows are small in level

⁵ See Leite and others (2000) for a description of reforms under the ERP.

⁶ Basu and Srinivasan (2002).

⁷ UNCTAD (2002).

terms—accounting for about 1 percent of GDP and about 10 percent of private investment—and, hence, are not yet a determining indicator of growth in Ghana.

Box I.2. Ghana: Major Structural Reforms – 1986-2002

Exchange rate regime. Fully flexible exchange rate introduced (1992); liberalization of the current account and capital inflows (1994).

Trade and investment policies. Tariff regime progressively lowered top rate to 20 percent (with few exemptions) and simplified to four lines; majority of import and price controls relaxed (by 1986); adoption of new Mining Code (1986); trade in coffee and domestic marketing of cocoa liberalized (1992); enactment of new Investment Code (1994) and free trade zone program (1995); cocoa export trade partially opened to private firms (2001); and special import tax rescinded (2002).

Privatization and reform of state-owned enterprises. Partial or full privatization of 255 state-owned enterprises (SOEs) authorized by end-2000; state enterprise law enacted and performance contracting initiated in 1992; and accelerated divestiture program launched in 1995, targeting economically significant SOEs, including the Ghana Ports and Harbours Authority and Ashanti Goldfields, Ltd. (1994).

Fiscal reforms. Civil service reforms (1987 and 1995, although not yet complete); Value-Added Tax introduced and partial implementation of universal Taxpayer Identification Numbers (1999); price subsidies on agricultural inputs removed; independent utilities regulatory commission established (1998); and Medium-Term Expenditure Framework introduced for budget (1999), though not yet fully effective.

Financial sector reforms. Private banks authorized to operate (1988); removal of credit controls and liberalization of interest rates and bank charges (1990); sale of government shares in large, state-owned banks (1996); modern prudential regulations enacted (1992); privatization of remaining state-owned banks launched (1998, although three banks remain); closure of three insolvent banks (2000) and transfer of guaranteed deposits; and creation of an Apex Bank to oversee all rural banks.

Decentralization. Creation of District Assemblies (local government) in 1988; and District Assemblies Common Fund established with statutory contribution of 5 percent of revenues (1992).

19. **Public policies appear to have an effect on growth through their impact on overall macroeconomic stability and their secondary impact on the investment environment.** Regression analysis over the period 1980-2001 (Table I.3) indicates that real GDP growth per capita⁸ in Ghana is positively correlated with the level of private sector investment (lagged one year), rate of growth in public sector investment, and, to a lesser extent, improvements in the terms of trade. At the same time, per capita growth is reduced during bouts of inflation, when budget deficits are growing or the currency is appreciating, when the stock of external public debt rises substantially, and, of course, when the population grows. Factors accounting for the largest variations in real per capita GDP growth comprise: government and private sector investment, the rate of inflation, and the

⁸ Population growth, which accounts for the difference between real and real per capita income growth, averaged 2.6 percent per year between the 1984 and 2000 Census years.

size of the central government deficit.⁹ All factors taken together explain 97 percent of the variation in Ghana's real per capita growth (93 percent, when computed as an adjusted R square).

Table 1.3. Ghana : Determinants of Real Growth Per Capita

Regression			Fitted Results			
Dependent Variables	Coefficient	t-Statistic				
Private Investment / GDP (lagged 1)	0.408312	4.738				
Log Public Investment / GDP	7.229150	2.497				
Log Population Growth	-2.454684	-0.675				
Debt Service Actually Paid / Exports	0.139475	4.604				
CPI Growth	-0.335548	-1.058				
CPI Standard Deviation	-0.296237	-0.955				
Budget Deficit excl grants / GDP	-0.344698	-1.811				
Real Effective Exchange Rate Growth	-0.056413	-5.352				
Openness (exports plus imports/GDP)	0.029383	1.719				
Terms Trade Growth	0.051593	1.150				
Stock of Debt / Exports	-0.031084	-4.175				
First Order ARIMA	0.549169	-3.079				
Sample Period (adjusted): 1982-2001						
R-squared	= 0.970221	Durbin-Watson = 3.056				
Adjusted R-squared	= 0.929274					

C. Role of the Private Sector

20. Despite multiple initiatives commencing with the 1983 ERP, **the private sector in Ghana has yet to achieve its full potential.** A survey by the UN Conference on Trade and Development (UNCTAD) of firms in Ghana indicated areas where businesses expressed general dissatisfaction with the prevailing business environment. Responding to an open questionnaire, firms cited (in order of importance) bottlenecks relating to a lack of finance (40 percent of responses), lack of adequate trade infrastructure, high taxes/import duties, paucity of skilled labor, marketing difficulties, high cost of utilities, problems relating to land acquisition, lack of fiscal incentives, and lack, or low quality, of local materials.¹⁰ An analysis of four nontraditional export sectors representative of Ghana's spectrum of export opportunities highlighted similar problem areas.¹¹ In addition, the latter study cited an inefficient import/export regime, comprising: arbitrary changes in tariffs, failure to implement

⁹ Several specifications of the model were run, including with wrong-sign variables that were removed. Strong correlation among remaining independent variables explains the presence of some variables that appear to be statistically insignificant, but if removed would cause specification bias (while their inclusion does not substantially lower the adjusted R square).

¹⁰ UNCTAD (2002).

¹¹ World Bank (2001).

the “fast-track” system to clear goods, as envisaged under the Gateway Project,¹² and failure to implement the Economic Community of West African States (ECOWAS) trade agreements (in particular regarding duty drawbacks), which slowed the growth of trade with neighboring countries.

21. **Weaknesses in the financial sector that restrict financing opportunities for productive private investment are a particular impediment to business expansion in Ghana.** Some fifteen years after the beginning of financial sector reforms in 1988, Ghana’s financial system remains shallow. Broad money (M2) was equivalent to 27 percent of GDP in 2001, compared with 107 percent in Malaysia, 57 percent in Indonesia, 44 percent in Kenya, and 59 percent in South Africa. The low level of intermediation in Ghana is associated with a lack of confidence in the financial system, weak financial infrastructure, and significant crowding out of private sector credit owing to high levels of government and parastatal borrowing from the banking system. The latter borrowings, in turn, have resulted in high nominal and real interest rates, a preference by commercial banks to hold lucrative, relatively risk-free treasury bills, rather than extend riskier credit to the private sector, and a correspondingly small share of private sector investment as a percentage of GDP.¹³ Two important keys to promoting financial intermediation will be the preservation of a stable macroeconomic environment and a reduction in the stock of government domestic debt.

22. To better focus government policy on improving the business environment, **in May 2002 the authorities created a Ghana Investors’ Advisory Council (GIAC)**, a consultative group made up of representatives from domestic and internationally based private companies, government ministries, and observers from multilateral organizations and private foundations. The GIAC has established a permanent secretariat and established a matrix of priority issues that it will strive to address, comprising:

- security and political stability,
- macroeconomic stability,
- public sector sensitivity to private sector needs,
- improvement in infrastructure (especially telecommunications and energy),
- efficiency of customs and ports, and

¹² The ongoing Gateway project aims to enhance Ghana’s competitiveness through legislative, regulatory, and incentive reforms; capacity building (especially customs); and financing of infrastructure development.

¹³ Addison, 2002 indicates that the extremely small share of private sector investment in GDP is the single most important determinant explaining differences in growth rates in Ghana and other African countries.

- reform of laws affecting the business environment.

The GIAC will help guide the choice of concrete policy actions in these areas by relevant government ministries and will monitor their implementation.

D. The Incidence of Poverty and Links to Economic Growth

23. **Poverty is predominantly a rural phenomenon in Ghana.** Rural areas are home to two-thirds of the population but account for 84 percent of all of Ghana's poor (Table I.4).

Table I.4. Incidence of Poverty and Poverty Reduction, 1991/92 - 1998/99

(Percent of population in poverty, unless otherwise indicated)

	Poverty Incidence 1/			Change due to:		1998/99 Regional Contribution to Poverty
	1991/92	1998/99	Change	Consump- tion Growth	Income Redistri- bution	
By Main Economic Activity						
Public Sector Employment	35.0	23.0	-12.0	...	...	...
Private Formal Employment	30.0	11.0	-19.0	...	...	...
Private Informal Employment	39.0	25.0	-14.0	...	...	...
Export Farming	64.0	39.0	-25.0	...	...	...
Food Crop Farming	68.0	59.0	-9.0	...	...	...
Non-Farm Self Employment	38.0	29.0	-9.0	...	...	...
Non-Working	19.0	20.0	1.0	...	...	...
By Region						
Accra	23.1	3.8	-19.3	-12.6	-10.3	1.0
Urban Coastal	28.3	24.2	-4.1	-11.8	8.0	5.0
Urban Forest	25.8	18.2	-7.6	-11.2	0.0	5.0
Urban Savannah	37.8	43.0	5.2	6.5	-1.7	5.0
Rural Coastal	52.5	45.2	-7.3	-9.8	1.8	17.0
Rural Forest	61.6	38.0	-23.6	-23.3	-1.6	30.0
Rural Savannah	73.0	70.0	-3.0	-5.0	1.6	37.0
All Ghana	51.7	39.5	-12.2	-13.8	0.1	100.0

Source: Ghana Statistical Service (2000).

1/ Percent of the population falling below the poverty line, defined as the level at which consumption levels are met. In Ghana's case, poverty line = 900,000 cedis (US\$363) per annum in January 1999 Accra prices.

For the poor and nonpoor alike, farm income is the dominant but declining source of income, with well over half of the working population employed in subsistence or paid farming (Table I.2). Poverty reduction has been slowest in food crop farming and nonfarm self-employment. During the 1980s, nearly 90 percent of the rural, self-employed population was engaged in farming, while the remaining 10 percent switched increasingly into wholesale and retail trade.

24. **Since measurement first began with the launch of the GLSS, Ghana's incidence of poverty has consistently fallen**, by 8 percentage points from 1987/88 to 1991/92 and, using a redefined poverty line, by 12 percentage points from 1991/92 to 1998/99. Across

regions, poverty fell the most in urban Accra and in the rural forest area where cocoa and timber are produced. By economic activity, poverty fell markedly in export farming, and in public and private formal and informal employment. Poverty gains have not been shared by all regions and groups, however, as evidenced by an increase in poverty in the urban savannah region (and an increase in extreme poverty in the rural savannah region) and by smaller average gains for the very poor overall.

25. **Experience in other countries suggests that economic growth is a necessary, but not a sufficient, condition for poverty reduction.** When countries put in place incentive structures and complementary investments to ensure better health and education that lead to higher incomes, the poor will benefit doubly, through increased current consumption and higher future incomes. Growth contributes the most to poverty reduction when it expands employment, productivity, and wages of poor people, and when public resources are spent on human development and physical infrastructure (and contributes the least when spent on servicing public debt or maintaining a large public bureaucracy).¹⁴

26. **In Ghana's case, almost all of the reduction in poverty can be traced to economic growth in general (Table I.3),** and to a shifting of employment out of farming and into nonfarm self-employment in particular (Table I.2). As noted above, growth in private sector services, especially wholesale and retail trade, is highly associated with the increasing trends in non-farm self-employment. Additionally, overall growth has been largely neutral with respect to income distribution, and therefore has not significantly offset the positive effect of growth on poverty reduction.¹⁵ At the same time, the nonagricultural self-employed have not benefited from rising education levels in Ghana, which would otherwise lead to underlying technical progress and rising incomes. Rather, such benefits went principally to male wage workers (not ranked among the poor), whose underlying incomes rose.¹⁶

27. **The data for the period 1991/92-1998/99 thus imply a growth elasticity with respect to poverty of -0.34 for Ghana.** That is, for every 1 percent rise in real GDP growth, the incidence of poverty is reduced by 0.34 percent (0.28 percent for extreme poverty). This result is thought to be fairly low compared to cross-section data for a group of countries that measure an average income elasticity of the poorest quintile with respect to GDP growth of 0.94 (after controlling for factors contributing to growth);¹⁷ compared with these countries, Ghana will need to grow faster in order to bring its incidence of poverty down.

¹⁴ Khan (1985).

¹⁵ Ghana Statistical Service (2000).

¹⁶ Tcal (2001).

¹⁷ Ghura and others (2002); a comparable elasticity for Ghana measured by regression analysis is not available.

E. Growth and Poverty Reduction Ambitions in the GPRS

28. **The Ghana Poverty Reduction Strategy (GPRS) represents a comprehensive set of policies, strategies, and programs designed to support growth and reduce poverty over a three-year period (2003-05).** The five main components of the GPRS comprise:

- macroeconomic stability,
- production, employment, and infrastructure development,
- human resource development,
- special programs to protect the vulnerable and excluded, and
- governance.

Supply-side measures to stimulate pro-poor growth, including a stable macroeconomic environment that supports business, are expected to raise total GDP growth from 4.2 percent in 2001 to 5.0 percent by 2005 (and, within that, to raise agriculture growth from 4.0 to 5.0 percent; see Table I.1 for GPRS period-average objectives).

29. **A principle aim of the GPRS, therefore, is to refocus efforts in Ghana's core economic sector, agriculture,** by developing linkages with agro-industry aimed at the promotion of select agricultural products for enhanced food security (e.g., livestock and rice) and export (cassava starch, cashews, and timber). Accordingly, the strategy¹⁸ specifically targets:

- greater access to inputs, including fertilizers, high-yield seeds and livestock, irrigation capacity, and fish hatchlings, for sustainable natural resource management, especially in the timber sector;
- individual land ownership, as collateral for loans to acquire inputs and take forward positions for the prefinancing of crops;
- greater access to private sector capital for crop financing and marketing;
- improved infrastructure, including paved feeder and market-linking trunk roads, rural electrification, irrigation systems, and storage facilities;
- deregulation of cocoa marketing, with the retention of provisions for price stabilization;

¹⁸ The GPRS strategy for agriculture is also referred to as the "Food and Agriculture Sector Development Program" (FASDEP).

- an improved marketing and distribution network for other product; and,
- enhancement of human resources and institutional capacity.

30. **In order to improve on the most recent experience with agricultural reform, which achieved only limited success, the current approach will focus more on the process of implementation and follow-through to the farm and private sector operator level.** For example, commodity coordinators, appointed to promote each selected commodity, will be responsible for articulation of a commodity development plan, formation of farmer-based commodity organizations, collection and evaluation of data on input suppliers, price and market trends, storage, processing, and marketing of their commodity, and identification of farmer or private sector operating training needs. A National Advisory Committee (of ministers, to be supported by technical and district-level groups) will be responsible for evaluating the success of the agriculture reform plan, while an Agriculture Commission (assisted by foreign missions) will lead in obtaining information on investment opportunities in agri-business and act as a one-stop window for the agricultural entrepreneur.

31. **It is expected that the financing of agricultural development in the short term will rely predominantly on public sector provision of credit through donor-funded projects,** such as the Cashew Project or the Upper West Agricultural Development Program. Credit for longer-term activities (such as acquisition of technology or projects with a long gestation period) will come in part through a recently established Export Development and Investment Fund (EDIF). The first tranche of the US\$40 million credit facility has been placed directly with four local commercial banks, and is to be used for private sector purchase of equipment and materials from the United States for salt production and agri-business.¹⁹ The GPRS, meanwhile, proposes spending about US\$92 million over three years to promote farm mechanization, irrigation, rehabilitation of fish hatcheries, inputs for livestock and crop production, and cluster development of small-scale agri-processing industries. These efforts will be supported by significant infrastructure spending to provide trunk and feeder roads, including for the purpose of moving farm goods to processing centers and to market, and to promote rural electrification. The selection of sites for infrastructure development (roads in particular) will be based on a full social impact analysis designed to maximize poverty reduction and agri-business development.

32. **Programs for human resource development and the provision of basic services, meanwhile, are aimed at enhancing access to education;** reducing gender disparities in education; improving vocational and technical skills through training; enhancing access to, and delivery of, health services; enhancing access by women to reproductive health services; and increasing access to potable drinking water and improving sanitation. The education program, in particular, will aim to ensure uninterrupted education from preschool to age 17 as a means

¹⁹ Loans under the credit facility are guaranteed by the Export-Import Bank of the United States, carry a six-month to one-year grace period, an average interest rate of 8.5 percent per annum, and are repayable over five years. Exposure to loan risk will be borne by the commercial banks.

of reducing poverty and creating conditions for human development. Access and equity issues, especially in the deprived areas of the country, and female enrollments will receive primary considerations. Efforts to advance health care—including a phasing out of the “cash and carry” system by increasing the fee exemption coverage and introducing a national health insurance scheme—will also provide positive gender equality and poverty-reducing effects.

F. Medium-Term Prospects

33. Having established a sound macroeconomic framework and more-focused poverty reduction plan, **Ghana is poised for more rapid economic growth and poverty reduction in 2003-05.** The country should continue to benefit from the positive effects of exchange and trade liberalization, as well as fiscal and monetary sector reforms, which raised the openness of the economy and stimulated growth in exports and the services sector from 1984 onward. Looking forward, the establishment of strengthened policies designed to ensure a stable macroeconomic environment, with moderate inflation and a falling level of government domestic debt, should free up resources and reduce the cost of financing for private sector-led growth. This growth, in turn, will be the main engine for reducing the incidence of poverty, particularly if accompanied by development of the agriculture sector.

34. The above assessment is supported by quantitative analysis. **Ghana-specific coefficients based on 1980-2001 sample data, and corresponding forecasts of explanatory variables taken from Ghana’s updated medium-term framework, suggest that per capita growth should be at least as high as that implicitly targeted in the GPRS for the medium term** (see forecast plot contained in Table I.3). Of these variables, the factors contributing the most to the expected higher-than-historical per capita growth include: new revenue measures making room for planned increases in public sector investment; greater private sector investment made possible by lower recourse to domestic borrowing by government, and associated lower real interest rates; firm monetary policy, contributing to lower inflation; and a reduction in domestic and external public sector debt. Outside the sample covered by the regression, growth could also be spurred by the debt reduction that Ghana will receive under the enhanced HIPC Initiative.²⁰

35. **Planned structural policies and trade arrangements have the scope to raise growth further.** Reforms currently ongoing, or slated for near-term implementation, aim at improving the efficiency of the public sector and reducing rigidities faced by private sector firms. These center on improving the environment for doing business through an updating of labor and corporate laws, improvements to customs and ports procedures, reform of the civil service, and a strengthening of the banking sector and provision of private sector credit. In addition, recently conferred trade privileges offered by the Cotonou Framework Agreement (conveying preferential access to European markets) and the U.S. African Growth and

²⁰ Pattillo and others (WP/02/69) estimate that for countries benefiting from debt reduction under the HIPC Initiative, per capita growth might increase by an additional 1 percentage point per year (unless constrained by other macroeconomic and/or structural distortions).

Opportunity Act (AGOA, for a period of seven years) hold the potential to spur export-led growth and productivity gains in the economy.

36. **Major challenges for Ghana's growth and poverty reduction strategy relate to the need to maintain strict fiscal and monetary discipline while reallocating budgetary spending to achieve the five basic objectives of Ghana's poverty reduction strategy.** This will entail reorienting budgetary resources toward infrastructure development and education and health, while improving the management of budgetary execution, particularly in connection with election cycles. Key areas here include the need to improve public expenditure management, to better track fiscal developments and make midcourse corrections when needed, and to reduce the size of the wage bill through civil service reform, while redirecting the efforts of civil servants to priority areas.

37. **The authorities will need to pay particular attention to development of the agriculture sector, given its importance in the economy and as a means of improving the livelihood of the poor.** The authorities' plan calls for promotion of integrated development of agri-based industry through construction of supporting infrastructure, improved extension services, and incentives to expand private sector participation. In order to avoid creating market distortions and economic activity fueled by government subsidies, however, it will be important to encourage the use of equipment and inputs that reflect their true costs (including through the provision of rural credit and microfinance at market rates of interest) while avoiding protectionist changes in the trade regime. Also, a concerted effort will be needed to ensure balance and coordination in the design of policies to construct large infrastructure projects (roads and electricity-generating facilities) on the one hand, and to promote agri-based projects and private participation, including at the rural level, on the other.

38. **Based on current trends, Ghana is likely to realize most of its Millennium Development Goals (MDGs).**²¹ Ghana is a signatory to these global targets – set by world leaders at the Millennium Summit in September 2000 – which strive to reduce poverty and its causes, as measured by the attainment of eight goals and thirty-nine indicators with time-bound targets, by the year 2015 (Figure I.2). Ghana's overarching goal of achieving growth to ensure the virtual disappearance of poverty by 2020, originally set out in Vision 2020, is consistent with the MDGs. Based on a simple extrapolation of the decline in extreme poverty from 1991 to 1999, Ghana could reduce the proportion of people living in extreme poverty to 10 percent by 2015, thus more than meeting the 18.5 percent objective under Millennium Development Goal 1 (of halving the 1991 rate of extreme poverty). Should the 5.0 percent growth objective be realized in the medium term (as opposed the average historical growth of 4.4 percent), then based on the current elasticity, the proportion in extreme poverty could be lower still, reaching about 9 percent by 2015.

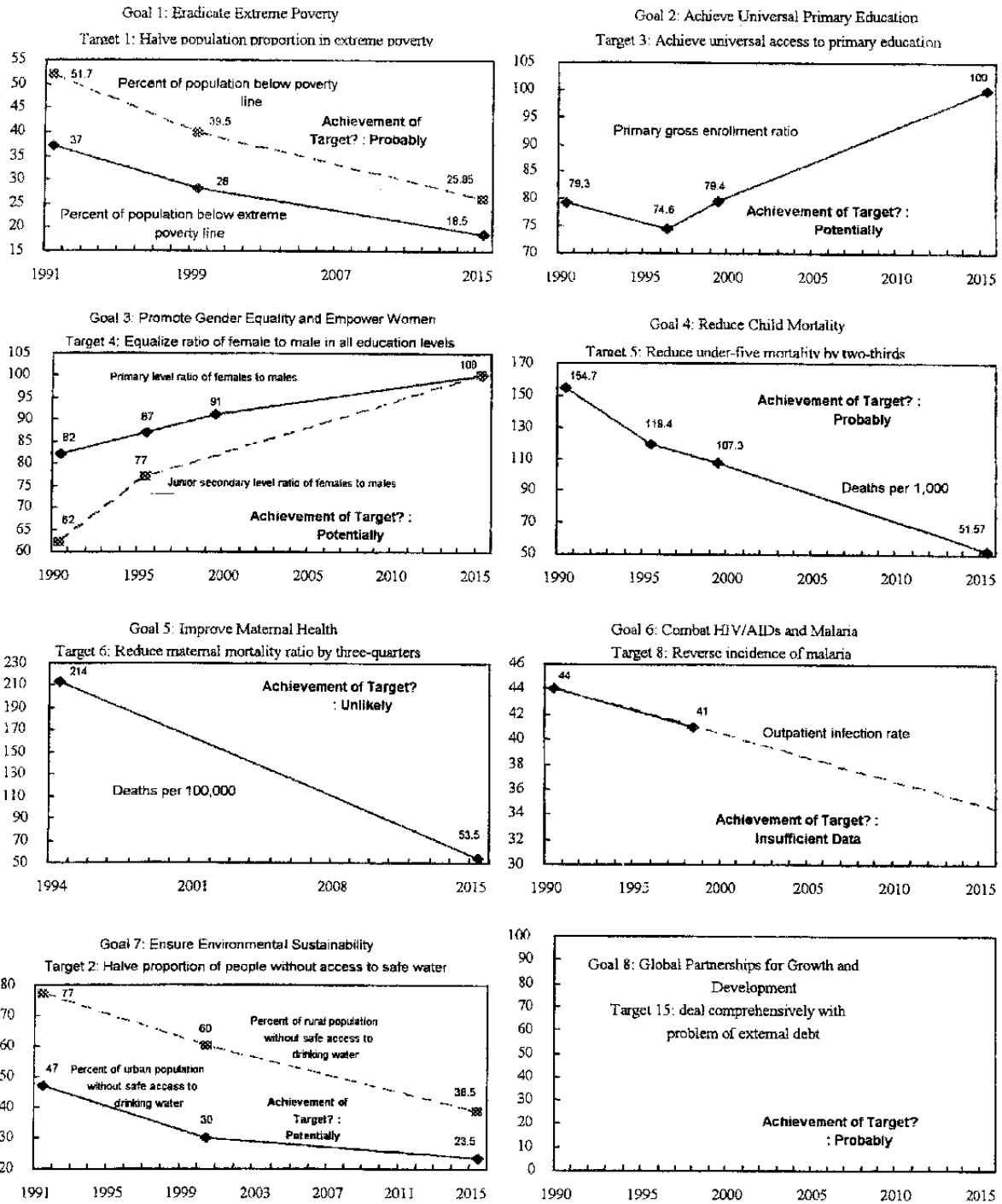
²¹ "Ghana Millennium Development Goals Report" (2002).

39. **Improvements in other MDG indicators are very likely to occur in tandem with each other, because the attributes of poverty and human development underpinning them are interrelated.** For example, deaths in under-five children are largely associated with: maternal and child malnutrition (45 percent), malaria (22 percent), lack of access to safe water, low immunization, and a generally low level of education among mothers, all of which are MDG indicators in their own right. Thus efforts and associated spending aimed at improving health delivery, raising educational attainment, and empowering women (including through agricultural extension services to women farmers) will create externalities leading to improvements in poverty indicators overall. In recognition of the linkages, the National Development Planning Commission – responsible for implementation and tracking of the GPRS – will report annually on the 27 (out of 39) indicators covered under the GPRS.

40. **Although Ghana’s poverty reduction elasticity with respect to growth is low in comparison to other countries, there is policy discretion for raising it, should Ghana aggressively pursue “super-poor” policies in connection with its implementation of the GPRS.** These are found in other countries to include policies that lower inflation, shrink government, promote financial development, and raise educational achievement.²² Should efforts be stepped up in these areas, a double benefit will accrue—through stronger economic growth and a raised elasticity for poverty reduction—leading to faster poverty reduction overall.

²² Ghura and others, WP/02/118.

Figure I.2. Ghana: Progress in Achieving Millennium Development Goals, 1990 - 2015



Source: Ghana Millennium Development Goals Report (2002).

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II. REFORMING GHANA'S FINANCIAL SECTOR²³

41. **This section undertakes a preliminary assessment of the current state of Ghana's financial sector and of related policy actions.** The paper summarizes information on the broad institutional structure of the sector, previously identified weaknesses, and recent or prospective reforms. The starting point for this assessment is the Financial Sector Assessment Program (FSAP) report by the staffs of the World Bank and the Fund, issued in 2001. Particular emphasis is placed on the financial sector's ability to contribute effectively to economic development in Ghana, including through the provision of rural banking and microfinance services. An update of the FSAP exercise is expected to be carried out by Fund and World Bank staffs later in 2003.

A. The Structure of the Financial Sector in Ghana

42. **Ghana has a tiered financial system, with a broad range of financial institutions.** The financial system includes commercial banks, rural banks, insurance companies, discount houses, finance houses, leasing companies, savings and loans associations, credit unions, and a stock exchange. Many of the institutions, however, remain underdeveloped, even by the standards of sub-Saharan Africa. The level of financial intermediation in the economy was judged in the 2001 FSAP report to be comparatively modest, and the formal banking system reaches only about 5 percent of all Ghanaian households. The banking penetration ratio, at one bank branch per 54,000 inhabitants, is relatively high, but the coverage varies widely, being six times higher in the greater Accra region than in the northern parts of the country. About half of all bank branches in the interior belong to a single state-owned commercial bank, the Ghana Commercial Bank.

Commercial banks

43. **As of end-2001, there were seventeen banks operating in Ghana** (Table II.1). Foreign investors hold a majority of the shares in eight commercial banks, and three banks are state-owned; there are nine purely commercial banks, five merchant banks, and three development banks.²⁴ Measured by its aggregate balance sheet in relation to GDP, the banking sector grew rapidly between 1996 and 2000, due partly to financial deepening, and partly to loose monetary conditions, with real treasury bill rates close to zero in 2000. The bank assets-to-GDP ratio dropped from a peak of 44 percent at end-2000 to about 36 percent in 2002 as monetary conditions were tightened (Table II.2). While most financial activity is

²³ Prepared by Hugh Bredenkamp, Enrique G. de la Piedra, and Osa Ahinakwah.

²⁴ Commercial banks engage in traditional banking business, with a focus on universal retail services. Merchant banks are fee-based banking institutions and mostly engage in corporate banking services. Development banks specialize in the provision of medium- and long-term finance.

accounted for by four or five banks (Table II.3), no single institution is dominant, and the potential for competition is considered to be well above the sub-Saharan Africa average.

Table II.1. Ghana: Structure of the Banking Sector, December 2001

Bank	Ownership (percent)		Number of branches
	Ghanaian	Foreign	
Commercial banks			
Ghana Commercial Bank Ltd	97	3	133
SSB Bank Ltd	46	54	38
Barclays Bank of Ghana Ltd	10	90	24
Standard Chartered Bank	24	76	23
The Trust Bank Ltd	39	61	6
Metropolitan and Allied Bank	53	47	4
International Commercial Bank	0	100	3
Stanbic Bank Ghana Ltd	9	91	1
Unibank	100	0	1
Merchant banks			
Merchant Bank Ghana Ltd	100	0	5
Ecobank Ghana Ltd	6	94	4
CAL Merchant Bank	34	66	3
First Atlantic Bank	71	29	2
Amalgamated Bank	100	0	1
Development banks			
Agricultural Development Bank	100	0	39
National Investment Bank	100	0	11
Prudential Bank	100	0	5

Sources: Bank of Ghana; and Fund staff estimates.

44. **Banking system soundness indicators portray a mixed picture.** The average capital adequacy ratio (CAR) was 14.9 percent in September 2002, well above the minimum 6 percent required by law; however, there was a significant dispersion by individual banks (Table II.4). The ratio of profit after tax to gross earnings dropped in 2001 to 29½ percent from an average of over 35 percent during 1996-2000 (Table II.5). The average quality of bank loan portfolios (measured by the share of nonperforming in total loans) improved in 2000 with the closure of three insolvent banks, but then deteriorated during 2001, in part reflecting the effect of high real interest rates (Table II.6). Although the highest nonperforming loan ratios can be found in some of the smaller banks, this ratio was nevertheless above the system average in some of the largest banks in the country.

Table II.2. Ghana: Balance Sheet of the Banking System, 1996-2002
(In billions of cedis, unless otherwise indicated)

Item	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep 2002
I. Assets							
Cash & short-term funds	1,192.1	1,156.5	1,136.5	1,674.8	3,018.3	3,657.3	4,399.2
Cash on hand	73.4	94.8	103.2	151.2	249.7	305.6	299.4
Balances with BOG	182.3	165.2	304.9	463.2	679.2	1,201.7	1,195.9
Balances with Banks	570.3	644.3	564.5	711.9	1,172.8	1,347.1	1,456.1
Claim on other financial institutions	187.3	146.2	88.0	172.0	612.1	566.6	1,173.4
Items in transit	178.8	105.9	76.0	176.4	304.5	236.2	274.4
Investment in bills & securities	760.2	1,147.3	1,654.7	2,239.3	2,861.7	4,058.9	4,177.9
Government	34.8	71.2	161.8	50.0	147.3	1,682.2	2,234.0
BOG bills	690.8	1,068.7	1,403.4	2,082.3	2,503.5	2,186.5	1,763.0
Public enterprises & institutions	5.5	2.7	46.8	17.2	140.6	109.6	116.8
Financial institutions	4.3	3.6	34.1	49.8	50.4	64.2	39.6
Private enterprises & others	24.9	1.0	8.5	40.0	19.8	16.4	24.5
Loans, overdraft & other advances (net)	649.8	1,079.0	1,573.3	2,580.4	4,679.5	5,458.1	6,615.2
Gross loans	757.9	1,293.9	1,892.3	2,982.0	5,170.3	6,275.1	7,848.2
<i>of which:</i>							
Government	8.2	58.5	1.0	2.6	5.7	3.6	4.2
Public enterprises & institutions	58.3	84.0	214.1	351.6	1,251.4	1,692.8	2,128.9
Private enterprises	517.0	967.7	1,399.2	1,894.2	3,479.7	3,984.9	4,983.1
—Individuals	174.3	183.6	278.0	733.5	433.5	593.8	732.0
Less: total bad debt provision	108.0	214.9	319.0	401.5	490.8	817.0	1,233.0
Other assets	145.8	173.6	207.2	374.6	949.9	822.7	1,306.4
Fixed assets	114.8	126.8	165.9	284.7	319.6	495.9	549.6
Total assets	2,862.7	3,683.2	4,737.7	7,153.7	11,829.0	14,492.9	17,048.3
II. Liabilities and Net Worth							
Deposits of financial institutions	46.7	85.9	104.0	109.6	105.5	143.6	178.1
Deposits of non-fin. inst., the public & Govt.	1,852.4	2,330.4	3,043.5	4,229.0	7,162.7	8,308.0	9,880.6
<i>of which:</i>							
Demand deposits	1,202.4	1,420.3	1,802.2	2,566.0	4,747.1	5,083.2	6,188.8
Savings accounts	358.3	556.3	668.3	887.2	1,280.7	1,712.1	2,157.6
Time deposits & Certif Deposits	291.7	353.8	573.1	775.8	1,135.0	1,512.7	1,534.2
Special deposits	78.0	59.0	83.3	34.5	47.7	93.2	195.3
Borrowings	111.0	109.4	270.5	796.8	1,502.4	1,213.8	1,449.3
Central bank	29.7	22.2	27.0	44.3	103.6	25.8	39.1
Commercial banks	0.0	0.0	112.1	444.5	906.7	589.8	612.2
Other financial institutions	50.4	21.9	54.3	170.1	421.2	493.9	647.6
Government	30.9	65.4	77.1	137.8	71.0	104.3	150.4
Other liabilities	398.8	573.5	656.9	1,109.6	1,605.2	2,833.2	3,066.5
Total liabilities	2,486.8	3,158.2	4,158.2	6,279.5	10,423.6	12,591.8	14,769.8
Shareholders funds	375.9	525.0	579.4	874.2	1,405.4	1,901.1	2,277.6
Paid up capital	61.8	79.8	91.7	116.4	113.9	165.1	171.3
Retained earnings	200.3	311.8	309.4	466.8	1,004.1	1,297.6	1,581.7
Other reserves	113.8	133.4	178.4	291.0	287.4	438.3	524.6
Total liabilities & net worth	2,862.7	3,683.2	4,737.7	7,153.7	11,829.0	14,492.9	17,047.4
Contingent liabilities	398.0	414.6	929.1	4.7	2,160.7	1,748.5	3,072.3
<i>Memorandum item:</i>							
Total bank assets/ GDP (percent)	25.2	26.1	27.4	34.8	43.6	38.1	36.4

Sources: Bank of Ghana, and Fund staff estimates.

Table II.3. Ghana: Assets and Liabilities of the Banking Sector, 1998-2002

Bank 1/	Total assets=Total liabilities					Share in banking system				
	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002
	(In billions of cedis)					(Percent of total banking system)				
Bank 1	977	1295	2215	3738	4653	20.7	18.2	18.9	25.9	27.4
Bank 2	898	1593	2743	2317	2634	19.0	22.3	23.5	16.0	15.5
Bank 3	615	1003	1714	2290	2476	13.0	14.1	14.7	15.8	14.6
Bank 4	517	689	1290	1480	1724	10.9	9.7	11.0	10.2	10.2
Bank 5	612	756	1220	1366	1427	12.9	10.6	10.4	9.5	8.4
Bank 6	244	464	854	1013	1154	5.2	6.5	7.3	7.0	6.8
Bank 7	230	396	517	584	771	4.9	5.5	4.4	4.0	4.5
Bank 8	178	210	288	294	405	3.8	2.9	2.5	2.0	2.4
Bank 9	89	141	265	323	398	1.9	2.0	2.3	2.2	2.3
Bank 10	77	157	110	308	340	1.6	2.2	0.9	2.1	2.0
Bank 11	48	61	112	212	294	1.0	0.9	1.0	1.5	1.7
Bank 12	61	96	174	190	265	1.3	1.3	1.5	1.3	1.6
Bank 13	--	14	56	97	177	--	0.2	0.5	0.7	1.0
Bank 14	33	53	84	131	131	0.7	0.7	0.7	0.9	0.8
Bank 15	28	35	53	78	94	0.6	0.5	0.5	0.5	0.6
Bank 16	--	--	--	27	38	--	--	--	0.2	0.2
Bank 17	93	150	--	--	--	2.0	2.1	--	--	--
Bank 18	30	22	--	--	--	0.6	0.3	--	--	--
Banking System	4730	7136	11695	14450	16981	100.0	100.0	100.0	100.0	100.0

Sources: Bank of Ghana, and Fund staff estimates.

Table II.4. Ghana: Capital Adequacy Ratio (CAR) of Banks, 1996-2002
(Bank capital as percent of assets)

Bank 1/	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002
Bank 1	5.3	12.8	7.6	9.8	8.5	14.1	10.8
Bank 2	26.0	0.0	25.5	16.3	13.0	21.0	19.6
Bank 3	7.4	12.3	10.8	9.7	10.4	11.8	11.8
Bank 4	8.8	10.9	9.1	7.0	10.1	9.5	13.4
Bank 5	36.7	31.5	27.8	15.8	12.3	13.5	9.9
Bank 6	91.7	117.1	157.0	96.6	54.5	55.3	47.8
Bank 7	10.6	14.7	16.8	11.0	12.7	13.0	9.1
Bank 8	8.3	14.9	19.7	12.8	9.7	10.8	8.1
Bank 9	19.9	24.3	23.5	8.8	8.6	12.7	17.2
Bank 10	17.1	14.8	15.5	7.4	8.5	9.3	7.2
Bank 11	18.2	22.5	14.4	16.7	16.0	21.8	28.5
Bank 12	20.8	27.0	10.2	15.8	27.7	34.0	28.6
Bank 13	-3.2	10.3	11.2	9.7	8.5	6.5	6.2
Average for Banking Sector 2/	10.7	15.2	11.1	11.5	11.6	14.7	14.9
<i>Memorandum item:</i>							
Minimum Standard CAR	6.0	6.0	6.0	6.0	6.0	6.0	6.0

Sources: Bank of Ghana; and Fund staff estimates.

1/ Bank numbers in different tables do not correspond to the same bank. Excludes banks set up during the period covered in the table.

2/ For the entire banking sector, including banks not listed in the table.

Table II.5. Ghana: Banking System—Income Statement, 1996-2002
(In billions of cedis)

Item	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep 2002
Gross Earnings Margin	420.0	459.8	729.9	976.7	2,003.7	2,500.9	1,992.6
Interest Income	481.8	581.4	880.7	944.4	1,811.5	2,685.1	1,671.8
<i>of which:</i>							
<i>Advances</i>	174.7	225.9	346.4	418.0	881.5	1,359.2	1,015.9
<i>Bills (Including discounts)</i>	39.1	229.7	337.2	407.4	743.5	1,056.0	465.8
<i>Investments</i>	268.0	125.8	197.1	119.0	186.5	269.9	190.1
Interest paid and payable	229.2	293.0	389.2	359.0	715.3	956.3	481.1
Interest Margin (Net Interest Income)	252.6	288.4	491.5	585.5	1,096.2	1,728.8	1,190.7
Non-interest income	167.5	171.4	238.3	391.3	907.5	772.1	801.9
Income from commission & fees	100.6	130.3	176.9	236.1	424.0	507.3	510.8
Profits on exchange (net)	50.7	39.0	38.1	118.4	318.5	185.2	177.3
Dividends from investments	1.5	1.4	2.4	7.4	11.5	20.1	10.9
Other income	14.7	0.7	20.8	29.4	153.5	59.5	102.9
Other income	5.2	49.2	1.0	5.8	3.5	2.9	3.1
Non-interest expense	164.7	219.1	345.5	310.2	685.3	965.4	906.3
Staff costs	96.4	125.4	197.7	178.8	333.3	450.2	459.2
Occupancy costs	8.9	12.1	23.4	21.2	43.8	76.8	60.7
Administration costs & other	44.0	59.6	98.6	75.9	265.9	372.3	305.2
Depreciation costs	15.4	22.1	25.8	34.3	42.4	66.0	81.2
Profit before provisions	260.6	289.9	385.4	672.3	1,321.8	1,538.4	1,089.4
Net provisions for bad debts	39.0	27.8	98.5	71.1	269.5	388.5	230.0
Profit before tax	221.5	262.2	286.9	601.2	1,052.3	1,149.8	859.4
Taxes	69.7	75.6	105.9	135.1	283.8	393.8	278.2
Extraordinary items	-	58.2	11.3	9.9	51.4	20.4	4.0
Profit (loss) after tax	151.8	128.3	169.7	456.1	717.2	735.6	577.2
<i>of which:</i>							
Dividends	52.6	13.0	70.1	89.6	184.2	220.4	54.0
Retained earnings & Misc. Reserves	99.2	115.3	99.6	366.5	532.9	515.2	523.2
<i>Memorandum items:</i>							
Profits(after tax)/gross earnings	36.1	27.9	23.2	46.7	35.8	29.4	29.0
Gross earnings/assets	14.7	12.5	15.4	13.7	16.9	17.3	11.7
Profits/assets	5.3	3.5	3.6	6.4	6.1	5.1	3.4

Sources: Bank of Ghana, and Fund staff estimates.

Table II.6. Ghana: Quality of Loan Portfolio, 1997-2002
(Non-performing loans as percent of total loans)

Bank 1/	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002
Bank 1	16.2	16.3	12.3	12.6	19.4	18.1
Bank 2	16.5	16.2	11.2	10.7	24.2	24.9
Bank 3	10.3	7.9	7.6	8.9	6.4	5.5
Bank 4	1.9	1.3	0.9	12.2	23.7	26.4
Bank 5	11.8	4.2	3.6	7.9	8.0	5.0
Bank 6	0.0	29.6	17.3	41.8	25.2	22.4
Bank 7 2/	91.7	87.5	89.7	--	--	--
Bank 8 2/	92.0	89.8	89.1	--	--	--
Bank 9	13.0	2.5	0.7	1.3	27.4	30.6
Bank 10	1.4	3.2	1.8	0.7	5.7	4.1
Bank 11	14.3	33.0	17.6	8.8	5.4	7.3
Bank 12	17.3	11.6	12.4	14.7	24.8	22.3
Bank 13 2/	76.9	80.0	77.4	--	--	--
Bank 14	30.5	38.4	41.8	39.4	44.0	34.7
Bank 15	4.7	17.5	11.1	9.7	5.5	5.8
Average banking system 3/	25.1	26.5	22.6	12.1	19.6	19.2

Sources: Bank of Ghana; and Fund staff estimates.

1/ Bank numbers in different tables do not correspond to the same bank. Excludes banks set up during the period covered in the table.

2/ Bank was closed in 2000.

3/ For the entire banking sector, including banks not listed in the table.

45. **The bulk of banks' resources are absorbed by the public sector.** The loan-asset ratio for commercial banks was only about 37½ percent as of end-2001, as banks preferred to park their resources in high-yield, low-risk treasury bills and Bank of Ghana bills (Table II.2). During the last few years, bank lending to the government (including direct advances, as well as investment in bills) has typically absorbed over one-half of total available resources (Table II.7). The residual resources available for lending to the private sector have been mainly channeled to the commerce and manufacturing sectors, while the agriculture, forestry, and fishing sectors have received less than one-tenth of total bank credit (Table II.8).

46. **The share of commercial banks' foreign operations increased until 2000, but then declined.** Between 1998 and 2000, the share of bank assets denominated in foreign currency increased from 27 percent to 35 percent but dropped to 30 percent in 2001, probably reflecting the increased stability of the cedi exchange rate (Table II.9).

Table II.7. Ghana: Bank Lending and Investment in Bills and Securities, 1996-2002

Recipient sector	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002
(In billions of cedis)							
Lending to Government	797.6	1,285.2	1,827.1	2,503.7	4,048.5	5,674.7	6,246.9
Government	43.0	129.7	162.8	52.6	153.0	1,685.8	2,238.2
Lending	8.2	58.5	1.0	2.6	5.7	3.6	4.2
Government bills	34.8	71.2	161.8	50.0	147.3	1,682.2	2,234.0
Bank of Ghana bills	690.8	1,068.7	1,403.4	2,082.3	2,503.5	2,186.5	1,763.0
Public enterprises & institutions	63.8	86.7	260.9	368.8	1,392.0	1,802.4	2,245.7
Lending	58.3	84.0	214.1	351.6	1,251.4	1,692.8	2,128.9
Other	5.5	2.7	46.8	17.2	140.6	109.6	116.8
Lending to the private sector	720.6	1,155.9	1,719.8	2,717.5	3,983.4	4,659.3	5,779.2
Private enterprises	541.9	968.7	1,407.7	1,934.2	3,499.5	4,001.3	5,007.6
Lending	517.0	967.7	1,399.2	1,894.2	3,479.7	3,984.9	4,983.1
Other	24.9	1.0	8.5	40.0	19.8	16.4	24.5
Financial institutions	4.3	3.6	34.1	49.8	50.4	64.2	39.6
Individuals	174.3	183.6	278.0	733.5	433.5	593.8	732.0
Total lending	1,518.2	2,441.1	3,546.9	5,221.3	8,031.9	10,334.0	12,026.1
(In percent of total)							
Lending to Government	52.5	52.6	51.5	48.0	50.4	54.9	51.9
Government	2.8	5.3	4.6	1.0	1.9	16.3	18.6
Lending	0.5	2.4	0.0	0.0	0.1	0.0	0.0
Government bills	2.3	2.9	4.6	1.0	1.8	16.3	18.6
Bank of Ghana bills	45.5	43.8	39.6	39.9	31.2	21.2	14.7
Public enterprises & institutions	4.2	3.6	7.4	7.1	17.3	17.4	18.7
Lending	3.8	3.4	6.0	6.7	15.6	16.4	17.7
Other	0.4	0.1	1.3	0.3	1.8	1.1	1.0
Lending to the private sector	47.5	47.4	48.5	52.0	49.6	45.1	48.1
Private enterprises	35.7	39.7	39.7	37.0	43.6	38.7	41.6
Lending	34.1	39.6	39.4	36.3	43.3	38.6	41.4
Other	1.6	0.0	0.2	0.8	0.2	0.2	0.2
Financial institutions	0.3	0.1	1.0	1.0	0.6	0.6	0.3
Individuals	11.5	7.5	7.8	14.0	5.4	5.7	6.1
Total lending	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Bank of Ghana; and Fund staff estimates.

Table II.8. Ghana: Evolution of Bank Credit, 1996-2002

Sector	Dec. 1996	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002	Average 1996-2001
(In millions of cedis)								
Agric, Forestry and Fishing	79.9	155.8	230.0	348.8	486.5	587.8	581.8	
Export Trade	60.9	93.6	95.6	143.8	115.1	207.3	81.1	
Manufacturing	231.8	288.2	445.1	717.2	1,417.0	1,185.7	1,540.4	
Transport, Storage and Comm.	14.5	21.5	37.6	76.5	154.6	216.2	321.0	
Mining & Quarrying	29.7	66.3	90.7	167.0	277.3	248.5	255.2	
Import Trade	36.3	56.3	99.3	128.4	770.1	221.9	465.7	
Construction	75.3	137.8	202.3	257.2	340.8	419.9	526.3	
Commerce & Finance	102.8	235.8	285.0	451.4	356.0	1,747.1	2,189.2	
Elect., Gas & Water	14.3	20.8	75.5	122.0	230.5	243.7	314.4	
Services	69.9	122.3	155.9	268.6	458.2	579.7	737.1	
Miscellaneous	32.1	49.3	116.2	231.2	496.3	502.5	757.5	
Cocoa Marketing	10.4	44.3	59.1	69.9	67.9	114.7	78.5	
Total	757.9	1,291.9	1,892.3	2,982.0	5,170.3	6,275.1	7,848.2	
(Percent of annual total)								
Agric, Forestry and Fishing	10.5	12.1	12.2	11.7	9.4	9.4	7.4	11.2
Export Trade	8.0	7.2	5.1	4.8	2.2	3.3	1.0	5.5
Manufacturing	30.6	22.3	23.5	24.0	27.4	18.9	19.6	25.5
Transport, Storage and Comm.	1.9	1.7	2.0	2.6	3.0	3.4	4.1	2.2
Mining & Quarrying	3.9	5.1	4.8	5.6	5.4	4.0	3.3	5.0
Import Trade	4.8	4.4	5.2	4.3	14.9	3.5	5.9	6.7
Construction	9.9	10.7	10.7	8.6	6.6	6.7	6.7	9.3
Commerce & Finance	13.6	18.3	15.1	15.1	6.9	27.8	27.9	13.8
Elect., Gas & Water	1.9	1.6	4.0	4.1	4.5	3.9	4.0	3.2
Services	9.2	9.5	8.2	9.0	8.9	9.2	9.4	9.0
Miscellaneous	4.2	3.8	6.1	7.8	9.6	8.0	9.7	6.3
Cocoa Marketing	1.4	3.4	3.1	2.3	1.3	1.8	1.0	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Bank of Ghana; and Fund staff estimates.

Table II. 9. Ghana: Foreign Assets and Liabilities of the Banking Sector, 1998-2001
(Percentages)

Bank 1/	Foreign Assets/Total Assets				Foreign liabilities/Total Liabilities			
	1998	1999	2000	2001	1998	1999	2000	2001
Bank 1	41.8	48.5	58.4	50.9	41.6	59.8	60.5	50.7
Bank 2	--	--	46.7	36.3	--	--	46.6	49.6
Bank 3	29.5	28.6	25.0	32.7	30.5	41.9	52.9	41.9
Bank 4	35.5	38.1	46.4	43.8	33.7	37.6	44.5	40.1
Bank 5	23.2	32.9	42.3	33.6	23.0	32.0	41.9	31.9
Bank 6	22.6	29.2	46.3	32.3	21.8	39.5	28.3	31.5
Bank 7	30.5	45.2	91.4	32.3	33.9	46.8	91.5	30.7
Bank 8	--	--	--	21.2	--	--	--	27.2
Bank 9	13.1	19.0	33.0	26.2	12.6	19.9	31.7	26.4
Bank 10	17.1	27.6	28.0	27.1	29.7	38.4	26.1	25.7
Bank 11	14.0	17.3	25.0	20.0	12.5	16.2	23.4	19.0
Bank 12	31.0	22.8	40.2	28.8	21.2	18.2	32.1	18.5
Bank 13	13.7	13.2	23.8	24.0	9.8	11.8	17.8	18.3
Bank 14	13.9	14.8	30.1	13.9	9.2	13.3	20.0	13.0
Bank 15	21.0	26.0	28.9	18.9	10.2	20.6	19.9	12.9
Bank 16	28.1	28.7	30.4	17.7	7.7	13.6	16.4	9.5
Bank 17	10.4	9.8	--	--	11.1	8.9	--	--
Bank 18	4.7	3.7	--	--	1.1	0.9	--	--
Banking System	26.9	28.7	35.5	30.0	20.8	29.5	36.6	27.0

Sources: Bank of Ghana; and Fund staff estimates.

1/ Bank numbers in different tables do not correspond to the same bank.

Rural banks

47. **The banking sector included 115 rural banks as of September 2002.** These community-owned institutions, widely dispersed throughout the country, were first established in 1976 to provide commercial banking services to the rural population. The number of rural banks expanded significantly in the 1980s, but the rural banking system remains small in the aggregate, accounting for only around 3½ percent of total banking system assets as of end-2001 (Table II. 10). During 1997-2001, the assets of rural banks grew by an average of 46 percent per year, slightly faster than the growth rate of 41 percent per year of the assets of the overall banking system.

48. **Since their establishment, rural banks have been primarily instruments for mobilizing the savings of the rural sector.** The role of rural banks in providing credit and resources for rural development has remained constrained. As of end-2001, credit by rural banks amounted to only 30 percent of their assets (Table II. 10), and only 20 percent of credit extended by rural banks went to the agricultural sector. The bulk of rural bank assets is made up of investment in treasury bills.

Table II.10. Ghana: Rural Banks, 1997 - 2002
(In billions of cedis except where otherwise indicated)

	Dec. 1997	Dec. 1998	Dec. 1999	Dec. 2000	Dec. 2001	Sep. 2002
Paid-up capital	3.7	4.0	4.8	6.8	9.6	12.1
Total loans and advances	39.9	48.4	66.5	98.0	145.4	202.8
Investments	42.5	58.5	70.8	144.1	247.7	291.2
Deposits	84.6	109.6	137.6	236.5	382.2	507.7
Total assets	113.9	157.0	185.2	316.6	519.2	679.7
(In percent)						
<i>Memorandum items:</i>						
Total loans/assets	35.0	30.8	35.9	31.0	28.0	29.8
Total assets/Total banking system assets	3.1	3.3	2.6	2.7	3.6	4.0

Sources: Bank of Ghana; and Fund staff estimates.

49. **Most credit operations by rural banks are based on microfinance lending techniques.** These techniques are frequently implemented by (or with technical assistance from) from collaborating nongovernmental organizations (NGOs). The micro loans are generally short term (up to six months), of a small amount (generally up to US\$75), and benefit from group guarantees. Repayment is normally made on a weekly basis.

50. **Although the rural banking system remains weak overall, there has been an improvement in recent years.** The proportion of rural banks failing to comply with the required 6 percent CAR dropped from about 60 percent in 1998 to 31 percent at end-2001. Improved supervision by the Bank of Ghana explains part of the improvement, although the continuing high noncompliance rate suggests that much remains to be done in this area.²⁵ At the same time, rural banks are generally profitable, mostly reflecting their limited credit exposure and investments in high-yield government securities.

51. **In 2001, the Apex Bank was founded to provide financial services for the rural banks and in due course to take over some supervisory and training functions for the sector.** The Apex Bank has so far focused mainly on providing clearing services to rural banks and processing cocoa checks that are used in the payment of cocoa purchases by the licensed buying companies. In February 2003, the Apex Bank began acting as primary distributor of

²⁵ Physical on-site inspection by the Bank of Ghana is conducted at least once a year in each of the 115 rural banks, and any individual bank that is found not complying with the industry standards is invited for discussions and cautioned. In addition, staff of the central bank have been seconded to some rural banks for a specific period in order to upgrade the skills of the rural banks.

Bank of Ghana securities for the rural banks,²⁶ while in the near future it plans to introduce short-term financial instruments to improve liquidity management in these banks.

Credit unions

52. **Credit unions are thrift societies offering savings and loan facilities exclusively to members.** They operate under a separate legal regime from the rest of the financial system, dating from 1968. Credit unions are small institutions in Ghana, with an average of only 400 members and average loan size of about US\$150. As of December 2001, total deposits in credit unions reached about 100 billion cedis (less than 0.3 percent of GDP), while outstanding loans stood at 71½ billion cedis, with a total membership of almost 104,000.

53. **Credit unions expanded rapidly in the 1970s, followed by a steady decline.** From about 500 credit unions in the mid-1970s, the number of credit unions contracted to 250 as of end-2001 (Table II.11). This trend reflected deteriorating financial conditions owing to macroeconomic instability, as well as organizational weaknesses, including the maintenance of a low-interest policy for loans and limited managerial capabilities.

Table II.11. Ghana: Licensed nonbank Financial Institutions, 1999-2002
(Number of institutions)

Type of institution	1999	2000	2001	Sep. 2002
Building societies	2	2	2	2
Discount houses	3	3	3	3
Finance houses	8	10	15	15
Leasing companies	6	6	6	6
Mortgage finance	1	1	1	1
Savings and loans	8	8	9	9
Venture capital funds	1	2	2	2
Credit Unions	196	225	250	250
Total	225	257	288	288

Sources: Bank of Ghana; and Fund staff estimates.

54. **Credit unions have not yet been brought under the direct supervisory authority of the Bank of Ghana.** Credit unions are grouped under the Credit Union Association and are registered by the Department of Cooperatives as cooperative thrift societies. However, the

²⁶ In February 2003, the Apex Bank also was granted the authority to rediscount treasury bills.

proposed Credit Union Bill (see below) is expected to lessen this problem by recognizing the Credit Union Association as the regulatory authority for all the credit unions, with powers to intervene to ensure transparency and accountability and to enforce strict reporting requirements.

Other nonbank financial institutions

55. **Following the passage of a new law in 1993, the nonbank financial institutions (NBFI) sector expanded rapidly.** As of end-2001, there were thirty-eight NBFIs, excluding credit unions (Tables II.11 and II.12). These comprised:

- Nine savings and loan associations (S&Ls). In a few cases, S&Ls represent the transformation of NGOs into licensed financial institutions. S&Ls serve a market niche that seems to be too small for established commercial banks, using market traders and *susu* collectors as their main clients,²⁷ and in many cases they are trying to apply best practices in the area of microfinance. Undercapitalization is a problem in some of the S&Ls.
- Six leasing companies, engaging in 2-3 year leasing contracts, mostly for imported equipment, in all the main formal sectors of the economy.
- Fifteen finance houses, specializing in small business finance through a variety of short-term instruments, such as trade and warehouse financing, invoice discounting, and check discounting. Commercial banks regard the nature and scale of this business as uneconomic for them, so competition is limited.
- Three discount companies, engaged mostly in the interbank market but also providing some banking services for corporations.
- The Housing Finance Company (HFC), which provides long-term credit for moderate-income home ownership and, more recently, has moved into construction finance. The HFC accounts for almost 30 percent of all NBFI assets.
- Other entities include two building societies, which are facing capitalization problems, and two venture capital companies.

²⁷ For a description of *susu* activities, see para. 58 below.

Table H.12. Ghana: Income Statement of Nonbank Financial Institutions, 2000-02
(In billions of cedis)

	Savings & Loans	Discount Houses	Leasing Companies	Finance Houses	Mortgage Finance	Nonbank Financial System
I. December 2000						
Cash on hand	1.7	0.0	0.0	0.1	0.1	1.9
Deposits & bal. with banks & other discount houses.	3.6	2.8	8.0	4.8	9.6	28.9
Securities (Long-term)	--	--	0.0	1.5	0.0	1.5
Investment (short-term)	9.7	132.0	0.4	12.3	16.7	171.0
Acceptances (Promissory notes)	--	--	--	--	--	0.0
Advances/Mortgages	13.0	--	88.6	31.4	169.4	302.3
Other assets	2.1	34.6	7.4	8.8	0.0	52.8
Fixed assets	2.7	1.5	6.2	7.7	17.5	35.6
Total Assets	32.8	170.9	110.5	66.5	213.2	593.9
Paid-up capital	2.9	5.4	15.4	5.3	8.0	37.0
Reserves	-2.4	6.4	7.7	-2.5	23.0	32.3
Shareholders' funds	0.5	11.8	23.1	2.8	31.1	69.3
Borrowing	1.4	139.8	68.3	49.3	163.7	422.4
Deposits	28.8	--	--	--	11.3	40.1
Other liabilities	2.0	19.3	19.2	14.4	7.2	62.1
Total liabilities	32.2	159.1	87.5	63.7	182.1	524.6
Total liabilities and Capital	32.8	170.9	110.5	66.5	213.2	593.9
II. December 2001						
Cash	3.4	1.1	4.6	1.2	0.0	10.5
Deposits & bal. with banks & other discount houses.	14.7	0.0	0.0	8.6	10.2	33.4
Investment (Long-term)	20.9	234.7	0.0	11.5	0.0	267.1
Investment (short-term)	2.5	0.0	0.0	4.3	32.0	38.8
Acceptances (Promissory notes)	0.0	61.5	0.0	0.0	0.0	61.5
Advances/Mortgages	28.1	0.0	94.1	63.8	210.5	396.4
Other assets	3.7	61.0	24.5	22.1	0.0	111.3
Fixed assets	5.4	1.9	7.7	12.1	20.2	47.3
Total Assets	78.6	360.2	131.0	123.5	272.8	966.2
Paid-up capital	7.7	5.4	15.9	13.9	8.1	50.9
Reserves	-1.0	5.2	9.6	8.6	30.2	52.6
Shareholders' funds	6.7	10.6	25.5	22.5	38.3	103.6
Borrowing	0.2	298.3	79.1	84.7	213.3	675.6
Deposits	67.3	0.0	0.0	0.0	15.8	83.0
Other liabilities	4.5	51.4	26.4	16.3	5.4	104.0
Total liabilities	71.9	349.7	105.5	101.0	234.5	862.7
Total liabilities and Capital	78.6	360.2	131.0	123.5	272.8	966.2
III. September 2002						
Cash	3.2	3.5	0.0	1.6	1.0	9.3
Deposits & bal. with banks & other discount houses.	27.1	0	7.8	3.7	34.7	73.3
Investment (Long-term)	0.0	17.6	0.0	1.5	10.6	29.7
Investment (short-term)	37.3	240.0	0.0	13.3	54.3	344.9
Acceptances (Promissory notes)	0.0	34.4	0.0	0.0	0.0	34.4
Advances/Mortgages	41.5	0.0	119.7	92.8	218.6	472.6
Other assets	4.8	123.8	33.5	33.7	3.7	199.5
Fixed assets	6.6	2.3	13.1	14.9	19.4	56.3
Total Assets	120.5	421.6	174.1	161.5	342.3	1,220.0
Paid-up capital	22.7	5.4	16.9	21.3	25.8	92.1
Reserves	-2.4	-2.4	11.5	3.9	32.5	43.1
Shareholders' funds	20.3	3.0	28.4	25.2	58.3	135.2
Borrowing	3.2	94.4	107.5	33.2	254.5	492.8
Call money	0.0	297.0	0.0	0.0	0.0	297.0
Deposits	86.6	0.0	0.0	91.1	7.5	185.2
Other liabilities	10.5	27.2	38.2	12.1	22.0	110.0
Total liabilities	100.3	418.6	145.7	136.4	284.0	1,085.0
Total liabilities and Capital	120.6	421.6	174.1	161.6	342.3	1,220.2

Sources: Bank of Ghana, and Fund staff estimates.

Insurance companies

56. **The insurance sector is made up of the state-owned Social Security and National Insurance Trust (SSNIT), eighteen insurance companies, and two reinsurance companies.** These insurance companies, and especially SSNIT, dominate the country's long-term investment resources. SSNIT faces a number of difficulties, including a high level of nonperforming loans, a low average return to equity, and liquidity problems. Excluding SSNIT, the insurance sector is small, with no more than 3½ percent of the assets of the banking system in 2001. Also, it is highly concentrated, with a single company (the State Insurance Co.) holding one half of the sector's assets and six other companies holding one-third of the assets; the other companies are all very small. Some insurance companies face serious capitalization problems.

57. **Insurance companies are regulated by the National Insurance Commission (NIC).** A new Insurance Bill that is being considered would enhance the supervisory powers of the NIC. This bill will also seek to increase substantially the capital requirements for insurance companies, and draw a clear separation between the life and nonlife business components.

Informal financial arrangements

58. **Outside the formal sector, there also exist traditional arrangements (*susu*).** These arrangements are used by low-income market participants for pooling savings and extending credit. Their operation is linked in particular to trading in rural and street markets. The *susu* system primarily offers savings products to help clients accumulate their own savings over a period of one month. Depositors generally deposit a fixed daily amount, which is returned to them at the end of the month for a fee equal to one-day's deposit. *Susu* collectors may also make short-term advances to members of the group. *Susu* collectors, who are not regulated, are in many cases members of *susu* collectors' cooperative societies.

The stock exchange

59. **Ghana has a functioning stock exchange, although it is still at a rudimentary stage of development.** The Ghana Stock Exchange (GSE) has only 24 listed companies, and only one non-Ghanaian company (Trust Bank, Ltd. from The Gambia). A single mining firm (whose shares are also traded on the London and New York stock exchanges) accounts for two-thirds of the value of shares quoted. Excluding this firm, the market capitalization of GSE-listed companies is only about 5 percent of GDP, less than half the average for other low-income developing countries. Daily trading volume is only about US\$10-20,000. In 2002, the best performers in the GSE were bank shares. The market for debt is similarly thin: there are only five publicly traded corporate bonds in Ghana, all dollar-denominated.

B. Progress in Financial Sector Reform

60. **The authorities are committed to far-reaching reform in the financial sector.** They have recently updated their Financial Sector Strategic Plan (FINSSP), which will frame

their efforts in this regard.²⁸ The “vision” of FINSSP is to achieve the following six key objectives: make the financial sector the preferred source of finance for domestic companies; promote efficient savings mobilization; establish Ghana as the financial gateway to the ECOWAS region; enhance the competitiveness of Ghana’s financial institutions; ensure a stronger but also more “user-friendly” regulatory regime; and achieve a diversified domestic financial sector within a competitive environment.

61. **The authorities have made generally good progress over the past two years in the area of financial sector reform.** As can be seen from Appendix I, the focus during this period has been mainly concentrated on updating the legislation governing the financial sector. Other areas of progress have included an intensification of supervisory activity for both banks and NBFIs, and the restructuring of commercial bank claims on the state-owned Tema Oil Refinery.

62. As regards the legal framework for the financial system, **the reforms being pursued touch on areas such as increasing the independence of the central bank; enhancing the regulatory framework; introducing modern modes of payment; and improving the framework for control of money laundering.** Several bills have already been passed or are in the process of being prepared. The Bank of Ghana Act was passed, while the Banking Bill, the Payment System Bill, and the Bills and Cheques Bill will soon be forwarded to parliament for legislative approval. In addition, work is ongoing on a number of draft bills that will then be submitted to the Attorney General for review, including the Anti-Money Laundering Bill, the Credit Union Bill, the Exchange Control Act, the Insurance Law, and the Financial Institutions (Nonbanking) Bill. In addition, the authorities are also working on a new Insolvency Bill (Bankruptcy Law) and revision of the Companies’ Code.

63. **The new Bank of Ghana Act was approved in December 2001.** It establishes and guarantees the independence of the central bank, and includes provisions aimed at enhancing the bank’s operational efficiency and strengthening its supervisory role. The law limits government borrowing from the central bank to no more than 10 percent of the current year’s government revenues, and requires any advances and loans made to the government to be approved by the Board of the Bank of Ghana. In keeping with the provisions of the Act, the Bank of Ghana divested all its shareholdings in banks under its supervision. The new law also paved the way for creation of a Monetary Policy Committee as the policy-making body of the central bank.

64. **The new Banking Bill aims at enhancing significantly the framework for banking supervision in Ghana.** In this regard, it will reinforce the relevant provisions of the Bank of Ghana Law. The proposed new bill will raise bank capital requirements (the minimum capital ratio would increase from 6 percent to 10 percent) and empower the central bank to alter the required bank capital adequacy ratio without prior approval from the Minister of Finance. The bill will set more stringent requirements for the granting of new bank licenses,

²⁸ “Financial Sector Strategic Plan (FINSSP),” Draft No. 1, Ministry of Finance, January 2003.

and provide the central bank full authority to issue licenses (until now, the entry of a new bank required the prior approval of the Minister of Finance). In the event of bank distress, the Bank of Ghana has been empowered to take measures to protect the assets of depositors, including a merger with a healthier bank or the appointment of a liquidator. Also, the proposed law contains clear and transparent exit procedures for insolvent banks, which are absent in the current law.

65. **The new Payment System and Bills and Cheques bills also are expected to be in place in 2003.** Taken together, they are expected to lay the foundations for a modern and efficient electronic payments, clearing and settlement system in Ghana, as well as its supervision by the competent authorities. Specifically, the Payment System Bill will provide the vital infrastructure to meet new challenges imposed by technological innovation, such as the use of electronic modes of payment, and the need to develop noncash payment products and clearing systems in order to reduce over-dependence on cash payments. This bill also provides for electronic information generated by the transfers to be admitted as evidence in court. The proposed Bills and Cheques Bill is a revision of the existing Bills of Exchange Act; its passage would allow the electronic presentation of cheques, to speed up the clearing and settlement process. These innovations are expected to reduce transaction costs significantly.

66. **The authorities are also working on a new Anti-Money Laundering Bill.** This law will, for the first time in Ghana, establish money laundering *per se* as a crime.²⁹ Work on the proposed new law has been carried out by a committee made up of representatives from the Bank of Ghana, the commercial banks, the Ghana Police, the Bureau of National Investigation, the Immigration Service, and the Customs, Excise and Preventive Service. The draft legislation has drawn upon input from the U.S. Department of State, the IMF and the U.K. Financial Services Authority.

67. **The Credit Union Bill seeks to create a regulatory body, the Credit Union Association (CUA), to govern the affairs of the credit unions.** It is expected to work in a way similar to that of the Apex Bank set up to regulate the rural banks. Through the operation of the CUA (see above), credit unions will be brought indirectly under the aegis of the central bank and would thus be required to meet regulatory standards and minimum reporting requirements.

C. Enhancing the Financial Sector's Contribution to Economic Development: The Key Obstacles

68. **If the financial sector is to play a significant role in promoting economic development in Ghana, progress in setting up enhanced legal and supervisory frameworks would need to be complemented with additional measures.** Three areas merit particular attention: (i) the distortions created by historically weak macroeconomic policies;

²⁹ Since 1990, it has been an offense to launder the proceeds of a narcotic trade under the Narcotic Drugs Law.

(ii) adverse effects from state ownership and control, in both the financial and nonfinancial sectors; and (iii) institutional deficiencies in the rural/microfinance sector. This subsection looks briefly at each of these topics in turn.

Macroeconomic policy

69. **A stable and consistent macroeconomic framework is essential to the development of the financial sector.** However, Ghana's macroeconomic policies over at least the past decade have been characterized by periodic lapses in financial discipline, leading to volatile and generally high inflation, large exchange rate swings, negative real interest rates for extended periods, and a buildup of domestic government debt that is approaching 30 percent of GDP. These features of the macroeconomic environment are considered to have had various negative effects on the scale and quality of financial intermediation, as evidenced by:

- These policies have *reduced the incentive to save*, particularly in financial assets. Ghana's financial saving rate and money-GDP ratio are lower than in other sub-Saharan Africa countries.
- They have fostered a *short-term perspective*, among both savers and lending institutions. One-third of all bank deposits are demand deposits, and terms for bank loans rarely extend beyond one year. Even government domestic debt issues have been almost exclusively at 3-6 month maturities, until the introduction of three-year inflation-indexed bonds in late 2001.
- Heavy domestic borrowing by government has *crowded out private sector finance*. Faced with an ample supply of relatively low-risk, high-return government paper (to which, moreover, low capital requirements apply), banks and other financial institutions have had little incentive to engage in—or develop the capacity for—lending and equity finance for the private sector.
- Macroeconomic uncertainty is likely to have been a factor in *detering potential foreign investors*. International rating agencies attach a very large weight to macroeconomic stability,³⁰ and there is evidence from country studies that this variable has a major bearing on the volume of foreign direct investment.³¹

The influence of state ownership

70. **Excessive state intervention in the economy leads to distortions that affect the ability of the financial sector to promote growth and development.** During the 1990s, two

³⁰ Cf. Standard and Poor's rationale for granting Senegal a B+ sovereign debt rating in 2000.

³¹ See "Foreign Direct Investment in Africa—Some Case Studies," Anupam Basu and Krishna Srinivasan, IMF Working Paper 02/61 (Washington: IMF, 2002).

thirds of the roughly 350 state-owned enterprises (SOEs) in Ghana were sold off. But the process has subsequently slowed, and no divestitures were completed in 2001-02. The list of SOEs remains long and, more important, continues to encompass some of the largest firms in the economy, notably in the energy, utilities, and transport sectors. This situation has at least two major implications for the effectiveness of the financial sector:

- First, reflecting their significant losses, some of the large SOEs (such as the Tema Oil Refinery and the public utility companies) have been the recipients of massive amounts of directed lending from commercial banks. This has created a parastatal crowding-out effect that, in recent years, has been as large as that from domestic government borrowing. The ability of SOEs to tap directed credits has been greatly enhanced by continued majority state ownership and control of Ghana Commercial Bank, one of the largest banks in the country.
- Second, the retention of huge amounts of corporate equity in state hands is likely to have held back the development of Ghana's equity market, and to have limited the opportunities for an infusion of foreign capital (much of foreign direct investment into Ghana in the past has been associated with divestitures).

Deficiencies in the rural/microfinance sector

71. **A dynamic rural/microfinance sector has been shown to play a key role in the expansion of the rural sector and small and medium-sized enterprises.** The World Bank has for some time been actively supporting the development of rural banks and microfinance in Ghana under a Rural Financial Services Program, and has recently reviewed performance in this sector. This review confirmed that Ghana does not lack for number or diversity of rural and microfinance institutions—it has well over 300, operating in all parts of the country. The problem is that these institutions have not achieved strong financial performance or become truly commercial enterprises. They have remained unusually small by African standards, and are for the most part poorly managed.³² The rural banks have also tended to become vehicles for mobilizing the savings of the rural sector and then channeling them to salaried workers in urban areas rather than back into rural development—only 20 percent of credit extended by rural banks goes to the agricultural sector.

72. **Among the factors that have been identified as contributing to weak performance in the rural and microfinance sector are:**

- the macroeconomic crowding out effects described above;
- the prevalence of political interference, in part through subsidized and directed lending activities, including under a mandate that 20 percent of all District Assembly Common

³² The size of the average loan portfolio of rural banks and credit unions in Ghana is only around 20 percent of the average for African microfinance institutions.

Funds be set aside for lending to micro and small enterprises at subcommercial interest rates (low repayment ratios on government sponsored loans have contaminated the rest of the portfolios of rural and microfinance institutions);

- poor management capacity in the rural and microfinance institutions (low qualification and training standards) and weak accountability mechanisms;
- excessively burdensome business registration requirements, which deter some rural and microfinance institutions from seeking formal status (only licensed institutions can avail themselves, for instance, of legal contract enforcement procedures);
- weaknesses in Ghana's system for registering property (movable and immovable) titles, which limits the use of collateral to facilitate lending activity;
- the tendency of the Bank of Ghana to impose high minimum capital and reserve requirements as a substitute for close supervision (the latter would allow more discrimination between strong and weak performers); and
- undercapitalization of some NBFIs, such as some savings and loan associations and building societies.

D. Summary and Conclusions

73. **The Ghanaian financial sector has not yet achieved a sustained strong financial performance.** The level of financial intermediation in the economy remains relatively modest. Banking system soundness indicators portray a mixed picture, as banks seem to be well capitalized and profitable, while nonperforming loan ratios have reached high levels. Rural banks help extend banking system services beyond the major metropolitan areas, but their full potential remains to be realized.

74. **The authorities have made significant progress in the last two years in the implementation of strengthened macroeconomic and financial sector reform policies.** Economic developments are characterized by enhanced stability and sustainability. At the same time, important progress is being made in the review of the legal framework in the financial system: the Bank of Ghana Act has been passed already, and work on several other proposed bills is moving forward.

75. **Nonetheless, additional efforts are still needed to help remove remaining bottlenecks to the expansion of credit to the private sector.** Further measures are needed to consolidate improved supervision practices, promote the expansion of rural and microfinance institutions, facilitate lending to the private sector, and encourage the generation of long-term savings:

- The provisions of the new Bank of Ghana Law and the proposed Banking Sector Bill go a long way toward ensuring a more efficient supervisory and regulatory

environment. To reap the full benefits of the new provisions, it would be important to provide adequate training and support to the supervisory authorities and the banks.

- Further expansion of rural and microfinance institutions could be supported by further reform of the regulatory and supervisory framework. In particular, it would be useful to concentrate on streamlining entry and exit procedures, reinforcing capacity building programs for the rural and microfinance institutions and their supervisors, and ensuring adequate capitalization of all institutions.
- To guarantee adequate levels of financing for the private sector, the demand for credit by the government and state-owned enterprises would need to be curtailed through prudent fiscal policy, on a sustained basis, combined with far-reaching reforms in the public enterprise sector (ranging from improved pricing regimes to divestiture).
- As resources are freed up by reduced public sector borrowing, improved property rights and the establishment of credit information systems would help create the necessary incentives for the banks and other financial institutions to seek out viable lending opportunities in the private business sector.
- The development of long-term finance depends on policies that encourage the provision of corporate credit, as well as those that enhance the supply of equity capital. Progress in this regard would need to be supported by an operational overhaul of SSNIT, strengthened regulation of securities dealers to increase confidence in the stock market, and divestiture of government shareholdings to deepen the market.

Appendix I. Ghana—FSAP Assessments and Follow-Up

Main Problem Areas Identified	Measures Taken Following the Financial Sector Assessment Program (FSAP)	Measures Outstanding
Banking Supervision		
<ul style="list-style-type: none"> • Inadequate central bank authority 	<ul style="list-style-type: none"> • New central bank law passed in 2001 and Bank of Ghana (BOG) divested shareholdings in banks under its supervision. 	<ul style="list-style-type: none"> • Revised Banking Bill, strengthening the legal framework for bank supervision and licensing, awaits parliamentary approval.
<ul style="list-style-type: none"> • Weak enforcement of capital requirements and foreign exchange exposure 	<ul style="list-style-type: none"> • On-site examinations completed in 2001 for all commercial and 115 rural banks. All major banks are now adequately capitalized, as are 86 rural banks (up from 72 in 2000). New examination manual for on-site inspections being prepared, with KPMG support. New regulations on open foreign exchange positions introduced in 2001, and banks are largely compliant. 	
<ul style="list-style-type: none"> • Excessive exposure to parastatal debt, especially that of the Tema Oil Refinery (TOR). 	<ul style="list-style-type: none"> • TOR debt to commercial banks was restructured in 2001, with substantial conversion to 	<ul style="list-style-type: none"> • Exposure to other state enterprises (e.g., utilities) remains a problem. Ghana Commercial Bank should be privatized to

Main Problem Areas Identified	Measures Taken Following the Financial Sector Assessment Program (FSAP)	Measures Outstanding
	government bonds.	reduce risk that directed lending to parastatals will recur.
<ul style="list-style-type: none"> Absence of anti-money-laundering (AML) rules and regulations. 	<ul style="list-style-type: none"> The BOG is preparing an AML bill, with technical assistance (TA) from U.S. Treasury. 	
Supervision of NBFIs³³		
<ul style="list-style-type: none"> Weak enforcement of prudential regulations. 	<ul style="list-style-type: none"> All 35 NBFIs were inspected during 2001 (up from 2/3 in 2000). Five S&Ls are now solvent; capital being sought for the other 3. Penalties now being applied for noncompliance with reporting requirements. 	<ul style="list-style-type: none"> New “business rules” still do not define strict time limits for insolvent institutions to meet capital requirements. Two insolvent building societies remain to be restructured and recapitalized. Stronger enforcement tools needed to back up moral suasion.
<ul style="list-style-type: none"> Need for stricter standards on new entrants. 	<ul style="list-style-type: none"> Capital requirements raised to Cedis 10-15 billion, from previous Cedis 100 million. 	
<ul style="list-style-type: none"> Need for prudential restrictions on 	<ul style="list-style-type: none"> Restrictions adopted as element of new “business rules” introduced in 	

³³ Nonbank financial institutions.

Main Problem Areas Identified	Measures Taken Following the Financial Sector Assessment Program (FSAP)	Measures Outstanding
investment and lending.	2001. Regulatory forbearance granted for leasing companies on their exposure to individual companies.	
<ul style="list-style-type: none"> Poor quality management in NBFIs. 	<ul style="list-style-type: none"> Screening of managers strengthened, with BOG providing training sessions for NBFI directors (e.g., in treasury management, credit administration, and the role and functions of directors). 	
Securities Market		
<ul style="list-style-type: none"> Inadequate capital requirements for securities dealers. 	<ul style="list-style-type: none"> Stronger requirements established in new draft regulations. 	<ul style="list-style-type: none"> New regulations need to be enacted by parliament, to give effect to the 2000 Securities Bill.
<ul style="list-style-type: none"> Need for more intensive oversight of dealer activities, based on more frequent reporting. 	<ul style="list-style-type: none"> As above (reporting will be monthly, on-line). 	<ul style="list-style-type: none"> As above.
<ul style="list-style-type: none"> Legal limits (albeit often waived) on foreign ownership of listed securities. 		
<ul style="list-style-type: none"> Dividend remittances are "subject to the availability of foreign 		

Main Problem Areas Identified	Measures Taken Following the Financial Sector Assessment Program (FSAP)	Measures Outstanding
exchange.”		
Insurance Company Regulation		
<ul style="list-style-type: none"> Inadequate capital and solvency requirements. 	<ul style="list-style-type: none"> National Insurance Commission (NIC) has proposed substantial increase in capital requirements. Draft Insurance Bill will bring solvency requirements in line with international standards. 	<ul style="list-style-type: none"> NIC proposal is under review. Insurance Bill requires parliamentary approval. Solvency rules will have to be strictly enforced: only 9 of 18 insurance companies are fully solvent.
<ul style="list-style-type: none"> Need to clarify responsibilities of company boards and powers of the Insurance Commissioner. 	<ul style="list-style-type: none"> Draft Insurance Bill addresses the issues raised in the FSAP. 	
Social Security and National Insurance Trust (SSNIT)		
<ul style="list-style-type: none"> Inadequate accounting and financial reporting. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> World Bank recommends this be addressed in the upcoming organizational review.
<ul style="list-style-type: none"> Lack of clearly articulated policy on investments. 	<ul style="list-style-type: none"> Addressed in SSNIT’s corporate plan for 2002-06. 	<ul style="list-style-type: none"> Management will need to ensure implementation of new investment policies.

Main Problem Areas Identified	Measures Taken Following the Financial Sector Assessment Program (FSAP)	Measures Outstanding
<ul style="list-style-type: none"> Weak governance structure. 	<ul style="list-style-type: none"> Forensic audit of SSNIT's investments has been conducted, and legal actions are in train. Procurement activities have been overhauled, with World Bank TA. 	<ul style="list-style-type: none"> Basic governance structures will need to be looked at in World Bank-supported organizational review.
Contract Enforcement		
<ul style="list-style-type: none"> Inefficient judicial system led to delays of 3-4 year in enforcement of loans in default, and high recovery costs. 	<ul style="list-style-type: none"> New Insolvency Act has been drafted and is going through public consultation. Fast-track courts introduced to speed up commercial cases. 	<ul style="list-style-type: none"> Work ongoing with World Bank support to overhaul the court system (including resources and training).
<ul style="list-style-type: none"> Difficulty in establishing clear title to land or enforcing collateral claims on movable property. 	<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> New Land Holding/Tenure Act is needed to rationalize the system of land holdings and give security of title for land development.

Sources: "Ghana – Financial System Stability Assessment" (SM/01/177); and aide-memoire from World Bank Implementation Support Mission, March 2002.

III. THE CHALLENGE OF FISCAL SUSTAINABILITY IN THE POST-HIPC ERA IN GHANA³⁴

A. Introduction

76. **This section examines the challenges to successful fiscal policy formulation in Ghana as the government aspires to increase growth and raise living standards.** After a decade characterized by large terms of trade shocks, poor macroeconomic management, and electoral spending cycles, public finances in Ghana at the start of the new millennium were in a delicate state. A large central government budget deficit led to significant recourse to domestic borrowing, which contributed to a crowding out of private sector growth and an associated rise in real interest rates. To help address this, the government opted to take advantage of the enhanced Initiative for Heavily Indebted Poor Countries (HIPC Initiative) where creditors write down the stock of external debt on condition that the freed resources are devoted to poverty spending. While the HIPC relief will create the preconditions needed for external debt sustainability, it does not necessarily follow that overall fiscal sustainability and poverty alleviation are ensured. Various challenges still must be faced if the government is to realize its twin goals of fiscal sustainability and poverty alleviation.

77. **There are three major challenges to successful fiscal policy implementation in Ghana.** The first challenge is posed by the large role of the government in the overall economy. Subsection B reviews the fiscal activity of local government and state-owned enterprise in the economy and constructs estimates of the extent of government activity conducted outside the central government budget. The second challenge to successful fiscal policy implementation is the large outstanding stock of domestic debt. Subsection C reviews how the large stock of domestic debt impacts public finances and whether it poses a risk to the sustainability of fiscal policies. The third challenge involves the need to reorient government spending toward programs that will help reduce poverty. Subsection D looks forward to examine the impact of Ghana's development needs on future budgets. Section E concludes by outlining some options for reform that could help address these challenges.

B. What Is the Extent of Fiscal Activity in Ghana?

78. **The government can carry out fiscal policy through a variety of channels** including through the social security system, local government sector, and state-owned nonfinancial and financial enterprises. Box III.1 gives examples of various channels through which a government can pursue its fiscal objectives outside the traditional general government budget. A number of countries, particularly those in Latin America and some transition economies, have expanded the definition of government to include both public

³⁴ Prepared by Catriona Purfield, Fiscal Affairs Department.

Box III.1. Typology of Quasi-Fiscal Activities ^{1/}

Financial system

- Credit ceiling/directed lending
- Subsidized lending and loan guarantees
- Reserve requirements
- Rescue operations

Exchange and trade system

- Multiple exchange rates
- Exchange rate guarantee and subsidized exchange risk insurance
- Import deposits or deposits on foreign asset purchases
- Nontariff trade barriers

Domestic prices and regulatory framework

- Administered prices below market or cost recovery
- Regulations and licensing
- Monopolies and quasi-monopolies
- Subsidies or free provision of services by SOEs
- Forced provision of services by the private sector

^{1/}From Petri, Taube, and Tsyvinski (2001).

enterprises and the central bank, so as to capture a larger proportion of fiscal activities and to measure more accurately the impact of fiscal activity on the economy.

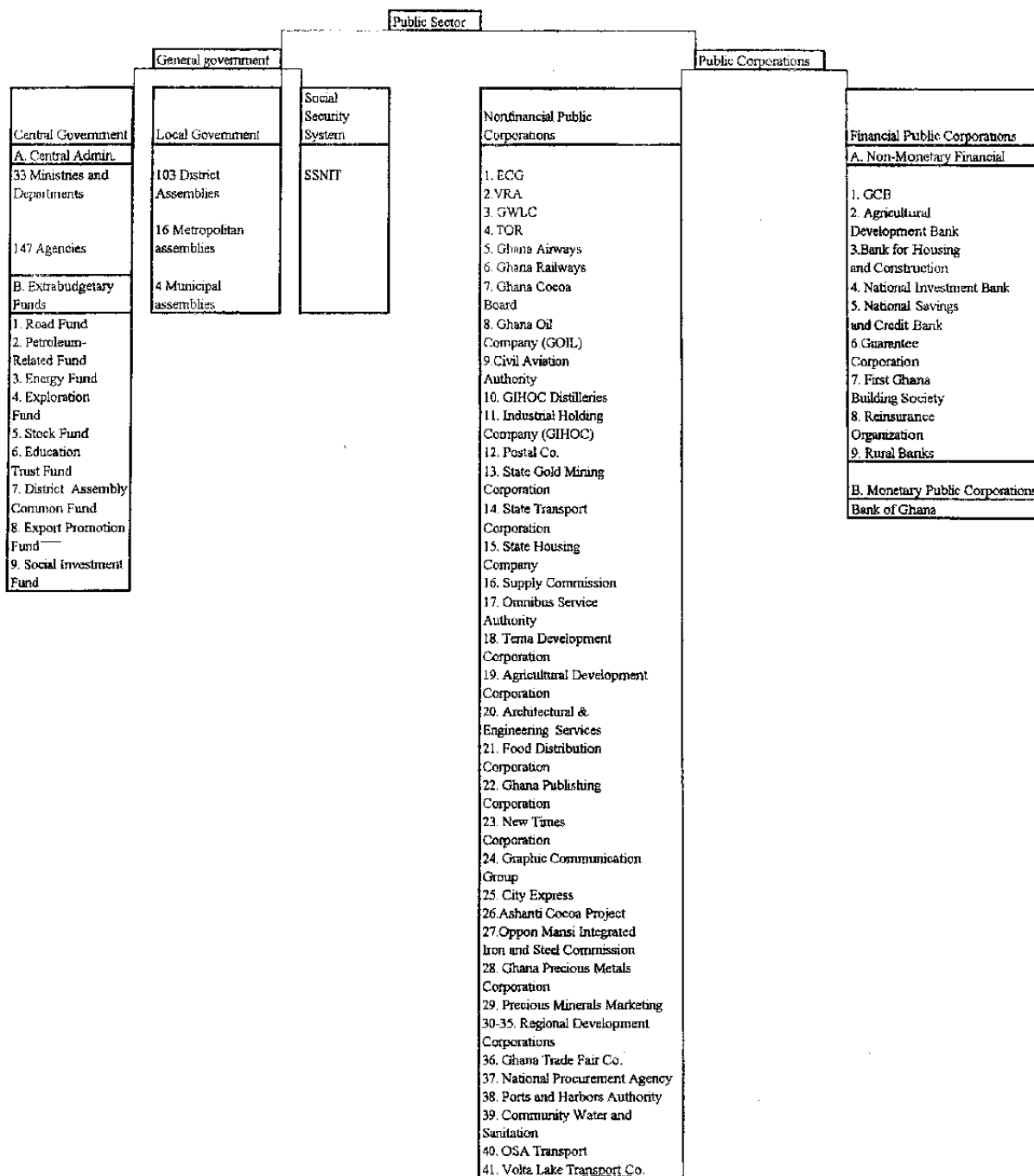
79. **The government conducts fiscal policy in Ghana through a number of channels in addition to the central budget.** Various extrabudgetary funds receive transfers from earmarked taxes to fund the provision of public goods and services. The Social Security and National Insurance Trust (SSNIT), the statutory public trust charged with the administration of Ghana's national pension scheme, has in the past provided large scale funding to the central government. The local government sector is charged with local development, the provision of specific services, and implementation of its role under the Ghana Poverty Reduction Strategy (GPRS). Various state-owned enterprises are subject to administered price controls that, at times, result in large price subsidies to consumers. As a result, these enterprises have had to rely on financing from state-owned banks or direct transfers from the central government to fund their operations.

80. **Indicators of fiscal sustainability that focus solely on the central government budget thus provide an incomplete picture of the long-term sustainability of fiscal policy in Ghana.** The central government budget deficit and debt represents only a small part of the public sector balance sheet; and the central government can run unsustainable and distortionary policies off budget for considerable periods of time without necessarily impacting the central government deficit or debt burden. However, as recent experience in Ghana demonstrates, the costs of these policies are eventually borne by the central government, either through debt bailouts or recapitalizations. This subsection gives a brief description of the structure and fiscal policy functions undertaken by each subsector of the public sector in Ghana. It concludes by estimating the extent of fiscal and quasi-fiscal activity in Ghana between 1999 and 2001 using indicators of the overall deficit, expenditure, and debt burden in both the general government and public sectors.

Structure and fiscal activities of the public sector in Ghana

81. **Under the IMF's *Government Finance Statistics Manual* (IMF 2001), all entities that are wholly devoted to the economic functions of government (namely the provision of public services and the redistribution of income) should be included in fiscal statistics.** Under this definition, the core unit of government activity in Ghana is the general government sector which comprises both the central government, including the social security fund, and local government. However, IMF (2001) also provides a broader analytical concept to encompass the finances of public financial and nonfinancial corporations (including the central bank) that carry out fiscal operations at the behest of the government that owns them. Examples of such activities include lending to parties at a lower-than-market interest rate; selling electric power to selected customers at reduced rates; employing more staff than is required; or paying above-market prices for inputs.

Figure III.1: The Public Sector in Ghana, 2001



Source: Controller Accountant General's Department.

82. Figure III.1 provides an overview of **the various subsectors of the public sector engaged in fiscal activity in Ghana. They include:**

- the central government, including the extrabudgetary funds and the social security fund, SSNIT;
- local government, including the metropolitan, municipal, and district assemblies (MMDAs) and the regional coordinating councils (RCCs); and;
- state-owned enterprises.³⁵

The IMF (2001) also includes the central bank under a broader definition of the public corporate sector. While the estimates of public sector activity in Ghana derived below do not incorporate the accounts of the Bank of Ghana (BOG), the negative net worth of the central bank represents an important contingent claim on the central government budget that is discussed in more detail in Subsection C.

The central government sector

83. **The core central government in Ghana comprises 36 ministries with some 250 departments and agencies operating under these ministries.** The central government budget transfers funds to at least five extrabudgetary funds that operate at the central government level. These include the District Assembly Common Fund (DACF), the Ghana Education Trust Fund (GETF), the Road Fund, the Petroleum Fund, and the Export-Promotion Fund. There are also other extrabudgetary funds, such as the Employment Fund that do not appear to receive statutory transfers from the central budget. Despite legal provisions requiring these funds to produce annual audited accounts, the GETF submitted accounts to parliament for the first time in 2002 and the most recent audit of the DACF was conducted by the Auditor General in 1996. As a result, this analysis cannot compile separate statistics on the activities of these funds. However, to the extent that these funds are solely reliant on central government budget transfers for their operations, their expenditure activity is already captured by the central budget accounts.³⁶

84. **The social security fund, SSNIT, has also provided funding for a variety of public projects.** SSNIT is the single largest savings institution in Ghana. Reflecting Ghana's favorable demographic profile, the ratio of beneficiaries to contributors is low.³⁷ As a result.

³⁵ The government also holds shares in about 54 other companies that are excluded from the analysis because the government is unable to have an impact on the policies of these companies. However, these financial assets make up part of the government sector's wealth.

³⁶ The assumption is that these funds do not accumulate surpluses or have other sources of income.

³⁷ At present, SSNIT has 908,492 contributors and 46,493 pensioners.

SSNIT currently generates large surpluses and its assets constitute about 15 percent of total financial sector assets. However, the fund is not actuarially sound.³⁸ Moreover, the rate of return on its investments has been compromised by the various public policy functions that SSNIT performs.³⁹ It regularly helps to finance central government activities by tolerating arrears on government payroll contributions, although in 2001 these arrears were largely cleared. It also finances a subsidized student loan facility and in the past it has financed the construction of several hospitals, roads, and housing at the request of government. The quality of its asset portfolio was also impaired in 1998 when the government settled part of its overdue obligations to SSNIT with bonds bearing below market interest rates. SSNIT also accepted shares in various state-owned companies in settlement of central government obligations.

The local government sector

85. The local government sector in Ghana is charged with implementing a wide range of government functions and its structure is relatively complex. The local government sector comprises 16 metropolitan governments, 4 municipal governments and 103 district assemblies. The metropolitan, municipal and district assemblies (MMDAs) possess the principal budgeting authority for local fiscal activities.⁴⁰ MMDAs have responsibilities in the areas of basic education, primary health care, agriculture, conservation, potable water, road and street construction, welfare, community development, and land-use planning.⁴¹ A draft Local Government Services Bill proposes increasing MMDAs' responsibilities by transferring to them responsibilities in 22 functional areas of the central government. MMDAs are also expected to play a large role in implementing the Ghana Poverty Reduction Strategy (GPRS).

86. Financially, the MMDAs are largely reliant on transfers from the central budget. The main source of revenue is the transfer of 5 percent of tax revenues earmarked for the DACF. The central government also cedes certain direct taxes to the MMDAs, including gambling and advertising taxes, entertainment taxes, corporate income tax registration fees

³⁸ The 1999 actuarial study of SSNIT found that the assets of the fund would be extinguished by 2036 if contribution rates and the number of contributors remain at current levels.

³⁹ In 2000, the nominal rate of return on its investment was about 11 percent while inflation averaged 25 percent.

⁴⁰ 70 percent of the membership of a district assembly is elected. The remainder are appointed. There are also 10 unelected regional coordinating councils (RCCs) charged with regional planning and development functions, and with the monitoring and coordinating of MMDA activities. However, the role of RCCs is effectively limited by the lack of a supporting regulatory environment and funding.

⁴¹ See the Constitution of Ghana and Local Government Act 462.

and transport taxes.⁴² MMDAs do levy a variety of fees, rates (including a poll and a property tax) and charges, although these comprise a relatively small share of their resources. While no data are compiled on local government borrowing, MMDAs are legally permitted to borrow domestically in the form of overdrafts or loans, up to a maximum of 20 million cedis per each loan without Ministry of Finance approval or guarantees.⁴³ The government is currently considering extending MMDAs borrowing powers by issuing municipal bonds.

The state-owned enterprise sector

87. Notwithstanding the large privatization program of the mid-1990s, **the central government still owns a large number of enterprises**, many of which have been unable to operate on a commercially sustainable basis. Currently, the central government owns a 50 percent share or more in nearly 50 companies, and has smaller equity holdings in another 54 companies. While not all of these companies are engaged in fiscal-related activities, many have been unable to operate commercially due to the fixing of administered prices at less than cost recovery levels (water, electricity, and petroleum refining, in particular). As such, they often provide large and costly price subsidies to consumers.

88. Using various indicators to proxy the state-owned companies' finances, policies and governance, **Table III.1 assesses the commercial orientation of six major state-owned companies in Ghana**. Of the six companies examined, five appear to be major sources of fiscal activity and quasi-fiscal losses, including:

- Volta River Authority (VRA), Ghana's major producer and transmitter of electricity,
- Ghana Water Company, Ltd. (GWCL), serving the greater Accra region,
- Tema Oil Refinery (TOR), which produces all refined products consumed domestically,
- Electricity Company of Ghana (ECG), the principal electrical distributing company, and
- Ghana Commercial Bank (GCB), the largest commercial bank.

With the exception of Ashanti Goldfields, Ltd., the rates of return on capital and current assets are very low or even negative; most are severely undercapitalized; and one has a negative net worth. Nevertheless, the very high gearing ratios suggest all companies have been able to borrow extensively, either from the banking system or from other state-owned

⁴² See Section 34 of Local Government Act 462.

⁴³ See Section 88 of Local Government Act 462.

enterprises (via arrears), suggesting that loans carry either an explicit or implicit government guarantee. Excluding Ashanti Goldfields, Ltd. and GCB, the indicators on policies and governance suggest that these companies are not subject to market discipline because they are not listed on the stock market and they do not have control over the price at which they sell their output.

Trends in the size and finances of the public sector in Ghana

General government sector

89. **The consolidated general government sector ran large deficits at the end of the 1990s due to large capital investment needs (Table III.2).** Although the surpluses on SSNIT operations averaged about 1½ percent of GDP per annum during 1999-2001 these surpluses were insufficient to offset the deficits incurred by the central and local government sectors. Over this period, the overall general government deficit (net lending and borrowing, excluding depreciation) averaged about 7¾ percent of GDP mainly due to large deficits of the central government (on average almost 9½ percent of GDP, on an accrual basis).⁴⁴ The latest local government data from 2000 show an overall deficit of 0.75 percent of GDP, as transfers from the central budget failed to cover even their operational expenses.⁴⁵

90. **The expenditure obligations of the general government sector are relatively large and rigid.** While overall expenditure has fallen since 2000, the expenditure obligations of the general government remain relatively sizeable at 30¾ percent of GDP. They are also relatively inflexible. Operational expenses comprise about 60 percent of overall outlays, and an increasing proportion of the operational budget has had to be devoted to interest costs (close to 8 percent of GDP, over 40 percent of operational expenditure). There is also little flexibility in the rest of the operational budget as about half of it is devoted to wages and compulsory current transfer payments for military pensions. Capital outlays, which averaged about 13 percent of GDP per annum between 1999 and 2001, are also relatively rigid. Some 82 percent of the domestic capital budget (or almost 20 percent of the total capital budget) comprises statutory transfers to extrabudgetary funds (DACF, GETF, petroleum, and road funds).

⁴⁴ The central government's deficit and expenditure are estimated from below-the-line data, because above-the-line fiscal accounts fail to capture large amounts of expenditure during this period. It is assumed that the discrepancy in expenditure between the above and below the line accounts were devoted to capital outlays. The estimates also make use of reports from the recent audits on road and other expenditure arrears to estimate the arrears stocks and to adjust cash expenditures to an accrual concept.

⁴⁵ Outturn data are only available for 1998 and 2000. The activities of the local governments in 1999 and 2001 are estimated assuming that the local government deficit has been relatively unchanged and that changes in local expenditure reflects changes in the actual transfers from the DACF.

Table III.1. Ghana: Criteria to Assess the Commercial Orientation of State-Owned Companies as of 2001

	VRA	GWCL	TOR	ECG	GCB	Ashanti gold
Governance						
Listed on stock exchange	No	No	No	No	Accra	Yes ^{1/}
Complies annual audited accounts	Yes	Yes	Yes	Yes	Yes	Yes
Are the accounts published	No	No	No	No	Yes	Yes
Government share	100	100	85	100	64	20
Policies						
Prices market determined	No	No	No	No	Yes	Yes
Prices fixed by regulator	Yes	Yes	No	Yes	No	No
Price adjustments formula/ad hoc	Ad hoc	Ad hoc	Formula	Ad hoc	...	No
Receives financing from the government	Yes	Yes	Yes	Yes	No	No.
Finances						
Rate of return (operating profit (include dep.)/capital)	0.0	-4.8	-88.4	7.0	44.6	11.1
Net return on fixed assets (%)	-2.0	-3.9	-29.6	7.0	4.0	8.4
Net worth (exclud. shareholder funds)	9437.3	3857.5	-1789.0	861.4	343.7	2442.9
Debt-equity ratio (%)	20.1	54.0	647.6	358.4	477.8	97.3
Current asset ratio (%)	90.5	32.4	29.2	87.4	88.2	80.3
Arrears (accounts receivable/turnover) %	43.6	44.6	7.7	48.0	262.8	3.4
Arrears to GDP (%)	1.7	0.3	0.6	1.3	4.8	0.0
Debt-to GDP (%)	9.4	4.8	12.3	4.5	4.3	10.0
Short-term	2.7	1.4	6.6	2.6	4.3	...
Medium and Long-term	6.7	3.4	5.7	1.9	0.0	...

Sources: IMF staff calculations and audited accounts of each company.

^{1/} Accra, London, New York, and Zimbabwe.

Table III.2. Ghana: Statement of General Government Operations
(In percent of GDP)

	1998	1999	2000	2001
	Act.	Act.	Act.	Act.
Central government budget (unconsolidated, adjusted for accrual expenditure)				
Revenue	20.5	18.0	19.8	25.0
Operational expenditure	17.3	16.4	18.5	19.9
<i>Operating balance</i>	3.3	1.6	1.3	5.1
Exceptional items	0.0	0.0	0.0	0.0
<i>Operating balance after exceptional items</i>	3.3	1.6	1.3	5.1
Net acquisition of non-financial assets	11.3	13.3	9.7	13.1
<i>o/w statutory transfers of ear-marked taxes to funds</i>	0.5	0.6	1.8	2.4
<i>Net lending/borrowing</i>	-8.1	-11.7	-8.4	-8.0
Consolidated central government (includes SSNIT, excludes flows to other levels of government)				
Revenue	22.3	19.9	21.6	26.5
Operational expenditure	16.3	15.1	17.7	18.8
<i>Operating balance</i>	6.0	4.9	3.9	7.7
Exceptional items	0.7	0.0	0.0	0.0
<i>Operating balance after exceptional items</i>	5.3	4.9	3.9	7.7
Net acquisition of non-financial assets	11.8	13.8	10.1	13.3
<i>Net lending/borrowing</i>	-6.5	-8.9	-6.2	-5.6
Consolidated local government (excludes flows to other levels of government)				
Revenue	0.3	0.3	0.3	0.5
Operational expenditure	0.5	0.5	0.4	0.4
<i>Operating balance</i>	-0.2	-0.3	-0.1	0.1
<i>Operating balance after exceptional items</i>	-0.2	-0.3	-0.1	0.1
Net acquisition of non-financial assets	0.7	0.7	0.7	0.7
<i>Net lending/borrowing</i>	-0.9	-1.0	-0.7	-0.5
General government operations				
Revenue	22.7	20.2	21.9	27.0
Operational expenditure	16.9	15.6	18.1	19.1
<i>Operating balance</i>	5.8	4.6	3.8	7.8
Exceptional items	0.7	0.0	0.0	0.0
<i>Operating balance after exceptional items</i>	5.1	4.6	3.8	7.8
Net acquisition of non-financial assets	12.5	14.5	10.7	14.0
<i>o/w statutory transfers of ear-marked taxes to funds</i>	0.5	0.6	1.8	2.4
<i>Net lending/borrowing</i>	-7.4	-9.9	-6.9	-6.1
Memorandum items:				
External debt of government (government and guaranteed)	78.0	102.7	156.3	110.2
Consolidated general government domestic debt	26.6	28.8	29.3	27.2
Central government domestic debt	26.6	28.8	29.3	27.2
Local	0.0	0.0	0.0	0.0
Maturing in 1 year or less	11.9	18.3	18.4	15.8
Total expenditure	30.1	30.1	28.8	33.1
o/w interest charges	7.0	5.6	7.5	7.8
o/w wages and current transfers	7.9	8.2	8.1	9.4

Sources: MOF; SSNIT annual accounts; and Ministry of Local Government and Rural Development

91. **The gross debt burden of the general government sector is also large and the term structure of domestic debt obligations is a source of fiscal vulnerability.** The gross debt stock of the government averaged about 151 percent of GDP between 1999 and 2001, with about 28½ percent of GDP being held domestically. While the external debt stock is primarily long-term and at concessional rates, about two-thirds of the stock of domestic debt is being rolled over at maturities of 3 months. The total interest burden associated with this overall debt burden has also been high, due mainly to the high nominal domestic interest rates and high inflation over the period. Accordingly, total interest outlays comprised about 30 percent of total revenues (or 43½ percent of tax revenue) between 1999 and 2001, with the domestic interest burden comprising about three quarters of this total.

State-owned enterprise sector

92. **Compared with the central government, the public enterprise sector ranks second in size of its operations (see Table III.3).** However while the overall deficit of the general government sector averaged 7¾ percent of GDP between 1999 and 2001, the consolidated overall deficit of the five noncommercial SOEs examined in Table III.1 averaged about 9¼ percent of GDP.⁴⁶ This largely reflects the gap that arose when administered prices were not adjusted in line with rising world oil prices and the depreciation of the cedi in the run-up to the 2000 elections. The staff estimate that the cost of the price subsidies that emerged on petroleum products and utilities at that time peaked at 9 percent of GDP in 2000.⁴⁷ The consolidated operational expenditures of the five noncommercial SOEs, which averaged almost 19 percent of GDP between 1999 and 2001, are almost as large as those of the overall operation of the general government sector. Moreover, the consolidated gross debt of these enterprises at end-2001 was as large as the official domestic debt of the central government.

93. **The outturn for SOE finances was heavily influenced by the run-up of large quasi-fiscal losses prior to the end-2000 general election.** Since then, the increase in utility tariffs and petroleum prices in 2001 and the stabilization of the cedi have helped to improve the finances of the public sector (Table III.3). The increase in utility tariffs accounted for about a quarter of the improvement in the operational balance, while the reduction in financial outlays from the nonrecurrence of the exchange rate losses of 2000 accounted for the rest.⁴⁸

⁴⁶ Excluding Ashanti Goldfields, Ltd.

⁴⁷ See IMF (2002a).

⁴⁸ However the drop in the overall debt-to-GDP ratio of the five non-commercial SOEs is mainly due to the increase in GDP growth between 2000 and 2001, because in absolute terms the total gross debt of these companies increased by about 18½ percent, which was more than due to the increase in long-term loans associated with the rehabilitation of TOR.

Table III.3. Ghana: Estimates of the Size of the Public Sector, 1999-2001
(In percent of GDP)

	1999	2000	2001
	Act.	Act.	Act.
Consolidated central government (excludes flows to lower levels of government and to SOEs)			
Revenue	19.9	20.4	26.1
Operational expenditure	15.1	16.7	18.5
<i>Operating balance</i>	4.8	3.7	7.6
Exceptional items	0.0	0.0	0.0
<i>Operating balance w/o exceptional items</i>	4.8	3.7	7.6
Net acquisition of non-financial assets	13.8	10.1	13.3
<i>Net lending/borrowing</i>	-9.0	-6.3	-5.7
Consolidated local government (excludes flows to center and to SOEs)			
Revenue	0.3	0.3	0.5
Operational expenditure	0.5	0.4	0.4
<i>Operating balance</i>	-0.3	-0.1	0.1
<i>Operating balance w/o exceptional items</i>	-0.3	-0.1	0.1
Net acquisition of non-financial assets	0.7	0.7	0.7
<i>Net lending/borrowing</i>	-1.0	-0.7	-0.5
Consolidated SOE (VRA; ECG; TOR; GCB, GWCL)			
Revenue	10.5	13.0	15.6
Operational expenditure	12.6	25.4	17.9
<i>Operating balance</i>	-2.1	-12.4	-2.3
<i>Exceptional items</i>	0.5	0.2	0.1
<i>Operating balance after exceptional items</i>	-2.7	-12.6	-2.4
Net acquisition of non-financial assets	1.9	5.1	3.1
<i>Net lending/borrowing</i>	-4.6	-17.7	-5.6
Total public sector			
Revenue	30.6	33.7	42.1
Operational expenditure	28.2	42.4	36.7
<i>Operating balance</i>	2.4	-8.8	5.4
<i>Exceptional items</i>	0.5	0.2	0.1
<i>Operating balance w/o exceptional items</i>	1.9	-8.9	5.3
Net acquisition of non-financial assets	16.4	15.8	17.1
<i>Net lending/borrowing</i>	-14.5	-24.7	-11.8
Memorandum items:			
Size of public sector			
Total expenditure	45.1	58.4	53.9
Total external debt stock	102.7	156.3	110.2
Total domestic debt stock	37.0	65.1	54.6
Central government domestic debt	28.8	29.3	27.2
Local	0.0	0.0	0.0
SOE 1/	8.3	35.9	27.4
Maturities of domestic debt stock			
Short-term < 1 year	23.6	40.8	33.4
Central budget	18.3	18.4	15.8
SOE Sector	5.3	22.4	17.6
Medium and long-term	13.5	24.4	21.1

Source: Annual accounts of ECG, GCB, GWCL, TOR, and VRA, MOF, Ministry of Local Government and Rural Development, and staff estimates.

1/ For 2001, the debt stock estimate is net of the payments made by GOG to VRA to partly offset the stock of ECG's debt to VRA.

Public sector

94. As indicated in Table III.3, **fiscal activity in the economy as approximated by the measures of the public sector**⁴⁹ is much larger than what is revealed by the traditional narrow definition of central government, which is the focus of the annual budget statement.⁵⁰ Between 1999 and 2001, the consolidated deficit of the public sector averaged 17 percent of GDP, total expenditure averaged just over 51 percent of GDP, and domestic debt averaged about 52½ percent of GDP. However, mirroring the improvement in the finances of the SOEs, and to a lesser extent the increase in tax collections and social security contributions at the central government level, indicators of public sector finances improved substantially between 2000 and 2001.

C. The Challenge of Domestic Debt Sustainability

The concept of fiscal sustainability

95. **Several different approaches can be used to assess the sustainability of fiscal policy.** One approach distinguishes fiscal solvency from the concepts of fiscal liquidity, sustainability and vulnerability (see Box III.2). Simply defined, fiscal policy can be viewed as sustainable if it can be maintained indefinitely without leading the government into insolvency. In other words, solvency of the government requires a medium-term framework whereby primary surpluses can finance interest costs under given growth, inflation, and exchange rate assumptions. In the theoretical literature,⁵¹ fiscal sustainability is usually assessed using the long-run solvency criterion. This criterion assesses whether fiscal policy leads to budget balance in present value terms or results in an explosive debt accumulation. The criterion implies that the current stock of debt must be offset by the net present value of future budget surpluses. However, from a practical perspective the long-run solvency criterion has clear limitations. In particular some fiscal policies that are clearly unsustainable can satisfy the long-run solvency criterion while others not. For example, Chalk and Hemming (2000) explain that the criterion implies that a government cannot run a small primary deficit followed by a primary balance thereafter, while a permanent overall deficit can be sustainable.

⁴⁹ The data on the consolidated public sector removes all transactions between the general government and state-owned enterprise sectors.

⁵⁰ In contrast, the annual budget presented to parliament details only the activities of the central government. In the budgets that were presented to parliament over the period 1999 to 2001, the central government budget deficit averaged 8¾ percent of GDP, expenditure averaged 29½ percent of GDP, and the domestic debt stock averaged 28 percent of GDP.

⁵¹ See Buiters (1985), Blanchard (1990), and Chalk and Hemming (2000).

96. **Various simple numerical indicators have been constructed to highlight inconsistencies between current policies and fiscal sustainability** which have greater intuitive appeal than the long-run solvency criterion. These indicators are not backed by a formal definition of sustainability but instead rely on simple notions that help distinguish sustainable from unsustainable policies. For example, Buiter (1985) constructs a sustainability indicator that estimates the permanent adjustment in the primary balance needed to maintain the ratio of public sector net worth to output constant. Blanchard (1990) calculates two indicators of the sustainability of fiscal policy. The primary gap indicator shows the difference between the current level of the primary deficit/surplus and the deficit/surplus needed to maintain a constant debt-to GDP ratio. The tax gap indicator shows the difference between the current tax-to-GDP ratio and that which is needed to hold the debt stock constant given current spending policies.⁵² While both indicators give similar results their emphasis is slightly different. The former shows the reduction in the primary deficit required for debt sustainability while the latter indicates the increase in the tax ratio required for sustainability given current spending levels.

An assessment of fiscal sustainability in Ghana

97. **Although the overall debt burden in Ghana is very heavy, the recent decision to seek relief under the enhanced HIPC Initiative will help place Ghana's fiscal policy and overall debt burden on a more sustainable path.** Once Ghana reaches the completion point under the enhanced HIPC Initiative, it will benefit from a substantial write-off of its external debt burden. Assuming this occurs by end-2004, the stock of total public sector external debt is projected to fall from 164 percent of GDP at end 2000 to an estimated 61.6 percent of GDP. In NPV terms, Ghana's external debt burden will be reduced to 180 percent of revenues from about 559 percent of revenues at end-2000 (IMF, 2002b).

98. **The enhanced HIPC Initiative does not explicitly include any mechanism to reduce the stock of domestic debt,**⁵³ which continues to impose a heavy burden on the budget as it is relatively large and is being serviced at market interest rates. Moreover, this burden could increase dramatically in the future if the stock of unrecognized liabilities that has arisen from the quasi-fiscal activities of the SOEs is formally recognized by the government, either through the a direct bail out of these companies or through the further issue of domestic bonds. Thus, while the enhanced HIPC Initiative will involve a once-off

⁵² Other authors have taken a more formal approach to translate the theoretical long-term solvency criterion into tests on the times series properties of fiscal variables. For example, the tests for the stationarity of the stock of debt in Hamilton and Flavin (1986) are tests of whether fiscal policy satisfy the long-run solvency constraint.

⁵³ In Ghana's case, however, the government has decided to use 20 percent of HIPC savings to pay down domestic debt.

Box III.2. Solvency, Liquidity, Sustainability, Vulnerability—Defining the Concepts^{1/}

There are a number of related concepts used in the discussion of debt dynamics.

Solvency. An entity is solvent if the present discounted value (PDV) of its current and future primary expenditure is no greater than the PDV of its current and future path of income, net of any initial indebtedness.

$$\sum_{i=0}^{\infty} \frac{E_{t+i}}{\prod_{j=1}^i (1+r_{t+j})} \leq \sum_{i=0}^{\infty} \frac{Y_{t+i}}{\prod_{j=1}^i (1+r_{t+j})} - (1+r_t)D_{t-1} \quad (1)$$

As discussed in the text, solvency needs to be viewed in relation to the adjustment path that is not only economically feasible, but also socially and politically acceptable so that default is not a preferred option.

Liquidity. An entity is illiquid if, regardless of whether it satisfies the solvency condition, its liquid assets and available financing are insufficient to meet or rollover its maturing liabilities.

The distinction between solvency and liquidity is sometimes blurred because illiquidity may be manifested in rising interest rates—in the limiting case that no further financing is available, the marginal interest rate becomes infinite—which eventually calls into question the entity's solvency.

Accordingly, it is useful to make the following definitions:

Sustainability. An entity's liability position is sustainable if it satisfies the present value budget constraint without a major correction in the balance of income and expenditure given the costs of financing it faces in the market.

Vulnerability. Vulnerability is simply the risk that the liquidity or solvency conditions are violated and the borrower enters a crisis.

^{1/} Source: IMF staff calculations.

adjustment to Ghana's overall debt stock to create the pre-conditions for fiscal sustainability, developments in the domestic debt stock after this adjustment could still pose a significant challenge to fiscal sustainability.

99. Given that the problem of Ghana's external debt burden will soon be dealt with under the enhanced HIPC Initiative, **the following subsection assess the outlook for sustainability of Ghana's domestic debt** using some of the simple sustainability indicators outlined in Subsection C. It first discusses recent trends in domestic debt. Second, it assesses what level of primary balance is needed to ensure a constant or declining domestic debt burden, while estimating the primary gap and tax gap indicators needed to arrest further increases in the domestic debt stock. Third, it uses a standardized framework developed by Fund staff (IMF 2002) to test the sensitivity of the projected evolution of the central government domestic debt stock to various shocks. Finally, it discusses structural vulnerabilities in Ghana's budget that could pose risks to the eventual reduction of the debt burden.

Domestic debt trends

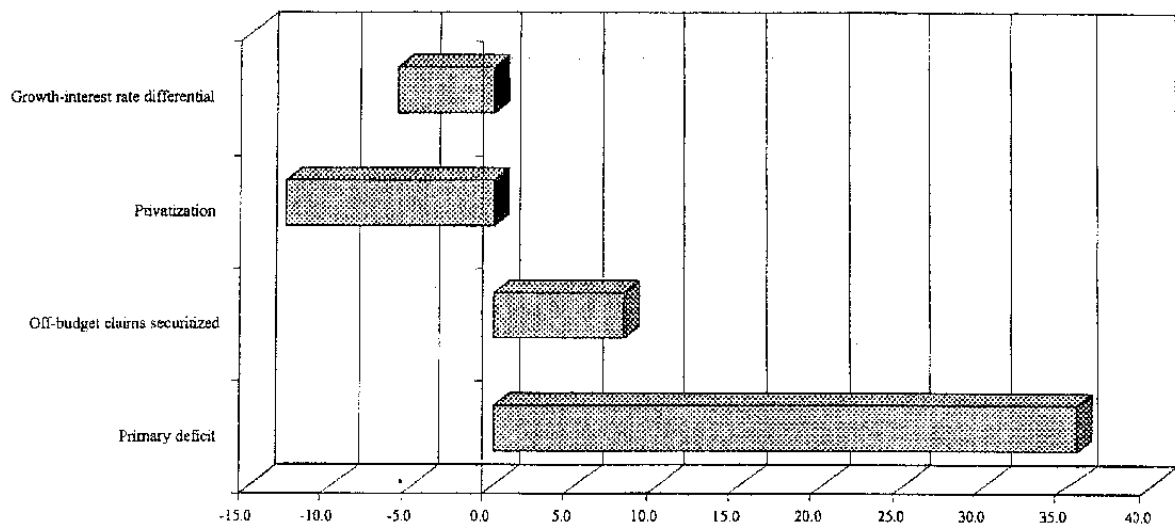
100. **The stock of official domestic debt has grown rapidly over the past decade** due to loose fiscal policy and to a lesser extent to off-budget claims. Despite realizing almost 12½ percent of GDP in privatization receipts and real GDP growth exceeding real interest rates over the period 1992-2002, the official domestic debt of the central government increased by 2½ percentage points of GDP on average each year to reach 29 percent of GDP by end-2002. This ratio would be even higher if the debt of the SOEs sector accumulated between 1999 and 2001 were also recognized as part of the official domestic debt stock. The main factor driving the rise in the official domestic debt burden was loose fiscal policy. Figure III.2 shows that the persistence of an average annual primary deficit (excluding foreign interest payments)⁵⁴ of almost 4 percent of GDP added about 35½ percentage points of GDP to the debt burden. In addition, the securitization of off-budget claims (including to Tema Oil Refinery, TOR) by the central government is estimated to have added about 8 percent of GDP to the domestic debt stock. The realization of large privatization proceeds and the negative real interest growth differential, however, helped to offset these factors so that the rise in the domestic debt burden from 1992 was contained at 25 percent of GDP.

101. **High real interest rates and a shortening of the term structure of government debt helped to facilitate financing the large budget deficits of the 1990s.** The fact that a large proportion of the domestic debt stock bears zero or below market interest rates has

⁵⁴ The primary balance is defined as total revenues and grants less domestic interest payments only. This contrasts from the traditional definition of the primary balance which also subtracts foreign interest payments. It also differs from the domestic primary balance, which excludes, in addition, capital expenditure financed by external grants and loans.

meant that the effective real interest rate on the domestic debt stock was close to 1¼ percent in the 1990s.⁵⁵ However, as the domestic debt stock has grown, the government has had to rely on short-term instruments to meet its rollover and financing needs. Thus the real interest rate on short-term debt may be the more relevant yardstick for assessing the marginal financing cost confronting the government. Since 1992, the real interest rate on short-term treasury bills has averaged about 8¼ percent.

Figure III.2. Ghana: Factors contributing to the rise in the domestic debt burden, 1992-2002
(Percent of GDP)



102. **The government is also susceptible to rollover risks because close to 60 percent of its debt obligations have a maturity of less than one year.** The maturity profile of the

⁵⁵ Part of the domestic debt stock comprises zero-interest-bearing revaluation bonds that were issued to the central bank to compensate it for the exchange rate losses recorded on its balance sheet. The government has also issued long-term bonds at below market interest rates to SSNIT and other public enterprises (e.g., to Ghana Railways and the Cocoa Board) in settlement of overdue obligations. More recently, the government issued 3-year bonds at below market rates to settle the debt owed to GCB by the state oil refinery, TOR. In 1996, the share of these revaluation bonds in the total debt stock amounted to 50 percent. As the overall domestic debt burden has grown, the share of revaluation bonds and other debt bearing less than market interest rates had fallen to 26 percent of the official domestic debt stock by end-2001.

domestic debt stock has shortened as government borrowing increased, indicating that the private sector has sought to minimize the risk of its exposure to the government sector. The share of the domestic debt stock at maturities of one year or less has increased from about 50 percent in 1994 to about 60 percent by 2002. The stock of short-term debt at end-2002 would have exceeded 70 percent if the government had not changed the banking reserve requirements to require banks to hold new five-year inflation-indexed bonds.⁵⁶ Although the recent introduction of inflation-indexed bonds has helped to lengthen the term structure of the domestic debt burden somewhat, the rollover risk remains high. As lending to the government has generated a source of risk-free profits for the banking sector, it is likely that the borrowing to finance deficits has had negative effects on the development of the private sector and on overall growth.

Domestic debt sustainability

103. For the domestic debt burden to stabilize, the domestic primary balance needs to be sufficiently high to finance domestic interest costs. For a given debt stock, the level of primary balance needed to hold the debt burden constant depends on the differential between real GDP growth rates and real domestic interest rates. The higher the differential, the lower the required primary balance.

104. With plans to substantially increase the domestic revenues in 2003, Ghana's domestic debt stock could stabilize and begin to decline from end-2002 levels. Table III.4 calculates the level of the domestic primary balance needed to stabilize the domestic debt burden. It also shows the primary and tax gap indicators that would be required to achieve this objective. For example, if the average effective real interest rate on the domestic debt stock were to remain close to its average in the 1990s (1¼ percent), and if real growth rates rise to 5 percent in 2003, the government could afford to run a primary deficit of just over one percent of GDP and still stabilize the domestic debt burden. In practice, this means that the government has to roll-over about two-thirds of its existing debt stock at market interest rates, which are at 10 percent in real terms. A primary surplus of 1.4 percent of GDP would be needed if the government were to refinance all of its domestic debt stock at current real interest rate levels (10 percent), assuming real growth of 5 percent. However, given that the government only has to rollover about two-thirds of its existing debt stock at current market rates since the rest is held at longer maturities, a domestic primary surplus of about 0.4 percent of GDP is needed to arrest the climb in domestic debt stock with real growth rate at 5 percent.

105. The combination of a favorable macroeconomic environment and additional domestic tax effort in 2003 could create the backdrop for a virtuous macroeconomic cycle. Provided the government maintains the domestic primary surplus at the level projected

⁵⁶ The stock of inflation-indexed bonds comprises about 2.2 percent of GDP.

for 2003, the domestic debt burden should be cut in half by end-2005 from its 2000 level. Figure III.3 and III.4 plot the evolution of the domestic debt under such a scenario (the dashed baseline). The tightening of fiscal policy creates room for a reduction in inflation and nominal interest rates, while real GDP growth increases to an annual rate of 5 percent.

Sensitivity tests

106. **Fiscal sustainability in Ghana is sensitive to macroeconomic developments.** The stress tests displayed in Figure III.3 (solid-black lines) highlight the vulnerability of Ghana's debt dynamics to various types of policy slippages:

- If the adjustment in fiscal policy is not sustained and does not make a decisive break with the policies of the past decade, the domestic debt burden would become unsustainable. The bottom-right panel of Figure III.3 shows that if interest rates, real GDP growth, the primary deficits, and the recognition of off-budget liabilities were to be combined at the average level observed between 1992 and 2002, the domestic debt burden would rise on an unsustainable path.
- If interest rates were to rise, it would be difficult to reduce the debt burden in the near term. The short term structure of the domestic debt stock makes Ghana's debt dynamics extremely vulnerable to interest rate shocks or rollover crises. If nominal interest rates were to rise two-standard deviations above their average for the past 5 years in 2003 and 2004 along (to 78 percent in nominal terms), assuming all other variables remain at the levels assumed under the virtuous-cycle baseline scenario, the domestic debt stock would rise further in 2003 before falling (top-left panel).
- If measures are not taken to increase the primary surplus, it will also prove difficult to reduce the debt burden. A two-standard-deviation shock to the domestic primary balance in 2003 and 2004 (so that the primary deficit is at 9 percent of GDP) also causes the debt stock to rise before declining (top-right panel).

107. So far, the analysis has focused only on the official debt of the central government sector, whereas **the overall debt burden of the public sector will need to be stabilized if fiscal policy is to be sustainable.** If the five parastatals examined in the previous section are unable to recoup their losses via price increases, it is likely that the central government will have to securitize at least part of those losses incurred so far. Figure III.4 highlights the sensitivity of Ghana's debt dynamics to such off-budget losses. Even if only the short-term stock of debt of the five state-owned companies at end-2001 is recognized, the domestic debt burden would rise to over 40 percent of GDP from its current level of 29 percent of GDP. It would then only be possible to reduce the domestic debt stock by one-

Table III.4. Ghana: Fiscal Sustainability Indicators 1/

<i>Primary balances needed to stabilize the domestic debt burden</i>				
Real interest rates in percent	Real growth rates in percent			
	3	4	5	6
1.25	-0.5	-0.8	-1.1	-1.4
8	1.4	1.2	0.9	0.6
12	2.0	1.7	1.4	1.2
16	2.6	2.3	2.0	1.7
	3.8	3.5	3.2	2.9
<i>Primary gap indicator 2/</i>				
Real interest rates in percent	Real growth rates in percent			
	3	4	5	6
1.25	3.2	3.5	3.7	4.0
8	1.2	1.5	1.8	2.1
12	0.6	0.9	1.2	1.5
16	0.1	0.3	0.6	0.9
	-1.1	-0.8	-0.5	-0.2
<i>Tax gap indicator 3/</i>				
Real interest rates in percent	Real growth rates in percent			
	3	4	5	6
1.25	3.2	3.5	3.7	4.0
8	1.2	1.5	1.8	2.1
12	0.6	0.9	1.2	1.5
16	0.1	0.3	0.6	0.9
	-1.1	-0.8	-0.5	-0.2

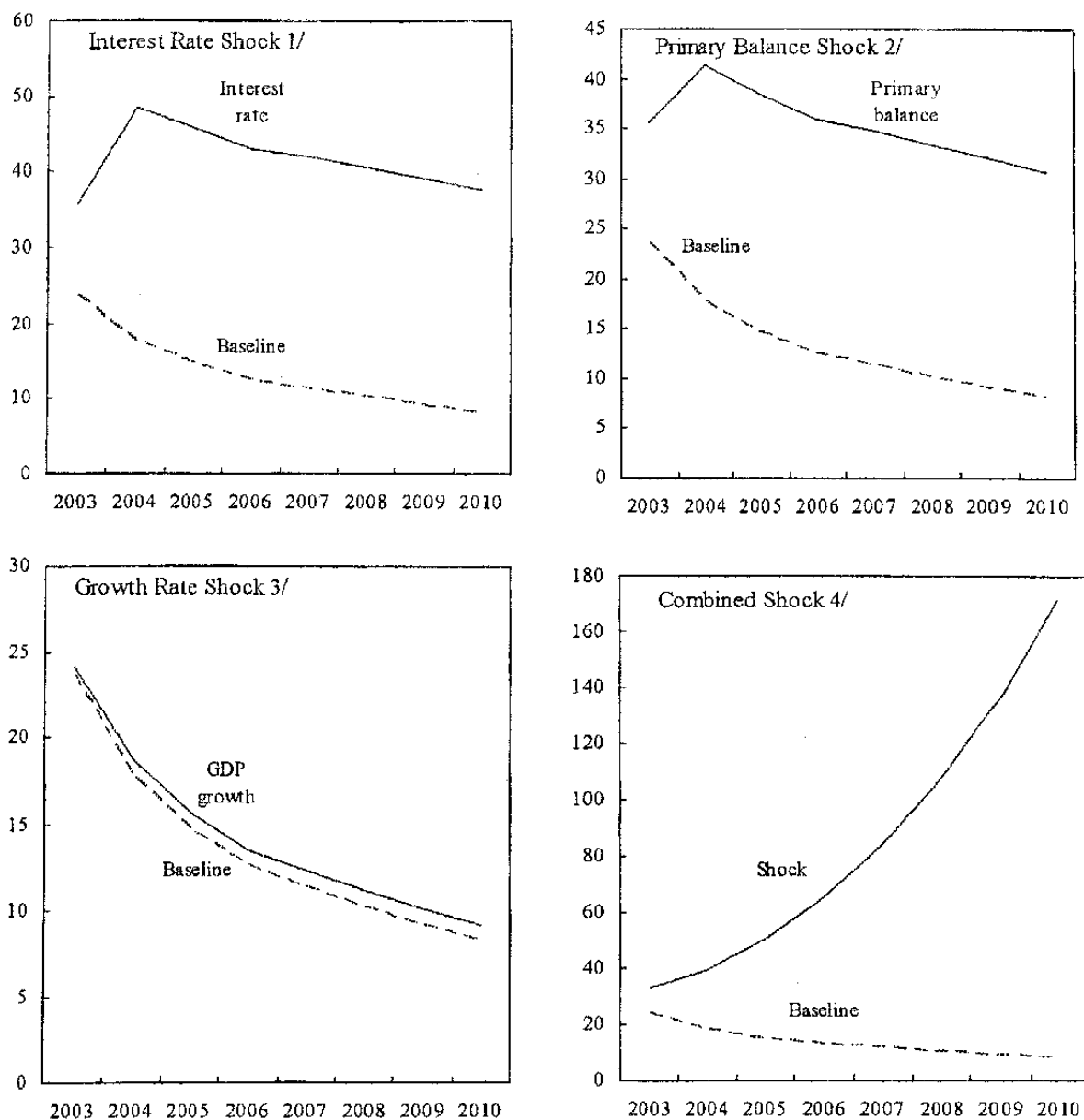
Source: IMF staff calculations.

1/ Takes stock of debt of 28.9 percent of GDP and projected 2003 domestic primary deficit (excluding foreign interest payments). A negative value implies a primary deficit.

2/ Difference between primary surplus needed to stabilize the domestic debt burden, and the primary deficit excluding foreign interest payments. A negative value signals the need for policy adjustment.

3/ Difference between tax-to-GDP ratio needed to stabilize domestic debt, and projected 2003 tax-to-GDP ratio; equivalent to the primary gap indicator. A negative value signals need for policy adjustment.

Figure III.3. Ghana: Stress Tests of Domestic Debt Dynamics, 2003-10
(Domestic debt in percent of GDP)



Source: IMF staff calculations.

1/ If interest rate in 2003 and 2004 is average of 1992-2002 plus two standard deviations, others variable at baseline.

2/ If primary balance (in percent of GDP) in 2003 and 2004 is at average of 1992-2002 minus two standard deviations, others at baseline.

3/ If real GDP growth rate in 2003 and 2004 is at average of 1992-2002 minus two standard deviations, others at baseline.

4/ If interest rate, real GDP growth rate, primary balance and nondebt flows (in percent of GDP) are at the average of 1992-2002.

third by 2010. To stabilize the domestic debt burden at end-2002 levels while acknowledging this off-budget debt would require the primary balance to rise to 2.3 percent of GDP at real GDP growth rates of 5 percent and real interest rates of 10 percent.

108. **Further fiscal adjustment would also be required if the government were to address the negative net worth of the Bank of Ghana.** Under conventional accounting standards, the BOG is insolvent and the negative net worth of the central bank represents a large contingent claim on the budget. Over the 1990s, the financing of government expenditure through the overdraft at the BOG and losses due to open market operations compromised the central bank's financial integrity. Under the Central Bank Law, the government is legally obliged to issue bonds to compensate the central bank for its losses—although no such issuance has taken place during the last few years. Currently, such accumulated obligations amount to Cedi 2.6 trillion (5 percent of GDP).

Fiscal vulnerabilities

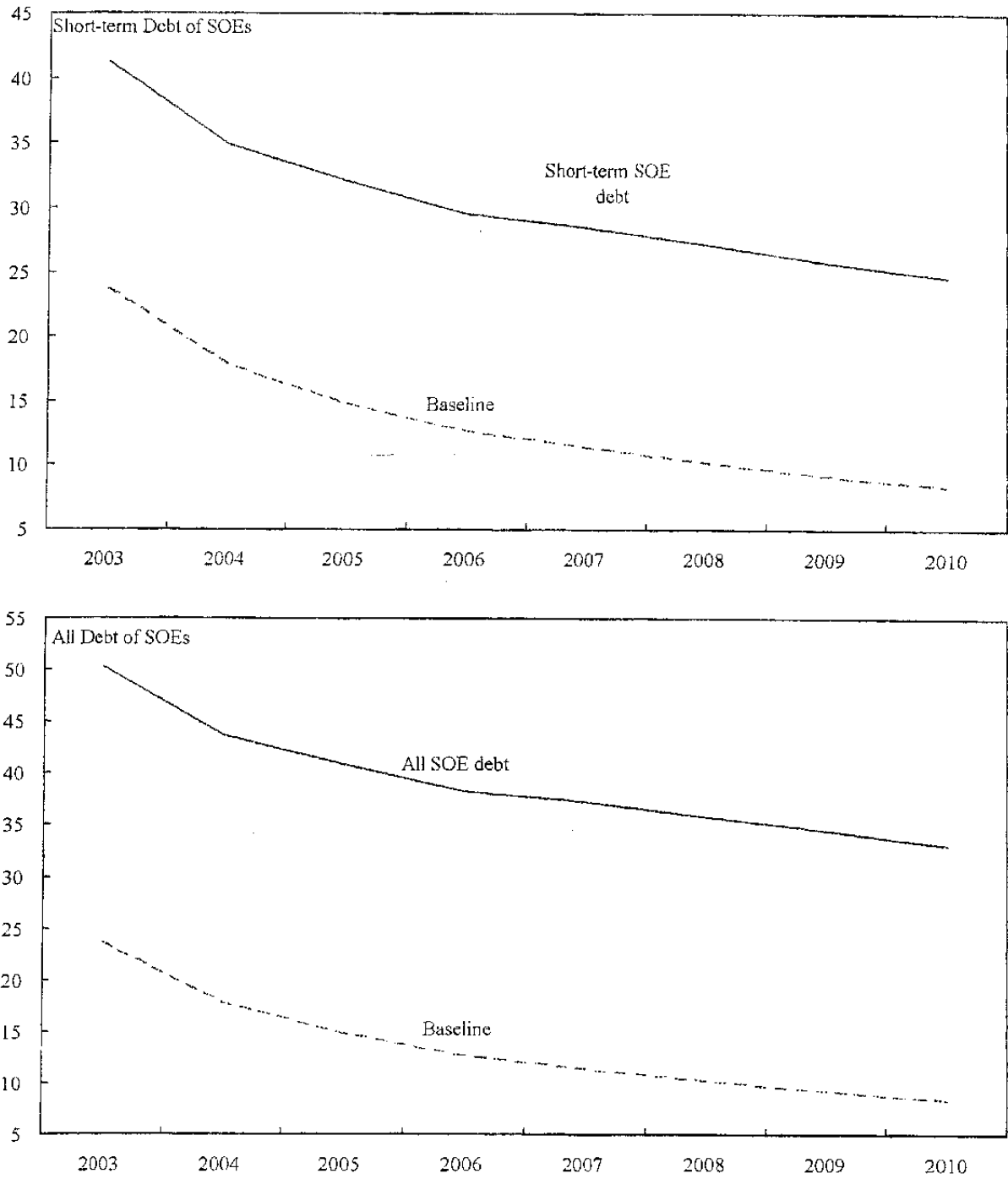
109. **Various structural features in Ghana's budget also pose risks** to the projected evolution of debt dynamics. These include a reliance on foreign aid flows, the relatively large share of commodity related receipts in tax revenues, expenditure rigidities, and the susceptibility of the budget to election cycles. Each of these vulnerabilities are discussed in turn below.

110. **The budget has become increasingly dependent on foreign aid** which has led to the rapid rise in the foreign debt burden and complications in budget implementation. Measured as a proportion of GDP, Ghana is the 12th largest beneficiary of foreign aid in the world (Economist Newspaper, Ltd., 2002). Total program and project aid channeled through the budget peaked in 2001 at almost 15 percent of GDP (or over 45 percent of total government spending) up from 7.8 percent of GDP in 1991, although in 2002 these inflows declined due in part to delays in implementing donor conditionality.⁵⁷ The majority of these aid flows comprise concessional loans, with only one quarter comprising grants. Moreover, flows are very volatile—over the past decade the standard deviation of aid inflows was 2½ percentage points of GDP—and they are also extremely lumpy.⁵⁸ As a result they can complicate fiscal policy implementation. In Ghana, the data suggest that year-on-year declines

⁵⁷ Program aid increased from 2½ percent of GDP (11 percent of total spending) in 1992 to almost 6 percent of GDP (22 percent of spending excluding arrears clearance) in 2002.

⁵⁸ Donor inflows averaged about 6 percent of GDP between 1992 and 2002. However, for six years during this period, donor inflows fell below the period average, with the shortfall relative to the average becoming more frequent in the late 1990s.

Figure III.4. Ghana: Impact of SOE Debt on Debt Dynamics, 2003-10
(In percent of domestic debt to GDP)



Source: IMF staff calculations.

in donor inflows have been offset by expenditure cuts.⁵⁹ Unless donors smooth grant inflows and make them more predictable, expenditure plans are at risk of continued disruption.

111. Although the share of commodity related tax receipts in the budget is declining, **the budget is still vulnerable to commodity price shocks.** Cocoa and petroleum related receipts comprise about one-fifth of domestic non-grant revenue and are a volatile source of income for the government.⁶⁰ Cocoa and petroleum receipts are also negatively correlated with the overall level of the deficit: lower levels of receipts are associated with larger deficits.⁶¹

112. **The role of both cocoa-related and petroleum-related receipts in the budget has declined over the 1990s,** but for divergent reasons. In 2002, cocoa receipts comprised about 3.7 percent of domestic revenues or 0.7 percent of GDP, down from a peak of almost 15 percent in 1994. The decline mainly reflects the slump in world cocoa prices over most of the period, although the diversification of the tax base in favor of consumption based taxes also played a role. The share of petroleum related receipts in the budget has also declined, as most petroleum related taxes were temporarily abolished in 2001 when the government attempted to cushion the pass-through effects of the increases in international prices to domestic pump prices. This trend is being reversed in 2003, as the government plans on raising significantly more revenue from petroleum products.

113. **Rigidities on the expenditure side also reduce the government's flexibility to adjust to shocks.** Various tax receipts comprising about 17 percent of domestic nongrant revenue (or 10 percent of total spending) are ear-marked for the District Assembly Common Fund (DACF), the Ghana Education Trust Fund (GETF) and the road and petroleum fund. If one includes the statutory outlays for wages and salaries, pensions, and interest, in addition to these earmarked transfers, just over two-thirds of the central government expenditure is nondiscretionary.

114. **The projected evolution of the domestic debt stock is also vulnerable to political developments.** In common with many other developing countries, past governments have been unable to insulate the budget from political pressure, particularly before elections. Each year in which a general parliamentary election was held in Ghana (1992, 1996, and 2000), the central government deficit far exceeded the average deficit recorded over the period 1992-

⁵⁹ Total grant and loan inflows are weakly but positively correlated with the level of the domestic debt stock.

⁶⁰ Between 1992 and 2002, the standard deviation of cocoa and petroleum receipts was about 0.75 percent of GDP for each tax base.

⁶¹ The correlation between the central government deficit and the cocoa receipts (petroleum receipts) is about -0.15 (-0.21).

2001 (by 8 percent of GDP). In particular, election pressures have contributed to an unwillingness to pass on changes in international prices to domestic prices.

115. **Structural and political rigidities have meant that fiscal policy in Ghana is procyclical.** Government spending rises and taxes fall during periods of growth while the reverse is true during periods of downturn. The correlation between revenue (excluding foreign grants) and output growth is negative, while the correlation between the central government spending (excluding foreign-financed expenditure) and real GDP growth is positive.⁶² The finding that fiscal policy is procyclical is not unique to Ghana. Tavli and Végh (2000) find that fiscal policy across developing (but non-African) and emerging market economies in a sample of 56 countries was also procyclical. They attribute the procyclicality of fiscal policy in these economies to political factors: governments are politically unable to run fiscal surpluses in upturns.

116. **Experience has shown that debt relief is not a panacea in developing countries.** Indeed, Easterly (2002) argues that countries with unchanged preferences respond to debt relief by accumulating new debt and running down productive assets. The empirical evidence points to a clear relationship between debt relief, new borrowing, and disinvestment in productive potential. This pattern could reflect a moral hazard problem, whereby highly indebted countries anticipated that new borrowing would be forgiven at a later stage. It is also consistent with poor institutions, manifested in a high discount rate.⁶³ However, the recent focus on linking HIPC Initiative relief directly to poverty alleviation may overcome these distortions; this is the focus of the next subsection.

D. The Challenge of Poverty Alleviation

117. **Sustainability is a minimum condition to assess fiscal performance.** Even if the conditions of fiscal sustainability are met it does not necessarily follow that there is no room for fiscal reform. Government spending could be wasteful and taxes poorly designed so that fiscal policy is less than effective in safeguarding living standards and promoting growth. Although its incidence has fallen over the past decade, about 40 percent of the population still live in poverty. An important challenge for the government is to ensure fiscal policy is effective in helping reduce poverty to meet the Millennium Development Goals. To meet this challenge, the total envelope of resources in the central government budget will have to increase and the composition of budget expenditure will have to become more pro-poor.

⁶² The correlation coefficient between total revenues and grants and real GDP growth is -0.13 and between central government spending (excluding foreign financed spending) and real GDP growth is +0.08. See Table I.3 for the measured effect of Ghana's budget deficits on growth.

⁶³ The political economy literature offers many reasons for the link between institutions and a government which discounts the future heavily, such as political instability and interest group polarization.

118. **The GPRS outlines how fiscal policy could contribute to fostering the conditions for higher growth and poverty reduction.** To eradicate urban poverty and substantially reduce rural poverty by 2020, the government has set itself the near-term goal of raising real GDP growth to 5 percent (or 2.4 percent per capita) by 2005, so to help bring the incidence of poverty down to 32 percent.⁶⁴ The GPRS estimates that from 2003-06 the total cost of the programs needed to achieve priority program goals is US\$2.5 billion (26 percent of GDP). Box III.3 shows the annual costs of these priority programs.

	2003	2004	2005	2006+	Total
US dollars (million)	544	626	651	695	2,515
Cedis (billion)	4,789	5,834	6,302	6,925	25,815
Percent of GDP	7.9	8.1	7.8	7.7	25.9

Source: Ghana Ministry of Planning (2003).

119. **The extent to which fiscal policy may need to adjust to accommodate the priority programs identified under the GPRS depends on the degree to which these costs can be accommodated within the existing budget.** The GPRS is unclear as to what extent the costs of these priority programs are already included in the medium-term budget projections. It expects that budgeted capital outlays will be the main source of funding for these projects and that GPRS programs can be substituted for some existing capital projects. Total capital expenditure between 2003 and 2006, including foreign financed capital outlays and HIPC Initiative-financed expenditure, is forecast to amount to about 29 trillion cedi. Theoretically, the capital budget could encompass the entire priority GPRS program over this period. However, it may be unrealistic to assume that the total amount of these resources in the capital budget could be redirected to GPRS projects. Box III.4 shows the additional resources that will need to be raised to fund the GPRS using different assumptions regarding the dominance of GPRS projects within the total capital budget.

⁶⁴ Other targets include reducing the incidence of poverty among food crop farmers to 46 from 59 percent; reducing the under-five mortality rate from 110 to 95 per 1,000; increasing primary school enrollment to 82 from 78 percent; and increasing that for girls from 71 to 80 percent.

Box III.4. Ghana: Additional Resources Needed to Implement GPRS Priority Programs, 2003-06					
Year	Percent of non-HIPC GPRS expenditure funded by the capital budget				
	90	80	60	50	40
	In percent of GDP				
2003	0.6	1.3	1.9	2.6	3.2
2004	0.6	1.3	1.9	2.5	3.2
2005	0.6	1.2	1.9	2.5	3.1
2006	0.6	1.3	1.9	2.5	3.1
Total	2.5	5.1	7.6	10.1	12.6

Source: IMF staff calculations.

E. Conclusion

120. **This paper shows that the scope of government activity in Ghana is very broad.** While various policy decisions taken by the government may not have a direct or immediate impact on central government expenditure, they still entail costs. They jeopardize the quality of the balance sheets of publicly owned enterprises and create knock-on effects on the banking system or suppliers as enterprises finance these policies through bank lending, an accumulation of unpaid bills, or a rundown of assets. Eventually the cost of such policies is borne by the central government through the bailout of these firms or their bankers. There are also various indirect costs to the budget as suppliers raise their prices to compensate for the risk of nonpayment. The policies conducted outside the central government budget are, moreover, nontransparent. As a result, both the public and the government find it difficult to weigh the benefits and cost of the policies. Clearly, making the cost of policies explicit in the budget would greatly enhance the transparency of fiscal policy in Ghana.

121. **The enhanced HIPC Initiative places fiscal policy on a more sustainable path, but the stock of domestic debt and the off-budget and contingent liabilities remain problematic.** The interest costs associated with the official domestic debt burden are high, and they contribute to the crowding out of other budget expenditures. Government borrowing is also crowding out other activity in the economy as banks favor the “risk-free” return offered on government paper over their normal lending activities. There is a significant risk that the official domestic debt burden will rise even further as off-budget claims and contingent liabilities are regularized. Stabilizing and reducing the size of domestic debt in these circumstances while freeing budget resources for poverty-reducing programs will require a fiscal policy that makes a decisive break with the past. New revenue-raising measures to be implemented in 2003 will help to bring the domestic primary balance into surplus and create the preconditions for lower interest rates and higher growth. However, the large stock of debt

and the need for additional poverty spending suggest that it will be necessary to sustain the revenue effort at high levels for the medium term.

122. **There also remains ample scope to reduce the vulnerability of the budget to shocks while creating room for priority poverty-reducing programs.** Various countries have sought to insulate their budgets from election pressures. While the success of these initiatives ultimately depends on a political commitment to sound fiscal policy, efforts are made to tie the hands of politicians by committing future government to various fiscal rules that impose limits on the size of the deficit and government borrowing. Steps to reduce earmarking of revenue can also increase the flexibility of the government to respond to economic shocks and to protect priority outlays. Improving public expenditure management, especially the tracking of expenditure and the publication of fiscal data, can provide the government and the public with information that can be used to monitor progress on priority programs.

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Ghana: Basic Data

Area:	238,540 square kilometers
Population:	18.8 million (midyear 1999)
Population growth:	2.3 percent a year (1999)
GDP per capita:	About US\$270 (2000, calculated at average exchange rates)

Economic Indicators, 1994-2001

	1994	1995	1996	1997	1998	1999	2000	2001
(In billions of cedis)								
Gross domestic product (at current prices)	5,205	7,752	11,339	14,113	17,296	20,580	27,153	38,071
(In percent of real GDP)								
Agriculture	35.7	35.6	35.9	35.9	36.0	35.8	35.3	35.2
Industry	22.3	22.3	22.3	22.8	22.5	22.6	22.6	22.3
Services	42.0	42.0	41.8	41.3	41.5	41.6	42.1	42.5
(Annual percentage change)								
Nominal GDP	34.4	48.9	46.3	24.5	22.6	19.0	31.9	40.2
Real GDP	3.3	4.0	4.6	4.2	4.7	4.4	3.7	4.2
Exports (volume)	3.3	-0.4	23.5	-0.1	11.0	8.9	1.0	-1.3
Imports (volume)	-10.3	5.0	35.8	40.7	2.5	9.6	-26.0	10.0
Prices								
GDP deflator	30.1	43.2	39.8	19.5	17.1	13.9	27.2	34.6
National consumer price index (period average)	24.9	59.5	46.6	27.9	14.6	12.4	25.2	32.9
Export prices (percent change of U.S. dollar price)	15.3	16.7	26.5	0.0	15.5	-4.1	-3.5	-3.6
Import prices (percent change of U.S. dollar price)	-8.6	6.6	36.3	32.5	-4.1	11.4	-15.2	2.6
Terms of trade	9.5	15.4	2.0	6.3	11.1	-13.4	-16.6	4.8
(In billions of cedis, unless otherwise indicated)								
Central government finance								
Revenue and grants	1,160	1,865	2,289	2,637	3,552	3,709	5,385	9,532
Expenditure and net lending	1,622	2,359	3,370	4,088	4,945	5,389	7,525	12,451
<i>Of which: current expenditure</i>	930	1,271	1,861	2,333	2,989	3,382	5,034	7,578
Overall balance (cash basis) 1/	-453	-414	-1,093	-1,535	-1,497	-1,654	-2,624	-3,433
<i>(in percent of GDP)</i>	-8.7	-5.3	-9.6	-10.9	-8.7	-8.0	-9.7	-9.0
Foreign financing (net)	236	336	418	655	535	519	-56	961
Domestic financing (net)	-39	-28	515	766	2,055	1,290	2,319	862
<i>Of which: banking system</i>	-44	-67	211	520	1,657	1,267	2,295	-979
(Annual percentage change)								
Money and credit (end of period)								
Net domestic assets 2/	...	...	...	33.5	11.3	45.7	59.2	15.8
Net claims on the government 2/	...	...	...	22.0	49.9	31.7	46.4	0.0
Credit to the rest of the economy 2/ 3/	...	...	...	20.2	14.3	25.1	33.1	22.9
Broad money (M2+) 4/	45.7	70.1	43.1	40.8	20.2	23.9	46.5	41.4
Velocity (GDP/end-of-year M2+)	5.4	4.7	4.8	4.3	4.3	4.2	3.7	3.7

Ghana: Basic Data (concluded)

	1994	1995	1996	1997	1998	1999	2000	2001
(in millions of U.S. dollars, unless otherwise indicated)								
Balance of payments								
Exports, f.o.b.	1,227	1,431	1,810	1,810	2,091	2,005	1,936	1,867
Cocoa beans and products	320	390	552	470	621	552	437	381
Noncocoa products	907	1,042	1,258	1,340	1,470	1,453	1,499	1,486
Imports, f.o.b.	-1,580	-1,684	-2,295	-3,041	-2,918	-3,252	-2,759	-2,831
Oil	-171	-188	-258	-234	-215	-333	-520	-517
Trade balance	-353	-253	-485	-1,231	-827	-1,246	-823	-964
Services and transfers (net)	88	99	271	240	456	351	403	681
Current account balance ^{5/}	-265	-154	-215	-991	-371	-895	-419	-283
Capital account (net)	429	251	200	1,053	606	629	296	281
Official capital (net)	228	135	351	500	349	126	97	104
Errors and omissions	17	-206	-85	560	156	238	95	200
Overall balance	164	97	-14	62	235	-267	-123	-2
Current account balance ^{5/} (in percent of GDP)	-4.9	-2.4	-3.1	-14.4	-5.0	-11.6	-8.4	-5.3
Gross official international reserves								
End of period	593	710	582	480	550	317	264	344
In months of imports, c.i.f.	4.1	4.6	2.8	1.7	2.1	1.1	0.9	1.2
External public debt								
Disbursed and outstanding (end of period, including the Fund) ^{6/}	5,134	8,330	5,244	5,361	5,588	5,833	5,920	6,159
Debt service due (in percent of exports of goods and nonfactor services)								
Including the Fund	30.5	38.2	21.7	23.5	22.1	21.1	23.0	18.9
Excluding the Fund	23.6	30.5	15.5	15.6	16.4	17.9	21.3	16.0
(Cedis per U.S. dollar)								
Exchange rates								
End of period	1,053	1,449	1,754	2,273	2,326	3,535	7,048	7,322
Period average	957	1,200	1,637	2,050	2,314	2,669	5,431	7,179

1/ After clearance of arrears.

2/ Percentage change in relation to the money stock (M2+) at the beginning of the year.

3/ Includes public enterprises and cocoa financing.

4/ Includes all foreign currency deposits held in commercial banks.

5/ Including official transfers.

6/ Government and government-guaranteed medium- and long-term debt.

Table 1. Ghana: Gross Domestic Product by Sector, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
	(in billions of cedis 1993 prices)						
Agriculture	1,511	1,590	1,658	1,743	1,811	1,849	1,923
Agriculture and Livestock	1,038	1,104	1,133	1,183	1,238	1,252	1,314
Cocoa production and marketing	135	139	152	168	167	178	176
Forestry and logging	112	115	140	153	164	182	191
Fishing	226	233	235	239	241	237	242
Industry	1,035	1,084	1,153	1,190	1,248	1,295	1,333
Mining and quarrying	234	244	258	274	282	286	281
Manufacturing	375	388	417	434	454	472	489
Electricity and Water	111	118	130	117	127	132	138
Construction	314	334	348	366	386	405	425
Services	1,171	1,220	1,300	1,379	1,448	1,525	1,603
Transport Storage and Communication	184	193	207	218	231	245	258
Wholesale and Retail Trade, Restaurants and Hotels	253	273	299	318	338	352	369
Finance, Insurance, Real Estate and Business Services	170	177	189	202	210	220	230
Government Services	452	463	482	512	533	565	593
Community, Social and Personal Services	75	76	81	86	91	97	104
Produce of Private non-Profit services	38	39	42	44	45	47	48
Indirect taxes	443	456	422	435	450	472	498
GDP at market prices	4,160	4,351	4,534	4,747	4,957	5,142	5,357
	(In billions of cedis at current market prices)						
Agriculture	3,006	4,417	5,050	6,229	7,363	9,577	13,417
Agriculture and Livestock	1,827	2,750	3,193	3,900	4,654	5,976	8,471
Cocoa production and marketing	524	690	656	853	968	1,305	1,744
Forestry and Logging	211	297	477	614	748	1,055	1,493
Fishing	444	680	724	863	993	1,241	1,709
Industry	1,883	2,674	3,623	4,370	5,230	6,898	9,600
Mining and quarrying	372	536	720	894	1,049	1,352	1,796
Manufacturing	723	979	1,278	1,555	1,857	2,448	3,428
Electricity and Water	206	302	426	448	551	732	1,029
Construction	582	857	1,200	1,474	1,772	2,366	3,347
Services	2,151	2,976	3,936	4,883	5,847	7,824	11,101
Transport Storage and Communication	303	423	580	717	866	1,165	1,660
Wholesale and Retail Trade, Restaurants and Hotels	455	655	917	1,138	1,381	1,824	2,588
Finance, Insurance, Real Estate and Business Services	310	430	587	731	867	1,155	1,630
Government Services	826	1,122	1,377	1,711	2,029	2,731	3,871
Community, Social and Personal Services	185	249	342	423	511	694	998
Produces of Private non-Profit services	72	97	133	164	194	254	355
Indirect taxes	712	1,272	1,505	1,814	2,140	2,854	3,953
GDP at market prices (from above)	7,752	11,339	14,113	17,296	20,580	27,153	38,071
	(Annual percentage change)						
Memo items							
GDP deflator	43.2	39.8	19.5	17.1	13.9	27.2	34.6
GDP at current market prices	48.9	46.3	24.5	22.6	19.0	31.9	40.2
GDP at constant market prices	4.0	4.6	4.2	4.7	4.4	3.7	4.2
Per capita real GDP	1.3	1.8	1.5	1.9	1.7	1.0	1.4

Source: Ghana Statistical Service.

Table 2. Ghana: Gross Domestic Product by Expenditure Category, 1995-2001 1/

	1995	1996	1997	1998	1999	2000	2001
(In billions of cedis at constant 1993 prices)							
Consumption	3,878	4,083	4,770	4,860	5,207	5,066	5,259
Government	558	596	606	722	700	804	822
Private sector	3,320	3,487	4,164	4,138	4,506	4,262	4,436
Total Investment	791	864	1,021	1,068	1,044	867	1,062
Gross fixed Capital Formation	835	828	981	1,034	1,018	878	1,058
Government	559	584	525	533	487	339	507
Other sectors	276	244	456	501	531	540	551
Inventories	-44	37	40	34	26	-11	4
Foreign balance	-509	-597	-1,257	-1,182	-1,294	-792	-964
Exports of goods and non factor services	837	1,156	1,159	1,270	1,430	1,442	1,442
Imports of goods and non factor services	-1,346	-1,753	-2,416	-2,451	-2,724	-2,234	-2,406
Gross Domestic Expenditure	6,015	6,701	8,206	8,379	8,975	8,167	8,727
Statistical discrepancy 2/	0	0	0	0	0	0	0
Gross Domestic Product	4,160	4,351	4,534	4,747	4,957	5,142	5,357
(In billions of cedis at current market prices)							
Consumption	6,853	9,842	13,517	15,523	19,767	25,651	35,398
Government	1,085	1,674	2,130	2,787	3,084	4,602	6,793
Private sector	5,768	8,168	11,386	12,736	16,684	21,049	28,605
Total Investment	1,552	2,402	3,502	3,997	4,424	6,509	10,127
Gross fixed Capital Formation	1,638	2,300	3,364	3,868	4,314	6,591	10,089
Inventories	-86	102	137	129	110	-81	38
Foreign balance	-653	-905	-2,905	-2,223	-3,611	-5,008	-7,454
Exports of goods and non factor services	1,899	3,641	4,574	5,859	6,602	13,251	17,221
Imports of goods and non factor services	-2,552	-4,546	-7,479	-8,082	-10,213	-18,259	-24,675
Gross Domestic Expenditure	10,958	16,790	24,497	27,601	34,404	50,420	70,200
Gross Domestic Product	7,752	11,339	14,113	17,296	20,580	27,153	38,071

Source: Ghana Statistical Service and staff estimates.

1/ Estimates

2/ Discrepancy due to errors in price deflators.

Table 3. Ghana: Composition and Growth of Gross Domestic Product by Sector, 1995-2001

	1995	1996	1997	1998	1999	2000	2001
	(In percent of nominal GDP)						
Agriculture	38.8	39.0	35.8	36.0	35.8	35.3	35.2
Agriculture and Livestock	23.6	24.3	22.6	22.5	22.6	22.0	22.3
Cocoa production and marketing	6.8	6.1	4.6	4.9	4.7	4.8	4.6
Forestry and Logging	2.7	2.6	3.4	3.6	3.6	3.9	3.9
Fishing	5.7	6.0	5.1	5.0	4.8	4.6	4.5
Industry	24.3	23.6	25.7	25.3	25.4	25.4	25.2
Mining and quarrying	4.8	4.7	5.1	5.2	5.1	5.0	4.7
Manufacturing	9.3	8.6	9.1	9.0	9.0	9.0	9.0
Electricity and Water	2.7	2.7	3.0	2.6	2.7	2.7	2.7
Construction	7.5	7.6	8.5	8.5	8.6	8.7	8.8
Services	27.7	26.2	27.9	28.2	28.4	28.8	29.2
Transport Storage and Communication	3.9	3.7	4.1	4.1	4.2	4.3	4.4
Wholesale and Retail Trade, Restaurants and Hotels	5.9	5.8	6.5	6.6	6.7	6.7	6.8
Finance, Insurance, Real Estate and Business Services	4.0	3.8	4.2	4.2	4.2	4.3	4.3
Government Services	10.6	9.9	9.8	9.9	9.9	10.1	10.2
Community, Social and Personal Services	2.4	2.2	2.4	2.4	2.5	2.6	2.6
Product of Private non-Profit services	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Indirect taxes	9.2	11.2	10.7	10.5	10.4	10.5	10.4
GDP at market prices (from above)	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage change)						
Agriculture	3.7	5.2	4.3	5.1	3.9	2.1	4.0
Agriculture and Livestock	3.5	6.3	2.6	4.4	4.7	1.1	5.0
Cocoa production and marketing	11.0	2.9	9.3	11.1	-0.5	6.2	-1.0
Forestry and Logging	2.0	2.7	21.5	9.9	6.8	11.1	4.9
Fishing	1.6	3.0	0.6	1.8	1.0	-1.6	2.0
Industry	4.1	4.7	6.4	3.2	4.9	3.8	2.9
Mining and quarrying	5.5	4.2	5.6	6.1	3.0	1.5	-1.6
Manufacturing	1.8	3.5	7.3	4.0	4.8	3.8	3.7
Electricity and Water	6.0	6.4	10.2	-10.0	7.8	4.5	4.3
Construction	5.2	6.1	4.4	5.0	5.5	5.1	4.8
Services	4.7	4.2	6.5	6.0	5.0	5.4	5.1
Transport Storage and Communication	4.2	5.0	7.2	5.5	6.0	6.0	5.5
Wholesale and Retail Trade, Restaurants and Hotels	6.5	8.3	9.5	6.0	6.5	4.0	5.0
Finance, Insurance, Real Estate and Business Services	3.0	4.2	6.7	6.5	4.0	5.0	4.5
Government Services	5.0	2.4	4.3	6.2	4.0	6.0	5.0
Community, Social and Personal Services	2.6	1.1	7.3	5.9	5.9	6.9	6.5
Product of Private non-Profit services	3.0	1.8	7.2	5.1	4.1	3.1	3.2
Indirect taxes	3.1	3.1	-7.5	3.0	3.5	5.0	5.4
GDP at market prices (from above)	4.0	4.6	4.2	4.7	4.4	3.7	4.2

Source: Ghana Statistical Service.

Table 4. Ghana: Composition and Growth of Gross Domestic Product by Expenditure Category, 1995-2001 1/

	1995	1996	1997	1998	1999	2000	2001
	(In percent of nominal GDP)						
Consumption	88.4	86.8	95.8	89.7	96.1	94.5	93.0
Government	14.0	14.8	15.1	16.1	15.0	16.9	17.8
Private sector	74.4	72.0	80.7	73.6	81.1	77.5	75.1
Total Investment	20.0	21.2	24.8	23.1	21.5	24.0	26.6
Gross fixed Capital Formation	21.1	20.3	23.8	22.4	21.0	24.3	26.5
Inventories	-1.1	0.9	1.0	0.7	0.5	-0.3	0.1
Foreign balance	-8.4	-8.0	-20.6	-12.9	-17.5	-18.4	-19.6
Exports of goods and non factor services	24.5	32.1	32.4	33.9	32.1	48.8	45.2
Imports of goods and non factor services	32.9	-40.1	-53.0	-46.7	-49.6	-67.2	-64.8
Gross Domestic Expenditure	144.6	154.0	181.0	176.5	181.1	158.8	162.9
Gross Domestic Product	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	(Annual percentage changes in constant prices)						
Consumption	8.7	5.3	16.8	1.9	7.1	-2.7	3.8
Government	-10.1	6.9	1.7	19.0	-2.9	14.8	2.3
Private sector	12.6	5.0	19.4	-0.6	8.9	-5.4	4.1
Total Investment	-10.7	9.3	18.1	4.7	-2.3	-16.9	22.5
Gross fixed Capital Formation	0.1	-0.9	18.5	5.4	-1.6	-13.8	20.5
Inventories	-185.6	-182.8	8.0	-14.2	-24.6	-142.2	-137.1
Foreign balance							
Exports of goods and non factor services	1.3	38.2	0.2	9.5	12.6	0.8	0.0
Imports of goods and non factor services	5.0	30.3	37.8	1.5	11.1	-18.0	7.7
Gross Domestic Expenditure	4.9	11.4	22.5	2.1	7.1	-9.0	6.9
Gross Domestic Product	4.0	4.6	4.2	4.7	4.4	3.7	4.2

Source: Ghana Statistical Services and staff estimates.

1/ Estimates

Table 5. Ghana: Saving and Investment, 1996-2001 1/

	1995	1996	1997	1998	1999	2000	2001
	(in billions of cedis at current market prices)						
GDP	7,752	11,339	14,113	17,296	20,580	27,153	38,071
Net factor income from abroad	-160	-235	-274	-351	-434	-797	-774
National income	7,592	11,104	13,839	16,945	20,146	26,355	37,297
Net transfer from abroad	628	789	1,148	1,716	1,655	3,528	6,197
National disposable income	8,220	11,892	14,987	18,660	21,801	29,883	43,494
Total consumption	6,853	9,842	13,517	15,523	19,767	25,651	35,398
Net saving	1,367	2,051	1,470	3,137	2,034	4,232	8,096
Gross capital formation	1,552	2,402	3,502	3,997	4,424	6,509	10,127
Consumption of fixed capital	514	801	1,096	1,201	1,916	1,917	1,918
Net capital formation	1,038	1,601	2,406	2,795	2,508	4,593	8,210
External current account balance	-185	-351	-2,031	-859	-2,390	-2,278	-2,031
	(In percent of nominal GDP)						
National disposable income	106.0	104.9	106.2	107.9	105.9	110.1	114.2
Total consumption	88.4	86.8	95.8	89.7	96.1	94.5	93.0
Net saving	17.6	18.1	10.4	18.1	9.9	15.6	21.3
Gross capital formation	20.0	21.2	24.8	23.1	21.5	24.0	26.6
Net capital formation	13.4	14.1	17.0	16.2	12.2	16.9	21.6
External current account balance	-2.4	-3.1	-14.4	-5.0	-11.6	-8.4	-5.3

Source: Ghana Statistical Service and staff estimates.

1/ Estimates

Table 6. Ghana: Cocoa Bean Production, Consumption, Prices, Payments to Farmers, and Export Receipts, 1994/95-2001/02
(In thousands of metric tons, unless otherwise indicated)

Year 1/	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02
Production								
Main crop (Oct - May)	260.0	349.0	295.0	360.0	340.0	400.0	350.0	321.0
Light crop (June -Oct)	30.0	54.0	25.0	30.0	57.0	30.0	45.0	18.0
Total	290.0	403.0	320.0	390.0	397.0	430.0	395.0	339.0
Consumption								
Domestic 2/	30.0	58.0	60.0	60.0	34.0	65.0	65.0	100.0
Export (beans)	260.0	345.0	260.0	330.0	363.0	365.0	313.0	232.0
(cedis per metric ton)								
Producer price 3/	700,000	840,000	1,200,000	1,800,000	2,250,000	2,250,000	3,820,000	4,384,000
	...	1,200,000	1,800,000	2,250,000	2,250,000	2,428,080	3,820,000	6,200,000
(in millions of cedis)								
Payments to cocoa farmers	205,500	372,666	399,963	711,000	822,818	985,665	1,482,136	1,454,316
Export receipts (beans)	381,360	693,605	709,200	1,109,434	1,173,159	1,404,226	2,038,155	2,713,663
Ratio of farmers payments to export receipts	48.3	46.0	45.8	54.2	64.1	66.0	67.0	67.0

Source: Ghana Cocoa Board.

1/ Crop year starts October 1 and ends September 30.

2/ Including sales to processing companies; most of the processed products are then exported.

3/ Excluding bonus payments. First number refers to main crop prices; second number to mid-crop prices.

Table 7. Ghana: Operations of the Cocoa Board, 1994/95-2002/03 1/

	1994/95	1995/96	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03 Budget 2/
(In millions of cedis)									
Revenue	460,432	793,990	873,325	1,396,265	1,414,030	1,646,192	2,737,428	2,575,685	5,404,852
Exports	381,360	693,605	709,200	1,109,734	1,173,159	1,404,226	2,210,200	1,946,631	3,734,586
Local deliveries	72,072	73,836	136,831	233,206	194,001	200,461	399,446	397,970	1,599,996
Miscellaneous	7,000	26,549	27,294	53,325	46,870	41,505	127,782	231,084	70,270
Other	0	0	0	0	0	0	0	0	0
Costs	306,410	523,990	607,393	1,017,596	1,141,658	1,451,175	2,437,816	2,344,401	4,786,832
Producer proceeds	205,500	372,666	399,963	711,000	822,818	985,665	1,497,865	1,454,317	3,510,000
Licensed buying agents	32,580	86,475	88,400	125,463	130,990	158,308	246,774	223,847	460,156
Freight	31,238	16,984	28,896	36,660	33,840	46,290	58,963	70,263	116,456
Finance costs 3/	7,402	16,157	21,311	29,115	33,418	70,710	132,711	41,726	118,517
Administration 4/	3,523	13,138	6,457	7,104	51,907	30,499	176,505	62,619	200,486
Other 5/	26,167	18,570	62,366	96,720	54,713	122,858	223,470	429,629	315,780
Export handling	...	...	...	11,534	13,972	36,845	101,528	62,000	65,437
Profits/losses (-) before taxes	154,022	270,000	265,932	390,203	286,344	195,017	299,612	231,284	618,020
Duties paid	154,022	270,000	265,932	390,487	286,344	195,017	299,612	231,284	618,561
Profits/losses (-) after taxes	0	0	0	-284	0	0	0	0	-541
(In thousands of metric tons)									
Memorandum items:									
Purchases	309	404	323	390	360	436	394	332	390
Shipments	290	404	323	390	360	436	394	332	390
Exports	260	345	260	330	290	362	276	232	289
Local deliveries	30	58	60	60	70	73	118	100	101
(In cedis per metric ton)									
Value of exports	1,466,769	2,008,121	2,727,692	3,362,830	4,045,376	3,876,261	8,007,971	8,390,652	12,922,443
Value of local deliveries	2,402,400	1,264,315	2,280,517	3,886,767	2,771,443	2,732,193	3,385,136	3,979,696	15,841,548
Average price received	1,563,559	1,900,547	2,619,291	3,443,436	3,797,667	3,683,575	6,623,467	7,062,051	13,678,416
Producer proceeds	665,049	922,897	1,238,276	1,823,077	2,285,606	2,262,604	3,801,688	4,380,473	9,000,000
Total costs	991,618	1,297,647	1,880,474	2,609,221	3,171,272	3,331,187	6,187,349	7,061,449	12,273,928
Duties paid	498,453	668,648	823,319	1,001,249	795,400	447,664	760,438	696,639	1,586,054

Source: Ghana Cocoa Board.

1/ Crop year starts at October 1 and ends September 30.

2/ Projected values as of June, 2002.

3/ Mainly discount charges on bills drawn to finance the purchases of cocoa, export duty, and operations of the Cocoa Board.

4/ Includes provision for doubtful debts and depreciation.

5/ Includes outlays for produce inspection, research, construction of feeder roads, and subsidies for insecticides and spraying.

Table 8. Ghana: Production, Acreage, and Yield of Principal Food Crops, 1993-2001

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Production	(In thousands of metric tons)								
Cassava	5,972	6,025	6,611	7,111	7,000	7,171	7,845	8,107	8,970
Plantain	1,322	1,475	1,636	1,823	1,818	1,913	2,046	1,932	2,074
Cocoyams	1,236	1,148	1,383	1,552	1,147	1,577	1,707	1,625	1,688
Yams	2,720	1,700	2,126	2,275	2,748	2,703	3,249	3,363	3,547
Maize	961	939	1,034	1,008	996	1,015	1,014	1,013	938
Guinea corn	328	394	360	353	333	355	302	279	280
Millet	198	168	209	193	144	162	160	169	134
Rice	157	162	221	216	197	281	210	249	296
Acreage	(In thousands of hectares)								
Cassava	532	520	551	591	589	630	640	660	726
Plantain	164	165	213	227	225	246	253	244	265
Cocoyams	173	191	203	214	183	218	246	247	262
Yams	207	219	176	178	226	211	243	261	287
Maize	637	618	569	665	652	697	697	695	713
Guinea corn	309	293	335	314	324	332	312	289	329
Millet	204	208	193	150	170	181	186	208	193
Rice	77	84	100	105	118	130	105	115	138
Yield	(In metric tons per hectare)								
Cassava	11.2	11.6	12.0	12.0	11.9	11.4	12.3	12.3	12.4
Plantain	8.1	6.0	7.7	8.0	8.1	7.8	8.1	7.9	7.8
Cocoyams	7.1	6.4	7.7	8.0	8.1	7.8	6.9	6.6	6.4
Yams	13.1	11.0	12.1	12.8	12.2	12.8	13.4	12.9	12.4
Maize	1.5	1.5	1.6	1.5	1.5	1.5	1.5	1.5	1.3
Guinea corn	1.1	1.1	1.1	1.1	1.0	1.1	1.0	1.0	0.9
Millet	1.0	0.9	1.1	1.0	0.8	0.9	0.9	0.8	0.7
Rice	2.0	2.0	2.2	2.1	1.7	2.2	2.0	2.2	2.1

Source: Ministry of Agriculture.

Table 9. Ghana: Production and Exports of Logs, Sawn Timber, Veneer, and Plywood, 1993-2001
(In thousands of cubic meters)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Logs	1,682	1,681	1,194	1,166	1,170	1,270	1,307	1,309	1,212
Exports	496	572	80	2	0	0	0	0	0
Sawmill intake	980	1026	959	947	969	976	1,042	1,053	806
Veneer/plywood intake	63	78	97	190	193	222	224	231	406
Unrecorded uses and changes in stocks	143	5	58	27	8	9	41	25	0
Sawn timber	600	530	580	618	740	734	620	616	480
Exports	238	259	286	239	279	282	250	245	230
Local sales	333	249	270	349	424	423	341	343	200
Own use	...	...	...	...	...	...	...	...	50
Unrecorded uses and changes in stocks	29	22	24	30	37	29	29	28	N/A
Veneer	30	40	51	61	73	81	108	120	259
Exports	25	35	45	54	65	72	101	113	114
Local sales	3	3	4	4	5	5	4	4	145
Own use	2	2	2	3	3	3	3	3	0
Changes in stocks	...	...	...	...	...	...	...	...	...
Plywood	3	2	6	37	48	32	47	68	114
Exports	2	1	4	20	26	27	25	41	53
Local sales	1	1	1	14	18	18	19	22	56
Changes in stocks	...	0	1	3	4	3	3	5	...

Sources: Ghana Statistical Service; and Ministry of Lands, Forestry and Mines.

Table 10. Ghana: Domestic Fish Catch and Imports, 1993-2001

	1993	1994	1995	1996	1997	1998	1999	2000	2001
(In thousands of metric meters)									
Total domestic marine catch 1/	319	287	337	378	396	376	386	383	371
Volta Lake catch	40	42	52	60	62	62	63	65	75
Other inland catch	12	12	13	14	14	14	15	17	13
Landings from foreign vessels on contract	0	0	0	0	0	0	...	...	...
Imports of fish and fish products 2/	37	19	2	1	0	17	19	17	106
Total fish supply	408	360	404	453	472	469	483	482	565
(In millions of cedis)									
Total domestic marine catch 1/	236,461	295,447	444,640	713,754	806,564	995,928	1,085,000	1,233,600	1,652,890
Volta Lake catch	40,000	63,000	93,600	156,000	173,600	223,200	242,700	262,600	562,500
Other inland catch	1,200	18,000	23,580	36,400	39,200	50,400	51,300	56,400	97,500
Landings from foreign vessels on contract	...	...	...	...	...	...	...	...	...
Imports of fish and fish products	10,515	8,641	1,017	1,160	...	22,100	20,400	24,500	289,012
Value of total fish supply	298,976	385,088	562,837	907,314	1,019,364	1,291,628	1,399,400	1,577,100	2,601,902

Source: Ministry of Agriculture.

1/ Excluding fish caught by foreign vessels.

2/ Mostly frozen fish.

Table 11. Ghana: Mineral Production, 1993-2001

	1993	1994	1995	1996 1/	1997 1/	1998 1/	1999 1/	2000 1/	2001 1/
Value of output	(In millions of cedis)								
Gold	265,607	359,174	765,755	970,589	1,152,465	1,616,457	1,864,636	3,514,621	4,367,860
Diamonds	9,404	19,351	15,344	23,697	24,570	25,851	31,922	99,323	173,394
Manganese	10,185	10,720	8,076	18,742	21,820	25,383	49,049	113,160	182,272
Bauxite	8,969	8,653	12,605	13,694	20,654	16,600	20,213	65,793	115,723
Volume	(In units specified)								
Gold (thousands of kilograms)	38.6	43.3	51.3	48.3	53.5	71.9	79.1	73.6	70.0
Diamonds (thousands of carats)	616.0	722.8	622.7	714.3	614.7	823.1	681.2	878.3	1091.6
Manganese (thousands of metric tons)	361.7	269.7	205.2	477.9	333.4	384.4	638.9	895.7	1076.7
Bauxite (thousands of metric tons)	482.5	426.1	512.9	473.2	500.7	341.1	355.3	503.8	692.6
Unit values	(In cedis per unit)								
Gold (gram)	6,881	8,295	14,927	20,095	21,541	22,483	23,573	47,753	62,398
Diamonds (carat)	15,266	26,768	24,641	33,175	39,944	31,406	46,861	113,086	158,844
Manganese (metric ton)	28,159	39,749	39,357	39,217	65,447	66,031	76,772	126,337	169,288
Bauxite (metric ton)	18,588	20,308	24,572	28,939	41,251	48,652	56,890	130,594	167,085

Sources: Ghana Statistical Service; and staff estimates.

1/ Estimates.

Table 12. Ghana: Index of Manufacturing Production, 1993-2001
(1977 = 100, unless otherwise indicated)

	Weights	1993	1994	1995	1996	1997	1998	1999	2000	2001
Food products	15.00	90.3	90.8	99.6	102.5	125.5	130.3	196.6	235.4	269.9
Beverages	8.11	105.5	109.4	109.0	116.2	123.9	124.0	164.3	190.8	199.8
Tobacco and tobacco products	7.75	52.2	53.0	52.0	53.1	53.1	53.6	37.1	37.1	46.6
Textiles, wearing apparel, and leather goods	13.71	60.2	48.0	54.8	56.1	55.5	55.9	50.0	54.7	57.8
Sawmill and wood products	7.22	91.9	98.2	100.2	105.3	125.0	125.0	123.3	134.7	140.1
Paper products and printing	1.94	33.7	47.1	45.1	49.3	54.1	54.3	54.5	55	56.3
Petroleum products	19.00	65.8	94.4	101.4	102.5	7.3	56.6	58.6	68	72.1
Chemical products other than petroleum	6.56	38.4	129.8	140.0	148.2	159.8	159.8	159.1	159.2	170
Cement and other nonmetallic mineral products	2.98	206.2	217.0	258.1	258.9	241.8	293.1	324.2	293.1	261
Iron and steel products	3.25	392.8	541.1	581.6	584.5	590.5	413.4	561.4	863.3	819.5
Nonferrous metal basic industries	9.62	109.9	88.8	119.8	125.6	105.2	37.3	77.6	104	108.7
Cutlery and other nonferrous metal products	0.49	99.9	124.0	102.4	116.4	116.4	116.8	143.1	154.3	142
Electrical equipment and appliances	1.34	52.6	29.8	42.9	38.0	30.8	29.9	25.2	25.7	25.3
Transport equipment and other products	3.03	...	...	...	...	...	...	...	...	...
Overall index	100.00	87.3	101.2	111.0	114.4	100.0	99.5	120.5	143.2	150.2
Memorandum items:										
Percentage change in overall index		-12.7	15.9	9.7	3.1	-12.6	-0.5	21.1	18.8	4.9

Source: Ghana Statistical Service, *Quarterly Digest of Statistics*.

Table 13. Ghana: Generation and Consumption of Electricity, 1993-2001
(In billions of kilowatt-hours)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Electricity generation	6,343	6,166	6,291	6,854	7,545	6,731	7,711	8,086	8,321
Akosombo	5,280	5,128	5,094	5,520	5,711	3,166	4,289	5,557	5,524
Kpong	1,011	947	1,021	1,105	1,140	664	880	1,052	1,085
Takoradi	...	...	...	...	...	1,146	755	613	1,250
Imports	31	61	157	228	660	573	1,032	864	462
Other 1/	21	30	19	1	34	1,182	755	...	...
Electricity consumption	6,197	5,974	6,078	6,657	7,341	5,558	7,004	7,907	8,029
Electricity Corporation of Ghana	2,291	2,466	2,693	3,089	3,387	3,145	3,692	3,993	4,175
Northern Electricity Dept/VR/	151	167	189	229	255	254	306	330	355
Mines	469	590	654	718	748	713	696	630	569
Volta Aluminium Company	2,822	2,275	2,198	2,212	2,467	927	1,928	2,504	2,565
Exports	395	418	285	348	422	460	326	392	302
Other 2/	69	58	59	61	62	59	56	58	63

Source: Ministry of Energy.

1/ Including amounts generated by diesel units operated by the Electricity Corporation of Ghana and mining companies.

2/ Refers to Akosombo Township, Akosombo Textiles, and Aluworks and NED (1993 only).

Table 14. Ghana: Contribution of Mining to Revenue Collected by Internal Revenue Service (IRS), 1990-2001
(In millions of cedis, unless otherwise indicated)

	P.a.y.e	Corporate Income Tax	Self-Employed	Royalties	Total Contribution from Mining	Total IRS Collection	Mining/ Total IRS (In percent)
	(a)	(b)	(c)	(d)	(e)=(a)+(b)+(c)+(d)	(f)	(g)=(e)/(f)
1990	...	4,385	...	1,893	6,278	52,797	11.89
1991	...	2,867	...	3,051	5,918	61,486	9.62
1992	471	5,757	3	4,289	10,520	74,545	14.11
1993	2,649	4,387	7	7,485	14,528	113,237	12.83
1994	4,811	7,198	16	12,784	24,809	166,596	14.89
1995	7,952	20,384	9	20,912	49,257	275,513	17.88
1996	16,835	9,149	12	35,527	61,523	424,492	14.49
1997	25,022	9,787	82	34,595	69,486	605,783	11.47
1998	31,017	14,443	8	49,841	95,309	785,437	12.13
1999	27,839	30,617	47	33,553	92,056	901,664	10.21
2000	59,244	15,441	348	103,413	178,446	1,409,445	12.66
2001	76,112	23,710	1,103	129,193	230,118	1,968,945	11.69

Source: IRS, Petroleum and Mining Unit.

Table 15. Ghana: Average Monthly Earnings per Employee, 1989-2002 1/
(Cedis per month, unless otherwise indicated)

	Dec 1989	Dec 1990	Dec 1991	Dec 1992	Dec 1993	Dec 1994	Dec 1995	Dec 1996	Dec 1997	Dec 1998	Dec 1999	Dec 2000	Dec 2001	Jul 2002
All Sectors	24,257	30,056	35,212	...	...	...	...	...	...	...	...	...	...	...
Government 1/	21,869	28,037	34,826	13,553	58,956	73,146	99,664	129,846	187,048	190,458	237,563	333,924	545,825	735,738
Private Sector	35,356	39,566	37,174	55,658	76,194	106,029	145,669	207,095	290,410	317,666	433,831	524,603	722,301	801,462
Minimum Wage 2/	170	218	460 3/	460	603	790	1,200	1,700	2,000	2,900	2,900	4,200 4/	5,500 5/	7,150 6/
Memorandum Item:														
Government wages as percent of private	...	...	...	24.3	77.4	69.0	68.4	62.7	64.4	60.0	54.8	63.7	75.6	91.8

Source: Ghana Statistical Service through 1991; Social Security Administration and National Investment Trust thereafter.

1/ Includes public enterprises through 1991; excludes public enterprises thereafter.

2/ Minimum wage expressed in cedis per day.

3/ From July 1991.

4/ From November 2000.

5/ From May 2001.

6/ From May 2002.

Table 16. Ghana: National Consumer Price Index (New Series), 1998:Q1-2002:Q4 1/
(September 1997 = 100, period averages, unless otherwise indicated)

(Weight)	Overall Index		Food	Nonfood	Beverages and Tobacco	Clothing and Footwear	Recl. Fuel, and Power	Furnishings 2/	Medical Care and Health	Transport and Communications	Recreation 3/	Miscellaneous 4/
	(100.0)	Percent Change	(51.9)	(48.1)	(3.6)	(9.6)	(9.2)	(7.3)	(4.3)	(6.5)	(4.9)	(2.8)
1998	114.6	14.6	119.8	110.0	109.5	108.2	111.1	107.9	111.1	112.8	106.5	116.4
1999	128.8	12.4	132.0	126.0	133.5	129.2	125.0	122.9	120.6	146.2	123.7	167.8
2000	161.3	25.2	145.6	175.5	168.5	163.9	198.4	181.8	135.7	207.8	141.2	226.3
1998												
Q1	106.2	6.4	108.8	104.0	102.8	104.2	106.8	103.5	99.9	102.0	101.9	109.4
Q2	118.2	11.3	127.4	110.1	108.2	107.5	115.8	108.1	112.9	109.1	106.4	115.3
Q3	118.0	-0.2	121.9	112.1	111.5	108.5	112.7	109.6	115.9	118.6	108.1	120.0
Q4	116.1	-1.6	118.6	113.8	115.6	112.6	109.3	110.5	115.7	121.9	109.8	121.1
1999												
Q1	121.8	4.9	125.2	118.5	120.0	116.7	111.4	114.3	118.3	127.4	119.2	129.1
Q2	130.0	6.8	133.7	126.5	125.3	127.2	115.7	122.4	123.4	131.3	123.0	165.5
Q3	132.4	1.8	134.6	130.3	132.7	128.5	121.4	122.3	120.2	145.0	123.9	166.6
Q4	131.3	-0.8	127.4	135.1	138.8	131.0	133.7	123.8	118.9	156.3	124.1	169.5
2000												
Q1	139.9	6.6	132.4	146.7	143.3	136.0	167.3	138.7	122.9	173.1	128.5	177.1
Q2	154.3	10.3	144.0	163.6	152.9	149.5	179.4	169.7	125.8	205.1	138.1	207.7
Q3	168.1	8.9	149.8	184.5	174.4	170.4	213.5	196.1	139.3	217.0	144.3	249.4
Q4	182.9	8.9	156.2	207.2	203.4	199.7	233.5	222.7	154.8	236.2	156.3	270.7
2001												
Q1	197.3	7.9	167.9	224.0	210.4	222.2	244.8	238.5	163.4	256.5	174.4	291.2
Q2	213.0	7.9	179.9	242.3	221.8	235.4	279.5	240.6	166.3	314.4	185.4	308.1
Q3	221.3	3.9	184.9	254.3	239.2	255.0	299.9	245.1	167.6	316.8	194.0	308.2
Q4	225.9	2.1	184.9	265.3	257.4	263.7	315.7	256.1	176.6	314.1	201.3	319.2
2002												
Q1	232.9	3.1	196.0	266.4	270.2	268.7	319.1	263.1	177.7	299.0	208.8	326.6
Q2	243.5	4.5	214.1	270.1	282.0	265.8	322.5	266.4	183.2	300.4	220.7	338.5
Q3	250.4	2.8	219.7	278.1	289.6	267.1	365.8	273.2	189.1	301.4	226.4	335.2
Q4	257.8	3.0	222.9	289.0	301.1	280.6	387.3	282.2	200.3	305.7	230.7	351.1
2002												
January	229.2	1.1	189.8	265.1	268.6	269.9	316.0	261.6	176.6	298.1	206.9	317.9
February	232.4	1.4	196.1	263.2	267.7	266.1	318.8	262.2	176.7	298.0	208.4	329.1
March	237.2	2.1	202.1	268.9	274.4	270.3	322.4	265.5	179.8	301.0	211.1	332.8
April	240.6	1.5	209.1	269.2	278.8	267.6	321.4	263.0	183.2	299.4	219.4	336.7
May	243.7	1.3	214.5	270.2	283.2	266.4	321.6	267.4	185.1	300.1	219.4	338.2
June	246.1	1.0	218.7	271.0	283.9	263.4	324.5	268.9	187.2	301.8	223.4	340.8
July	249.0	1.2	222.9	272.6	285.1	265.3	336.3	268.6	188.2	301.0	223.7	344.2
August	250.8	0.7	218.9	279.8	289.1	267.0	376.9	276.6	184.6	300.9	227.0	336.3
September	251.4	0.2	217.3	281.8	294.5	269.0	384.2	274.6	194.4	302.3	228.5	335.2
October	254.7	1.3	220.0	283.7	297.6	275.4	386.2	279.9	194.8	302.4	229.2	349.4
November	257.6	1.1	223.0	288.5	301.2	279.3	388.2	281.3	201.2	304.1	230.8	351.4
December	261.2	1.4	225.8	292.8	304.5	287.1	387.6	285.4	205.0	310.5	232.2	352.7

Sources: Ghana Statistical Services; and staff estimates.

1/ Using revised consumer price index weights.

2/ Including furniture, furnishings, and household equipment and operations.

3/ Including recreation, entertainment, education, and cultural services.

4/ Including miscellaneous goods and services.

Table 1.7. Ghana: National Consumer Price Index, 1988-2002
(Year-on-year percentage changes)

	Overall Index	Food	Nonfood	Beverages and Tobacco	Clothing and Footwear	Rent, Fuel, and Power	Furnishings 1/	Medical Care and Health	Transport and Communications	Recreation 2/	Miscellaneous 3/
Old series											
(weight)	(100.0)	(49.2)	(50.8)	(6.2)	(19.2)	(6.8)	(5.1)	(1.8)	(4.3)	(5.5)	(1.9)
1988	26.6	26.5	26.6	26.8	26.4	32.1	22.6	21.7	24.9	26.6	30.4
1989	30.5	31.9	29.7	34.9	28.3	31.6	28.4	16.3	27.8	33.5	26.8
1990	35.9	32.0	38.1	24.2	24.9	58.2	26.9	39.3	89.4	56.0	24.0
1991	10.3	4.6	13.3	10.3	11.0	33.7	8.3	18.5	11.2	6.8	11.4
1992	13.3	17.0	11.3	8.2	9.0	16.0	8.1	5.8	3.9	29.4	13.6
1993	27.7	26.2	28.4	28.3	23.8	32.9	28.8	11.6	34.9	30.6	34.0
1994	34.2	40.2	31.2	32.9	34.4	21.6	36.6	17.2	22.8	40.2	25.9
1995	70.8	67.2	72.8	71.4	78.0	56.1	64.0	47.4	86.6	82.5	60.6
1996	32.7	30.8	29.0	37.1	32.4	22.8	29.9	28.4	95.1	34.6	33.9
1997	20.8	13.9	24.0	22.5	18.6	34.0	21.6	22.4	23.7	31.4	22.4
New series											
(weight)	(100.0)	(51.9)	(48.1)	(3.6)	(9.6)	(9.2)	(7.3)	(4.3)	(6.5)	(4.9)	(2.8)
1998	15.8	21.8	10.3	13.0	6.2	7.5	5.9	18.4	19.8	9.0	15.3
2000											
January	14.3	4.6	23.7	19.7	21.5	48.6	15.1	6.1	27.6	11.4	37.3
February	14.9	5.6	24.0	19.8	15.9	52.1	15.2	4.2	39.0	4.4	40.8
March	15.6	7.0	23.8	18.9	12.7	50.2	33.2	1.6	40.8	7.9	33.5
April	17.5	8.7	26.0	19.5	11.2	55.1	30.4	1.4	58.6	13.7	19.0
May	18.7	7.8	29.3	20.9	18.6	54.3	37.4	-0.5	59.4	12.0	24.8
June	19.8	6.8	32.6	25.5	22.9	55.5	40.5	5.0	50.9	13.9	32.7
July	22.1	7.7	36.0	25.6	28.3	54.7	55.6	12.0	47.3	13.8	48.2
August	26.6	10.9	41.4	27.8	31.0	85.6	59.4	17.4	46.7	17.1	48.2
September	32.3	15.6	47.3	40.7	38.6	87.3	66.1	18.3	54.8	18.4	52.6
October	37.4	20.2	52.4	45.5	47.9	84.6	77.3	30.1	51.4	21.7	59.5
November	39.5	23.2	53.4	47.5	53.3	72.9	79.3	28.8	51.6	26.0	61.7
December	40.5	24.3	54.2	46.9	56.1	67.6	83.1	31.6	50.4	30.2	57.7
2001											
January	40.9	26.3	52.9	46.9	63.1	43.7	82.5	32.4	48.8	33.9	64.0
February	40.1	27.4	50.5	45.7	62.3	41.5	83.3	34.8	35.9	39.3	60.9
March	41.9	26.7	54.5	47.9	64.7	53.4	53.7	31.4	59.6	34.0	66.7
April	39.3	24.7	50.3	48.7	63.2	49.9	52.6	29.1	54.3	33.3	56.9
May	37.9	24.4	48.7	47.8	56.3	62.9	38.1	32.1	53.6	32.4	48.6
June	36.8	25.7	45.5	39.2	53.3	54.7	35.5	30.5	52.1	37.3	40.4
July	34.9	25.7	41.8	37.2	52.5	55.4	27.6	23.1	50.0	36.8	24.0
August	32.0	25.6	38.3	46.8	51.6	53.3	25.6	17.6	49.0	33.2	25.1
September	28.3	21.0	33.7	28.5	45.1	35.3	21.9	20.1	39.4	33.5	37.9
October	25.6	20.1	29.5	25.3	36.8	35.3	16.7	15.1	37.6	32.1	17.4
November	23.7	18.4	27.4	27.6	32.4	34.7	15.2	15.3	35.8	25.6	17.6
December	21.5	16.7	24.4	26.7	27.4	35.5	13.1	12.0	25.6	28.8	18.8
2002											
January	19.9	17.1	21.8	28.4	23.5	34.0	11.2	10.3	24.4	23.5	11.4
February	18.3	16.4	19.7	28.0	19.7	33.3	9.3	6.1	24.0	17.3	15.0
March	16.0	16.7	15.6	29.0	19.8	24.3	10.5	10.0	3.9	18.5	10.2
April	14.9	17.9	13.8	28.2	16.4	22.7	8.3	14.2	-4.6	20.5	10.7
May	14.3	19.4	10.9	26.5	13.0	12.8	12.8	12.7	-4.5	19.5	7.4
June	13.7	19.6	9.7	26.8	9.4	11.4	11.2	11.4	-4.2	17.2	11.3
July	13.5	20.0	9.1	25.6	5.8	15.2	11.4	13.1	-4.2	16.5	9.8
August	13.1	18.1	9.8	16.8	4.6	25.3	13.1	11.4	-4.8	17.4	8.9
September	12.9	18.4	9.1	21.2	3.9	25.2	10.0	14.0	-5.5	16.1	7.6
October	13.2	18.9	9.3	20.0	6.0	23.1	10.6	10.5	-6.1	14.8	10.9
November	14.0	20.9	9.4	15.2	6.1	23.0	10.3	14.0	-5.6	17.6	10.2
December	15.2	22.0	10.6	15.8	7.1	22.0	9.8	15.8	4.2	11.6	8.9

Sources: Ghana Statistical Service, and staff estimates.

1/ Including furniture, furnishings, and household equipment and operations.

2/ Including recreation, entertainment, education, and cultural services.

3/ Including miscellaneous goods and services.

Table 18. Ghana: Average Wholesale Prices of Selected
Agricultural Commodities, 1993-2001
(In cedis per unit)

	Unit of Measurement	1993	1994	1995	1996	1997	1998	1999	2000	2001
Maize	100 kg.	11,938	13,863	24,708	32,814	64,326	59,309	45,153	93,663	150,163
Millet	93 kg.	17,060	18,357	30,527	42,784	69,918	87,190	72,272	104,472	213,769
Guinea com	109 kg.	17,169	17,918	29,757	43,210	67,156	80,414	66,886	91,023	204,817
Rice	100 kg.	26,970	35,164	55,159	80,270	104,707	109,500	116,463	167,276	254,839
Yams	100 tubers	43,582	53,310	82,219	87,427	142,086	239,536	166,434	215,284	357,500
Cocoyams	91 kg.	11,725	16,017	26,679	25,301	42,306	60,939	55,518	70,232	98,332
Cassava	91 kg.	5,342	5,733	9,550	10,269	15,878	28,160	19,235	33,797	80,807
Plantains	16 kg.	1,698	1,940	4,160	3,693	6,538	8,239	6,099	13,978	22,547
Cowpeas	109 kg.	30,988	35,991	46,428	97,907	109,470	135,093	149,367	189,959	341,726
Tomatoes	51 kg.	24,352	14,575	25,023	34,866	56,857	62,438	62,907	118,802	189,018
Groundnuts	82 kg.	33,114	34,576	54,346	69,025	114,775	137,529	117,938	197,685	304,360

Source: Ministry of Agriculture.

Table 19. Ghana: Retail Prices of Major Petroleum Products,
1989-2003
(In cedis per liter) 1/

Date of Price Change	Premium Gasoline	Regular Gasoline	Kerosene	Gas Oil	ATK 2/	RFO 3/	LPG 4/
October 1, 1982	2.7	2.5	1.1	1.9	1.3	0.7	0.2
April 22, 1983	5.5	4.7	2.9	3.5	3.6	3.0	0.4
October 11, 1983	7.7	6.7	4.4	5.3	5.8	3.1	0.6
September 13, 1984	13.2	12.3	7.7	10.1	9.9	5.9	1.6
October 5, 1984	18.7	17.6	10.1	15.4	14.3	9.4	2.1
April 19, 1985	20.9	19.8	11.0	17.6	15.8	10.3	2.2
September 9, 1985	23.1	22.0	12.1	18.7	17.6	10.3	1.4
January 16, 1986	33.0	31.9	19.8	28.6	26.4	16.5	3.3
March 20, 1986	30.8	29.7	17.6	25.3	25.3	14.3	3.3
June 30, 1986	33.0	31.9	17.6	28.6	26.4	14.3	3.3
February 1, 1987	41.8	39.6	24.2	36.3	37.4	26.4	4.4
January 16, 1988	51.7	50.6	37.4	49.5	48.4	29.9	6.6
January 13, 1989	60.6	59.5	41.8	55.1	...	...	88.2
January 11, 1990	79.3	...	59.4	72.7	75.1	...	100.0
March 31, 1990	88.1	...	66.0	81.4	67.1	...	100.0
September 2, 1990	133.0	...	100.0	111.0	93.5	...	100.0
November 3, 1990	222.0	...	178.0	189.0	180.4	...	100.0
January 3, 1991	222.0	...	178.0	189.0	180.4	...	100.0
March 29, 1991	200.0	...	156.0	166.0	139.3	...	100.0
February 3, 1992	200.0	...	156.0	166.0	139.3	...	100.0
September 19, 1992	222.0	...	156.0	188.0	161.3	...	100.0
January 6, 1993	355.0	...	250.0	302.0	258.0	...	120.0
January 17, 1994	422.0	...	275.0	360.0	...	...	200.0
February 2, 1995	522.0	...	333.0	450.0	...	162.9	275.9
February 2, 1996	621.5	...	397.0	567.0	...	200.5	344.0
June 7, 1996	665.6	...	411.0	607.8	459.2	217.9	380.0
February 1, 1997	778.9	...	493.2	729.5	560.0	301.7	828.4
January 1, 1998	755.6	...	493.2	729.5	...	...	828.4
February 23, 1998	744.4	...	493.2	722.2	...	...	828.4
October 12, 1998	744.4	...	500.0	711.1	...	304.7	820.0
June 1, 1999	855.6	...	600.0	822.2	...	350.1	920.0
July 1, 1999	870.0	...	600.0	810.0	...	407.8	970.0
September 6, 1999	970.0	...	670.0	910.0	...	476.3	1,080.0
December 11, 1999	1,180.0	...	1,100.0	1,100.0	...	660.2	1,400.0
March 10, 2000	1,420.0	...	1,326.0	1,325.0	...	1,031.0	2,240.0
April 19, 2000	...	...	...	...	...	...	1,900.0
February 23, 2001	2,333.3	...	1,955.6	1,955.6	1,755.6	1,335.1	2,200.0
August 17, 2001	2,333.3	...	1,955.6	1,955.6	2,009.3	1,335.1	2,200.0
November 01, 01	2,333.3	...	1,955.6	1,955.6	1,971.8	1,335.1	2,200.0
December 28, 2001	2,333.3	...	1,955.6	1,955.6	1,984.1	1,398.4	2,200.0
January 17, 2003	4,444.4	...	3,888.9	3,888.9	3,364.4	1,927.4	3,800.0

Source: Ministry of Energy.

1/ Except liquefied petroleum gas, which is in cedis per kilogram.

2/ Aviation turbine kerosene.

3/ Residual fuel oil.

4/ Liquefied petroleum gas.

Table 20. Ghana: Central Government Operations and Financing, 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001 1/	2002 1/
(In billions of cedis)										
Total revenue and grants	742.8	1,160.2	1,864.7	2,288.6	2,637.5	3,551.6	3,708.9	5,385.0	9,531.5	10,333.2
Revenue	578.1	975.8	1,584.6	1,997.6	2,446.7	3,176.5	3,366.4	4,810.7	6,904.2	8,799.9
Direct taxes	110.3	170.5	275.0	433.3	606.4	760.7	918.2	1,409.4	2,123.7	2,790.1
Indirect taxes	277.5	395.8	503.7	732.4	833.4	1,099.0	1,352.8	2,018.5	2,864.6	3,757.2
Trade taxes	121.4	274.8	359.9	544.9	630.2	868.8	785.0	986.7	1,568.2	1,995.0
Nontax revenue	69.0	134.7	446.1	287.0	376.7	448.0	310.4	396.1	347.7	257.7
Foreign grants	164.7	184.4	280.1	291.1	190.8	375.1	342.5	574.3	2,627.3	1,533.3
Total expenditure and net lending	1,124.5	1,621.8	2,359.4	3,370.2	4,088.4	4,944.7	5,389.1	7,525.0	12,451.2	12,751.1
Recurrent expenditure	694.3	929.6	1,270.6	1,861.1	2,332.5	2,989.2	3,381.7	5,034.1	7,577.8	9,761.3
Wages and salaries	227.6	297.1	431.0	612.6	750.6	956.8	1,161.1	1,422.8	2,317.0	4,141.8
Goods and services	141.2	170.0	190.1	242.9	283.8	368.9	485.0	700.1	703.0	1,452.4
Subsidies and transfers 2/	190.7	232.1	320.7	426.2	412.8	459.9	585.5	432.4	785.1	1,168.3
Interest	134.8	230.5	328.8	579.3	885.2	1,203.5	1,150.2	2,033.4	2,984.6	2,998.8
Capital expenditure (total)	430.2	692.2	1,088.8	1,509.1	1,755.9	1,955.5	2,007.4	2,490.8	4,873.4	2,989.8
Capital expenditure (domestic)	143.3	236.2	524.1	682.3	541.8	759.9	850.5	1,090.8	1,342.4	1,339.7
Development	135.3	227.9	508.3	573.5	536.6	786.4	850.5	1,090.8	1,343.6	1,341.6
Net lending	8.0	8.3	15.8	108.8	5.2	-26.4	0.0	54.2	-1.2	-2.0
Capital expenditure (foreign)	286.9	456.0	564.8	826.8	1,214.1	1,195.6	1,156.9	1,345.8	3,532.2	1,652.2
Overall balance (before arrears clearance, cash basis)	-381.7	-461.6	-494.7	-1,081.6	-1,450.9	-1,393.1	-1,680.2	-2,139.9	-3,433.2	-3,310.4
Road arrears (clearance)	16.0	9.0	81.0	-11.7	-84.0	-103.6	-130.0	-328.4	-44.1	-208.3
Other domestic payment arrears (clearance)	...	...	...	...	...	...	156.0	-156.0	-442.4	-629.5
Overall balance (after arrears clearance, cash basis)	-365.7	-452.6	-413.7	-1,093.2	-1,534.9	-1,496.7	-1,654.2	-2,624.3	-3,919.7	-4,148.2
Divestiture proceeds	79.5	255.3	106.2	143.5	105.7	99.5	53.3	322.6	11.8	5.3
Financing	286.2	197.3	307.5	949.0	1,429.2	1,283.2	1,600.9	2,341.4	-2,949.4	-2,985.8
Foreign (net)	240.9	236.2	335.8	418.0	654.5	535.3	519.1	-56.3	1,428.3	-781.6
Borrowing	306.9	351.1	530.0	855.1	1,170.5	1,134.3	1,199.7	1,811.2	3,021.7	1,344.6
Repayments	-66.1	-115.0	-194.2	-437.1	-516.0	-599.0	-751.3	-2,494.7	-1,593.4	-2,126.3
Repayment of external arrears	...	...	...	...	...	...	70.7	627.2	-467.3	-461.1
Domestic (net)	45.4	-38.8	-28.3	531.0	774.7	747.9	1,081.8	2,397.7	862.5	2,331.7
Banking system	-22.1	-44.3	-66.5	226.4	527.9	349.9	1,041.0	2,374.2	-978.8	1,142.0
Other	67.5	5.5	38.2	304.6	246.8	398.0	22.7	23.5	1,841.3	1,189.7
Discrepancy (above and below line)	0.0	0.0	0.0	0.0	0.0	114.0	18.0	0.0	0.0	194.4
(In percent of GDP)										
Total revenue and grants	19.2	22.3	24.1	20.2	18.7	20.5	18.0	19.8	25.0	21.2
Of which: tax revenue	13.1	16.2	14.7	15.1	14.7	15.8	14.8	16.3	18.1	18.0
Total expenditure and net lending	29.0	31.2	30.4	29.7	29.0	28.6	26.2	27.7	32.7	26.1
Surplus or deficit (-)	-9.9	-8.9	-6.4	-9.5	-10.3	-8.1	-8.2	-7.9	-9.0	-6.8
Domestic primary balance 3/	-3.2	0.8	1.5	0.3	3.2	3.6	1.4	2.4	-2.7	-5.0
Current savings 4/	-3.0	0.9	4.1	1.2	0.8	1.1	-0.1	-0.8	5.1	1.2

Sources: Ghanaian authorities; and staff estimates.

1/ Provisional data; audited year-end accounts not yet available.

2/ Includes pensions to government employees.

3/ Defined as total revenue minus noninterest domestic expenditure.

4/ Defined as total revenue minus recurrent expenditure.

Table 21. Ghana: Central Government Revenue and Grants, 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001 1/	2002 1/
(In billions of cedis)										
Total revenue and grants	742.8	1,160.2	1,864.7	2,288.6	2,637.5	3,551.6	3,708.9	5,385.0	9,531.5	10,333.2
Tax revenue	509.2	841.1	1,138.5	1,710.6	2,070.0	2,728.5	3,056.0	4,414.7	6,536.5	8,542.2
Direct taxes	110.3	170.5	275.0	433.3	606.4	760.7	918.2	1,409.4	2,123.7	2,790.1
Individual	44.3	62.3	80.8	131.1	225.1	306.6	384.0	558.6	791.2	1,101.6
Personal	37.0	51.5	65.4	110.5	194.9	265.7	318.5	483.2	677.4	928.8
Self-employed	7.3	10.9	15.4	20.6	30.2	40.9	65.5	75.4	113.8	172.8
Corporate	54.3	89.5	157.2	242.3	293.1	319.2	445.9	696.7	966.6	1,161.5
Other	11.7	18.7	37.0	59.9	88.3	134.9	88.2	154.1	366.0	527.0
Indirect taxes	277.5	395.8	503.7	732.4	833.4	1,099.0	1,352.8	2,018.5	2,864.6	3,757.2
Sales tax	94.3	144.3	210.1	329.6	407.4	556.0	792.1	1,272.1	1,964.1	2,327.4
Sales tax on domestic goods	39.7	57.5	69.9	172.2	198.0	280.7	323.0	385.2	508.8	729.1
Sales taxes on imports	54.6	86.8	140.1	157.4	209.4	275.4	469.1	886.9	1,455.3	1,598.3
Petroleum	151.9	201.7	224.0	290.2	314.3	383.8	393.6	531.8	646.6	1,080.0
Excise	31.2	49.8	69.6	112.6	111.6	159.2	167.0	214.6	254.0	349.8
Trade taxes	121.4	274.8	359.9	544.9	630.2	868.8	785.0	986.7	1,568	1,995.0
Import taxes	85.6	128.7	202.6	267.2	364.3	468.3	530.9	807.9	1,269	1,668.6
Customs duties	72.1	106.1	162.5	214.2	277.2	383.4	451.7	746.1	1,060	1,316.0
Special tax	7.6	5.0	6.4	11.2	16.6	19.8	26.3	0.7	30	27.1
Other import charges	5.9	17.6	33.8	41.7	70.5	65.1	52.9	61.1	179	325.5
Export duty on cocoa	35.7	146.2	157.2	277.7	265.9	400.5	254.1	178.8	300	326.4
Nontax revenue	69.0	134.7	446.1	287.0	376.7	448.0	310.4	396.1	347.7	257.7
Grants	164.7	184.4	280.1	291.1	190.8	375.1	342.5	574.3	2,627.3	1,025.4
Program grants	66.6	49.5	93.8	78.4	64.2	97.7	192.9	336.7	1,061.4	558.3
Project grants	98.1	134.9	186.3	212.7	126.6	277.4	149.6	237.6	1,566.0	467.1
(In percent of GDP)										
Total revenue and grants	19.2	22.3	24.1	20.2	18.7	20.5	18.0	19.8	25.0	21.2
Direct taxes	2.8	3.3	3.5	3.8	4.3	4.4	4.5	5.2	5.6	5.7
Indirect taxes	7.2	7.6	6.5	6.5	5.9	6.4	6.6	7.4	7.5	7.7
Trade taxes	3.1	5.3	4.6	4.8	4.5	5.0	3.8	3.6	4.1	4.1
Nontax revenue	1.8	2.6	5.8	2.5	2.7	2.6	1.5	1.5	0.9	0.5
Grants	4.3	3.5	3.6	2.6	1.4	2.2	1.7	2.1	6.9	2.1

Source: Ministry of Finance.

1/ Provisional data; audited year-end accounts not yet available.

Table 22. Ghana: Economic Classification of Central Government Expenditure and Net Lending, 1993-2002

	1993	1994	1995	1996	1997	1998	1999	2000	2001 1/	2002 1/
(In billions of cedis)										
Total expenditure and net lending	1,124.5	1,621.8	2,359.4	3,370.2	4,088.4	4,944.7	5,389.1	7,525.0	12451.2	12751.1
Current expenditure	694.3	929.6	1,270.6	1,861.1	2,332.5	2,989.2	3,381.7	5,034.1	7577.8	9761.3
Noninterest expenditure	559.5	699.1	941.9	1,281.8	1,447.3	1,785.7	2,231.5	3,000.8	4593.2	6762.5
Wages and salaries	227.6	297.1	431.0	612.6	750.6	956.8	1,161.1	1,422.8	2317.0	4141.8
Goods and services	141.2	170.0	190.1	242.9	283.8	368.9	485.0	703.1	703.0	1452.4
Subventions	139.9	94.8	135.0	239.0	210.8	257.3	287.5	445.4	788.0	0.0
Transfers to households	50.8	137.2	185.7	187.2	202.0	202.6	298.0	432.4	785.1	1168.3
Pensions	...	29.7	58.1	67.0	76.9	79.5	92.4	156.4	226.6	271.2
Gratuities	...	7.1	28.6	38.7	54.7	50.2	62.9	116.1	67.5	114.4
Social security	...	36.5	47.6	54.9	66.5	72.1	142.7	159.9	234.4	302.6
End-of-service benefits	32.8	27.7	31.3	30.0	0.0	0.8	0.0	0.0	0.0	0.0
Other benefits	18.0	36.3	20.1	16.6	4.0	0.0	0.0	0.0	256.7	480.1
Interest payments	134.8	230.5	328.8	579.3	885.2	1,203.5	1,150.2	2033.4	2984.6	2998.8
Domestic	94.3	166.4	232.9	434.5	645.0	903.4	871.7	1446.2	2309.5	2209.7
External	40.4	64.0	95.8	144.8	240.3	300.1	278.5	587.2	675.1	789.1
Capital expenditure	430.2	692.2	1,088.8	1,509.1	1,755.9	1,955.5	2,007.4	2,490.8	4873.4	2989.8
Capital expenditure (domestic)	143.3	236.2	524.1	682.3	541.8	759.9	850.5	1,145.0	1340.1	1339.7
Development	135.3	227.9	508.3	573.5	536.6	786.4	850.5	1,090.8	1341.2	1341.6
Net lending	8.0	8.3	15.8	108.8	5.2	-26.4	0.0	54.2	-1.2	-2.0
Capital expenditure (foreign)	286.9	456.0	564.8	826.8	1,214.1	1,195.6	1,156.9	1,345.8	3532.2	1652.2
Arrears clearance/accumulation (-/+)	16.0	9.0	81.0	-11.7	-84.0	-103.6	26.0	-484.4	-486.5	-837.9
(In percent of GDP)										
Total expenditure and net lending	29.0	31.2	30.4	29.7	29.0	28.6	26.2	27.7	32.7	26.1
Current expenditure	17.9	17.9	16.4	16.4	16.5	17.3	16.4	18.5	19.9	20.0
Wages and salaries	5.9	5.7	5.6	5.4	5.3	5.5	5.6	5.2	6.1	8.5
Expenditure on goods and services	3.6	3.3	2.5	2.1	2.0	2.1	2.4	2.6	1.8	3.0
Subventions	3.6	1.8	1.7	2.1	1.5	1.5	1.4	1.6	2.1	0.0
Transfers to households	1.3	2.6	2.4	1.7	1.4	1.2	1.4	1.6	2.1	2.4
Interest payments	3.5	4.4	4.2	5.1	6.3	7.0	5.6	7.5	7.8	6.1
Capital expenditure and net lending	11.1	13.3	14.0	13.3	12.4	11.3	9.8	9.2	12.8	6.1

Source: Ministry of Finance.

1/ Provisional data; audited year-end accounts not yet available.

Table 23. Ghana: Functional Classification of Government Expenditure, 1999-2001 1/

	1999	2000	2001	1999	2000	2001
	(Billions of cedis)			(Percent of total)		
Total expenditure (economic classification)	5,389.1	7,525.0	12,451.2	100.0	100.0	100.0
Total expenditure (ministry classification)	3,967.2	5,726.2	7,807.5	73.6	76.1	62.7
Total statutory expenditures	1,643.5	2,786.0	3,598.9	30.5	37.0	28.9
Total interest on public debt	1,150.2	2,033.4	2,787.2	21.3	27.0	22.4
Pension and gratuities	155.3	272.5	294.0	2.9	3.6	2.4
District assembly common fund	165.0	153.1	74.2	3.1	2.6	0.6
Education Trust Fund	0.0	32.0	140.0	0.0	0.4	1.1
Road fund	173.0	254.9	303.4	3.2	3.4	2.4
Total discretionary expenditure	2,323.8	2,940.3	4,208.7	43.1	39.1	33.8
General administration	715.2	725.0	916.9	13.3	9.6	7.4
Local government	49.0	82.8	100.7	0.9	1.1	0.8
Office of Government Machinery	98.0	134.3	174.1	1.8	1.8	1.4
Min. of Foreign Affairs	103.8	174.6	169.1	1.9	2.3	1.4
Min. of Finance	101.1	178.6	178.5	1.9	2.4	1.4
Min. of Parliamentary Affairs	0.1	0.2	0.7	0.0	0.0	0.0
Audit service	2.6	18.9	22.8	0.0	0.3	0.2
Public Services Commission	1.1	0.9	0.9	0.0	0.0	0.0
National Electoral Commission	12.8	31.2	15.6	0.2	0.4	0.1
Office of Parliament	0.0	20.5	51.5	0.0	0.3	0.4
General government services	345.7	82.6	197.3	6.4	1.1	1.6
Office of District Assembly Common	1.0	0.3	0.3	0.0	0.0	0.0
Min. of Economic Planning and	...	...	0.4	...	...	0.0
Cooperation 2/	...	...	...	...	...	0.0
Min. of Media Relations 2/	...	...	4.9	...	...	0.0
Economic services	130.1	166.8	228.5	2.4	2.2	1.8
Min. of Food and Agriculture	42.1	51.6	63.0	0.8	0.7	0.5
Min. of Lands and Forestry (and						
Mines from 2001)	24.0	29.8	44.9	0.4	0.4	0.4
Min. of Mines and Energy	3.2	8.9	12.7	0.1	0.1	0.1
Min. of Trade and Industry	10.6	14.5	17.5	0.2	0.2	0.1
Min. of Tourism	3.7	3.9	15.5	0.1	0.1	0.1
Min. of Environment, Science,						
and Technology	46.6	58.2	74.4	0.9	0.8	0.6
Min. of Private Sector Development 2/	...	...	0.5	...	...	0.0
Infrastructure	159.2	223.3	203.0	3.0	3.0	1.6
Min. of Works and Housing	37.9	49.3	44.9	0.7	0.7	0.4
Min. of Roads and Highways	121.3	125.7	112.6	2.3	1.7	0.9
Ghana postal services	...	4.8	...	...	0.1	0.0
Min. of Transp. and Communications 3/	...	43.5	45.5	...	0.6	0.4
Social Services	1,018.0	1,403.7	2,205.1	18.9	18.7	17.7
Min. of Education (excl. Ed. Trust Fund)	782.6	1,112.1	1,657.3	14.5	14.8	13.3
Min. of Empl. and Social Welfare	15.4	28.6	37.6	0.3	0.4	0.3
Min. of Youth and Sports	15.8	17.5	26.8	0.3	0.2	0.2
Min. of Communications 3/	23.5	...	...	0.4	...	0.0
National Comm. for Civic Education	7.0	12.3	14.4	0.1	0.2	0.1
National Comm. for Culture	9.0	10.7	11.4	0.2	0.1	0.1
Min. of Health	164.2	221.6	455.3	3.0	2.9	3.7
National Media Comm.	0.5	0.9	0.8	0.0	0.0	0.0
Min. of Women Affairs 2/	...	...	1.6	...	...	0.0
Public safety	301.3	421.5	655.2	5.6	5.6	5.3
Min. of Justice	17.4	17.5	17.2	0.3	0.2	0.1
Min. of Defense	119.9	166.1	286.9	2.2	2.2	2.3
Comm. on Human Rights and						
Administration Justice	3.4	5.3	10.0	0.1	0.1	0.1
Judicial service	0.0	26.1	36.2	0.0	0.3	0.5
Min. of Interior	160.7	206.4	285.0	3.0	2.7	2.3
Contingency	...	...	...	...	...	...

Sources: Ministry of Finance; and Office of the Controller Accountant General.

1/ New functional classification based on the medium-term expenditure framework was introduced across all ministries in 1999.

Data reported excludes donor financed expenditure.

2/ New ministry established in 2001.

3/ Ministry reclassified in 2000.

Table 24. Ghana: Distribution of Outstanding Central Government Domestic Debt, 1993-2001
(In billions of cedis, unless otherwise indicated; end of period)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Domestic debt	616.6	674.8	875.6	2,628.7	3,500.8	4,495.5	5,797.3	7,842.4	10,194.6
Monetary authorities	450.5	450.6	611.6	1,924.1	1,924.8	1,919.2	2,175.4	3,088.2	2,729.5
Deposit money banks	0.3	0.3	0.3	74.1	737.0	1,417.8	2,270.9	2,825.6	4,009.8
Social security fund	94.5	78.3	70.4	54.9	52.5	71.5	71.5	71.5	130.5
Financial intermediaries 1/	71.3	145.6	193.3	575.6	786.5	1,087.0	1,279.5	1,857.1	3,324.8
Memorandum item:									
Domestic debt (as a percent of GDP)	16.8	13.6	11.8	11.7	15.6	18.5	21.8	28.9	26.8

Source: Bank of Ghana.

1/ Total debt held by financial intermediaries and the nonfinancial sector.

Table 25. Ghana: Operations of the Social Security and National Investment Trust, 1993-2001
(In millions of cedis)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Contributions 1/	86,100	83,352	115,685	170,062	211,370	253,146	372,782	458,838	728,349
Central government	54,030	39,820	54,698	76,272	78,690	64,825	153,170	163,270	...
Others	32,070	43,532	60,988	93,790	132,680	188,321	219,612	295,568	...
Investment income	18,850	27,345	38,604	79,577	120,910	171,316	215,351	230,075	315,299
Rents	...	...	...	1,900	2,300	4,300	4,457	6,477	12,455
Dividends	...	...	...	22,500	34,400	6,700	20,241	20,535	33,480
Ghana Government bonds	...	...	...	6,100	6,100	400	260	7,979	9,437
Corporate loans	...	...	...	24,500	45,000	103,300	108,786	45,947	23,423
Student loans	...	...	...	7,600	14,200	25,900	33,272	50,921	86,723
Term deposits and Treasury Bills	...	...	...	13,600	18,400	24,900	36,645	27,943	85,017
Other income	...	...	...	3,377	510	5,816	11,690	70,273	64,764
Total revenue	104,950	110,697	154,290	249,639	332,280	424,462	588,133	688,913	1,043,648
Administrative expenditures	9,933	17,766	20,299	30,500	49,500	70,846	86,788	144,338	184,670
Wages and salaries	4,957	9,769	9,314	12,294	16,270	25,210	39,316	57,555	...
Other	4,977	7,896	10,985	18,206	33,230	45,636	47,472	64,132	...
Transfers to households	3,321	81,242	13,545	20,800	33,300	45,369	62,347	95,462	133,484
Lumpsum under old provident fund	704	1,129	2,004	2,483	2,369	2,960	4,429	5,931	7,491
Pensions 2/	—	2,618	6,995	11,541	18,317	31,015	42,409	89,531	125,993
Exceptional expenditure 3/	...	...	...	0	0	126,791	120,908	0	0
Total expenditure	13,254	99,008	33,844	51,300	82,800	243,006	270,043	239,800	318,154
Excess of revenue over expenditure	91,696	11,689	120,446	198,339	249,480	181,456	318,090	449,113	725,494
Fund yield (nominal, in percent) 4/	...	...	...	14.0	13.8	15.6	17.4	21.9	...
Fund ratio 5/	...	...	...	9.92	8.90	7.83	8.90	10.20	...
Assets	...	...	...	601,200	929,400	1,065,303	1,433,331	1,843,871	2,655,810
Property investments	...	...	...	91,200	132,300	105,500	131,841	232,617	314,361
Real estate under construction	...	...	...	89,000	192,700	286,800	403,757	382,040	374,289
Equity holdings	...	...	...	129,100	163,400	250,500	280,806	506,707	552,674
Ghana Government bonds	...	...	...	51,600	51,600	71,503	71,503	71,503	115,503
HFC mortgage bonds	...	...	...	20,400	26,900	9,800	33,698	60,068	91,198
Corporate loans	...	...	...	144,900	259,000	154,400	208,224	202,452	243,096
Student loans	...	...	...	30,500	50,100	126,400	185,715	280,996	441,578
Short-term investments 6/	...	...	...	44,500	53,400	60,400	117,787	107,488	523,111

Source: Social Security Administration and National Investment Trust (SSNIT).

1/ Combined employer/employee contributions.

2/ Retirement, disability, death, and survivor benefits.

3/ Provisions made on account of bad outstanding loans.

4/ Nominal return on total portfolio of investments, as reported by SSNIT.

5/ Net fund divided by total expenses, as reported by SSNIT.

6/ Call deposits, term deposits, Treasury Bills, and short-term corporate loans.

Table 26. Ghana: Summary of Financial Operations of Major State-Owned Enterprises, 1993-2001 (continued)
(In millions of cedis, unless otherwise indicated)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total for Electricity Corporation of Ghana, Volta River Authority, and Tema Oil Refinery									
Revenue and expense transactions									
A Revenue	146,146	179,246	310,423	477,393	1,073,768	1,408,221	2,105,286	3,585,865	5,686,936
B Operating and general expenses	...	...	...	...	...	...	1,996,421	5,233,989	5,972,404
C <i>Of which</i> : depreciation	...	...	...	...	...	...	262,654	456,162	494,357
D Interest charges	...	...	...	...	...	...	154,454	262,241	566,845
E Exchange rate loss on debt stock	...	...	...	...	...	...	401,172	1,027,363	31,099
F Costs (B+D+E)	115,933	162,519	285,241	498,846	1,120,445	1,489,226	2,552,047	6,523,592	6,570,348
<i>Of which</i> : wages and salaries	11,729	10,131	...	...	35,746	76,412	103,319	...	...
G Other operating items	...	...	...	...	...	...	-3,362	-160,003	-1,795
H Exceptional items	...	...	...	...	...	...	-71,064	62,545	27,663
I Net profit (A-F+G+H) 3/	...	...	...	...	...	...	-521,187	-3,035,186	-857,544
J Net cash outflow from investments	...	...	...	...	...	...	398,888	2,276,578	1,993,516
K Financing gap (J-I-C)	...	...	...	...	...	...	657,420	4,855,602	2,356,702
Assets and liabilities (book values)									
L Total assets	...	...	...	...	...	...	9,441,319	15,875,558	18,477,475
M Current liabilities	...	...	...	...	...	...	1,584,271	4,860,255	4,533,314
N Medium-term loans	...	...	...	...	...	...	26,976	36,372	176,988
O Long-term loans	...	...	...	...	...	...	1,747,275	3,918,813	5,293,755
<i>Of which</i> : foreign loans	...	...	...	...	...	...	1,747,275	3,918,813	4,314,053
P Other liabilities	...	...	...	...	...	...	199,733	386,446	721,662
Q Total equity	...	...	...	...	...	...	233,438	233,438	233,438
<i>Of which</i> : government equity	...	...	...	...	...	...	233,438	233,486	233,438
Surplus (L-M-N-O-P-Q)	...	...	...	...	...	...	5,649,625	6,440,233	7,518,318
Memorandum items									
Tax paid	263	631	644	...	17	38	...	...	...
Dividend payments	...	...	...	...	...	...	...	...	...
Transfers from government	...	...	...	...	...	...	...	...	...
Total for largest four state-owned enterprises 3/									
Revenue	167,863	201,483	347,405	519,879	1,117,396	1,497,095	2,220,189	3,722,982	5,912,483
Costs	147,538	208,964	354,049	577,598	1,224,045	1,624,034	2,791,388	7,137,508	6,871,028
<i>Of which</i> : wages and salaries	17,287	16,505	...	...	49,455	97,165	...	...	...
Profit 4/	20,325	-7,481	-6,644	-57,719	-106,649	-126,939	-571,199	-3,414,525	-958,545
Total for all state-owned enterprises									
Revenue	...	...	1,278,834	1,944,719	2,760,998	3,840,693	4,587,827	6,621,542	...
Costs	...	...	1,295,258	2,003,151	2,836,537	3,803,353	5,040,041	...	...
<i>Of which</i> : wages and salaries	...	...	...	...	...	...	...	...	...
Profit 4/	...	...	-16,424	-58,432	-75,539	37,340	-452,214	...	...
Memorandum items:									
Tax paid	4,127	5,594	8,997	1,055	7,075	20,373	29,186	53,862	...
Dividend payments	500	7,104	2,885	3,800	4,517	4,797	7,604	10,200	...
Transfers from government	...	...	...	...	...	...	...	...	...

Sources: State Enterprise Commission, and staff estimates.

1/ Ghana Cocoa Board figures are staff estimates based on annual crop-year accounts ending September 30.

2/ Ghana Cocoa Board revenues are net of export duty paid on cocoa.

3/ Includes Electricity Corporation of Ghana, Volta River Authority, Tema Oil Refinery, and Ghana Water Company Limited.

4/ Numbers are not adjusted for other operating items and exceptional items.

Table 27 Ghana: Monetary Survey, 1995-2002
(In billions of cedis, unless otherwise specified, end of period)

	1995	1996	1997	1998	1999	2000 1/	2001 1/	2002 1/ Dec. Prov.
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.
Bank of Ghana								
Net foreign assets	51	28	92	580	151	-373	524	2265
(in millions of U.S. dollars)	35	16	41	247	43	-53	72	266
Net domestic assets	572	871	1111	885	1867	3453	3521	3502
Claims on government (net)	114	289	134	1120	1529	3238	2076	2867
Claims on deposit money banks	8	9	33	51	313	337	787	260
Claims on nonbank sector (including public enterprises)	189	146	76	20	53	22	5	227
Bank of Ghana bills (-)	-657	-518	-195	0	0	0	0	0
Other items net; assets +	917	945	1062	-222	136	487	758	739
Reserve money (R.M.)	623	899	1203	1486	2018	3080	4044	5767
Currency outside banks	546	721	982	1165	1586	2636	3090	4672
Bank reserves	69	169	212	310	415	425	932	1056
Nonbank deposits	8	10	9	12	18	19	23	40
Deposit money banks 2/								
Net foreign assets	409	610	720	529	88	-14	942	2034
Reserves	107	201	219	310	415	425	932	1056
Cash	39	46	58	60	86	118	195	273
Deposits with Bank of Ghana	67	154	162	250	328	308	736	783
Bank of Ghana bills	564	475	178	0	0	0	0	0
Credit from Bank of Ghana	-18	-29	-44	-32	-313	-337	-787	375
Domestic credit	362	699	1936	3165	5114	7834	10147	12601
Claims on government (net)	-76	-39	635	1342	2164	2750	3913	5687
Claims	0	90	681	1418	2271	2826	4010	5797
Deposits	76	129	46	76	107	75	97	110
Claims on nongovernment 3/	438	738	1301	1823	2950	5084	6234	6914
Of which: in foreign currency	47	90	331	454	995	1687	2014	2256
Other items net; assets +	-331	329	-679	-1156	-1960	-3316	-4099	-5408
Total deposits	1093	1627	2330	2816	3343	4593	7135	10657
Monetary Survey								
Net foreign assets	460	638	812	1109	239	-387	1466	4299
Net domestic assets	1188	1719	2508	2884	4708	7635	8782	11069
Domestic credit	666	1134	2146	4261	6532	10463	12123	15738
Claims on government (net)	39	249	769	2426	3693	5988	5989	8554
Claims on nongovernment 3/	627	885	1377	1835	2839	4475	6134	7185
Bank of Ghana bills held by nonbanks	-33	-37	-17	0	0	0	0	0
Other items net; assets +	555	622	379	-1377	-1824	-2829	-3341	-4669
Broad money (M2+) 4/								
Currency	546	721	982	1165	1586	2636	3090	4672
Deposits	1101	1637	2339	2828	3361	4613	7158	10696
Of which: foreign currency deposits	318	531	729	672	970	1943	2374	3553
Memorandum Item:								
Broad money (12-month change in percent)	40.80	39.70	40.80	20.2	23.9	46.5	41.4	50.0
Excluding foreign currency deposits (cedi M2)	37.40	37.40	41.90	28.1	19.8	33.4	48.4	50.0
Reserve money (12-month change in percent)	35.10	44.30	33.80	23.5	35.8	52.6	31.3	42.6
Currency/M2+ ratio	0.33	0.31	0.30	0.29	0.32	0.36	0.30	0.30
Velocity (GDP/average of M2+)	5.59	5.56	4.95	4.82	4.79	4.46	4.48	3.94
Reserve money multiplier (M2+/R.M.)	2.64	2.62	2.76	2.69	2.45	2.35	2.53	2.66

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

1/ New definition of Bank of Ghana net foreign assets starting December, 2000. According to the previous definition, net foreign assets were -148 million US dollars at end 2000.

2/ From December 1996, the coverage was increased from 11 to 17 banks.

3/ Private sector and public enterprises

4/ Includes all foreign currency deposits held in commercial banks.

Table 28. Ghana: Monetary Authorities, 1995-2002
(In billions of cedis)

	1995	1996	1997	1998	1999	2000	2001	2002
	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec.	Dec. Prov.
Net foreign assets	50.9	28.3	92.5	580.1	151.3	-373.1	523.9	2,265.0
(In millions of U.S. dollars)	35.1	16.2	41.1	247.3	42.8	-32.9	71.6	266.4
Net domestic assets	572.2	870.9	1,110.6	906.2	1,867.1	3,453.1	3,520.5	3,502.0
Claims on government (net)	114.4	288.7	132.7	1,084.6	1,529.0	3,237.8	2,075.8	2,867.0
Claims on government	608.7	613.2	772.1	1,919.2	2,175.4	3,237.8	2,477.5	3,334.2
Treasury bills	4.2	10.3	13.4	11.2	272.7	331.8	317.4	1,036.0
Ghana stocks	17.1	12.1	14.3	14.9	9.5	7.7	267.0	405.0
Government overdrafts	152.9	0.0	0.0	0.0	0.0	1,005.2	0.0	0.0
Long-term government stocks	434.6	590.7	590.7	590.7	590.7	590.7	590.7	590.7
Government deposits	494.3	324.5	484.7	834.6	646.4	0.0	401.7	467.1
Claims on deposit money banks	8.3	9.4	33.0	31.9	313.3	336.6	786.7	-374.7
Claims on nonbank sector (including public enterprises)	189.1	146.5	76.5	11.5	-111.4	-608.5	-99.6	270.7
Claims on public enterprises	151.9	135.8	71.9	35.6	52.8	22.0	4.7	226.7
Of which: claims on Cocoa Board	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
claims on Ghana National Petroleum Corporation	...	128.0	62.6	0.0	0.0	0.0	0.0	0.0
other	0.0	7.8	9.3	0.0	0.0	0.0	0.0	0.0
Claims on private sector	0.0	0.0	0.0	26.8	32.2	39.9	52.7	72.2
Claims on other financial institutions	37.2	10.7	4.6	-50.9	-196.5	-670.3	-157.0	-28.2
Bank of Ghana bills (-)	-656.8	-518.2	-194.9	0.0	0.0	0.0	0.0	0.0
Held by banks	-623.9	-481.5	-178.4	0.0	0.0	0.0	0.0	0.0
Held by nonbanks	-32.9	-36.7	-16.5	0.0	0.0	0.0	0.0	0.0
Other items net (assets +)	917.1	944.6	1,062.3	-221.9	136.3	487.1	757.6	738.9
Reserve money	623.1	899.2	1,203.1	1,486.3	2,018.4	3,080.0	4,044.4	5,767.0
Currency outside banks	546.3	720.0	981.8	1,164.6	1,586.0	2,635.5	3,089.9	4,671.6
Bank reserves	68.9	168.6	212.4	310.0	414.6	425.2	931.8	1,055.8
Cash	39.2	43.4	57.5	60.2	86.2	117.5	195.4	272.8
Deposits	29.7	125.4	154.8	249.8	328.4	307.7	736.4	783.0
Nonbank deposits	7.9	9.6	8.9	11.7	17.8	19.3	22.8	39.5
<i>Memorandum item:</i>								
Exchange rate (cedis/US\$)	1,449.3	1,740.4	2,250.4	2,345.9	3,535.0	7,047.7	7,321.9	8,503.8

Source: Bank of Ghana

Table 29. Ghana: Deposit Money Banks, 1995-2002 1/
(In billions of cedis)

	1995 Dec.	1996 Dec.	1997 Dec.	1998 Dec.	1999 Dec.	2000 Dec.	2001 Dec.	2002 Dec. Prov.
Net foreign assets (In millions of US dollars)	409.0 282.2	610.1 350.5	719.7 319.8	528.7 225.4	87.6 24.8	-13.8 -2.0	941.7 128.6	2,033.9 239.2
Reserves	106.7	201.3	212.4	310.0	414.6	425.2	931.8	1,055.8
Cash	39.2	46.3	57.6	60.2	86.2	117.5	195.4	272.8
Deposits with Bank of Ghana	67.5	154.9	154.8	249.8	328.4	307.7	736.4	783.0
Bank of Ghana bills	564.1	475.3	178.4	0.2	0.0	0.0	0.0	0.0
Credit from Bank of Ghana	-17.6	-29.4	-33.0	-31.9	-313.3	-336.6	-786.7	374.7
Domestic credit	362.1	698.9	1,935.8	3,165.0	5,114.1	7,834.0	10,147.1	12,600.7
Claims on Government (net)	-75.7	39.5	635.1	1,341.6	2,164.1	2,750.4	3,913.2	5,686.7
Claims	0.3	89.2	681.1	1,417.8	2,270.9	2,825.6	4,009.8	5,797.0
Deposits	76.0	128.7	45.9	76.3	106.8	75.1	96.7	110.2
Claims on nonbank private sector (including public enterprise)	437.8	738.3	1,300.6	1,823.4	2,950.1	5,083.6	6,234.0	6,913.9
Claims on public enterprises	36.4	48.3	56.7	136.2	413.9	1,205.8	1,714.5	892.4
Cocoa financing	8.1	9.1	87.3	47.9	69.9	42.1	47.7	157.5
Credit to private sector	393.3	680.9	1,156.6	1,639.3	2,466.3	3,835.8	4,471.7	5,864.0
of which: In foreign currency	46.7	90.0	331.0	454.4	994.7	1,687.1	2,014.0	2,256.0
(in millions of U.S. dollars)	...	51.7	147.1	193.7	281.4	239.4	275.1	265.3
Other items net (assets +)	-330.8	328.8	-683.5	-1,155.6	-1,959.8	-3,315.6	-4,098.6	-5,408.2
Total deposits	1,093.3	1,627.3	2,329.7	2,816.4	3,343.3	4,593.3	7,135.3	10,657.0
Demand deposits	371.1	502.2	776.5	982.5	939.2	861.7	2,009.1	3,506.9
Savings and time deposits	404.3	594.0	823.8	1,161.4	1,433.6	1,788.4	2,752.3	3,596.7
Foreign currency deposits (in millions of U.S. dollars)	318.0 219.4	531.1 305.2	729.3 324.1	672.4 286.6	970.5 274.5	1,943.2 275.7	2,373.9 324.2	3,553.3 417.9
<i>Memorandum item:</i>								
Exchange rate (cedis/US\$)	1,449.3	1,740.4	2,250.4	2,345.9	3,535.0	7,047.7	7,321.9	8,503.8

Source: Bank of Ghana

1/ In 1996, the coverage was increased from 11 to 17 banks.

Table 30. Ghana: Distribution of Bank Loans and Advances to Public Institutions and the Private Sector, 1992-2001

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
(In billions of cedis; end of period)										
Agriculture, forestry, and fishing 1/	14.7	17.3	24.4	42.1	79.7	154.2	221.2	340.1	486.5	587.8
Mining and quarrying	2.5	3.2	5.4	6.5	29.0	66.3	90.7	167.0	279.3	248.5
Manufacturing	37.9	51.2	86.6	129.3	227.1	295.8	445.1	717.1	1417.0	1185.7
Construction	27.0	32.8	43.6	50.8	72.2	131.0	202.3	257.2	340.8	419.9
Electricity, gas, and water	3.4	5.8	6.2	6.3	14.3	20.8	75.5	122.0	230.2	243.7
Commerce	44.5	66.1	89.3	137.2	199.1	432.6	463.1	704.4	1281.4	2164.2
Imports	12.5	14.9	18.9	23.6	34.5	58.8	99.3	128.4	275.1	221.9
Exports	9.0	12.3	20.0	44.6	58.5	51.4	35.4	90.8	114.9	147.4
Domestic 2/	23.0	38.8	50.4	69.0	106.1	322.4	328.5	485.2	891.4	1794.8
Transport, storage, and communications	5.6	6.9	8.3	8.0	13.7	21.5	37.6	76.5	154.6	216.2
Services	11.0	13.8	18.6	33.2	68.3	121.2	155.9	268.6	458.2	579.7
Miscellaneous	4.6	10.1	12.9	19.2	29.0	50.5	116.2	231.0	396.0	502.5
Total	151.3	207.2	295.3	432.6	732.4	1,293.9	1,807.6	2,883.9	5,044.0	6,148.2
(Shares in total; in percent)										
Agriculture, forestry, and fishing 1/	9.7	8.4	8.3	9.7	10.9	11.9	12.2	11.8	9.6	9.6
Mining and quarrying	1.6	1.5	1.8	1.5	4.0	5.1	5.0	5.8	5.5	4.0
Manufacturing	25.1	24.7	29.3	29.9	31.0	22.9	24.6	24.9	28.1	19.3
Construction	17.9	15.8	14.8	11.7	9.9	10.1	11.2	8.9	6.8	6.8
Electricity, gas, and water	2.3	2.8	2.1	1.5	2.0	1.6	4.2	4.2	4.6	4.0
Commerce	29.4	31.9	30.3	31.7	27.2	33.4	25.6	24.4	25.4	35.2
Imports	8.3	7.2	6.4	5.5	4.7	4.5	5.5	4.5	5.5	3.6
Exports	5.9	5.9	6.8	10.3	8.0	4.0	2.0	3.1	2.3	2.4
Domestic 2/	15.2	18.7	17.1	16.0	14.5	24.9	18.2	16.8	17.7	29.2
Transport, storage, and communications	3.7	3.3	2.8	1.8	1.9	1.7	2.1	2.7	3.1	3.5
Services	7.3	6.7	6.3	7.7	9.3	9.4	8.6	9.3	9.1	9.4
Miscellaneous	3.0	4.9	4.4	4.4	4.0	3.9	6.4	8.0	7.9	8.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
(Annual percentage of changes)										
Agriculture, forestry, and fishing 1/	18.4	17.3	41.5	72.4	89.2	93.4	43.5	53.7	43.0	20.8
Mining and quarrying	111.5	28.8	69.5	21.1	345.8	128.6	36.8	84.1	67.2	-11.0
Manufacturing	64.8	34.9	69.1	49.3	75.7	30.2	50.5	61.1	97.6	-16.3
Construction	87.9	21.2	33.0	16.5	42.2	81.4	54.5	27.1	32.5	23.2
Electricity, gas, and water	116.7	70.5	5.5	1.6	128.4	45.7	263.1	61.6	88.7	5.9
Commerce	71.8	48.6	35.2	53.6	45.2	117.3	7.1	52.1	81.9	68.9
Imports	110.7	19.2	26.6	24.7	46.5	70.4	68.8	29.3	114.3	-19.3
Exports	89.2	37.8	62.0	122.9	31.2	-12.1	-31.2	156.8	26.5	28.3
Domestic 2/	51.2	68.8	29.9	36.9	53.8	203.8	1.9	47.8	83.7	101.3
Transport, storage, and communications	5.1	22.7	21.3	-3.4	69.8	57.1	75.4	103.3	102.1	39.8
Services	54.0	24.7	35.2	78.7	105.6	77.4	28.6	72.3	70.6	26.5
Miscellaneous	57.8	120.3	27.1	48.9	51.1	74.1	130.1	98.8	71.4	26.9
Total	61.1	36.9	42.6	46.5	69.3	76.7	39.7	59.5	74.9	21.9

Source: Bank of Ghana.

1/ Excludes loans and advances to the Ghana Cocoa Board.

2/ Includes loans and advances to the Ghana Cocoa Board.

Table 3.1. Ghana: Reserve Ratios of Commercial Banks, March 1995-December 2002
(In billions of cedis, unless otherwise indicated, end-of-period figures)

Deposits Subject to Reserve Ratios	Actual Reserves			Reserve Ratios (in percent)							
	Cash	Other Assets 1/	Total	Cash		Actual	Other Assets 1/		Total		
				Minimum	Time 3/		Minimum	Actual	Actual	Excess	
				Demand 2/							
1995											
March	654.1	60.0	437.7	505.7	5.0	5.0	9.2	52.0	66.9	76.1	19.1
June	720.2	72.3	447.6	519.9	5.0	5.0	10.0	52.0	62.1	72.2	15.2
September	836.4	78.1	427.4	505.5	5.0	5.0	9.3	52.0	51.1	60.4	3.4
December	954.4	109.1	468.2	577.3	5.0	5.0	11.4	52.0	49.1	60.5	3.5
1996											
March	996.9	100.1	500.0	600.1	5.0	5.0	10.0	52.0	50.2	60.2	3.2
June 4/	1,121.0	97.6	707.0	803.5	5.0	5.0	8.7	52.0	63.1	71.8	14.8
September	1,221.6	110.8	542.0	652.8	5.0	5.0	9.1	52.0	44.4	53.4	-3.6
December	1,311.8	152.8	626.3	779.0	10.0	10.0	11.6	47.0	47.7	59.4	2.4
1997											
March	1,376.4	180.2	722.3	902.5	5.0	5.0	13.1	47.0	52.5	65.6	13.6
June	2,154.7	172.6	1,161.1	1,333.7	8.0	8.0	8.0	35.0	53.9	61.9	18.9
September	2,264.6	197.9	973.8	1,171.7	8.0	8.0	8.7	35.0	43.0	51.7	8.7
December	2,319.4	273.5	1,120.4	1,393.9	8.0	8.0	11.8	35.0	48.3	60.1	17.1
1998											
March	2,526.2	250.8	1,325.9	1,576.8	8.0	8.0	9.9	35.0	52.5	62.4	19.4
June	2,679.7	281.9	1,419.9	1,701.8	8.0	8.0	10.5	35.0	53.0	63.5	20.5
September	2,798.7	293.9	1,467.5	1,761.4	8.0	8.0	10.5	35.0	52.4	62.9	19.9
December	3,028.9	376.7	1,585.3	1,962.0	8.0	8.0	12.4	35.0	52.3	64.8	21.8
1999											
March	3,355.0	292.8	1,778.7	2,071.5	8.0	8.0	8.7	35.0	53.0	61.7	18.7
June	3,471.2	374.1	1,967.8	2,341.9	8.0	8.0	10.8	35.0	56.7	67.5	24.5
September	3,798.1	408.6	1,975.8	2,384.4	8.0	8.0	10.8	35.0	52.0	62.8	19.8
December	4,275.7	534.4	2,107.8	2,642.2	8.0	8.0	12.5	35.0	49.3	61.8	18.8
2000											
March	4,647.7	510.3	2,372.7	2,882.9	8.0	8.0	11.0	35.0	51.1	62.0	19.0
June	5,514.9	642.2	2,458.0	3,100.2	8.0	8.0	11.6	35.0	44.6	56.2	13.2
September	6,210.5	693.2	2,411.5	3,104.7	9.0	9.0	11.2	35.0	38.8	50.0	6.0
December	6,842.9	797.5	2,618.8	3,416.8	9.0	9.0	11.7	35.0	38.3	49.9	5.9
2001											
March	6,895.0	780.5	2,800.7	3,581.2	9.0	9.0	11.3	35.0	40.6	51.9	7.9
June	7,123.0	811.4	3,226.1	4,037.5	9.0	9.0	11.4	35.0	45.3	56.7	12.7
September	7,336.8	852.4	3,742.7	4,595.2	9.0	9.0	11.6	35.0	51.0	62.6	18.6
December	7,861.9	941.8	3,963.8	4,905.6	9.0	9.0	12.0	35.0	50.4	62.4	18.4
2002											
March	8,619.8	966.5	4,379.1	5,345.6	9.0	9.0	11.2	35.0	50.8	62.0	18.0
June											
September											
December											

Sources: Bank of Ghana; and staff estimates.

1/ Comprises treasury bills, government securities, Bank of Ghana bills, cocoa bills, grain cotton bills, and export finance bills.

2/ Cash reserve requirements on demand deposits.

3/ Cash reserve requirements on time and savings deposits.

4/ In June 1996, First Atlantic and Metro Allied were added.

Table 32. Ghana: Interest Rate Structure of Banks, December 1997-December 2002
(In percent per annum)

	1997	1998	1999	2000	2001				2002			
	Dec.	Dec.	Dec.	Dec.	March	June	Sep.	Dec.	March	June	Sep.	Dec.
Money market rates 1/												
Govt. of Ghana/Bank of Ghana instruments												
91-day	42.48	26.75	31.49	38.00	39.21	42.06	33.96	26.99	23.39	24.87	24.46	24.80
180-day	38.60	24.44	26.00	41.99	37.00	...	...	...	24.24	25.17	23.54	23.93
1-year	42.80	19.12	22.31	31.00	31.14	...	...	...	25.76	26.34	26.96	22.00
2-year	33.50	...	...	...	...	...	...	...	...	...	...	...
Bank of Ghana prime rate	...	...	...	...	...	...	...	...	24.5	24.5	24.5	24.5
Bank of Ghana rediscount rate	45.00	37.00	27.00	27.00	27.00	27.00	27.00	27.00	...	...	...	...
Commercial bank rates 2/												
Demand deposits	6.69	4.75	8.50	16.75	16.75	16.50	16.50	13.50	8.00	7.50	8.00	8.00
Savings deposits	27.68	16.50	13.00	18.00	18.00	18.00	18.00	14.50	12.00	10.90	9.50	13.00
Time deposits												
3-month	36.21	29.50	20.50	33.50	33.50	32.50	31.50	23.25	16.00	14.75	15.75	18.00
6-month	36.04	26.63	20.75	28.00	27.55	29.30	27.50	21.25	14.25	14.75	14.25	19.00
12-month	35.00	25.50	18.75	26.25	26.25	26.25	22.25	20.00	14.75	14.00	14.25	20.00
24-month	27.17	24.88	...	15.00	16.50	19.75	15.00	...	...	...	...	...
Certificates of deposit	32.60	25.25	18.75	27.75	27.75	30.00	32.75	18.00	14.00	14.75	14.75	14.75
Lending rates												
Agriculture	42.22	36.00	36.50	47.00	47.00	47.00	47.25	44.00	37.50	34.00	36.00	38.50
Export trade	42.88	38.00	36.50	47.00	47.00	47.00	47.25	44.00	37.50	34.00	36.00	38.50
Manufacturing	44.22	38.00	36.50	47.00	47.00	47.00	47.25	44.00	37.50	34.00	36.00	38.50
Mining and quarrying	44.39	39.00	36.50	47.00	47.00	47.00	47.25	44.00	37.50	34.00	36.00	38.50
Construction	45.00	38.75	36.50	47.00	47.00	47.00	47.25	44.00	37.50	34.00	36.00	38.50
Other sectors	46.35	40.50	36.50	47.00	47.00	47.00	47.25	42.50	37.50	34.00	36.00	38.50

Source: Bank of Ghana.

1/ Discount rates on financial instruments; end-period data.

2/ Weighted average of monthly lending and deposit rates.

Table 33. Ghana: Balance of Payments, 1994-2002
(In millions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000 Prov.	2001 Prov.	2002 Prov.
Exports f.o.b.	1,226.7	1,431.2	1,810.2	1,810.2	2,090.9	2,005.5	1,936.0	1,867.2	2,064.5
Cocoa	320.2	389.5	552.0	470.0	620.5	552.3	436.8	381.2	463.3
Other	906.5	1,041.7	1,258.2	1,340.2	1,470.4	1,453.2	1,499.2	1,486.0	1,601.2
Imports f.o.b.	-1,579.9	-1,684.5	-2,295.5	-3,041.3	-2,918.0	-3,251.8	-2,758.6	-2,831.2	-2,714.1
Oil	-171.1	-188.3	-258.0	-233.9	-215.0	-333.3	-520.1	-516.8	-508.0
Non-oil	-1,408.8	-1,496.2	-2,037.5	-2,807.4	-2,703.0	-2,918.5	-2,238.5	-2,314.4	-2,206.1
Trade balance	-353.2	-253.2	-485.3	-1,231.0	-827.1	-1,246.3	-822.6	-964.0	-649.6
Services (net)	-383.6	-424.1	-210.9	-319.5	-285.5	-269.3	-246.4	-182.2	-213.8
Freight and insurance (net)	-106.9	-115.8	-148.8	-237.1	-205.4	-225.8	-167.6	-184.2	-186.7
Investment income (net)	-110.9	-133.0	-143.5	-133.7	-151.9	-162.7	-146.8	-107.8	-109.8
Other services	-165.8	-175.3	81.4	51.3	71.8	119.2	68.0	109.8	82.7
Unrequited transfers (net)	471.8	523.2	481.7	559.7	741.3	620.2	649.6	863.2	901.0
Official	200.8	260.0	205.6	159.7	287.5	148.2	154.0	262.8	220.6
Private	271.0	263.2	276.1	400.0	453.8	472.0	495.6	600.4	680.4
Current account balance	-265.0	-154.2	-214.5	-990.7	-371.3	-895.5	-419.4	-282.9	37.6
Capital account balance	428.8	251.1	200.5	1,052.7	605.9	629.0	296.3	281.1	1.7
Official capital (net)	228.5	135.5	350.7	499.9	348.9	126.1	97.0	103.7	-114.8
Long-term loans	245.3	210.6	233.1	256.7	244.3	176.4	173.3	103.7	-114.8
Inflows	345.5	283.7	287.3	290.7	290.8	240.4	288.0	391.4	194.7
Amortization	-100.2	-73.1	-54.2	-34.0	-46.5	-64	-114.7	-287.7	-309.5
Medium-term loans	-16.8	-75.1	117.6	243.2	104.6	-50.3	-76.3	103.7	-114.8
Inflows	113.2	216.9	273.5	439.3	344.3	210.67	224.6	391.4	194.7
Amortization	-130.0	-292.0	-155.9	-196.1	-239.7	-261	-300.9	-287.7	-309.5
Private capital (net)	205.8	259.2	70.0	55.3	-10.3	17.6	65.3	88.3	50.0
Direct investments	233.3	106.5	120.0	81.8	55.7	62.6	110.3	56.3	50.0
Other	-27.5	152.7	-50.0	-26.5	-66.0	-45.0	-45.0	32.0	0.0
Short-term capital (net)	-22.2	62.7	-135.2	-62.0	111.4	247.8	38.69	-111.0	-50.6
Errors and omissions	16.7	-206.2	-84.9	559.5	155.9	237.5	95.3	200.1	117.1
Overall balance	163.8	96.9	-14.0	61.9	234.7	-266.5	-123.1	-1.8	39.4
Financing	-163.8	-96.9	14.0	-61.9	-234.7	266.5	123.1	1.8	-39.4
IMF (net)	-83.0	-65.0	-85.6	-165.6	-27.2	-15.1	-1.7	1.1	53.9
Payments arrears	0.0	-34.9	-100.2	0.0	0.0	62.0	27.0	60.8	-60.8
Bilateral balances	3.2	3.0	0.0	0.0	0.0	3.3	-0.2	0.0	0.0
Other	-84.0	0.0	199.8	103.7	-207.5	216.3	98.1	-60.0	-32.5
Memorandum items:									
Change in net foreign assets 1/	-164.0	-228.6	4.9	-52.1	-139.1	204.5	95.7	-124.5	-194.8
Change in gross reserves 1/	-163.3	-99.3	108.2	103.7	-69.7	233.1	52.2	-79.4	-285.8

Sources: Bank of Ghana, and staff estimates.

1/ Minus sign represents an increase.

Table 34. Ghana: External Trade Indices, 1994-2002
(1990 = 100, unless otherwise indicated)

	1994	1995	1996 1/	1997 1/	1998 1/	1999	2000 Prov.	2001 Prov.	2002 Prov.
Exports 2/									
Price index	97.0	113.7	116.4	116.5	121.2	106.7	102.0	99.7	112.0
Percentage change	11.7	17.2	2.4	0.1	4.1	-11.9	-4.4	-2.3	12.3
Volume index	141.0	140.5	173.5	173.3	192.4	209.6	211.6	208.9	205.7
Percentage change	3.3	-0.4	23.5	-0.1	11.0	8.9	1.0	-1.3	-1.5
Value index	136.8	159.6	201.9	201.9	233.2	223.7	215.9	208.3	230.3
Percentage change	15.3	16.7	26.5	0.0	15.5	-4.1	-3.5	-3.6	10.6
Imports 2/									
Price index	98.0	99.5	99.8	94.0	88.0	89.5	102.6	95.6	98.4
Percentage change	2.0	1.5	0.3	-5.8	-6.4	1.7	14.6	-6.7	2.9
Volume index	139.5	146.6	199.0	280.1	287.0	314.4	232.8	256.2	238.7
Percentage change	-10.3	5.0	35.8	40.7	2.5	9.6	-26.0	10.0	-6.8
Value index	136.7	145.8	198.7	263.2	252.6	281.5	238.8	245.0	234.9
Percentage change	-8.6	6.6	36.3	32.5	-4.1	11.4	-15.2	2.6	-4.1
Terms of trade									
Price index	99.0	114.2	116.6	123.9	137.7	119.2	99.5	104.2	113.8
Percentage change	9.5	15.4	2.0	6.3	11.1	-13.4	-16.6	4.8	9.1

Sources: Ghanaian authorities; and staff estimates.

1/ Trade data revised in 1999.

2/ Price and value indices are in terms of U.S. dollars.

Table 35. Ghana: Value, Volume, and Unit Price of Exports, 1995-2002
(In millions of U.S. dollars, unless otherwise specified)

	1995	1996	1997	1998	1999	2000 Prov.	2001 Prov.	2002 Prov.
Cocoa beans	361	480	385	542	497	380	317	386
Volume (metric tons)	237,262	349,052	261,251	327,327	346,768	348,031	310,476	305,000
Unit value (U.S. dollars per ton)	1,522	1,375	1,473	1,655	1,434	1,092	1,021	1,266
Cocoa products	28	72	85	79	55	57	64	77
Volume (metric tons)	13,864	45,382	53,265	48,380	39,859	40,539	59,143	61,500
Unit value (U.S. dollars per ton)	2,050	1,592	1,600	1,629	1,379	1,402	1,085	1,255
Aluminum	...	...	...	...	186	212	206	158
Volume (metric tons)	...	...	...	...	137	137	144	117
Unit value (U.S. dollars per ton)	...	...	...	...	1,360	1,550	1,433	1,350
Sheanuts	1	4	7	8	7	4	3	3
Volume (metric tons)	3,000	21,467	32,018	32,782	32,498	25,044	28,146	13,552
Unit value (U.S. dollars per ton)	260	209	210	241	212	152	109	219
Coffee	1	1	4	8	8	5	4	4
Volume (metric tons)	2,000	869	3,144	6,811	6,719	6,053	5,493	6,300
Unit value (U.S. dollars per ton)	602	1,631	1,145	1,212	1,155	810	660	598
Timber and timber products	191	147	172	171	174	175	169	182
Volume (cubic meters)	590,000	364,771	442,017	416,164	432,358	498,843	476,502	472,427
Unit value (U.S. dollars per cubic meter)	323	403	389	411	402	351	355	385
Gold	647	612	580	688	711	702	618	689
Volume (fine ounces)	1,689,470	1,584,378	1,747,018	2,346,918	2,550,766	2,503,858	2,274,862	2,226,496
Unit value (U.S. dollars per ounce)	383	387	332	293	279	280	272	309
Diamonds	15	13	11	11	9	12	21	21
Volume (carats)	645,100	634,192	562,651	556,590	487,522	666,193	878,384	1,018,417
Unit value (U.S. dollars per carat)	23	21	20	19	18	18	23	21
Bauxite	10	8	11	7	8	13	16	15
Volume (metric tons)	526,335	383,612	536,732	341,121	355,762	503,825	680,241	663,076
Unit value (U.S. dollars per ton)	20	22	20	22	21	26	24	22
Manganese	6	7	12	12	22	29	37	32
Volume (metric tons)	200,000	229,227	355,232	375,426	656,007	929,502	1,109,562	1,282,536
Unit value (U.S. dollars per ton)	32	31	33	32	33	31	33	25
Residual oil	17	22	...	19	55	51	58	50
Volume (metric tons)	156,007	196,100	...	226,143	485,106	257,174	398,056	393,865
Unit value (U.S. dollars per ton)	111	113	...	83	113	199	145	126
Electricity	53	58	68	26	17	20	18	31
Volume (millions of kilowatt-hours)	2,456	2,573	2,887	460	361	390	346	593
Unit value (thousands of U.S. dollars per kilowatt-hour)	22	23	23	57	47	50	52	52
Other non traditional exports	100	145	157	228	249	226	245	363

Source: Bank of Ghana.

Table 36. Ghana: Direction of Trade, 1995-2001
(In percent of total)

	Exports							Imports						
	1995	1996	1997	1998	1999	2000	2001	1995	1996	1997	1998	1999	2000	2001
Industrial countries	77.0	74.3	71.5	72.9	70.6	68.5	67.1	56.9	60.4	58.8	56.3	55.0	51.6	43.7
France	8.4	8.1	7.5	5.8	4.6	4.2	4.6	3.5	3.9	4.8	2.7	7.7	3.7	4.8
Germany, Federal Republic of	12.9	9.9	10.3	7.6	5.6	7.2	7.3	7.5	5.3	5.9	5.0	5.6	4.4	4.3
Italy	3.9	9.3	3.4	12.4	9.9	4.6	4.0	3.5	7.1	3.7	9.2	3.9	11.5	3.5
Japan	4.3	4.2	5.0	3.7	3.3	2.9	2.9	4.0	3.3	2.5	2.6	2.9	1.4	1.8
Netherlands	3.6	2.8	8.2	9.0	11.3	16.0	13.9	5.0	3.0	4.0	4.6	5.0	4.3	3.7
United Kingdom	15.8	17.3	13.0	13.2	12.9	8.9	11.4	16.2	16.0	14.8	11.9	9.6	8.9	7.7
United States	12.4	10.5	9.4	7.9	10.4	13.2	12.1	6.7	10.0	10.3	7.2	8.1	6.5	7.4
Other	15.6	12.2	14.8	13.3	12.4	11.6	10.9	10.4	11.8	12.8	13.1	12.2	10.7	10.5
Other European	14.8	11.8	13.9	12.4	11.7	10.7	9.8	8.5	9.0	9.6	10.8	9.5	8.2	7.6
Rest of the world	18.0	20.0	22.2	20.8	22.7	22.8	23.2	42.1	38.6	40.2	42.6	43.7	46.9	54.6

Source: IMF, *Direction of Trade Statistics*.

Table 37. Ghana: Services and Transfers Account, 1996-2001
(In millions of U.S. dollars)

	1996		1997		1998		1999		2000		2001	
	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit
Total services and transfers	935.1	-664.4	1,017.3	-783.5	1,226.0	-754.3	1,120.7	-740.4	1,187.8	-759.2	1,430.6	-749.6
Total services	437.2	-648.2	447.6	-767.1	467.6	-737.2	482.7	-722.6	519.7	-740.7	548.0	-730.2
Freight and merchandise insurance	60.6	-209.4	46.3	-283.4	43.2	-248.6	45.1	-270.9	46.7	-222.6	49.4	-233.6
Other transportation	48.2	-74.2	50.2	-77.6	52.4	-80.9	54.7	-80.9	56.8	-83.9	59.6	-80.9
Travel	248.8	-22.4	265.6	-23.4	284.0	-24.4	304.0	-25.5	334.4	-111.5	351.3	-105.4
Investment income	23.5	-163.5	26.7	-160.5	26.7	-162.7	15.0	-148.3	15.6	-128.7	16.3	-124.1
IMF charges	0.0	-11.1	0.0	-8.3	0.0	-2.4	0.0	-1.7	0.0	-1.6	0.0	-2.2
Interest medium and LT loans	23.5	-118.4	26.7	-117.2	26.7	-129.7	0.0	-117.9	0.0	-103.8	0.0	-97.3
Other official interest payments	0.0	-7.0	0.0	-7.0	0.0	-5.2	0.0	-3.3	0.0	-4.4	0.0	-2.0
Private suppliers' credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.0	0.0	-1.9	0.0	-2.1
Banking loans	0.0	-15.3	0.0	-15.3	0.0	-11.2	0.0	-8.8	0.0	-0.8	0.0	-2.5
Profit and dividends	0.0	-11.7	0.0	-12.7	0.0	-14.2	0.0	-15.6	0.0	-16.2	0.0	-18.0
Government (n.i.e.)	12.4	-92.8	13.0	-110.0	13.5	-110.3	14.0	-89.4	14.5	-82.4	16.3	-68.1
Other services	43.7	-85.8	45.8	-112.1	47.8	-110.3	49.9	-107.6	51.7	-111.6	55.1	-118.1
Total transfers	497.9	-16.2	569.7	-16.4	758.4	-17.1	638.0	-17.8	668.1	-18.5	882.6	-19.4
Official	215.6	-10.0	169.7	-10.0	297.9	-10.4	159.0	-10.8	165.2	-11.2	274.6	-11.8
Private	282.3	-6.2	400.0	-6.4	460.5	-6.7	479.0	-7.0	502.9	-7.3	608.0	-7.6

Sources: Bank of Ghana; and staff estimates.

Table 38. Ghana: Clearing Accounts Under Bilateral Payments Agreements, June 1996–June 2002
(In millions of U.S. dollars)

	1996		1997		1998		1999		2000		2001		2002
	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec. Prov.	June Prov.
Active accounts 1/	14.6	14.9	14.9	14.8	14.9	14.9	14.7	11.7	11.5	11.5	11.5	11.5	11.4
Bulgaria	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6	8.6
China	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cuba	5.4	5.7	5.7	5.6	5.6	5.6	5.4	2.4	2.2	2.2	2.2	2.2	2.2
Germany	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Romania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Yugoslavia	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Poland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russia	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0
Czech Republic and Slovak Republic 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hungary	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1

Source: Bank of Ghana.

1/ Minus (positive) sign indicates net debit (credit) position of Ghana.

2/ Previously Czechoslovakia.

Table 39. Ghana: External Public Debt and Debt Service, 1995-2001
(in millions of U.S. dollars)

	1995	1996	1997	1998	1999	2000	2001
Long- and medium-term debt 1/	4,686	4,696	5,007	5,267	5,524	5,763	5,893
Bilateral loans	1,711	1,479	1,556	1,579	1,840	2,069	2,139
Multilateral loans	2,975	3,218	3,451	3,687	3,684	3,694	3,754
IMF	662	548	354	321	309	296	287
Tranche policies/Compensatory and Contingency Financing Facility	115	86	34	0	0	0	0
Trust Fund/Structural Adjustment Fund and Enhanced Structural Adjustment Fund	547	462	320	321	309	296	287
Short-term loans 2/	271	285	287	0	0	89	28
Total external debt	5,618	5,529	5,648	5,588	5,833	6,148	6,208
Debt-service payments							
Principal	473	335	396	425	401	453	354
<i>Of which</i> : IMF repurchases	108	125	166	139	76	37	66
Interest	131	148	128	135	121	108	99
<i>Of which</i> : IMF charges 3/	14	— 14	11	6	3	4	2
Total debt service payments							
Including IMF	604	484	523	560	521	560	453
Excluding IMF	482	344	347	416	443	519	386

Sources: Ghanaian authorities, and staff estimates.

1/ Including medium-term debt owed by the Bank of Ghana to foreign commercial banks.

2/ Consists of short-term oil credits, Ghana Cocoa Board debt, and Bank of Ghana debt.

3/ Excluding SDR charges.

Table 40. Ghana: Exchange Rate Indicators, 1999:Q1-2002:Q4
(Period averages, unless otherwise indicated)

	Cedis per U.S. dollar				Effective Exchange rates (Index, 1995=100)			
	End of period		Period Average		Nominal		Real	
		% Change		% Change		% Change		% Change
1999	3,535.1	52.0	2,669.3	15.3	53.6	-9.3	125.7	0.5
2000	7,047.7	99.4	5,430.5	103.4	28.7	-46.3	81.1	-35.5
2001	7,321.9	3.9	7,178.6	32.2	21.8	-24.0	81.6	0.7
2002	8,503.8	16.1	7,947.0	10.7	n.a.	n.a.	n.a.	n.a.
1999								
Q1	2,439.0	4.9	2,370.0	1.6	57.8	1.7	130.4	5.3
Q2	2,500.0	2.5	2,462.7	3.9	57.2	-1.0	133.3	2.2
Q3	2,702.7	8.1	2,591.6	5.2	54.4	-4.9	130.2	-2.3
Q4	3,535.1	30.8	3,252.9	25.5	44.9	-17.4	108.9	-16.4
2000								
Q1	4,344.2	22.9	3,960.2	21.7	37.5	-16.5	95.3	-12.5
Q2	5,664.4	30.4	5,116.4	29.2	30.5	-18.8	82.6	-13.3
Q3	6,515.4	15.0	6,336.0	23.8	24.1	-20.9	71.4	-13.6
Q4	7,047.7	8.2	6,894.9	8.8	22.9	-4.9	75.2	5.2
2001								
Q1	7,204.9	2.2	7,100.5	3.0	21.6	-5.8	75.3	0.2
Q2	7,227.0	0.3	7,230.3	1.8	22.0	2.0	80.6	6.9
Q3	7,156.6	-1.0	7,164.3	-0.9	22.0	0.2	84.3	4.6
Q4	7,321.9	2.3	7,264.8	1.4	21.7	-1.3	86.4	2.6
2002								
Q1	7,690.3	5.0	7,530.8	3.7	21.3	-2.2	86.2	-0.2
Q2	8,043.4	4.6	7,918.8	5.2	19.7	-7.4	81.1	-5.9
Q3	8,187.9	1.8	8,162.5	3.1	18.3	-6.8	78.1	-3.7
Q4	8,503.8	3.9	8,372.8	2.6	n.a.	n.a.	n.a.	n.a.
2002M1	7,357.3	0.5	7,339.6	0.5	21.6	-0.1	87.1	0.5
2002M2	7,544.8	2.5	7,451.1	1.5	21.4	-1.0	86.6	-0.6
2002M3	7,690.3	1.9	7,617.5	2.2	20.8	-2.5	84.9	-1.9
2002M4	7,803.1	1.5	7,746.7	1.7	20.4	-2.2	83.2	-2.1
2002M5	7,910.1	1.4	7,856.6	1.4	19.8	-3.0	81.4	-2.1
2002M6	8,043.4	1.7	7,976.7	1.5	18.9	-4.2	78.8	-3.2
2002M7	8,135.8	1.1	8,089.6	1.4	18.3	-3.0	77.4	-1.7
2002M8	8,163.7	0.3	8,149.7	0.7	18.4	0.1	78.2	1.0
2002M9	8,187.9	0.3	8,175.8	0.3	18.3	-0.3	78.7	0.6
2002M10	8,275.4	1.1	8,231.7	0.7	18.2	-0.6	79.4	0.9
2002M11	8,339.3	0.8	8,307.4	0.9	17.9	-1.5	79.5	0.1
2002M12	8,503.8	2.0	8,421.6	1.4	n.a.	n.a.	n.a.	n.a.

Sources: Ghana Statistical Service; and staff estimates.

Table 41. Ghana: Social and Demographic Indicators

	Ghana			Sub-Saharan Africa	Low-income Countries
	1975	1985	1995-2000 1/	1995-2000 1/	1995-2000 1/
Population					
Total population, midyear (millions)	9.8	12.6	18.1	619.9	2,345.5
Growth rate (annual average in percent)	2.2	3.6	2.4	...	2.0
Urban population (population in percent) 2/	8.8	9.4	37.2	32.9	30.8
Total fertility rate (births per woman)	6.6	6.4	4.4	5.5	3.8
Population age structure (percent)					
0-14 years	45.5	45.5	44.1	44.5	37.6
15-64 years	52.0	51.8	53.3	52.5	58.1
65 and above	2.5	2.7	3.1	2.9	4.3
Life expectancy at birth (years)					
Total	51.2	55.2	59.0	48.2	58.7
Male	49.6	53.5	57.5	47.0	57.8
Female	52.9	56.9	60.7	49.4	59.7
Mortality					
Infant (per 1,000 live births)	103	85	56.4	94.0	78.4
Under age 5 (per 1,000 live births)	172	138	107.0	158.8	116.1
Adult (aged 15-59)					
Male (per 1,000 population)	430	367	297.0	471.6	283.8
Female (per 1,000 population)	355	302	249.0	424.9	252.4
Income					
Gross national income per capita (U.S. dollars)	310	360	380.0	511.7	423.3
Consumer price index (1995=100)	6	8	204.0	118.8	124.5
Food price index (1995=100)	...	8	149.7	121.3	...
Social indicators					
Public expenditure (percent of GDP)					
Health	...	...	1.6	2.3	1.2
Education	4.6	2.5	3.0	...	3.7
Social security and welfare	...	...	1.4	...	...
Health and nutrition					
Access to safe water					
(percent of population in 1990)					
Total	...	56.0	64.0	55.4	70.3
Urban	...	83.0	87.0	81.9	89.4
Rural	...	43.0	49.0	41.4	63.6
Immunization rate					
(percent of children under 12 months)					
Measles	...	34	73	57	61.2
DPT	...	29	72	59	60.9

Table 41. Ghana: Selected Social and Demographic Indicators (concluded)

	Ghana			Sub-Saharan Africa	Low Income Countries
	1975	1985	1995-2000 1/	1995-2000 1/	1995-2000 1/
Labor force					
Total labor force (in millions)	4.6	5.9	8.6	271.0	1,052.8
Participation rate (in percent)					
Male	46.7	46.5	49.4	57.8	62.4
Female	47.3	47.5	50.6	42.2	37.6
Education (1993)					
Enrollment rates (in percent of age group)					
Primary enrollment	...	...	76	...	...
<i>Of which : female</i>	...	...	70	...	...
Secondary enrollment	...	...	36	...	...
<i>Of which : female</i>	...	...	28	...	...
Literacy (percent of population 15 years and older)					
Total	36.4	51.1	68.4	58.8	60.5
Male	50.3	64.0	78.0	67.4	70.1
Female	23.0	38.6	59.1	50.5	50.7
Poverty incidence (percent of population below the poverty line) 3/					
		<u>1991/92</u>	<u>1998/99</u>		
National head count index		50.8	42.6	...	...
Urban head count index		27.5	22.8	...	...
Rural head count index		62.4	51.6	...	...

Sources: Ghana Statistical Service, *Quarterly Digest of Statistics*; IMF, *International Financial Statistics*; and the World Bank.

1/ Latest available data in the period 1995 to 2000.

2/ Percent of population living in agglomerations with 1 million inhabitants or more.

3/ Poverty line estimated at € 900,000 a year at mid-1992. Based on the living standards surveys conducted by the Ghana Statistical Service in collaboration with the World Bank during 1991-92 and 1998-99.

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
Taxes on income and profits			
1.1. Tax on companies			
1.11. Internal Revenue Act, 2000 (Act 592).	Domestic and foreign companies operating in Ghana are taxed on taxable income accruing in, derived from, brought into, or received in the country. Taxable income includes net profits, interest, royalties, and rent income of companies formed exclusively for real estate development but excludes dividends from other companies, which are taxed at 10 percent. For domestic subsidiaries of nonresident companies, a further floor for net profits exists in that the subsidiary's share of the consolidated group profits should at least be equal to the subsidiary's share of group turnover.	Exemptions include the income from cocoa farming, income of other agricultural companies during the first five years of operation, and the income of some public corporation and bodies. Deductions allowed include expenditures incurred in the production of income, including interest and rent. Losses incurred in farming are offset and carried forward. Since 1995, a loss incurred can be carried forward for the next five years following the year in which the loss was incurred. This provision is restricted to only three types of businesses, namely Farming, Mining and Manufacturing businesses that manufacture mainly for exports.	In addition to the basic rate of 32.5 percent, the following rates also apply: hotel industry - 25 percent; companies listed on Ghana Stock Exchange - 30 percent; nontraditional exports - 8 percent; rural banks - 8 percent ; and financial institutions' income from loans to farming enterprises or leasing companies - 20 percent.
		<i>Capital allowances on classes of depreciable assets</i>	
		(Percent)	
		Computers and data handling equipment 40 Transport equipment 30	
		Long-term crop planting costs 30 Mining (exploration and capital expenses) 80 1/	

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>Railroad, shipping, aircraft, utility, office</p> <p><i>Capital allowances on classes of depreciable assets</i></p> <p style="text-align: right;">(Percent)</p> <p>furniture 20</p> <p>Buildings 10</p> <p>Intangible assets 10</p>	
		<p>1/ 80 percent of the cost base of assets in the year of investment and 50 percent of balance. 5 percent of asset value is added to cost in preceding period.</p>	
		<p>Since 1995, manufacturing companies located outside Accra receive the following rebates: Accra-Tema - no rebate; all other regional capitals - 25 percent of tax liability; and all other places - 50 percent of tax liability. Location incentives do not apply to the Coy's income from non-traditional exports. It is applied to the 32.5% rate.</p>	
1.12 National Reconstruction Levy Act, 2001 (No. 597).	An additional profit tax is chargeable on pre-income tax profits of companies for 2001 and 2002.	Levy is applicable to exempted companies. Rural or Community banks are exempted.	Class A companies (large banks and insurance companies) - 10 percent; class B companies (smaller banks)-7.5 percent; and other companies-2.5 percent.
1.13 Casino tax	Tax is levied as an annual license fee on each	None.	The annual license fee is

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates						
Casino Revenue Tax Decree, 1973 (N.R.C.D. 200); Gambling Machine Decree, 1973 (N.R.C.D. 174); Casino Revenue Tax (Amendment) Decree, 1974 (N.R.C.D. 267); Gambling Machines (Amendment) Decree, 1974 (N.R.C.D. 276); Casino Revenue Tax (Amendment) Decree, 1976 (S.M.C.D. 45); Casino Revenue Tax Amendment Law 1985 (PNDC L133).	gambling table and slot machine.		C150,000 per casino table in Accra, C80,000 per casino table elsewhere, and C20,000 per slot machine for gambling.						
1.2 Taxes on individuals									
1.21 Income tax Internal Revenue Act, 2000 (Act 592).	<p>This tax is payable, subject to the deductions and exemptions noted, on income received by, or accruing to, persons in Ghana.</p> <p>In addition to wages and salaries, income includes profits, nonbank interest receipts, dividends (which are taxed at the source at 10 percent, final tax), royalties, pensions, rental income, and payments in kind (other than dental and medical costs).</p> <p>Standard assessments, now known as quarterly/monthly/daily advance tax payments, are applied to certain categories of small business owners and self-employed professionals in the course of determining their actual liabilities.</p>	<p>Exemptions include the following:</p> <ul style="list-style-type: none"> (a) income derived from cocoa production; (b) income derived from farming for an initial period of three-ten years; (c) interest on savings accounts; and (d) pensions and retirement benefits. <p>Additionally, the income of a wide variety of charitable, educational, religious, and research institutions is exempt.</p> <p>Deductions include a married person's allowance of C300,000 for those with two or more dependent children), social security contri-</p>	<table> <thead> <tr> <th data-bbox="1556 1321 1724 1346"><i>Taxable income</i></th> <th data-bbox="1751 1354 1829 1378"><i>Tax rate</i></th> </tr> <tr> <th data-bbox="1556 1354 1724 1411"><i>nonconsolidated wages</i></th> <th data-bbox="1730 1386 1850 1411"><i>(in percent)</i></th> </tr> </thead> <tbody> <tr> <td data-bbox="1556 1419 1724 1443">First C1,200,000</td> <td data-bbox="1772 1419 1808 1443">Nil</td> </tr> </tbody> </table>	<i>Taxable income</i>	<i>Tax rate</i>	<i>nonconsolidated wages</i>	<i>(in percent)</i>	First C1,200,000	Nil
<i>Taxable income</i>	<i>Tax rate</i>								
<i>nonconsolidated wages</i>	<i>(in percent)</i>								
First C1,200,000	Nil								

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
		butions (not exceeding 17.5 percent of income), and life insurance premiums (not exceeding 10 percent of the sum assured, or 10 percent of income). A deduction of C240,000 per dependent child attending secondary school is provided, up to three children. A disablement relief of 25 percent of income from self-employment is provided to disabled persons, while self-employed persons above 60 years of age are granted relief amounting to C300,000 of chargeable profits. Other deductions include 30 percent of rental income, as well as rates and mortgage interest relating to the property.	Next C1,200,000 5 Next C3,000,000 10 Next C18,600,000 15 Next C24,000,000 20 Over C48,000,000 30
1.22 Capital gains taxes Internal Revenue Act, 2000 (Act 592).	This tax is levied on realized capital gains from the sale of buildings, businesses, and business assets, including goodwill, land, stocks and shares, and other assets determined by the authorities. Realized capital gains are computed as the price received from the asset less the purchase price and allowable deductions.	In addition to deducting the original purchase price of the asset from the realized sum, deductions are allowed for the cost of improvements and alterations. Capital gains arising during a merger, amalgamation, or reorganization of companies are exempt. Capital gains arising out of the disposal of securities of companies listed on the Ghana Stock Exchange are exempt for the first 15 years of the life of the Ghana Stock Exchange.	Tax payable on the assessed capital gain is computed at a flat rate of 10 percent. Any gain up to C500,000 is exempt.
Social security contributions			

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates	
2.1 Social Security Decree, 1973 (N.R.C.D. 127).	All establishments with five or more employees are required to contribute to the Social Security and National Insurance Trust Fund. Contributions are based upon each employee's earnings, with contributions made by both employer and employee. Employees' contributions are withheld at source. Other employees and self-employed persons may enroll on a voluntary basis.	Enterprises with fewer than five employees are exempt.	<i>Contribution by:</i>	<i>Percent of employees' basic pay:</i>
			Employer	12.5
			Employee	5.0
Selective alien employment tax	Repealed in 1994.			
Taxes on property				
4.1 Death and gift taxes				
4.11 Gift tax Internal Revenue Act, 2000 (Act 592).	This tax is levied on the recipient of gifts of land, buildings, securities, or money according to a graduated rate, that increases with the total open market value of gifts received within any 12-month period.	Asset transfers under a will are exempt, as are gifts between spouses and gifts between a parent and child, and other relatives. Gifts to religious bodies and for charitable or educational purposes are also exempt. Allowable deductions include gifts received up to C 500,000 in value in any 12-month period, provided that the total value of gifts received in the last five years does not exceed C500,000 in value. Where the five-year total exceeds C500,000, tax is payable on the balance received in the latest year.	Tax is payable according to a scale that increases with the value of gifts received.	
			<i>Value of gifts (in cedis)</i>	<i>Rate of tax (percent)</i>
			0 - 500,000	Nil
			500,000 or more	10
Taxes on goods and services				
5.1 Value-added tax				

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>5.11 Value Added Tax (VAT) Act , 1998 (Act. 546), as amended (Acts 595, 579, and 629), with repeal of Customs, Excise, and Preventive Service (Management) (Amendment no. 2) Act 1995 (Act 500) and Service Tax Act , 1995 (No. 501) as amended.</p>	<p>Levied on value added, using the invoice-credit method: VAT is levied on domestic sales and imports, with deductions for VAT paid on inputs to production of taxable goods.</p> <p>Input tax credits carried forward for three months after which, at the taxpayer's option, they can be refunded for exporters.</p> <p>Threshold of ₵100 million per year for retailers only.</p>	<p>Zero rated: exports of taxable goods and services. Also, goods shipped as stores on vessels and aircrafts leaving Ghana.</p> <p>Exemptions: animal, agricultural and agrifood products in their natural state (from Ghana and other ECOWAS member countries (e.g., rice, millet, cassava, yam, guinea corn, plantains, vegetables, fruits, nuts, coffee, cocoa, shea butter, maize, sorghum, and meat). Also exempt are: agricultural and fishing inputs specific in the law; industrial and mining equipment; newspapers and books (not paper used in producing these items); petroleum, diesel and kerosene, medical, dental, and hospital services, other than veterinary services; educational and training services approved by the Ministry of Education; domestic use of electricity; supply of water (excluding bottled and distilled water); transportation services; rental of property; construction services; financial services such as insurance; issue transfer, receipt of and money</p>	<p>12.5 percent.</p>

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
5.2 Excise taxes			
5.21 Tobacco Customs and Excise Tariff, 1973; Cigarettes (Special Tax) Decree, 1976 (S.M.C.D. 40); Cigarettes Special Tax (Amendment) Decree, 1977 (S.M.C.D. 111); Cigarettes (Special Tax Law), 1983 (P.N.D.C.L. 73); Budget 1985-98. Customs and Excise (Duties and other taxes) (Amendment) 2000, Act 578.	Ad valorem excise duties are applied to all tobacco products.	None. dealing, provision of credit but excluding professional advice; and salt and mosquito nets.	Tobacco products are taxed at 140 percent of ex-factory price and the VAT rate of 12.5 percent.
5.22 Spirits and beer Customs and Excise Tariff, 1973; Beer (Special Tax) Decree, 1975 (N.R.C.D. 342); Beer and Stout (Special Tax) (Amendment) Decree, 1977 (S.M.C.D. 110); 1983 (P.N.D.C.L. 72); Budget 1985-96. Customs and Excise (Duties and other taxes) (Amendment) 2000, Act 578.	Ad valorem excise duties are applied to alcoholic beverages.	None.	Ad valorem rates of excise duty are applied to: mineral and aerated water (20 percent); beer (50 percent); spirits (25 percent); malt (5 percent); and Akpeteshi (20 percent). All alcoholic beverages are also subject to the VAT rate of 12.5 percent.
5.23 Petroleum products Budget 1998. Customs and Excise (Petroleum Taxes and Petroleum-related levies) (Amendment) 2001, Act	From February 28, 2001 onwards, specific excise duties no longer apply to petroleum products. However, earmarked levies are still collected.	None.	Specific levies are charged for the road fund (¢230 per liter on premium gasoline and gas oil), the stock fund (¢30 per liter for premium gasoline,

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
593.			gas oil, kerosene ATK and RFO) and for the exploration and energy fund (C8 per liter for premium gasoline, gas oil, kerosene, ATK, and RFO).
Taxes on international trade			
6.1 Taxes on imports			
<p>6.11 Customs duties Customs and Excise Tariff, 1973 (L.I. 838); Customs and Excise Tariff (Amendment) Regulations, 1976 (L.I. 1080); Customs and Excise Tariff (Amendment) Regulations, 1977 (L.I. 1286); Customs and Excise Tariff (Amendment) (No.2) Regulations, 1983 (L.I. 1291); Customs and Excise Tariff (Amendment) Regulations 1984 (L.I. 1309); Minerals and Mining Law, 1986 (PNDCL, No. 156) CEPS Management Law; 1993 (PNDCL, No. 330); GIPC Act, 1994 (Act No. 478); Budgets 1985-96, Budget 2001.</p>	<p>Duties are levied on most imported goods, generally as ad valorem taxes on the c.i.f. value, except for some petroleum oils under AS code 2710 which attract specific rates.</p>	<p>Exemptions are granted for special purposes. The beneficiaries of the exemptions include (but this is not an exhaustive list) imports of the Volta Aluminum Company Ltd. (VALCO), Volta River Authority, diplomats, and beneficiaries of donations for health and education purposes, as well as plant, machinery and equipment used in mining.</p> <p>Other exempted goods include: (a) items imported for purpose of exhibition at trade fairs; (b) advertising materials; (c) aircraft parts; (d) passengers' baggage and effects not for resale; (e) jute bags imported by COCOBOD; (f) agrochemicals; and</p>	<p>Ghana maintains a common tariff, based on the Harmonized System of Customs Classification. There are four ad valorem rates: 0 percent, 5 percent, 10 percent, and 20 percent.</p> <p>A 1 percent processing fee is applied to goods that are statutorily exempt from import duty (except goods imported by VALCO, VRA, diplomatic missions, British council, head of state, and technical schemes). All zero rated goods not for education, health and agriculture sectors are also liable to a 1 percent processing fee.</p>

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
		(g) foodstuff of West African origin.	
		Some items that are duty free are:	
		(a) agricultural machinery and tractors; (b) banknotes and coins; (c) crude oil; (d) educational material; (e) newsprint; (f) postage stamps; and (g) veterinary drugs;	
6.12 Customs and Excise Tariff, 2000 (Act 574), as amended by the Customs and Excise Tariff, 2001 (Act 594).	Special import tax of 20 percent was introduced in 2000 on 36 selected products. In 2001, some 32 products remained subject to the tax but the rate was reduced to 10 percent. The tax has now been abolished by Act 631.	None.	A special import tax of 10 percent is applied to certain products (for example, certain fruits and vegetables, frozen meat, and poultry and dairy products, beer, wheat, soap, cooking oil, clothing and garments).
6.13 Export Development and Investment Fund Act, 2000 (No. 582).	Export development and investment fund levy. ECOWAS Community Levy on imports originating from third countries.	Petroleum products.	0.5 percent of c.i.f. value.
6.2 Export taxes			
6.21 Cocoa export tax All laws under taxes on international trade have been consolidated into the Customs, Excise and Preventive Service (Management) Law, Part III; and Customs and Excise (duty rates	A tax is levied on the f.o.b. price received by the Ghana Cocoa Marketing Board for all cocoa exported from Ghana.	None.	The cocoa export tax rate is determined by the Minister of Finance. Usually, 100 percent of all proceeds received from cocoa exports after paying producers' costs and COCOBOD's marketing and

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates												
and taxes) Law, 1991 (P.N.D.C 262); Budget 1992-01. Customs and Excise (Duties and other taxes) (Amendment) 2000, Act 578; 2001 budget.	Destination Inspection fee.		other costs are transferred to the central budget. 1 percent of c.i.f. value.												
6.22 Budget 2001.	Tax introduced in 2001 budget on curls, logs, (squared and round), and lumber.	None.	10 percent of f.o.b. value on lumber and curls. 20 percent on logs (round or square).												
Other taxes															
7.1 Stamp duties Stamp Act, 1965 (Act 3111); Stamp Act (Amendment) Decree, 1975 (N.R.C.D. 355); and Stamp Act 1980 (S.M.C.D. 424).	Ad valorem or specific rates of tax are levied on a range of legal documents and instruments, including bills of exchange, promissory notes, bills of lading, agreements, conveyances, extracts from registers, and mortgages.	Exemptions include instruments transferring ships, transactions where the government would be liable for the stamp tax, and the transfer of company shares to a Ghanaian citizen.	Duties are both specific and ad valorem, varying with the particular instrument. Examples of rates are: <table data-bbox="1570 943 1871 1276"> <thead> <tr> <th data-bbox="1570 943 1671 967">Category</th> <th data-bbox="1759 943 1818 967">Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="1570 967 1713 992">Mineral lease</td> <td data-bbox="1724 967 1818 992">C10,000</td> </tr> <tr> <td data-bbox="1570 992 1692 1016">Agreement</td> <td data-bbox="1724 992 1755 1016">C2</td> </tr> <tr> <td data-bbox="1570 1016 1692 1040">Mortgages</td> <td data-bbox="1724 1016 1871 1089">1.0 percent of the face value</td> </tr> <tr> <td data-bbox="1570 1089 1650 1114">Checks</td> <td data-bbox="1724 1089 1776 1114">C0.1</td> </tr> <tr> <td data-bbox="1570 1114 1692 1187">Conveyance or transfer</td> <td data-bbox="1724 1114 1871 1276">C5 for every C60 of the amount or fraction thereof</td> </tr> </tbody> </table>	Category	Rate	Mineral lease	C10,000	Agreement	C2	Mortgages	1.0 percent of the face value	Checks	C0.1	Conveyance or transfer	C5 for every C60 of the amount or fraction thereof
Category	Rate														
Mineral lease	C10,000														
Agreement	C2														
Mortgages	1.0 percent of the face value														
Checks	C0.1														
Conveyance or transfer	C5 for every C60 of the amount or fraction thereof														
7.2 Other taxes not elsewhere classified															
7.21 Taxes on minerals and mining Minerals and Mining Law	The Minerals and Mining Law makes taxable any holder of a mining lease. Tax is also payable on the	Exemptions include: (a) exemption of staff from payment	Mining operations: 35 percent.												

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates	
(P.N.D.C.L. 153); Selective Alien's Employment Tax Decree, 1973 (N.R.C.D. 201, 248, and 268); Income Tax Decree, 1975 (S.M.C.D. 5); and Regulations 1986 (L.I. 1340).	carry-forward cash balance of an individual involved in mining operations. There are no tax holidays. Tax jurisdiction under S.M.C.D. 5 makes persons involved in the industry taxable on income accruing in, derived from, brought into, and received in Ghana for resident companies subject to deductions and exemptions noted.	of income tax relating to furnished accommodation at the mine site; (b) personal remittance quota for expatriate personnel free from any tax imposed by any enactment for the transfer of external currency out of Ghana; and (c) exemption from the selective alien employment tax under the Selective Alien Employment Tax Decree (N.R.C.D. 201).	Rate of royalty: 3-12 percent, depending on profitability and certain operating costs.	
7.22	Airport Tax Act, 1963, as amended 2001 (No. 596).	Payable by every passenger departing from an airport.	None.	Outside Ghana: US\$ 50. Inside Ghana: ₵10,000.
7.23	Petroleum Income Tax Law 1987 (P.N.D.C.L. 188).	This law covers all persons carrying on petroleum operations and is payable on income from the sale of petroleum less deductions	Deductions allowed: (a) rent; (b) interest paid on loans; (c) repairs of premises used for the business; (d) bad and doubtful debts; (e) contributions to a pension fund approved by the Commissioner where such contributions exceed 25 percent of the employees' remuneration, a 25 percent deduction is allowed; and (f) losses incurred during a previous year of accounting, with the deduction being a sum equal to or less than the amount of such loss.	Petroleum companies: 35 percent, unless a provision is made in a particular petroleum agreement making alternative arrangements for paying the tax at a different rate, or another tax altogether.
		An additional profit tax is chargeable on the carry-forward cash balance of a year of assessment. The qualifying expenditure governing the determination	None.	25 percent Current recommended rate of return: 17.5 percent

Table 42. Ghana: Summary of Tax System, December 2002

Tax	Nature of Tax	Exemptions and Deductions	Rates
	<p>of capital allowance under this law is deemed to have been incurred during January 1 to December 31, 1984 at a value to be determined by the Ministry of Finance and Economic Planning. The Secretary for Finance and Economic Planning has the responsibility for fixing the rate of return for the operation.</p>		

Source: Ghanaian authorities.