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Ghana: Ex Post Assessment of Longer-Term Program Engagement

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GHANA

Ex Post Assessment of Longer-Term Program Engagement

Prepared by Staff from the African, Fiscal Affairs, and Policy Development and Review Departments

Authorized for distribution by the African and Policy Development and Review Departments

May 4, 2007

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EXECUTIVE SUMMARY

During June 1995 to October 2006, Ghana had three back-to-back arrangements with the Fund: the first, covering 1995–1998, was granted under the Enhanced Structural Adjustment Facility (ESAF); the second ESAF, covering 1999–2002, was converted to the Poverty Reduction and Growth Facility (PRGF); the last PRGF covered 2003–2006. Throughout the period under review, Ghana's growth performance has been better than most relevant comparators, and poverty has been reduced.

The period under review can be divided into two distinct periods: not so successful stabilization (1995–2002), and quite successful stabilization (2003–2006):

- The first two Fund-supported programs, 1995 through 2002, were plagued by delays in mid-year reviews and eventually went off track. A number of quantitative and structural performance criteria were missed. Despite some progress in structural reform, lack of fiscal discipline led to increased indebtedness and inflationary budget financing.

- Despite recent fiscal slippage, the last program was relatively successful in improving fiscal discipline and bringing inflation under control (eventually reaching single digits in early 2007).

The assessment identifies the following three lessons for the Fund's future engagement with Ghana and other similar countries:

- Assessment of the sustainability of debt needs to be based on realistic assumptions about real growth, exports, and the real effective exchange rate. Although in recent years growth has exceeded expectations, growth projections for the early Fund programs were overly optimistic; the potential overvaluation of the exchange rate was not discussed.

- Institutions matter. Ghana's success in its reform program is largely embedded in the strengthening of institutions that allowed for greater public ownership of the reforms. The inflation reduction strategy was ultimately successful due to a strengthening of monetary institutions and because a system of checks and balances and overview mechanisms helped constrain public sector expenditures. Future Fund engagement should seek ways to support initiatives to bolster such institutions.

- Continual structural reform is essential to ensure that macroeconomic stabilization is durable. Recent fiscal slippages underscore the need to further strengthen fiscal institutions to improve expenditure control, in particular during pre-election periods. While, in other areas, many reforms are outside the Fund's area of expertise, the Fund needs to engage closely with the World Bank and other development partners to ensure that progress is made in key sectors.

In reviewing future options for engagement, **continuation of a formal relationship, whether in the form of a Policy Support Instrument (PSI) or a low-access PRGF, could help mitigate the risk of further pre-election policy slippage.** Such a program relationship would, however, need to be based on sound policies to which the authorities adhere fully.

I. Introduction

1. **Ghana is widely considered an African success story.** Thus, in a continent that has repeatedly come short of expectations, it gives hope for a better future, not only for Ghana itself but for many other countries in the region. The achievements most commonly cited are its sustained growth rate which has led to a 50 percent increase in per capita GDP over some 20 years and a marked reduction in poverty, the maturity of its democratic institutions, and the lack of major armed conflict in an otherwise difficult neighborhood.

2. **The purpose of this Ex-Post Assessment is to take a closer look at the Ghanaian experience, with particular attention to the Fund's role.** The assessment tries to identify lessons for Ghana itself and for the Fund's future engagement in Ghana and similar countries. In light of these lessons, it also discusses options for future Fund engagement in Ghana and how and when Ghana might exit from its long-term program engagement with the Fund.

3. **The assessment covers a period of about 11 years, from the approval of the 1995-1999 ESAF to the expiration of the 2003-2006 PRGF.** Besides reviewing staff reports and internal memos, the assessment team has also drawn on external research, World Bank reports, interviews with mission chiefs, and the authorities. The team leader visited Accra twice, first in December 2006 for initial discussions, then in February 2007 to present the findings.[1]

4. **The paper is organized in three main parts.** The first part reviews Ghana's economic performance, concentrating on: why inflation was persistently higher than expected; why debt became unsustainable; and whether the successes are solidly anchored or risk being reversed. The second part reviews the role of the Fund in Ghana's achievements and summarizes the main lessons. The paper concludes with an assessment of future options for Ghana and vis-à-vis the Fund.

II. Ghana's Experience

A. Overview

5. **The introduction of the Economic Recovery Program in 1983 led to a dramatic change in Ghana's economic performance.** While up to then the economy was marred by spouts of hyperinflation and declining output, Ghana's output has since exceeded that of most other sub-Saharan African countries (Figure 1). Since 1983, annual growth has averaged 4.6 percent, compared to 3.6 percent for sub-Saharan Africa. In per capita real PPP terms, the performance is even better—1.8 percent, compared to 1.0 percent in sub-Saharan Africa.

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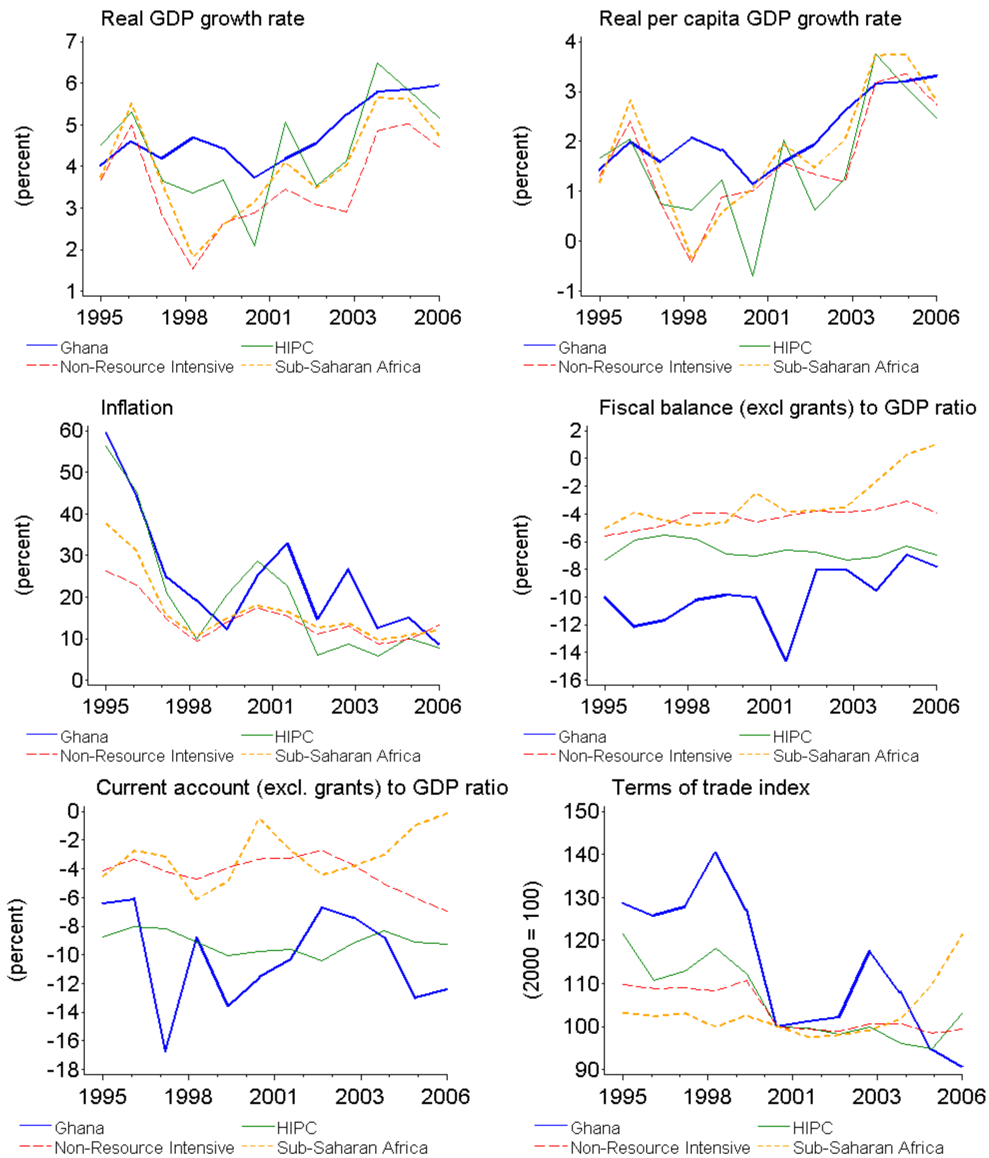
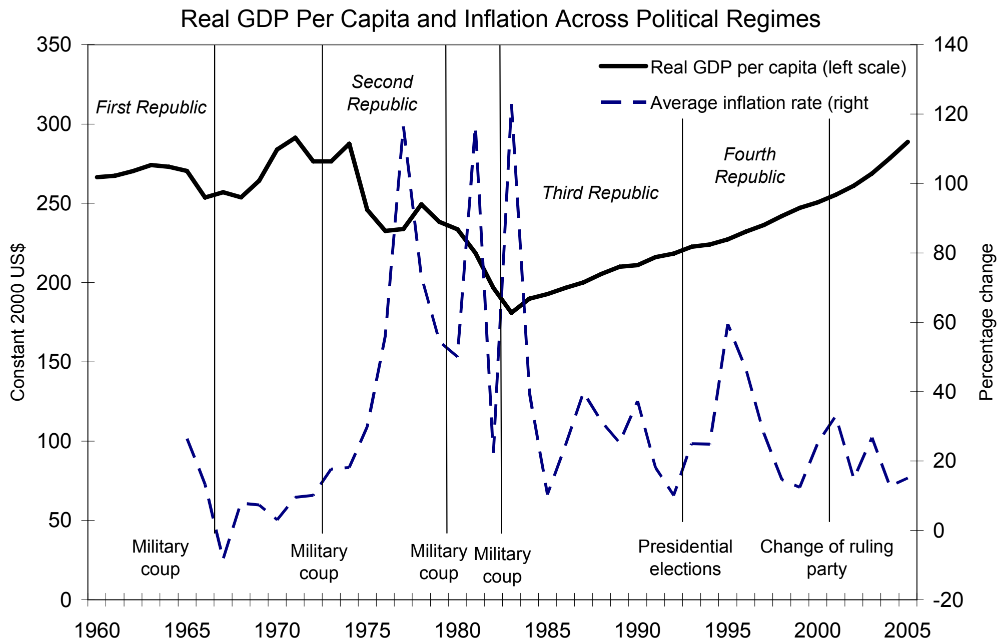
[1]The report was prepared by an interdepartmental staff team, comprising Mr. Hviding (team leader, PDR), Mr. Akitoby (FAD), Ms. Brixiova (PDR), Mr. Iossifov (AFR), and Ms. Loukoianova (AFR). A video conference was held with Dr. Osei, Deputy Minister of Finance, in mid-January 2007.

Figure 1. Ghana: Comparative Economic Performances, 1995-2006



Sources: IMF, African Department database; and IMF, World Economic Outlook.



Sources: IMF (International Financial Statistics); World Bank (World Development Indicators).

6. **The upward trend in per capita output was, however, interrupted by several severe, though temporary, setbacks.** All were the result of pre-election fiscal slippages, amplified by shortfalls in external aid. The Economic Recovery Program had brought about a sharp reduction in the inflation rate combined with stable growth and increasing current account surpluses; the first major setback came in 1992 in the run-up to the first parliamentary elections, and others followed in the two subsequent general elections. While these setbacks delayed the stabilization process and reduced average growth, the economic recovery always came back on track a few years later, often with the help of Fund-supported programs and the resumption of donor support.

7. **Thanks to rapid growth and a reduction in inequality, progress in combating poverty has been encouraging.** The number of Ghanaians living below the poverty line has dropped from 50 percent in 1990 to 42 percent in 1997 and further to 35 percent in 2003, lifting more than 1 million people above the poverty line. Moreover, Ghana is well poised to reach by 2010 the Millennium Development Goal (MDG) of reducing the incidence of poverty to half its 1990-level, and food security has improved markedly. Overall, Ghana’s social indicators compare well to other countries in sub-Saharan Africa (Tables 1 and 2). Despite these improvements, rural poverty remains a problem. Growth has largely benefited urban areas and export-oriented regions, leaving behind those regions relying mainly on subsistence agriculture. There are also large differences between regions in their access to education and health services.

Table 1. Comparison of Poverty and Social Indicators in Sub Saharan Africa, 2004.

	Life Expectancy at Birth (years)	Youth Literacy Rate (Percent of Ages 15 - 24)	Net Primary Enrollment Ratio (%)	Pop. with Sustainable Access to an Improved Water Source	Population Undernourished (% of Total)	Infant Mortality Rate (per 1,000 Live Births)	HIV Prevalence (% of Ages 15 - 49)	Internet Users (per 1,000 People)
Ghana	57.0	70.7	58	75	12	68	2.3	17
Ethiopia	47.8	…	46	22	46	110	…	2
Kenya	47.5	80.3	60	61	31	79	6.1	45
Mozambique	41.6	…	71	43	45	104	16.1	7
Nigeria	43.4	58	55	48	9	101	3.9	14
Tanzania	45.9	78.4	86	62	44	78	6.5	9
Uganda	48.4	76.6	…	60	23	80	6.7	7
Zambia	37.7	69.5	80	58	47	102	17	20
SSA [1]	46.1	71.1	…	56	30	103	6.1	19

Source: UNDP Human Development Report 2006.

[1] Sub-Saharan Africa.

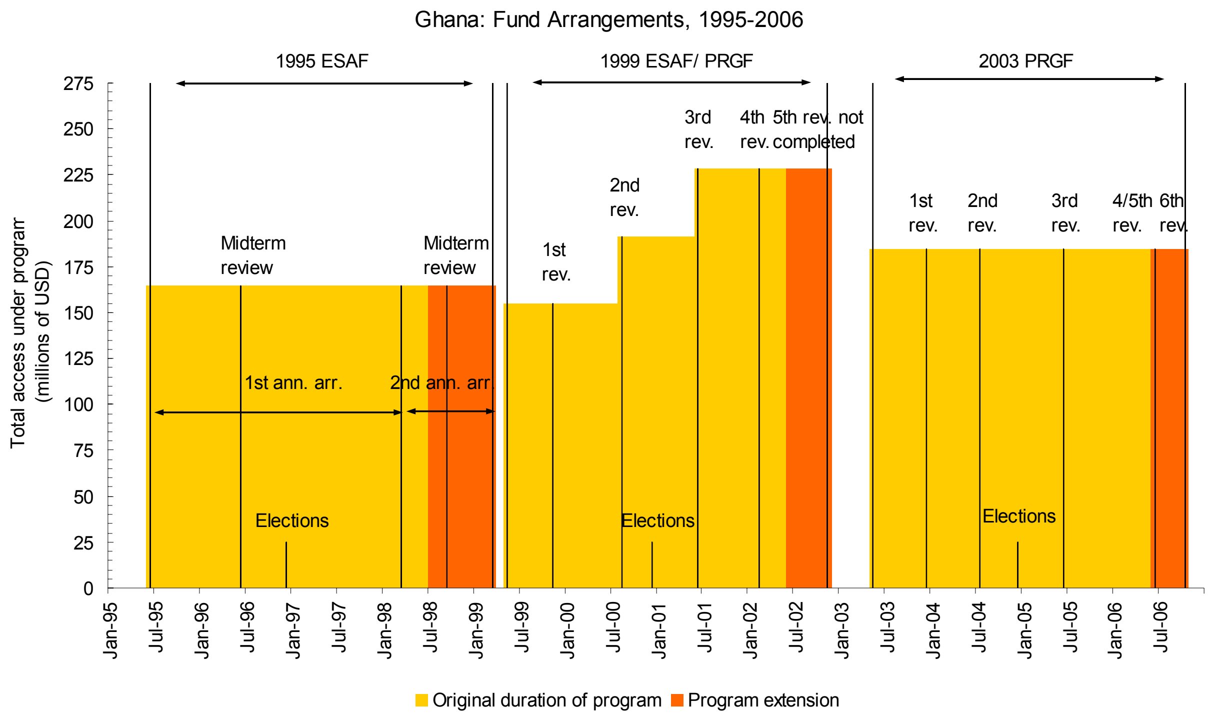
Table 2. Economic and Social Indicators in Ghana and PRGF-Eligible Countries
(In percent per annum, unless indicated otherwise)

	PRGF Eligible Countries [1]				**Ghana**			
	1985-89	1990-94	1995-99	2000-05	1985-89	1990-94	1995-99	2000-05
Real GDP per capita growth	0.9	-0.9	1.9	2.6	2.5	2.0	1.8	2.3
Inflation	8.9	17.9	8.3	5.1	26.3	23.0	32.2	21.2
Gross national saving (% of GDP)	11.5	10.3	12.5	13.0	10.0	19.4	14.8	21.8
Gross fixed capital formation (% of GDP)	16.5	18.2	18.4	19.9	11.8	24.3	21.7	24.8
Central government balance (% of GDP)	-5.2	-5.7	-3.7	-3.9	-2.6	-6.2	-8.5	-4.7
Export volume growth	1.9	6.7	7.2	6.2	11.0	9.4	10.2	2.3
Debt service ratio (actual; % of GDP)	14.6	14.9	15.3	14.7	60.2	32.0	28.1	12.9
External debt (face value, % of GDP)	57.4	76.1	81.5	78.0	38.7	62.6	82.2	118.8
Gross reserves (months of imports)	2.0	2.3	3.7	4.4	4.9	4.0	3.2	3.3
Population growth	2.9	2.7	2.5	2.4	3.1	2.8	2.3	2.4
Life expectancy (years at birth)	51.1	51.9	52.3	52.6	55.6	57.6	59.6	67.2
Infant mortality (per thousand, under age !	n.a.	148.0	140.0	134.5	n.a.	125.0	110.0	103.0
Literacy (percent of population age 15+)	n.a.	58.2	62.9	68.0	54.1	61.1	67.8	72.7

Source: WEO, IFS, WDI, and staff estimates.

[1] Median.

8. **During the review period, Ghana was engaged in three back-to-back Fund-supported economic programs.**[2] The first three-year program was supported by Enhanced Structural Adjustment Facility (ESAF). It originally covered the period 1995–1998, but was later extended to 1999. The second program was also supported by an ESAF, which was later transformed into a Poverty Reduction and Growth Facility (PRGF). It covered the period 1999-2002. The third program was supported by a PRGF. It originally covered the period 2003-May 2006, but was subsequently extended to October 31, 2006.



9. **The period from 1995 through 2006 can be thought of in terms of two sub-periods: a not so successful stabilization (1995-2002) and a quite successful stabilization (2003-2006)** (Figure 2).

- The first two three-year Fund-supported programs, covering the period 1995-2002, were plagued by review delays and eventually went off track. Disbursements under the first annual arrangement under the 1995-1999 ESAF were delayed due to nonobservance of five performance criteria, the second annual arrangement was deferred by delays in prior actions, and implementation delays precluded a third annual arrangement. During the second three-year arrangement, the 1999-2002 PRGF, all program reviews except the first one were delayed. The fifth review was not completed due to significant policy slippages.

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[2] The review covers the period from the start of the first ESAF in June 1995 to the expiration of the last program in October 2006.

- The latest PRGF arrangement (2003-2006) was successfully concluded despite some delays in completing reviews, on account of policy slippages. All reviews and disbursements under the arrangement were completed.

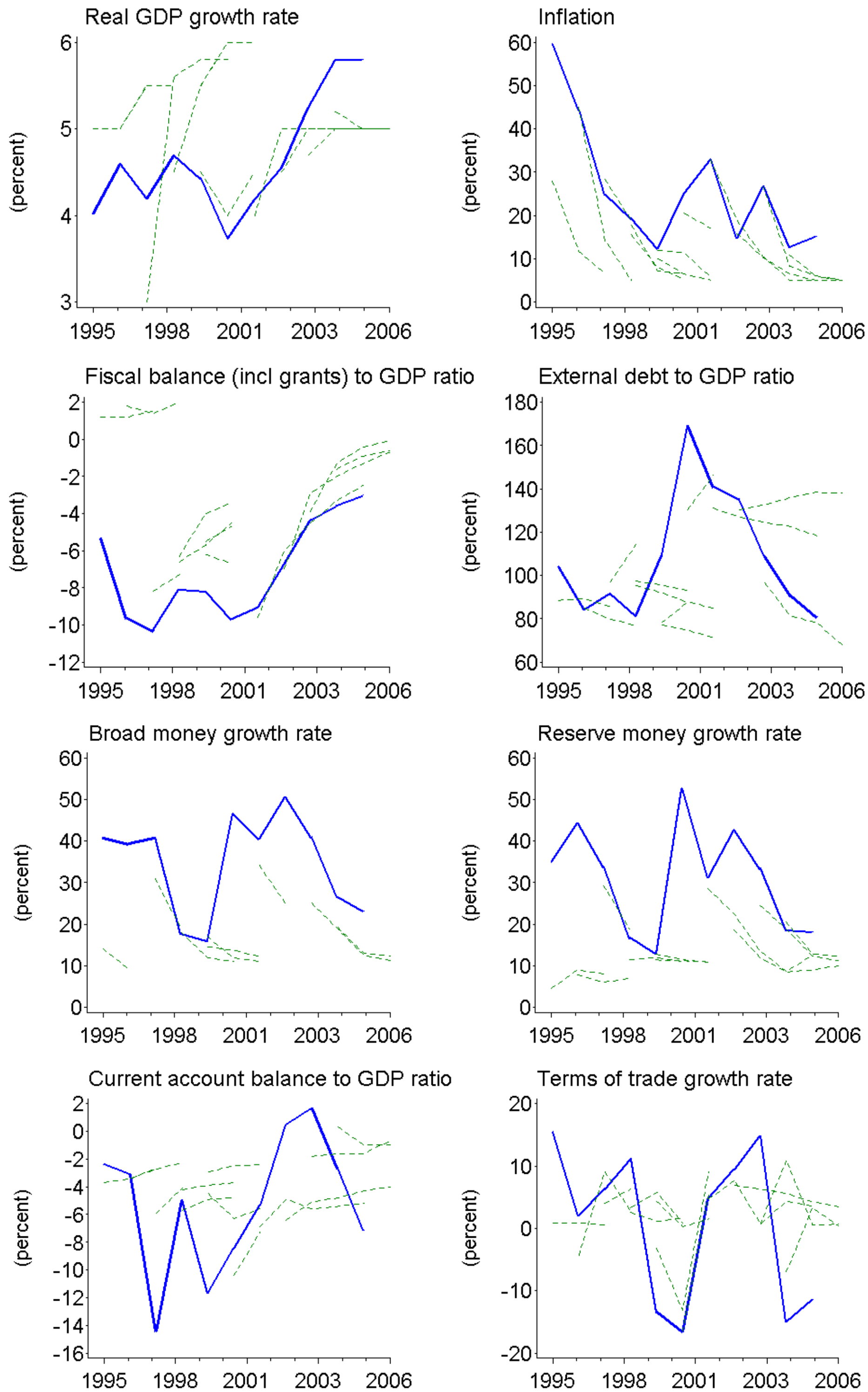
10. **After the expiration of the last program, it became apparent that fiscal performance had deteriorated markedly in the second half of 2006, reflecting excessive wage increases and utility subsidies.** Compared to a program projection of 3.6 percent of GDP, preliminary estimates suggest that the 2006 fiscal deficit may exceed 7½ percent of GDP. The authorities are, however, taking remedial action to ensure a lower deficit in 2007 (for details see the Staff Report on the 2007 Article IV Consultation).

B. What Changed in 2002/2003: Improved Policies, Luck, or a Bit of Both?

11. **Some of the improvement in Ghana's performance doubtlessly reflected better conditions for most low-income countries** (Figure 2). While Ghana's growth exceeded that of its most relevant comparators, growth increased throughout the developing world, as in Ghana, due to increased remittances, stronger commodity prices, and a surge in aid. But a closer review of the two periods suggests that most of the improved performance in Ghana can be attributed to better policies and institutions.

12. **While other factors may have played a role it seems that better policies explain most of the different responses to the two recent terms-of-trade shocks**. The recent oil price rises, which induced sharp drops in terms-of-trade, did not have the same overall economic effects as the sharp drop in cocoa prices in 1999-2000. Although the terms-of-trade fell similarly in these two episodes, the cocoa terms-of-trade shock was associated with a sharp depreciation of the exchange rate, a 2-percentage point fall in growth, a ballooning fiscal deficit, and accelerating inflation; the collapse in the cedi was thus more a reflection of the overall policy stance than the magnitude of the terms-of-trade shock. By contrast, the oil terms-of-trade shock had no noticeable impact on growth and fiscal position, and only a small direct impact on inflation. Unlike the earlier terms-of-trade shock, the authorities responded to the oil price shock with strong macroeconomic policies and contained the impact on public finances by allowing for a pass-through of the oil price increases. In the earlier cocoa terms-of-trade shock, fiscal balances worsened because of increased spending on subsidies, capital expenditures, and transfers.

Figure 2. Ghana: Summary Program Performance: 1995-2006



Solid line – actual values.

Dashed line – staff projections.

Source: IMF staff reports.

13. **In terms of macroeconomic stabilization, the most striking improvements were in the fiscal area.** Recourse to domestic financing dropped significantly: the domestic financing need of the central government moved from 4.5 percent of GDP for 1995 through 2002 to a negative 0.2 percent of GDP since. Besides increased aid, this improvement reflected advances in both expenditure management and tax administration:

- Improved expenditure management led to better allocation of expenditure to its intended uses. Three major pieces of legislation (the Financial Administration Act, Internal Audit Act, and the Procurement Act) resulted in better fiscal control and reporting was improved. A medium-term framework was introduced, and strict cash limits were imposed on different ministries (Box 1).

- The tax-to-GDP ratio rose from 14.7 percent in 1995 to 19.6 percent in 2006, largely because the tax base was broadened and compliance improved. The burden of taxation was shifted toward consumption, reducing its direct impact on factors of production.

14. **Of equal importance is the lower reliance on arrears and reduced quasi-fiscal losses.** While good data are hard to come by, staff estimates that arrears added several percentage points of GDP to public sector debt between 1995 and 2002. Quasi-fiscal activities emanating from losses in Tema Oil Refinery (TOR) were estimated at 7 percent of GDP in 2000, and there were also large losses in the electricity sector.[3] These losses, which were not fully recorded in central government accounts, led to a build up of debt owed to the state-owned Ghana Commercial Bank (GCB).

15. **Perhaps the biggest achievement of recent years, was the absence of major fiscal overruns in the run-up to the 2004 general elections**. Unlike the 1995–1998 and 1999–2002 arrangements, which were temporarily suspended due to election-related spending in the run-up to the 1996 and 2000 elections, the 2003–2006 arrangement continued uninterrupted. While there was still a slippage of about 2 percent of GDP in 2004 (measured as the difference between the fiscal outcome relative to target as a percent of GDP), it was not large enough to interrupt the trend reduction in the fiscal deficit; and the overall deficit remained moderate.

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[3] Staff Report for the 2001 Article IV Consultation, and Third Review Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria, August 9, 2001 available at www.imf.org.

Box 1. Ghana—Public Financial Management Reform

Until 2000, progress on public financial management reforms were slow, as evidenced by the recurrence of domestic arrears and the breakdown of expenditure control in the run-up to the end-2000 elections. In contrast, under the last PRGF-supported program, public financial management efforts gained significant momentum with tangible results, reflecting strong political will and donors' concerted efforts.

Regulatory framework for public finances

The regulatory framework for public finances has been strengthened**,** through the enactment of several key pieces of legislation (Financial Administration Act, Internal Audit Act, and Procurement Act).

Budget execution and reporting

- Expenditure control and the timeliness of fiscal reporting have improved. After the 2000 expenditure control breakdown, basic systems for cash planning, commitment control, and fiscal reporting have been installed and become functional, with extensive technical assistance from FAD. Moreover, external oversight of budget execution has improved through timely submission of Auditor-General reports to Parliament and the clearance of the backlog of outstanding audit reports. Since August 2005, monthly reports on budget execution have generally been completed within six weeks, although more work is needed to reduce the discrepancy between above- and below-line data and to fully cover externally-financed projects.

- The medium-term expenditure framework has been simplified (with the number of activities being reduced drastically) to adapt to the limited capacity of MDAs.

- Implementation of the computerized budget and public expenditure management system (BPEMS) has advanced, with application set-up in eight pilot Ministries, Departments, and Agencies (MDAs). Similarly, the new computerized payroll management system (IPPD2) has become functional, serving all MDAs and some pilot subvented agencies.

- A decentralized payment system is being introduced to speed up the transfer of funds to ministries, regional administrations, and district assemblies. The new payment system will help streamline treasury management and facilitate fiscal decentralization.

Legislative oversight of the budget

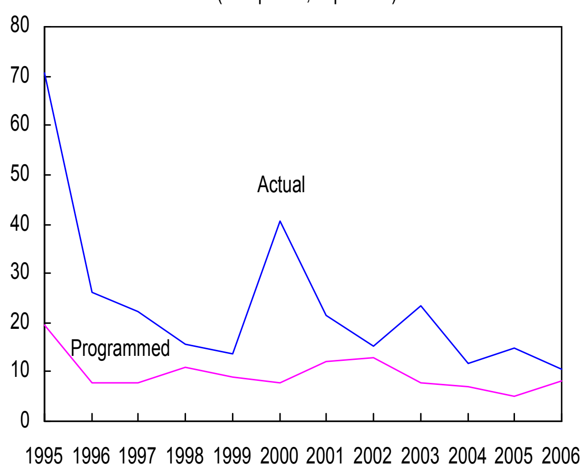
Procedures for legislative oversight are generally followed and adequate time provided for the legislature to scrutinize budget proposals. The rules for in-year amendments are also clear and generally followed, with expansion of the overall budgetary envelope requiring a supplementary budget. The Public Accounts Committee reviews the Auditor General's reports, holds hearings, and submits its report to the House within 12 months of submission of the audit reports.

Tax administration and policy

The key tax administration reforms include the creation of a Central Revenue Authority, the establishment of a Large Taxpayers' Unit, the introduction of a single Taxpayer Identification Number, the automation of customs systems. The efficiency and buoyancy of the tax system have also increased through the introduction of VAT, the reform of petroleum taxation, and a tariff reform.

16. **A significant shift in monetary management helped to strengthen economic policies.** Introduced in 2002, the new central bank law provided a more solid administrative and legal foundation for the Bank of Ghana, introducing, inter alia, limits on the central government's access to central bank finance to at most 10 percent of total expenditure, an improved auditing function, and price stability as the bank's primary objective. In addition, the Bank of Ghana introduced some elements in preparation for the introduction of inflation targeting, such as regular meetings of the monetary policy committee and the publication of economic and financial reviews. Efforts were also made to improve the Bank of Ghana's ability to forecast inflation (with the help of the Bank of England).

Programmed versus Actual Inflation, 1995-2006
(End period, in percent)



C. Why Did Inflation Stay So High for So Long?

17. **Despite a significant improvement in the monetary policy framework, monetary policy was not immediately successful in achieving its stated objectives.** The targeted single digit inflation rate was only reached after the end of the last program and was not achieved at any point during the review period. While the 1995-1999 program managed to bring inflation down close to 10 percent in 1999, this achievement was rapidly unwound in 2000 after the value of the cedi collapsed. Moreover, the deviation between target and outcome remained high: the one-year-ahead deviation of targets versus outcome fell from 12 percent in 1995-1999 to around 10 percent in the two subsequent arrangements.

18. **Until 2002, monetary policy was clearly a by-product of poor fiscal discipline.** Excessive public spending combined with a shortfall in aid inflows, and inflexible revenue streams left the authorities with only two options for financing the budget gap: domestic borrowing and central bank finance. And until 2002, there was no legal limit on how much the central government could borrow from the central bank. In several cases too, quasi-fiscal operations were financed by the central bank lending to state-held banks, which also contributed to reserve money creation; monetary control was also undermined by the misreporting of reserve monetary data in 2000 and 2001.[4] Similarly, the 1999/2000 cedi collapse and the ensuing hike in inflation was largely driven by the need to provide monetary finance for fiscal slippages and shortfalls in divestiture receipts and donor

[4] See Section III, A and Box 5.

inflows;[5] the sharp fall in cocoa prices seems mainly to have been the triggering factor for the collapse.

19. **Why did inflation not fall more rapidly and durably after 2002, when monetary policy was freed from the need to finance large budget deficits?** Even while correcting for the January 2003 petroleum price hike, which admittedly explains most of the 2003 hike, inflation remained clearly above the target.[6] Moreover, a review of program documentation shows that the higher-than-targeted inflation was not the result of errors in the assumptions underlying the monetary program. Comparing program assumptions and outcomes for the 2002-2006 period shows that excess inflation was not the result of an unexpected increase in reserve money velocity, but a result of higher-than-programmed base money growth. In fact, assumptions about reserve money velocity seemed to have erred on the side of caution as base money velocity fell faster than expected, thus limiting the impact of rapid reserve money growth on inflation.

20. **One explanation for the excessive growth of reserve money between 2002 and 2006 may be that capital inflows were not adequately sterilized.** Until 2001, the question was how to ensure sufficient external financing to fill the large current account deficit; after 2001 excess inflows allowed for accumulation of international reserves and the repayment of domestic debt. Helped by the collapse of the cedi and increased remittances, the current account deficit fell markedly and the improved policy outlook triggered a sharp scale-up in aid inflows during 2003-2006.

21. **This view is consistent with data on the sources of reserve money growth**. The text table (below) shows that, after 2002, the increase in reserve money largely came from reserve accumulation, which was incompletely sterilized by the increase in central bank securities held by the private sector. By contrast, up to 2001, the increase largely came from central bank lending to central government and the financial sector.

[5] Staff Report for the 2001 Article IV Consultation, and Third Review Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criteria, August 9, 2001 available at www.imf.org.

[6] See page 7, Staff Report for the Second Review Under the PRGF, July 19, 2004 available at www.imf.org.

Ghana: Contributions to Monetary Base Growth: 1995-2005

(Percent)

	1995 - 1999	2000 - 2002	2003 – 2005[1]
Growth rate of monetary base	35.6	47.3	17.6
Of which			
Central Bank Assets			
Net foreign assets	15.4	13.7	47.4
Claims on financial institutions (net, excl. CB-issued securities)	5.1	5.3	-6.7
Claims on general government (net)	26.9	18.7	-2.4
Claims on private sector (net)	-1.3	-0.8	-0.7
Other items (net)	-17.0	10.5	5.9
Central Bank Liabilities			
Securities	6.5	0.0	-25.9

[1] Corrected for the recognition of government liabilities to recapitalize Bank of Ghana.

Source: International Financial Statistics and authors' estimates.

22. **Exchange rate policy may also have helped limit the decrease in the inflation rate.** While there is not much doubt that macroeconomic stabilization contributed to increased exchange rate stability, the monetary authorities chose to let most of the inflows accumulate as reserves, thus offsetting some of the upward pressures on the exchange rate. Indeed, the US dollar-cedi exchange rate has become increasingly stable, particularly from mid-2004.

23. Supporting this view, **staff estimates of the real equilibrium exchange rate suggest that the 2001 exchange rate depreciation led to a significant undervaluation of the exchange rate** (Figure 3). They suggest that the exchange rate depreciation in 2000 significantly undershot its equilibrium level and that the subsequent real appreciation can be interpreted as a convergence of the actual real exchange rate to its equilibrium level (reached in early 2006). Thus, to the extent that the nominal exchange rate was kept relatively stable, the pressure to revalue the real exchange rate had to come through higher inflation: between 2002 and 2006, average yearly inflation exceeded that of Ghana's trading partners by some 13 percent.

Ghana: Nominal Exhange Rate against the US dollar, 1995-2006
(End of month)

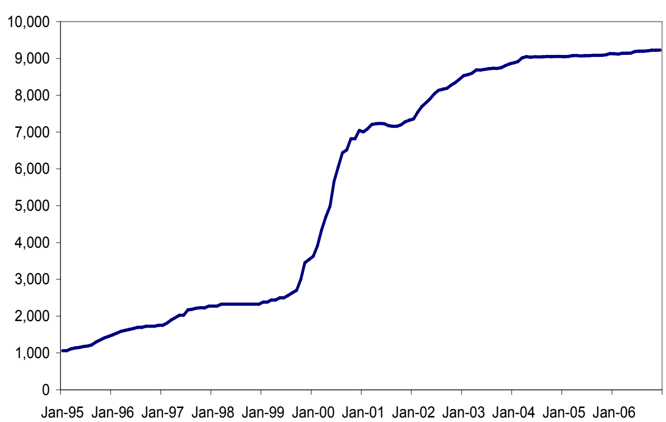
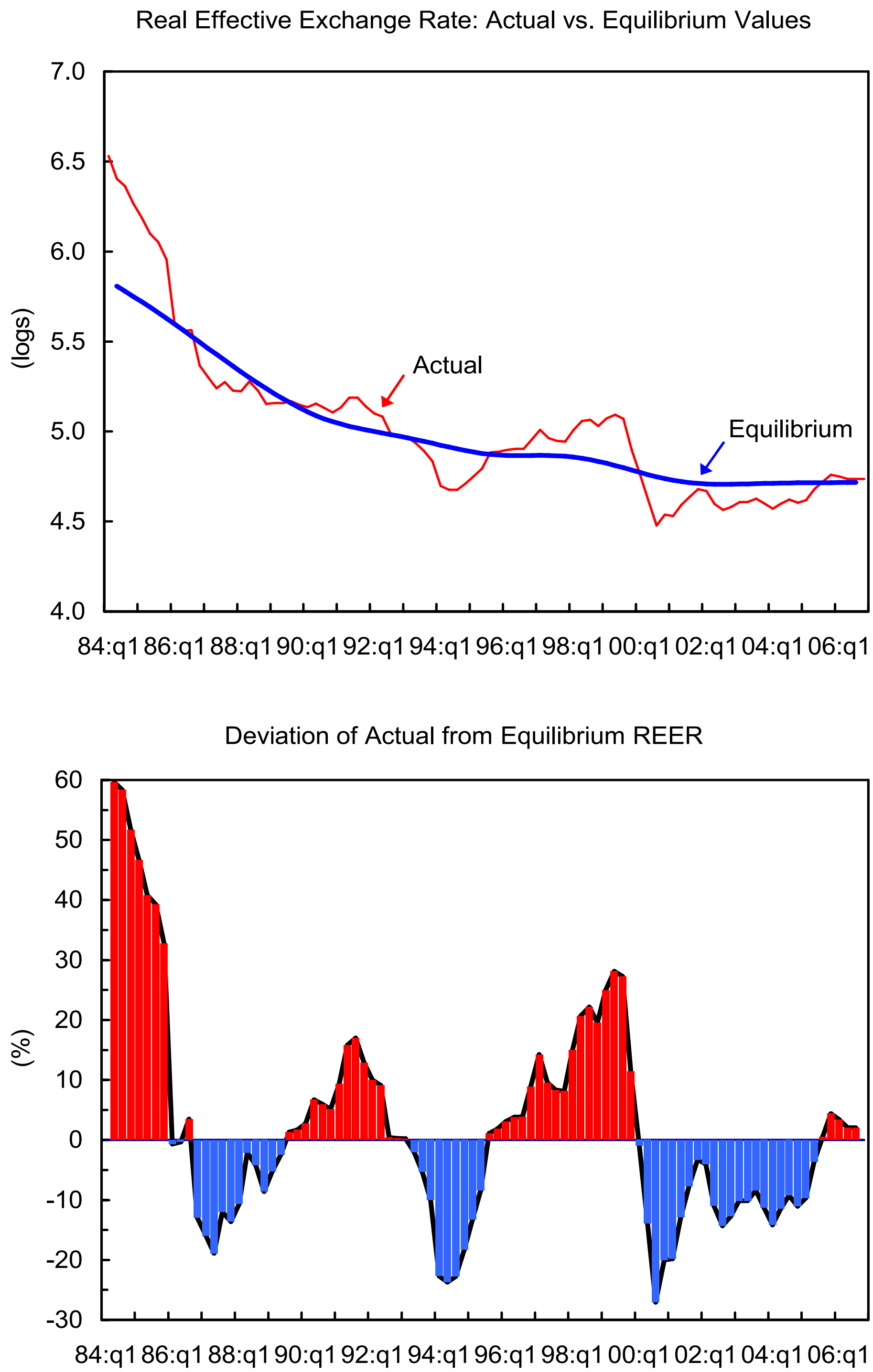


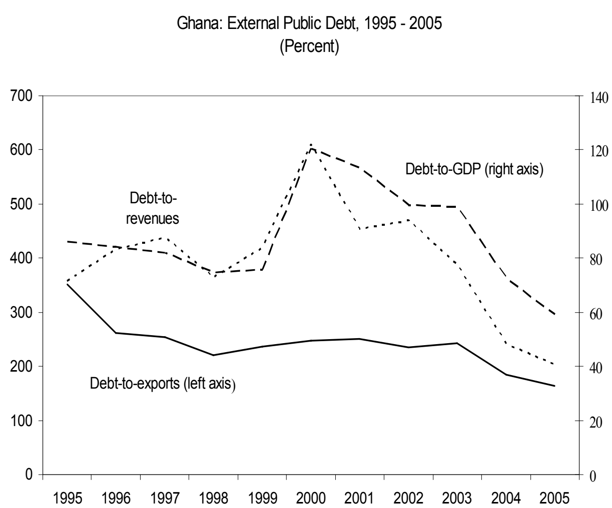
Figure 3. Ghana: Actual and Equilibrium Real Effective Exchange Rate, 1984-2006



24. **More generally, overshooting the inflation target seems to be related to the lack of a clear nominal anchor to guide inflation expectations.** Given the long period of double-digit inflation and the short track-record of the new institutions, the Bank of Ghana was faced with the difficult task of changing expectations without incurring too high economic costs. During most of the post-2000 period it was unclear whether monetary policy was steered by the monetary target (repeatedly overshot, whether broad or narrow money were targeted), the exchange rate (which continued to depreciate until mid-2004), or an inflation target (also missed, whether headline or core inflation was targeted). In addition, the piecemeal and stop-go implementation of energy price reform led to sudden energy price-movements, further undermining attempts to generate lower inflation expectations.

25. **Nevertheless, inflation has been reduced significantly and is expected to reach single digits this year.** Disinflation could possibly have been more rapid by adhering more closely to the monetary target and allowing the real exchange rate to appreciate faster, but this would—if not accompanied by a downward shift in inflation expectations—have come at the cost of lower growth. Moreover, monetary policymaking was complicated by unpredictable developments in velocity and volatile aid inflows.

D. Why Did Ghana's Public Debt Become Unsustainable?



26. **Before the recent debt relief initiatives,[7] Ghana—like most other low-income countries—was living in the shadow of an ever-increasing debt burden** (Figure 4). What is striking in the case of Ghana is that the external debt burden was considered sustainable in 1996, only to be declared unsustainable some three years later, in November 1999. The assessment that Ghana's external and public debt was unsustainable was repeated and reinforced in 2000 and 2001.[8]

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[7] The (Enhanced) Heavily Indebted Poor Country initiative (2004) and Multilateral Debt Reduction Initiative (2006).

[8] Ghana—Enhanced Initiative for Heavily Indebted Poor Countries—Preliminary Document, June 12, 2001 available at www.imf.org.

27. **A review of the evolution of public sector debt suggests that a number of factors contributed to the changed assessment of the Ghana government's ability to carry its debt**:

- Fiscal slippages and quasi-fiscal losses led to increased domestic borrowing as well as some commercial external borrowing.[9] Increased deficits were largely financed by foreign and domestic borrowing (from the banking system), and, in the earlier years, by slower repayment of arrears.

- The high cost of debt also mattered. In 1996, the limit on nonconcessional borrowing was breached, and borrowed funds (amounting to almost 1 percent of GDP) were used for poverty-reducing, but low return, public projects.

- Public enterprise liabilities were recognized. In 1999, domestic public debt was revised up by about 7 percent in GDP when debt of some public enterprises was included. External debt, on the other hand, was also revised upwards in 1996-1998 but then downwards in 2001 by a similar amount.

- The 1996 debt sustainability assessment assumed a future real growth rate of close to 7 percent.[10] Future growth in the 1999 assessment compared to (below) 6 percent[11] and 5 percent in the 2001 assessment. The reduced growth projections explain about half of the increased end-period debt projection in the 1999 assessment.

- In 2000, the large drop in the value of the cedi against the US dollar and the euro (in 2000, nearly all external debt was denominated in either one of these or SDRs), pushed up the external debt-to-GDP ratio (Figure 4). In real effective terms, the 1999/2000 cedi collapse led to an immediate depreciation of exchange rate of about 35 percent, resulting in an about equal increase in the GDP ratio of external debt, only half of which has been reversed since.

- The benchmark of acceptable debt levels was also changed. Under the Enhanced HIPC Initiative, the threshold for the net present value of external debt-to-exports ratio was lowered from 200–250 percent to 150 percent, and for net present value of external debt-to-revenues from 280 percent to 250 percent. With these changes both the debt-to-exports and to revenues ratios exceeded the thresholds.

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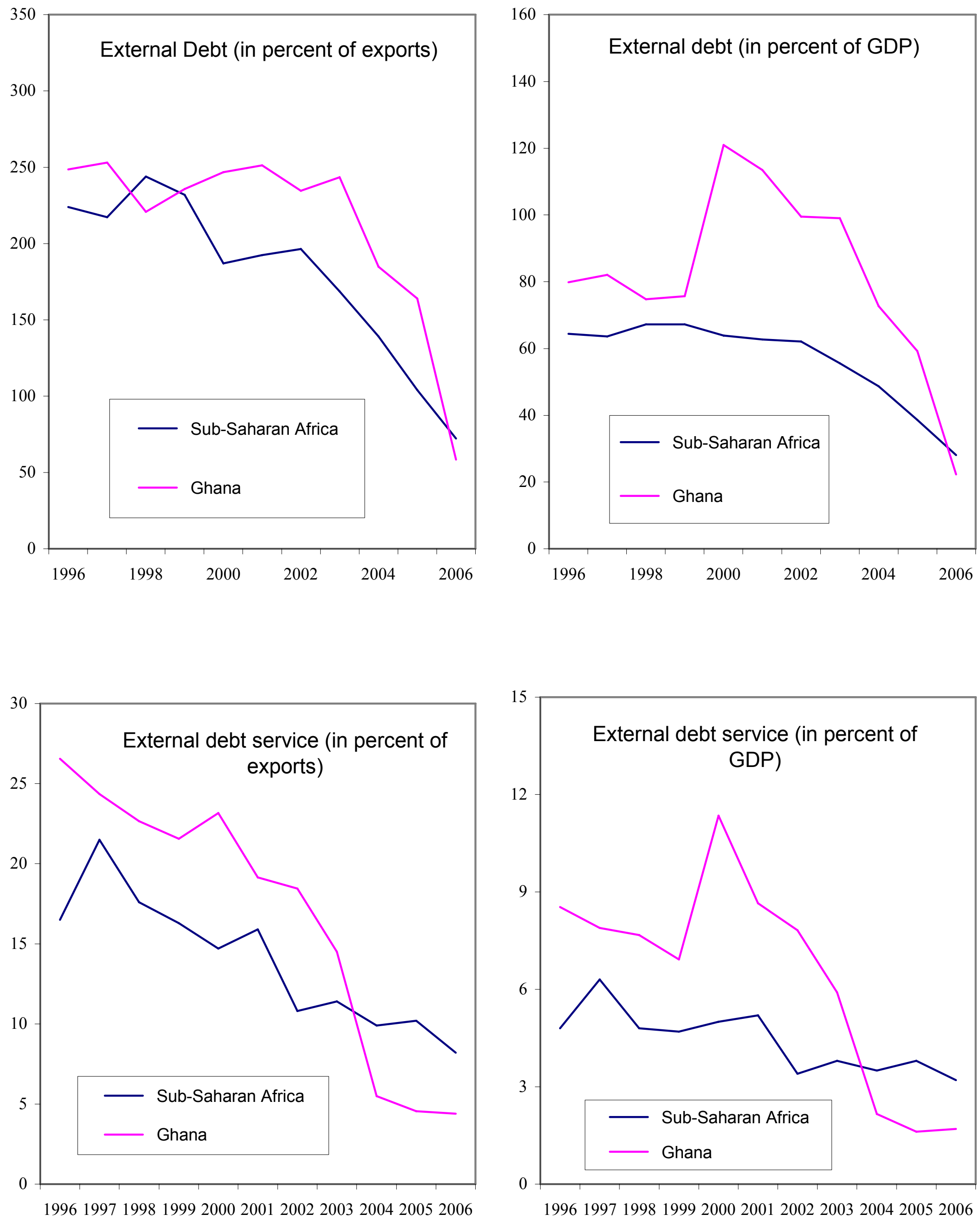
[9] In particular, financing was substantially higher than projected in 1999, further raising concerns about fiscal sustainability. In the run-up to elections in 2000, large expenditure overruns occurred, privatization revenues fell short of target, and donor disbursements were delayed.

[10] 6 percent during 1995-2005 and 7 percent, thereafter.

[11] 4-4.5 percent in 1999 and 2000, 5.5 percent in 2005 and 2002, 6 percent thereafter.

Figure 4. Ghana: External Debt and Debt Service, 1996 - 2006



Source: IMF.

Ghana: External Debt Dynamics
(Percent of GDP)

	1996 - 99	2000	2001 - 05
Change in external debt	-0.9	48.2	-14.3
Real GDP growth	-3.5	-4.8	-4.4
Price and exchange rates	-0.1	50.1	-9.5
New borrowing and other factors [1]	2.7	2.9	-0.4

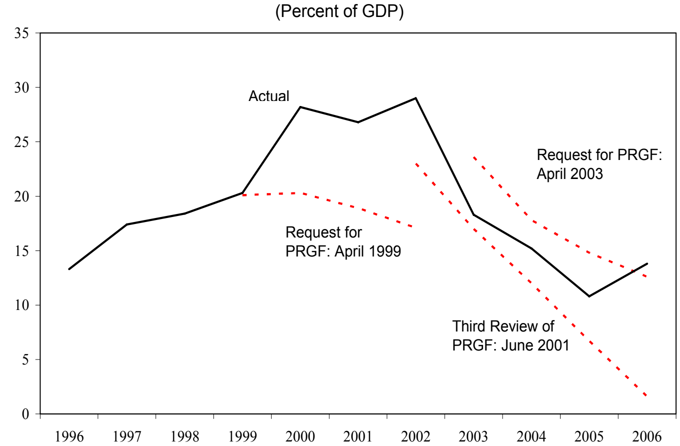
Source: IMF staff.

[1] "Other factors" include data revisions, debt relief, and other non-price or exchange-rate related valuation changes

28. **Decomposing the contributions to the increase in the external debt-to-GDP ratio illustrates the relative importance of these different factors** (see text table). While before 1999, new borrowing seems to have been the predominant factor in the debt increase, exchange rate changes overshadowed all other factors in 2000 and in the period after that.

29. **While much of the sustainability analysis focused on external debt, the increase in domestic public debt was equally important**. Ghana's domestic debt continued to rise during the 1995–1999 program and by 1998 it was high even in comparison with other West African HIPC countries. The staff analysis of the sustainability of domestic public debt in 1998 demonstrated the importance of stabilizing domestic financing as a percentage of GDP if real interest rates were to be brought down. Based on the projected fiscal outcome for 1998, the analysis suggested that the medium-term outlook under the program would imply a leveling-off of the ratio of domestic debt to GDP at about 20 percent in 1999–2000, followed by a modest downward trend over the medium term. However, because of fiscal slippages in the run-up to the 2000 elections, domestic debt as a share of GDP increased to almost 30 percent.

Ghana: Stock of Domestic Debt, 1996-2006
(Percent of GDP)



30. **Finally, the deeper origins of the debt problem predates the review period** (Appendix I). The most rapid build-up in the external debt-to-GDP ratio happened in the early 1980s. After the Economic Recovery Plan was introduced in 1983, multilateral institutions and donor countries scaled up their lending but there was no corresponding

increase in exports. For the whole 1980–1995 period, the Fund's role as a lender was relatively moderate. All of the debt increase after 1986 was due to other multilateral institutions and donors.

31. **Reaching the HIPC completion point and then qualifying for MDRI debt relief were turning points in restoring debt sustainability.** Ghana's external debt fell from 120 percent of GDP in 2000 to 22 percent in 2006. Between 2001 and 2005, the debt-to-GDP ratio decreased to about 60 percent because of a combination of faster GDP growth, exchange rate appreciation, and the HIPC debt relief in 2004. The MDRI relief was the main factor behind the further substantial decline in the ratio in 2006.

E. How Solidly Are Recent Achievements Anchored?

32. **Most observers agree that Ghana has made significant strides towards achieving improved macroeconomic balance.** While there have been several setbacks, fiscal management has improved markedly and inflation, though still too high, is close to the long-coveted single-digit level. Meanwhile, structural reform has moved steadily to open the economy to market forces, improving the prospects that economic growth will accelerate. In particular, the last Fund-supported economic program (2003–2006) can be considered successful in achieving its stated objective of achieving macroeconomic stability as an important precondition for accelerated efforts to combat poverty. The question is, however, whether these achievements are durable; economic history has many examples of success stories that quickly unravel, notably Ghana itself in the early 1990s.

33. **One important lesson from the 1990s is that, unless combined with a system of checks and balances, democratic institutions may carry risks as well as benefits**. The fiscal excesses of 1995/1996 and 1999/2000 both occurred in the run-up to general elections. The tendency to overspend was larger in the highly contested elections in 1996 and 2000 than in 2004 when the incumbent government had a more comfortable margin.

34. **While the electoral spending cycle has not been eliminated, progress in structural reform and institution building may help limit future slippages.**

- The government's powers to increase expenditures have been limited by strengthening parliamentary controls, the establishment of an independent Auditor General, and increasing press freedom.

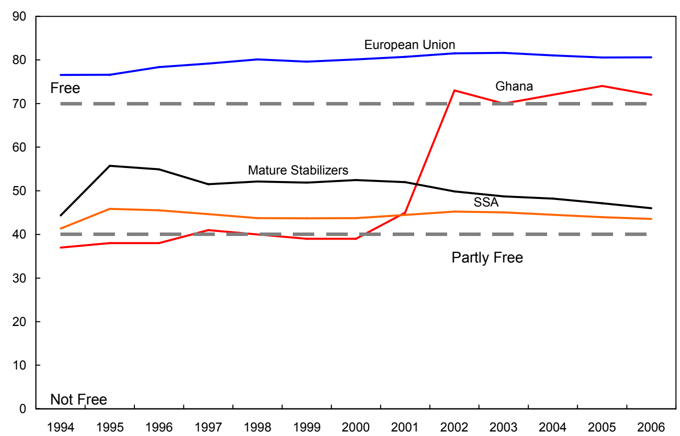
- Improved administrative controls have restrained wasteful spending. Systems for cash planning, commitment control, and fiscal reporting have been installed and become functional. The partial privatization and improved supervision of the financial sector has reduced the potential for the creation of large-scale fiscal liabilities through the banking system; the financial control of state-owned enterprises has also improved.[12]

- The 2002 Bank of Ghana Act established price stability as the primary objective of the central bank. Legal foundations for the operational independence of the central bank, improved internal auditing mechanisms, and a ceiling on the central government's access to central bank finance were also introduced.

- Privatization has allowed the private sector to control more of the economy's resources (see Appendix II for more details) and thereby make them less vulnerable to political cycles.

35. **On institutional quality, Ghana compares well to its peers along most dimensions.** Notably, Ghana scores better than average for sub-Saharan Africa, mature stabilizers, emerging markets, and HIPC countries. Sustained democracy has brought political stability and entrenched the rule of law (Figure 5). Moreover, despite a negative trend in the 1990s, according to Transparency International Ghana is considered to be less corrupt than most other low-income countries. Among the sub-Saharan African countries, Ghana ranks in the top eight in the World Bank's Ease of Doing Business Index, scoring particularly well on enforcement of contracts, investor protection, and cross-border trade.

Ghana and Comparator Countries: Press Freedom Index, 1994-2006



Source: Freedom House.
Note: Free (F): 71-100, Partly Free (PF): 41-70, Not Free (NF): 0-40.
Mature stabilizers based on Selassie et al (Occosional Paper, 2006).

36. **However, not enough has been achieved in reforming the electricity and the public sectors.** Private sector participation in the electricity sector is negligible and tariffs are adjusted without sufficient relationship to the true costs of electricity production.

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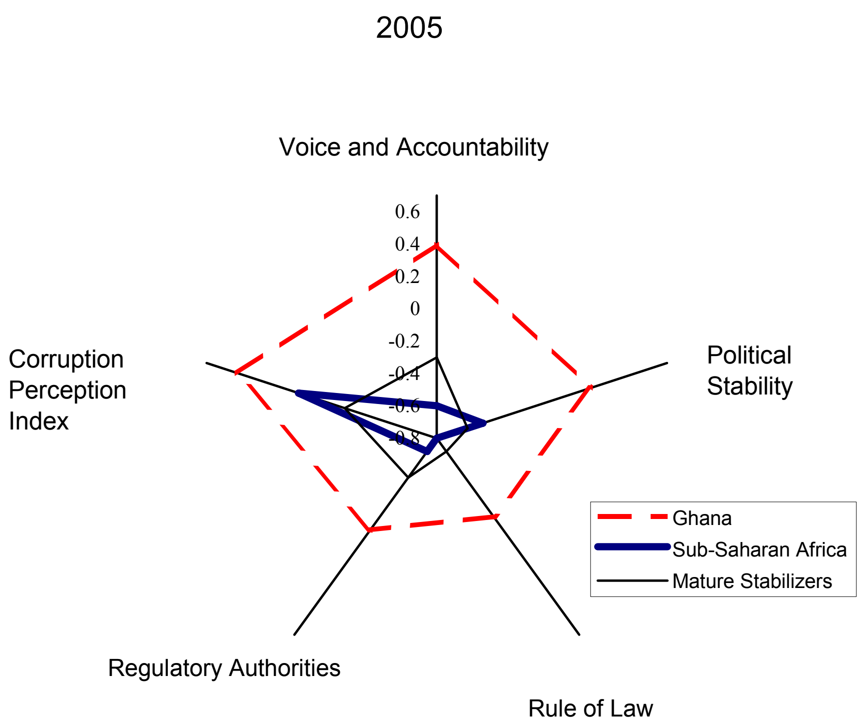
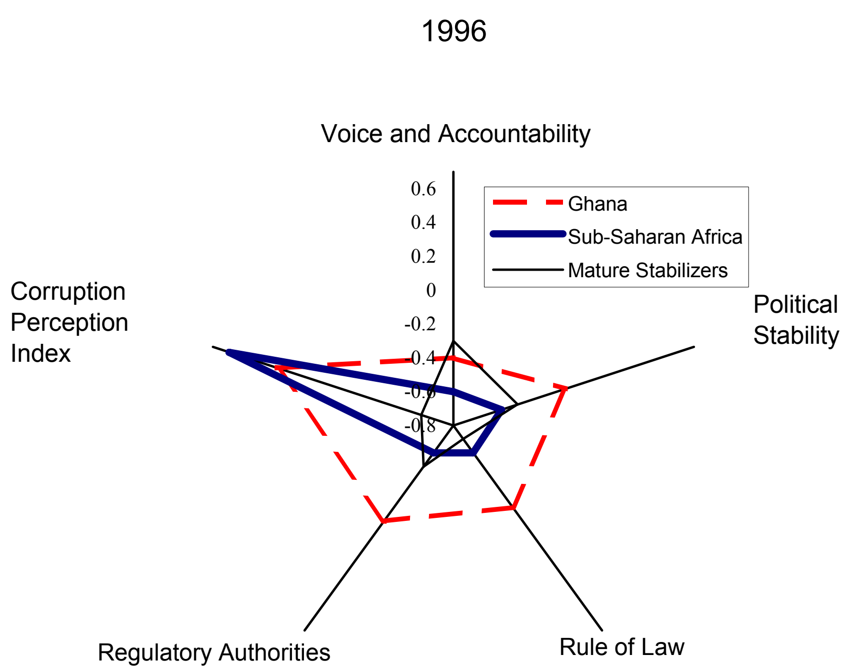
[12] In 2006, the State Enterprise Commission (SEC) signed performance contracts with 31 out of 35 state-owned enterprises to foster accountability and monitor their financial and operating performance. State-owned enterprises now produce quarterly financial reports, and there is a high rate of compliance.

Figure 5. Ghana: Indicators of Institutional Quality, 1996 and 2005.[1]





Sources: World Bank, Transparency International

[1] High index values indicate high degree of voice and accountability, political stability, quality of the regulatory authorities, and low degree of perceived corruption. The Corruption Perception Index has been normalized by subtracting 3 from the index.

Moreover, the implicit subsidization of the aluminum smelter puts pressures on the operating costs of the electricity companies, reducing the economic incentives for investment either by the private sector or by the companies themselves, resulting in increased capacity problems. As for public sector reform, progress has been limited despite longstanding government plans for a comprehensive reform that go back to the late 1990s. Thus, without an improved wage structure and employment reform, pressures to adjust imbalances may easily lead to an overall increase in the wage bill.

III. The Fund's Role

37. **Overall, the Fund's engagement in Ghana has helped the authorities achieve macroeconomic stabilization.** While the 2003-2006 program was the most successful arrangement, it is also possible that the earlier arrangements prepared the ground for the later successes. In the area of structural reform, for example, joint efforts were helpful in reforming the petroleum sector and reducing state involvement in the economy. Similarly, long-standing efforts to improve public expenditure management—often provided as technical assistance—were helpful in improving fiscal discipline. In an attempt to glean critical lessons for the future, the rest of this assessment looks at a range of areas where there may be scope for improvement: the pace of macroeconomic stabilization, the comprehensiveness of structural reform, Fund access, and collaboration with the World Bank and other donors.

A. What Could Have Been Done to Achieve More Rapid Macroeconomic Stabilization?

38. **While in the end relatively successful, a number of years were lost before macroeconomic stabilization was achieved.** Fiscal deficits were higher than targeted—in particular in the first two three-year programs—and inflation remained too high and has only recently come down to an acceptable level. On average therefore, growth and poverty reduction have consequently been slower than they otherwise could have been.

39. **As for fiscal policy, more intense efforts in improving fiscal institutions at an earlier stage could potentially have prevented some of the worst slippages.** Fiscal slippages predominantly reflected expenditure overruns rather than revenue shortfalls and occurred mostly and most severely in the run-up to elections. Improved expenditure management seems to have been key to bringing fiscal management under better control. Earlier offers of extensive fiscal assistance in this area could thus potentially have helped.

40. **Until 2002, the lack of progress in achieving rapid reduction in inflation was largely linked to poor fiscal discipline.** Given the limited access to large-scale borrowing, monetary policy was thus largely dominated by fiscal developments. After external and domestic sources of finance were exhausted, inflationary finance provided the only

available means of finance. It is thus doubtful whether an earlier introduction of a limit on central bank borrowing or a stricter commitment to nominal targets would have done much to reduce inflation faster, as long as the underlying fiscal discipline was lacking. During 1998-2000, the introduction of performance criteria on reserve money was unsuccessful in limiting the resurgence of inflation in 2000, largely because the reserve money data was misreported (Box 2 and Table 3).

Box 2. Ghana: Misreporting and Non-complying Purchases

During the 1999-2002 arrangement, the Executive Board discussed four cases of Ghana's misreporting, which resulted in four noncomplying disbursements (Table 3).

- The second disbursement (November 1999) of the 1999-2002 arrangement was found to be noncomplying in August 2000 because a performance criterion prohibiting the introduction of a multiple currency practice was not met. However, the Executive Board granted a waiver for the nonobservance of the performance criteria because: (i) the deviation was considered temporary; and (ii) Ghana adopted additional policy measures to achieve the objective of the program.

- The third disbursement (September 2000) was found noncomplying because of misinformation on the amount of external arrears and nonconcessional borrowing. In this case, no waiver was granted as the Executive Board found that the two cases of misreporting pertaining to the third disbursement were neither temporary nor minor. The Board determined that the external arrears incurred had had a significant impact on program performance and were large enough that their timely reporting might have led to different policy recommendations. Regarding the misreporting on external arrears, both problems were due to Ghana's limited capacity to manage external debt. To remedy the situation, Ghana has since instituted better procedures for calculating grant elements and limited authority to contract and guarantee debt to the Aid and Debt Management Unit of the Minister of Finance.

- The third and the fourth disbursements (September 2000 and July 2001) were found noncomplying due to the misreporting on reserve money data. A waiver was granted because Ghana had adopted additional measures to achieve the objectives of the program. It was also mentioned that the new governor of the Bank of Ghana had promptly reported the misreporting and taken corrective action to improve procedures in the Bank of Ghana. The 2002 Bank of Ghana Act established the legal basis for a system of improved internal and external controls.

One case of misreporting was identified during the 2003-2006 arrangement. The first disbursement (December 2003) was found noncomplying since the prior action on water tariffs had not been implemented. A waiver was granted in view of the prompt action taken by the authorities to raise water tariffs by the programmed amount and their commitment to implement future adjustments.

41. **In the 2003-2006 program, however, monetary policy was less constrained by the need to finance fiscal overruns.** Tighter monetary policy—e.g., by limiting monetary growth to the program targets—could have led to a more rapid reduction in inflation, but was avoided, potentially out of a concern about competitiveness of the exchange rate and

the inability, or unwillingness, to fully sterilize the ensuing reserve inflows. Here, the Fund could have insisted on monetary growth targets being observed, perhaps by setting performance criteria on monetary base growth: unlike the 2000-2001 annual programs, the 2003-2006 annual programs did not include a ceiling on monetary growth, only a limit on net domestic assets and a floor on net international reserves (Table 4). This was, however, not done due to perceived instability in the demand for money and the uncertain monetary impact of volatile aid inflows (see Section II.C).

42. **Overall, the relatively poor observance of performance criteria prompts the question of whether there was adequate country ownership of policies.** During the first two three-year arrangements (1995-2002), a large number of waivers and extensions were granted; this did not, however, prevent either of these arrangements from being extended. Although hard to gauge, it is possible that an earlier interruption of the arrangements could have led to a more rapid turnaround in policy implementation.

Table 3. Ghana: Cases of Misreporting and Non-complying Disbursements [1]

Year(s) of misreporting:	1999 - 2000	2000 - 2001	2000-2001	2003
Relevant arrangement(s):	First annual arrangement under the 1999 PRGF	Second annual arrangement under the 1999-2002 PRGF	Second annual arrangement under the 1999-2002 PRGF	2003-2006 PRGF
Number of non-complying purchase(s)	1	2	2	1
Amount of non-complying purchase(s):	SDR 22.14 million	SDR 26.75 million	SDR 89.33 million	SDR 26.35 million
Dates of non-complying purchase(s)	Nov-1999	Sep-2000	Sep-2000, July-2001	Dec-2003
Type of measure(s) affected:	Continuous PC prohibiting the introduction or modification of a multiple currency practice (MPC).	Prior action to eliminate any outstanding eliminate external payment arrears; PC limiting the contracting or guaranteeing new nonconcessional external debt	PC on reserve money (ceiling)	Automatic adjustment of water tariffs.
Measure(s) originally:	na	0	cedis 1,570 million cedis 2,261 million	na
Measure(s) after revision:	na	US$38 million and US$145 million, respectively	cedis 2,338 million cedis 2,932 million	na
Nature of misreporting:	In November 1999, authorities introduced special swap transactions without informing the Fund staff, which gave rise to an inadvertent multiple currency practice (MCP).	The Fund staff was not informed about the nonpayment of US$ 38 million of external obligations, even though these arrears were recorded in the August 2001 Bank of Ghana report. The misreporting of nonconcessional debt arose from the use of an illegitimate method of calculating concessionality; six nonconcessional loans contracted between June 30 and December 31, 2001.	Inappropriate adjustments had been made to data on currency in circulation. The new Governor reported the misreporting promptly after he took office.	The minister in charge of the water sector put the scheduled tariff increase on hold. The Ministry of Finance and Economic Planning was not aware of this action and assumed that the increase had been implemented.
Remedies:	The authorities discontinued entering into new special swaps, and took steps to make the foreign exchange market free and flexible. The authorities implemented several additional measures to achieve objectives of the PRGF arrangement.	The authorities repaid about US$32 million by April 2001, but contracted new arrears in the meantime. As for the PC on nonconcessional debt, the method of the of the grant element was clarified, and the authority to contract external debt was centralized in the Aid and Debt Management Unit.	Fund staff worked with Bank of Ghana officials to recompile reserve money data directly from the Bank of Ghana's audited financial statements. Bank of Ghana's internal control procedures were improved.	Water tariffs were adjusted and assurances were made about future adjustments.
Board decision:	Waiver of nonobservance of PC, because (i) the deviation was temporary; (ii) Ghana adopted additional policy measures to achieve the objectives of the program.	The deviation was neither minor nor temporary, as the arrears were large, had a significant impact on program performance, and the authorities continued to have these arrears at the time of the August 2000 Board meeting. Ghana was asked to repay SDR 26.75 million together with any interest accrued.	The September 2000 disbursement had already been repaid (e.g., see the misreporting of external payment arrears); the nonobservance of July 2001 PC was waived, because Ghana had adopted additional measures appropriate to achieve the objectives of the program.	The nonobservance of the prior action was waived, due to the prompt reporting of the misreporting and the commitment to future adjustments.

Source: IMF staff

[1] PC stands for performance criterion.

43. **In 2001-2003, the sharp increase in donor support and unpredictability of disbursements complicated macroeconomic policy implementation** (Appendix III and Figure 6). Aid inflows were used both to build up reserves and to strengthen the fiscal position: Ghana has been referred to as an example of the "don't spend, don't absorb" approach.[13] The monetary impact of the inflows was significant since the government used the improved fiscal position to repay domestic debt instead of reducing its net debt to the central bank obligating the central bank to engage in increasingly large sterilization operations.

44. **Uncertain aid inflows contributed to the macroeconomic instability during 2000-2002**. In particular, the nonobservance of donor conditionality on divestiture led to a large drop in program aid in 2000, contributing to external financing problems and the collapse of the cedi. Thus, in these years, better donor coordination could potentially have softened the macroeconomic impact of the policy slippages. Better prediction of the impact of policy slippages on aid disbursement could also have helped (see Appendix III).

B. Could the Fund have Done More to Ensure Progress in Structural Reform?

45. **Despite relatively successful macroeconomic stabilization, risks remain due to repeated delays in structural reform, particularly in the energy and public sectors.** Although conditionality required the introduction of a market based energy-pricing mechanism and increased private participation in the sector, progress was slow. Public sector reform was not a focus of Fund conditionality until towards the end of the 2003-06 program, when the macro-relevance of progress in this area became increasingly clear: ceilings on the aggregate wage bill of the public sector were introduced in the last three reviews together with structural performance criteria on the need to establish a computerized personnel database and a report on public sector salary structure.

46. **On energy sector reform, a review of the structural performance criteria on the energy sector shows a strikingly low degree of compliance.** Performance criteria on the introduction of an automatic pricing mechanism were in several instances undone soon after being introduced. The performance criterion on the introduction of the automatic price adjustment mechanism on petroleum was applied four times: first met in the 2003 program, it had to be reintroduced in the 2004 and 2005 programs after the mechanism was not allowed to work. Similarly, the automatic pricing mechanism on electricity was introduced three times and—while the performance criterion was met twice—such a mechanism has still not been fully implemented. Thus, while about half of the performance criteria on the energy sector (including divestitures of energy companies) were not met or waived, most of the performance criteria were only temporarily met as the same or similar performance criteria had to be reintroduced at a later stage. Similarly, a performance criterion on the divestiture of the state's ownership of energy companies was waived at several reprises.

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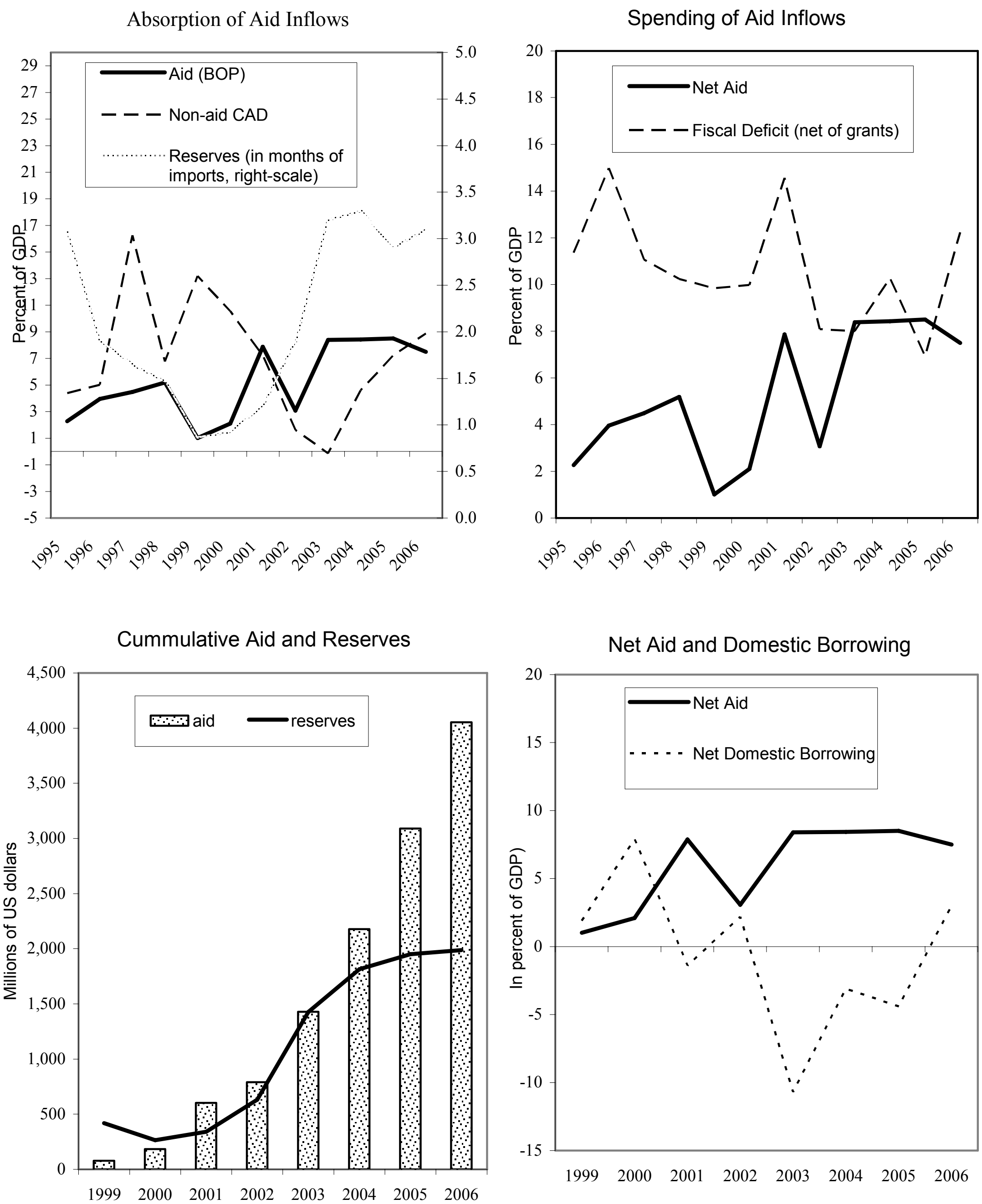
[13] "Macroeconomic Management of Aid Inflows—Experience of Low-Income Countries and Policy Implications," August 8, 2005 available at www.imf.org.

Figure 6. Ghana: Managing Aid Inflows



Source: IMF Database.

47. **Significant progress in the reform of the energy sector was not achieved before well into the 2003-2006 PRGF**, largely reflecting the increased focus on the sector in work done by the World Bank and the introduction of the Poverty and Social Impact Analyses (PSIA). Moreover, technical assistance on the petroleum price adjustment provided an important input for policymakers on the design of mitigating measures,[14] which helped soften the public resistance to the removal of petroleum product price subsidies.

48. **This experience suggests that structural performance criteria are poor instruments to use to achieve lasting price-setting reforms**. With poor ownership or unchanged regulatory structures such price setting schemes can be rapidly undone. Thus, unless the Fund is willing to interrupt the arrangement due to lack of observance of the performance criteria after the test date, the commitment is unlikely to be binding. While the introduction of a continuous performance criterion is possible, it would seem more fruitful to work closely with the authorities to ensure that a more profound change in economic structures takes place. It also suggests that to ensure improved ownership in this area, energy pricing reforms would need to be accompanied by adequate social safety nets to mitigate the impact on the poor. And it is probably crucial to undertake a public information campaign in support of sensitive economic reforms, as illustrated also by a successful reintroduction of the VAT, after a failed attempt in 1995.

49. **The set-back in structural conditionality indicates that most programs, in particular the earlier ones, suffered from a lack of ownership.** On the surface, the programs seem to be broadly in line with the Fund's efforts of streamlining the use of structural conditionality (Box 3), but the extensive use of prior actions at program reviews—in particular in the second three-year program—suggest that Fund staff considered it necessary to impose additional conditions to prevent a derailment of the reform process (Figure 7 and Table 5). At 36, the number of prior actions in the 1999-2002 ESAF/PRGF arrangement was also exceptionally high; in the 2003-2006 PRGF the average number was in line with countries considered to have weak-track records.[15] Moreover, as with the performance criteria on energy pricing, the prior actions were often easily reversible, making it questionable whether these conditions effectively reached their intended goals. In broad terms, however, ownership seems to have improved over time: compliance with program conditionality increased and the number of structural performance criteria and prior actions fell toward the end of the last program.[16]

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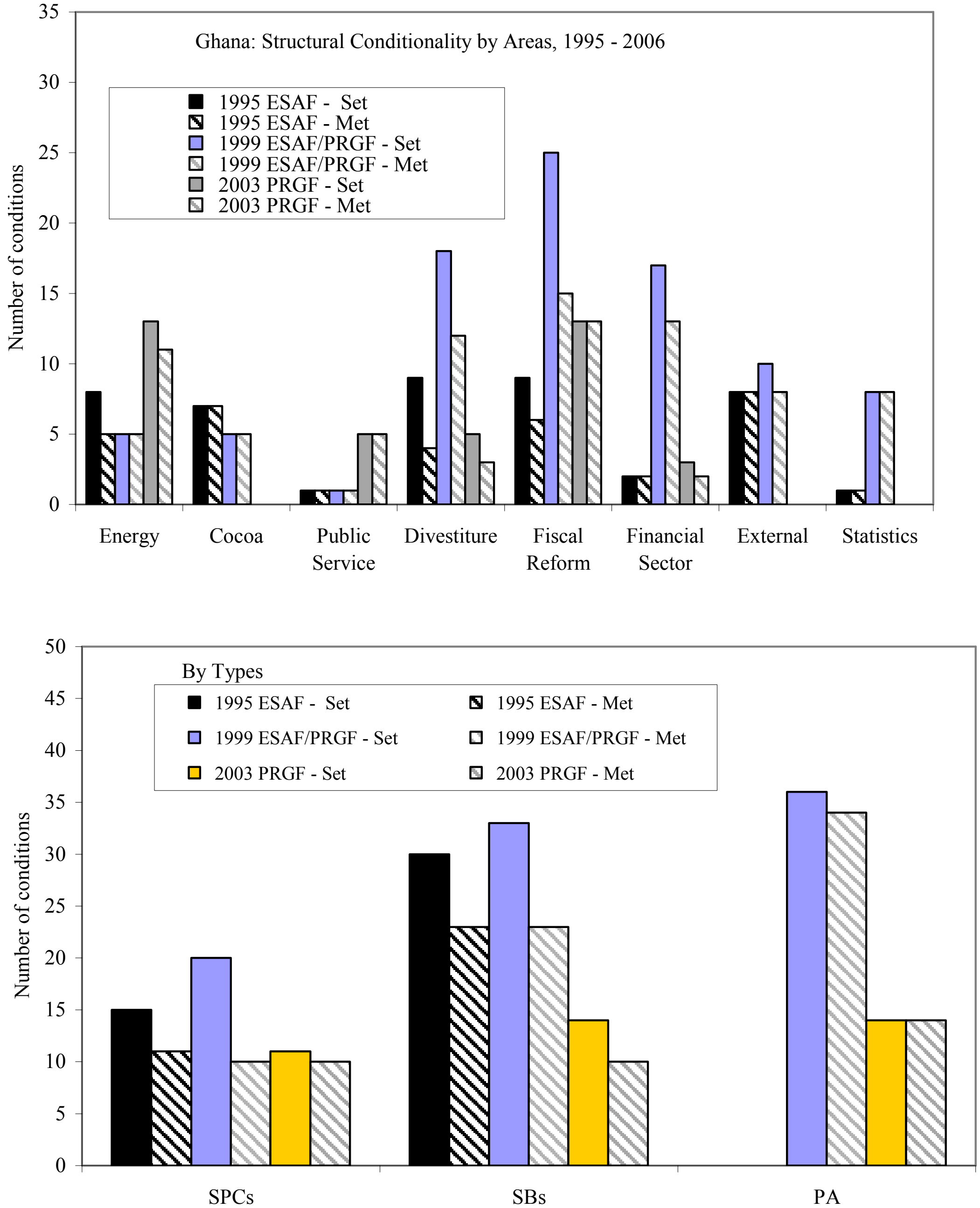
[14] Examples of such measures were the replacement of the increased electrification to offset the impact of the removal of the subsidy on kerosene, low-cost public transportation, and removal of fees for primary education in state-funded schools.

[15] *Review of the 2002 Conditionality Guidelines*, March 3, 2005 available at www.imf.org.

[16] At 1.34, 1.44, and 1.59, the implementation indices for the three arrangements moved from being below to above the 1.42 median of PRGF programs (the index is constructed by according 2 to a fully met condition, 1 to partially met or a delayed, and 0 to a waived or non-met condition. For further details, see the *Review of the 2002 Conditionality Guidelines*, March 3, 2005 available at www.imf.org.

Figure 7. Ghana: Structural Conditionality, 1995 - 2006



Source: IMF.

50. **With the benefit of hindsight, it seems clear that the donor community should have done more to spur broad public sector reform.** While public financial management is getting better, some areas where donors other than the Fund would appropriately take the lead—such as in the area of human resources, including pay policy and payroll management—seem still to be in need of improvement.

Box 3. Structural Conditionality

The successive three-year programs were broadly in line with the Fund's efforts to streamline the use of structural conditionality: the annual average of structural conditions decreased from 22 in the 1995-1998 ESAF and the 1999-2002 ESAF/PRGF to 13 in the 2002-2006 PRGF (compared to an average of recent PRGF arrangements of about 15).[1] While structural conditionality in the first program (1995-1998) focused on cocoa, energy, and divestiture, later programs refocused the structural conditionality on macro-critical areas, such as fiscal issues and financial sector reform. Recognizing the difficulty of keeping the structural reforms on track, the 1999-2000 PRGF included a large number of prior actions at program reviews (a total of 36 of which 32 were introduced after approval of the arrangement). Conditionality and the number of prior actions was more streamlined in the 2003-2006 PRGF. Only one waiver was requested for a missed structural performance criterion during the entire 2003-2006 arrangement.

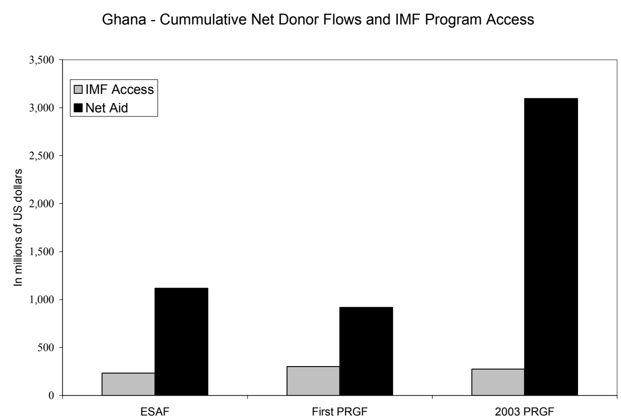
In all arrangements, structural conditionality centered on fiscal issues. On average, fiscal conditions accounted for more than 40 percent of all conditions. Compliance was, however, weak in the earlier programs, and reviews were sometimes delayed because of fiscal slippages. Notably, the mid-term review under the first annual arrangement of the 1995-1999 ESAF was delayed by almost six months, pending corrections of implementation slippages. The fifth and final review under the 1999-2002 ESAF/PRGF was not concluded, owing to civil service wage overruns, and nonimplementation of key revenue measures in the 2002 budget. The compliance with fiscal conditionality improved markedly in the 2003-2006 PRGF, where all fiscal conditions, including structural benchmarks, were met.

[1]Refers to arrangement granted during 2002-2004. See Review of the 2002 Conditionality Guidelines, March 3, 2005 available at www.imf.org.

C. Was Fund Access Appropriate?

51. **At around 60 percent of quota, Fund access was close to the norm under all the three-year programs.**[17] The review of the three programs suggest that access was about right in all periods:

- Given the uncertain debt situation, it would be difficult to argue that Fund access under the first two three-year arrangements should have been higher, despite the need to generate support for the Fund program and to generate enough donor support to ensure external stability. Also the problems of fiscal discipline were linked to poor internal controls and the electoral spending cycle, rather than arising from the lack of external support.



[17] Sixty percent of quota compared with a 65 percent norm under the 1995 ESAF; 57 percent of quota compared with a 55 percent norms under the first PRGF; and 50 percent of the quota compared with a 45 percent of the norm under the 2003 PRGF.

- In the third three-year arrangement, potential Fund access was dwarfed by donor inflows.

D. Collaboration with the World Bank and Other Donors

52. **Overall collaboration with the World Bank has been close.** Country teams from both institutions have worked closely on contributing to elaboration of Ghana's poverty reduction strategy, the HIPC initiative, and in supporting the authorities' structural reforms in budgeting and public expenditure management, public enterprise reform and divestiture, and the financial sector.[18] Given their importance for macroeconomic stability, the Fund has focused on monitoring and improving the financial position of large enterprises and financial sectors, while the Bank has assisted the authorities through sectoral projects.

53. **Both the Fund and the World Bank cooperated closely with other donors.** In 2003, the elaboration of the first Ghana's poverty reduction strategy (GPRS I)[19] created momentum for establishing the Multidonor Budgetary Support (MDBS) agreement between the government of Ghana and donors. Under the MDBS, aid is allocated according to the priorities established by Ghana's poverty reduction strategy in coordination with budget processes.[20] Through coordinating policies and procedures of development partners with government priorities, the MDBS has been helpful in increasing country ownership of aid programs. The MDBS has also facilitated closer collaboration of the Fund and the Bank with other development partners in supporting Ghana in reaching the MDGs. During the 2003-2006 program, MDBS partners were consulted on a continual basis on sectoral issues.[21]

54. **Nevertheless, the delays in some structural reforms in "joint" areas suggest that both institutions could have paid greater attention to capacity constraints and ownership.**[22] Also, some of the reforms of the public service could have been addressed more vigorously by both institutions. The Fund could have been more forceful in highlighting the implications for macroeconomic stability and growth, while the Bank could have been more proactive in addressing the long-standing issues of reducing the size of the public sector and the excessive wage bill. Recently, several joint debt sustainability exercises ran into difficulties as an agreement on assumptions and risk assessments could not be reached due to different views on medium-term growth assumptions. This incidence

[18] The World Bank took the lead on economic reforms in infrastructure (energy, roads, telecommunications, and water), urban and local development, agriculture, fiscal decentralization, human development, and private sector development.

[19] "Ghana: Poverty Reduction Strategy Paper," Country Report No. 06/225, available at www.imf.org.

[20] As outlined in (GPRS II): "Ghana: Poverty Reduction Strategy," Country Report No. 03/56, available at www.imf.org.

[21] The MDBS partners were present in many, mostly technical, meetings between the Fund mission and the authorities.

[22] As explained in Box 5, several of the misreporting incidences of 1999/2000 were a reflection of capacity constraints.

was, however, relatively atypical, as the staff collaboration between the two institutions has generally been good.

IV. Main Lessons

55. **Over the last decade, Ghana is on balance a success story.** Even with external shocks, real growth gradually increased to exceed the average of sub-Saharan African countries in the period under review. Inflation and public debt, while not as well-contained as initially hoped, have been improving over time and Ghana successfully qualified for the HIPC and MDRI initiatives, which should put it on a much better footing to confront future challenges and accelerate economic growth. Thus, in many ways Ghana's experience is a good example for other Fund engagements: despite several setbacks, the Fund, together with other donors, managed to engage constructively with the authorities on a broad range of themes. Reasonable macroeconomic balance was achieved and, despite imperfect macroeconomic policies, growth remained relatively strong throughout the period under review. Progress in structural reform was slow, but Ghana also avoided mistakes made by some countries that introduced reforms without enough public support. Perhaps most important, Ghana has taken great care in improving a broad range of institutions, which suggest that improvements could be durable.

56. **Specifically, the Ghanaian experience highlights a few key lessons:**

- Assessment of the sustainability of debt should be based on realistic assumptions about growth in real GDP and exports and the real effective exchange rate. Although more recently growth has exceeded expectations, growth projections in early Fund-supported programs were too optimistic; the potential for overvaluation of the exchange rate was not discussed. This led to overly optimistic assessments of Ghana's ability to carry large amounts of debt and may have contributed to the delay of initiatives to forgive debt.

- Institutions matter. Ghana's success in its reforms is embedded in the strengthening of democratic institutions that allow for greater public ownership of the reforms. The inflation reduction strategy was ultimately successful due to the independent conduct of monetary policy and because a system of checks and balances and overview mechanisms helped constrain public sector expenditures. Within the area of the Fund's mandate, it would therefore seem important to support reforms related to the operational independence of the central bank and public financial management (including appropriate auditing mechanisms, tax administration, and a transparent tax system). Increased private participation in the financial sector combined with improved financial sector supervision is also key, not only because of the enhanced efficiency of financial intermediation, but because it also serves to reduce the risk of the creation of large quasi-fiscal banking liabilities.

- Continual structural reform is essential to ensure that macroeconomic stabilization is durable. Recent slippages underscore the need to further improving fiscal institutions to control expenditures, in particular during pre-election periods. While, in other areas, many reforms are outside the Fund's area of expertise, it can engage closely with the World Bank and other development partners to ensure that progress is being made in key sectors. Despite good working relations between the partners, coordination problems may prevent some areas from being sufficiently well covered.

V. The Way Forward

A. How Can More Rapid Economic Growth Be Achieved?

57. **Ghana is at a crossroads.** After the relatively successful macroeconomic stabilization of the last Fund-supported program, Ghana's future looks much brighter than at the turn of the century and is set to continue the upward path since the Economic Recovery Program was introduced in 1983. Macroeconomic stabilization itself, however, is not likely to enable Ghana to accomplish its ambition of becoming a middle-income country by 2015. It must thus make hard choices about how growth can be sustainably accelerated to satisfy Ghana's ambitions and reduce poverty without jeopardizing hard-won stability.

58. **The choice of development strategy is at the heart of this challenge.** While increased investment is almost certainly needed to generate an accelerated growth path, experience from other countries suggests that constant vigilance is needed to ensure that the investment is not wasted. Lessons from other countries suggest, moreover, that rapid economic growth can only be sustained if it is accompanied by significant structural change. While there is substantial scope for increased productivity generally, and particularly in agriculture and mining, sustained growth is likely to require shifts in resources between sectors or a qualitative change in each sector. To facilitate such changes, continual structural reform is needed to ensure that unexpected bottlenecks do not obstruct structural change growth.

59. In this context, **it is encouraging that the Ghanaian authorities have adopted a private-sector-led growth strategy.** Private sector involvement is critical, not only because of its financial muscle but to counterbalance state-led development initiatives, which sometimes are based on overoptimistic assumptions about future growth. To attract large-scale investment, the private sector must be given a more significant role in key infrastructure projects, possibly by strengthening the institutional and legal framework for public-private partnerships. While these markets are not necessarily contestable, the private sector can play an important role if faced with the right incentives and regulatory environment.

60. **However, such an ambitious strategy may need additional financing in excess of what is supplied by traditional donors.** In addition to increased donor financing (including "nontraditional" donors), the Ghanaian authorities have signaled that they are considering tapping international commercial markets. While a potentially useful part of the development strategy, appropriate caution needs to be taken in ensuring debt sustainability and assessing the risks associated with market borrowing:

- The overall borrowing envelope needs to be determined in a debt sustainability framework based on conservative growth, exports, and exchange rate assumptions. Growth projections should be based on historic experience rather than expectations about structural changes that may take place. While Ghana's borrowing space has improved dramatically following the HIPC/MDRI and the recent reclassification of

Ghana as a strong performer under the World Bank's Country Policy and Institutional Assessment, an increase in the NPV of debt-to-GDP ratio to the threshold levels should proceed cautiously.

- The contracting of additional debt on commercial terms should carefully assess overall growth impact of the investments financed by the increased debt, in addition to a project-by-project cost-benefit analysis.[23] Given its higher cost, increased commercial borrowing does, however, imply reduced overall borrowing room as the NPV ceiling will be hit earlier.

- Access to commercial debt markets increases the demands on the authorities' debt management capability and the quality of the debt management strategy.

- Commercial borrowing will mean dealing with a new set of monitoring institutions. Particularly if the debt is tradable, the dynamics of the relationship with investors are likely to change dramatically, requiring profound changes in how the Ghanaian authorities communicate with investors—market scrutiny can be at least as thorough as scrutiny by the donor community. Market access is also likely to increase the risk of contagion; the cost of debt rollover will depend on global market conditions as well as on Ghana-specific risks.

B. Options For Future Fund Engagement

61. **With the successful completion of the last Fund-supported program, the nature of Ghana's relationship with the Fund is set to change.** Macroeconomic stability and large donor inflows have made it possible to build up adequate reserves, and there are reports about potential access to international capital markets. Despite an increasing current account deficit, there is no immediate need for Fund financing of the balance of payments.

62. **The Fund can, however, still play an important role in helping Ghana achieve its goal of reaching a middle-income status by 2015.** Although helping Ghana work out the details of the development strategy falls outside the Fund's core mandate, maintaining macroeconomic stability is a necessary condition for achieving the rapid growth rate Ghana needs to reach its ambitious objectives. While more economic leverage may be needed, a longer track record of macroeconomic stability is essential to anchor inflationary expectations and bolster credibility in Ghana's fiscal management. Here, further improvements in the quality of institutions are vital.

63. **There are essentially three different modalities for future Fund engagement:**

- The Fund can conduct surveillance under ***Article IV*** without any other special procedures. Normally, Fund staff would conduct an annual review of Ghana's economic situation and policies. While the intensity of the surveillance relationship can be modulated to fit any particular country, staff reports and potential assessment

[23] While in general project-based return assessment is consistent with overall macroeconomic impact, this is not necessarily so in cases where there are positive or negative externalities associated with the projects.

letters would provide nuanced assessments of Ghana's economic policies without reference to any specific standards.

- The Fund could agree on a ***Policy Support Instrument* (*PSI)*** with Ghana. This instrument could be agreed on the basis of a program considered strong enough that it would merit the support of an upper credit tranche arrangement. The main benefits of a more formal relationship with the Fund arise mainly from its clearer signaling role vis-à-vis donors and potential investors as well as from a more thorough scrutiny and a closer policy dialogue than would normally be the case under Article IV surveillance. Access under the Exogenous Shocks Facility (ESF) would also be facilitated by a PSI.

- The Fund could also grant Ghana a ***low-access PRGF,*** which would for most practical purposes closely resemble a PSI, except that a low-access PRGF would allow a larger degree of flexibility in the timing of reviews.

64. **In all of the cases, the Fund should be able to effectively help Ghana in its endeavors.** Given, however, Ghana's significant growth ambitions, a more formal relationship could be helpful cementing the relatively newly acquired macroeconomic stability and ensuring debt sustainability. In particular, as explained in this report, the electoral cycle is unlikely to be defunct and the upcoming elections in 2008 pose a significant challenge to the maintenance of fiscal discipline. In this context a PSI or a low-access PRGF, with broad support in Ghana, could provide a helpful framework for ensuring discipline through the electoral cycle.

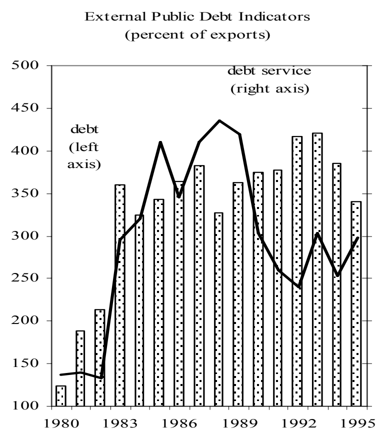
65. **A formal program relationship could also provide useful signals for donor support and provide assurances to commercial lenders about the quality of economic policies.** Here it would be important for the Fund to apply its role as guarantor of a minimum standard strictly and not hesitate to withdraw the guarantee if policy execution is not up to agreed standards, even if, as in the case of PSI, the Fund has no direct financial exposure. Using the PSI as a signaling device to commercial lenders is relatively untested: in this case, it is particularly important to avoid the impression that it implies that the Fund is making any kind of unbounded financial guarantee should payment problems arise from policy slippage.

66. **The major risk of engaging in a PSI or a low-access PRGF is related to potential fiscal slippage in the run-up to the 2008 election.** While a more formal relationship could be useful in monitoring fiscal discipline, it would also put the burden on the Fund to clearly signal any slippages in economic policy formulation. That this risk is real is clear from recent developments, particularly on the public wage front. The Fund must take great care to ensure that a PSI or a low-access PRGF are based on sound policies to which the authorities adhere fully. If adequate ownership is ensured, a multi-year PSI or low-access PRGF could then prepare the grounds for a successful exit to a normal surveillance relationship some time after the 2008 election.

67. **It is clear from the slippages in past structural reforms, and in particular, the current energy crisis, that sectoral structural reform will be as important as macroeconomic stability to Ghana's future growth.** While the Fund should appropriately restrict its focus to macro-critical issues, and while structural conditionality has not been well-suited to achieving the needed reforms, the Fund should therefore seek to ensure that critical sectoral reforms take place by engaging in close policy dialogue with the authorities and donors and providing targeted technical assistance where appropriate.

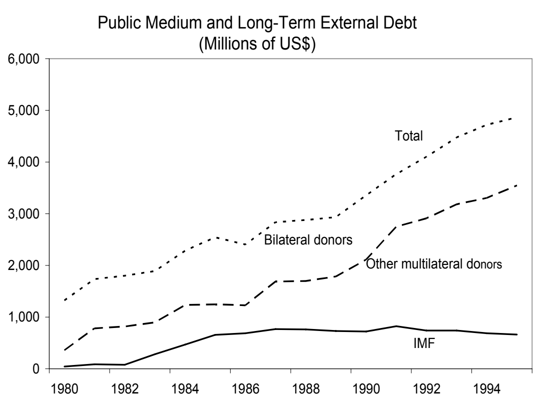
APPENDIX I. GHANA'S DEBT ACCUMULATION BETWEEN 1980 AND 1995—KEY FACTORS

68. **Prior to 1995, the debt problem was largely due to public external borrowing for projects with weak export earnings.** Total debt rose by over 300 percent between the late 1970s and the early 1990s, while exports (in US dollars) grew by only 20 percent. The debt service-to-exports ratio also increased rapidly.



69. **Ghana's debt burden increased particularly dramatically between 1980 and 1983 as cocoa exports—accounting for about 60 percent of export earnings—were hit by a fall in prices.** Even though export volumes grew strongly (almost 10 percent in 1983-1995), export earnings recovered to their 1980 US dollar value only in 1993. The debt-to-exports ratio increased from 120 percent in 1980 to 360 percent in 1983; the debt burden stayed around this high level until mid-1990s.

70. **A related factor behind Ghana's debt problem was the low rate of return on public investments for which the borrowed funds were used.** Many of the projects, often financed by the multilateral development institutions, were designed to boost industry and infrastructure, rather than agriculture and export production. The rates of return on these projects were typically below the average rate of interest on debt accumulated during this period.

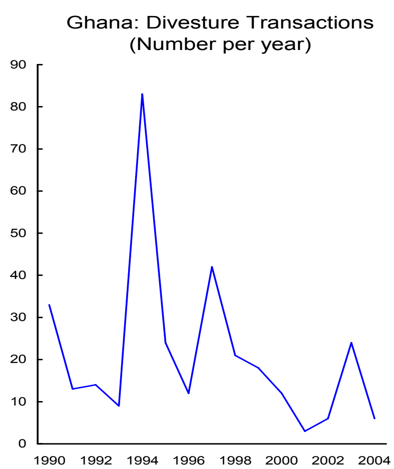


71. **Financing from the IMF accounted for almost half of the multilateral loans between 1983 and 1986.** The IMF loans contributed to the export growth after 1983 under the Economic Recovery Program, but the nonconcessional terms of these loans also raised debt service-to-exports ratio. The initial phase of adjustment (1983-1987), supported by Stand-by-Arrangements, emphasized financial discipline, exchange and price liberalization, and devaluation of the exchange rate. The second phase (1988-1993), supported by ESAFs, focused on reforms to promote private sector development.

72. **Lending by the multilaterals other than the IMF drove the accumulation of the external public debt in Ghana:** their financing exceeded \$2.4 billion in 1986-1995. The externally financed investment programs raised concerns about sustainability as well as effectiveness and transparency in the use of resources. Even though these loans were on concessional terms, returns generated were often low but servicing still imposed a burden on Ghana's scarce resources.

APPENDIX II. PRIVATIZATION AND DIVESTITURE: 1990-2006

73. **Over the last 15 years, the government of Ghana has actively sought to divest its ownership of productive assets.** In fact, Ghana ranks among the 10 most active divesting countries in Africa, whether measured by the number of divesture transactions,[24] their total value, or the share of state-owned enterprises privatized. By 2001, government holdings in about 70 percent of Ghana's state-owned enterprises had been reduced.[25] From 1995-2002, key state commercial holdings in the mining sector (the Ghana Bauxite Company), transport sector (the State Transport Company), and the cement factory (GHACEM) were successfully privatized. The government of Ghana has sought to improve financial performance in the remaining state-owned enterprises. In 2006, the State Enterprise Commission (SEC) signed contracts with 31 out of 35 state-owned enterprises to foster accountability and monitor their financial and operating performance.



74. **Progress in privatizing large infrastructure companies has, however, been less impressive.** Of the four large infrastructure companies slated for divestiture in 1998, three remain 100 percent state-owned: private sector participation has only been introduced in Ghana Railways. Despite earlier plans, the government of Ghana have not yet privatized Tema Oil Refinery,[26] the now bankrupt Ghana Airways, and the Ghana Commercial Bank. During 1999-2002, the privatization program lost momentum amidst court challenges against the Divestiture Implementation Committee, delays in the appointment of its new governing board, and its inability to collect in full divestiture receipts. In 2004, the government purchased a majority stake in the Volta Aluminum Company (VALCO), backtracking on efforts to reduce state participation in the economy and against Fund advice.[27]

[24] Divestiture is defined as "… any transaction by which a government has transferred title in or sold some or all assets or shares in an enterprise, regardless of any transfer of operational control." White, Oliver and Bhatia, Anita, 1998, Privatization in Africa, Directions in Development Series, (Washington: The World Bank).

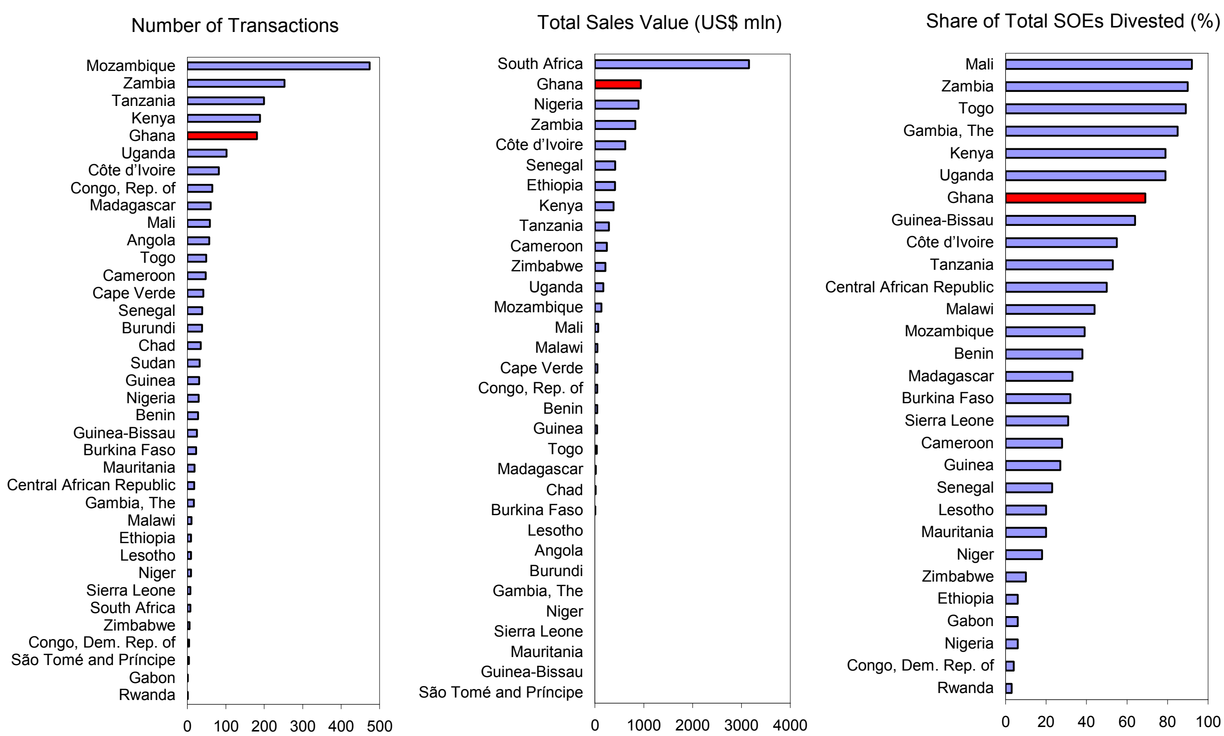
[25] Nellis, John, 2005, "Privatization in Africa: What has happened? What is to be done?," *FEEM Nota di Lavoro* 127/2005, (Milano: The Fondazione Eni Enrico Mattei Note di Lavoro).

[26] In early 2006, the government announced its latest plan to sell 70 percent of its interest in TOR: 35 percent to a strategic investor and 35 percent through the stock exchange.

[27] Fund staff argued strongly against the purchase on the grounds that it could expose the government to large potential liabilities, by creating the presumption that the state was financially underwriting the project, and would bail out the company if it incurred losses.

75. **Ghana's privatization program has been actively supported by the World Bank**. Between 1996 and 2004, the government of Ghana's divestiture program was supported by the World Bank through public enterprise and a privatization technical assistance project (PEPTA).[28] In 1998, as a result of the 1998 mid-year review, PEPTA focused its efforts on achieving reduced state participation in five large infrastructure and financial companies (Electricity Corporation, Ghana Railways, Ghana Water Company, National Investment Bank, and Ghana Commercial Bank). Reflecting the failure to significantly reduce state-ownership in these companies, the World Bank rated the performance of the PEPTA project as unsatisfactory.[29]

Sub-Saharan Africa: Progress in Privatization, 1991-2001



Source: Nellis, John, 2005, "Privatization in Africa: What has happened? What is to be done?," FEEM Nota di Lavoro 127/2005, (Milano: The Fondazione Eni Enrico Mattei Note di Lavoro).

[28] World Bank, 2006, International Development Association and International Finance Corporation Country Assistance Strategy Progress Report for the Republic of Ghana *for the Period of FY04-FY07*, Report No. 36127-GH, (Washington: The World Bank).

[29] World Bank, 2005, Implementation Completion Report on a Loan/Credit/Grant in the amount of US$25.15 Million to the Republic of Ghana for a Public Enterprise and Privatization Technical Assistance Project, Report No: 32669, (Washington: The World Bank).

APPENDIX III. MANAGING AID INFLOWS

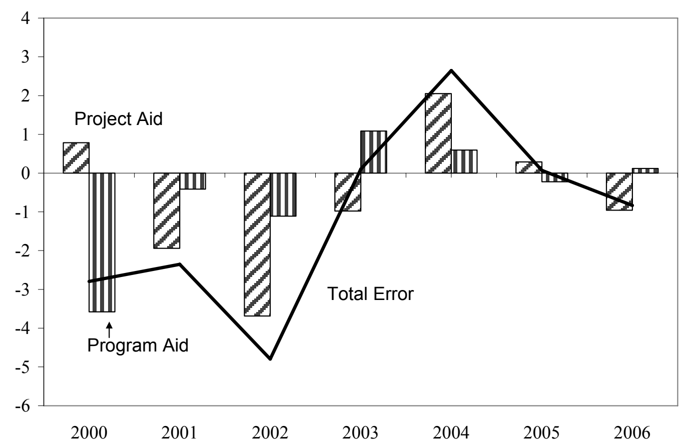
Management of the macroeconomic consequences of aid inflows initially focused on building up reserves and containing inflation, and, following 2003, on achieving poverty reduction while preserving fiscal sustainability. Since the mid-1990s, several facts on aid patterns, absorption and spending, and program design stand out.

Level and Predictability of Aid

- Aid was relatively low during the 1996 ESAF period, bottomed out in 1999, and increased following the Monterey Consensus. Aid increased significantly for the first time in 2001, declined in 2002, but remained high during 2003-2006.

- While program forecasts of aid inflows were quite accurate during the first three-year program (the 1995-1998 ESAF/PRGF), aid inflows fell short of the program projections in 2000-2002, largely reflecting the breach of donor conditionality on divestiture. The most dramatic aid shortfall was in 2000 when realized program aid was 3.6 percent of GDP below its programmed level (the shortfall was 0.4 and 1.1 percent of GDP in 2001 and 2002, respectively). Generally, project aid was more volatile than program aid, but the balance of payments effects of these shortfalls were mostly shielded by lower than expected imports.

Gross Aid Inflows: One-year Ahead Forecasting Errors, 2000-2006
(percent of GDP)



- During 2003-2005, donor inflows exceeded program projections as donors scaled up their support in response to the improved program performance and increased focus on low-income countries and poverty alleviation (even excluding HIPC). Despite the relatively good program performance in 2006, aid fell short of its projected level, reflecting the postponement of several donor-supported projects.

Aid, Spending, and Absorption

- The sharp decline in aid during 1999 and 2000 was not reflected in lower spending, but instead contributed to a decline in reserves.

- During 2001-2004, the fiscal deficit net of grants remained unchanged, while the non-aid current account deficit declined (Figure 3). The increase in aid in 2001 was reflected in higher spending, but was offset by lower spending in 2002, with cumulative fiscal deficit net of grants unchanged. Aid inflows were fully accumulated into reserves. Ghana's "don't absorb, don't spend" strategy helped bolster international reserves providing a cushion against aid volatility.

- During 2005-2006, aid was partly used to finance increased expenditure on poverty reduction (especially in 2006, after the MDRI).

Program Design and Implementation

- In the early annual programs, macroeconomic stability was the overriding concern as these programs paid due attention to high inflation and low reserves. Subsequent programs, which took place in a more stable environment and increased fiscal space, attempted to address trade-offs between inflation and poverty expenditures.

- Correspondingly, program adjustors to aid shocks changed over time. Initially, programs mandated unchanged reserve accumulation even if aid inflows fell below the projected level. With time, the program design allowed for domestic financing of part of the aid shortfall, taking into account inflation and reserve levels.

- Generally, shortfalls of aid were met through higher domestic financing rather than tighter policies. In effect, the reduced aid reflected already weakened policies, especially expenditure overruns during election years.

Table 4. Observance of Quantitative Performance Criteria, 1995-2006

	ESAF 1995-1998		ESAF/PRGF 1999-2002					PRGF 2003-2006					
Test dates	Sep-1995	Jun-1998	Jun-1999	Dec-1999	Aug-2000	Dec-2000	Aug-2001	Jun-2003	Dec-2003	Dec-2004	Jun-2005	Dec-2005	Jun-2006
Net domestic financing of government (ceiling) 1/	Waived	Met	Waived	Waived	Waived	Not met	Met	Met	Met	Waived	Waived	Met	Met
Government domestic primary surplus (floor) 2/	...	Met	Waived	Waived	Met	Not met	Met	...	...	...	...	...	...
Reserve money (ceiling)	...	Met	Met	Waived	Waived	Waived	...	...	...	...	...	...	...
Net international reserves of the Bank of Ghana (floor) 3/	Met	Met	Met	Waived	Met	Not met	Met	Met	Met	Met	Met	Met	Met
Net domestic assets of the Bank of Ghana (ceiling)	Met	...	...	...	...	...	Met	Met	Met	Met	Met	Met	Waived
Net domestic credit to TOR	...	...	...	...	...	...	...	...	Waived	Waived	Met	Waived	Met
Claims by the Bank of Ghana on:													
Cocoa Board	Met	...	...	...	...	...	...	...	...	...	...	...	...
GNCP	Met	...	...	...	...	...	...	...	...	...	...	...	...
New nonconcessional loans													
Short-term	Waived	Met	...	...	...	...	...	...	...	...	...	...	...
Long-term	Met	Met	Met	Met	Not met	Not met	Met	Met	Met	Waived	Met	Met	Met
Short-term external debt	Waived	Met	Met	Met	Met	Met	Waived	Met	Met	Met	Met	Met	Met
External payment arrears	Waived	Met	Waived	Waived	Not met	Met	Waived	Met	Met	Met	Met	Met	Met
Reduce road arrears	...	...	...	...	Met	Met	Waived	...	...	...	...	...	...
Wage bill of central government (ceiling)	...	...	...	...	...	...	...	...	...	...	Met	Met	Met

Source: Staff Reports, 1995-2006, MONA

1/ Defined as net domestic financing of the budget by the banking system and net sales of government debt to the nonbank public.

2/ Defined as the difference between total revenue (excluding grants and divesture proceeds) and noninterest domestic expenditure (excluding foreign-financed capital expenditure)

3/ Net foreign assets in 1995-2001.

Table 5. Ghana: Structural Conditionality

	Program	Type	Test Date	Sector	Implementation Yes/No	Implementation Timing
1995 ESAF Arrangement, 1st Annual Program						
At approval date (May 1995)						
Structural Performance Criteria						
Adopting oil pricing mechanism ensuring pass-through of import costs.	1995 ESAF	SPC	Sep-95	Energy	N	Waived
Removal of restrictions on import of crude oil by oil companies.	1995 ESAF	SPC	Sep-95	Energy	N	Waived
Imposition of ad valorem excise duties on petroleum products.	1995 ESAF	SPC	Oct-95	Energy	N	Waived
Offering for sale 60 percent of Social Security Bank.	1995 ESAF	SPC	Sep-95	Divestiture	Y	
No restrictions on payments and transfers on current international transactions.	1995 ESAF	SPC	cont.	External	Y	
No introduction of multiple currency practices.	1995 ESAF	SPC	cont.	External	Y	
No bilateral agreements inconsistent with Article VIII.	1995 ESAF	SPC	cont.	External	Y	
No import restrictions for BOP reasons.	1995 ESAF	SPC	cont.	External	Y	
Structural Benchmarks						
Adjusting cocoa producer price for 95/96 to world market trends, budgetary requirements, and the need to strengthen farmer incentives.	1995 ESAF	SB	Jun-95	Cocoa	Y	
Submit findings of review on restructuring of Ghana National Petroleum Company.	1995 ESAF	SB	Jun-95	Energy	Y	Delay.
Removing cocoa export monopoly and implementing recommendations for cocoa sector deregulation.	1995 ESAF	SB	Mar-96	Cocoa	Y	Delay.
Offering for sale 60 percent of Ghana Commercial Bank.	1995 ESAF	SB	Mar-96	Divestiture	Y	
Offering for sale 14 state owned enterprises.	1995 ESAF	SB	Mar-96	Divestiture	Y	
Offering for sale 60 percent of National Investment Bank.	1995 ESAF	SB	Mar-96	Divestiture	Y	Delay.
Mid-term Review (June 1996)						
Structural Benchmarks						
Adjusting cocoa producer price for 96/97 to world market trends, budgetary requirements, and the need to strengthen farmer incentives.	1995 ESAF	SB	Jun-96	Cocoa	Y	
Decision on modalities of cocoa sector deregulation.	1995 ESAF	SB	Sep-96	Cocoa	Y	
Full decontrol of petroleum retail prices.	1995 ESAF	SB	Dec-96	Energy	N	
Establishing timetable for the offer for sale of GNPS'c assets.	1995 ESAF	SB	Jul-96	Divestiture	N	
Offering for sale GNPC shares in local oil marketing companies.	1995 ESAF	SB	Dec-96	Divestiture	N	
Offering for sale Tema Oil Refinery.	1995 ESAF	SB	Dec-96	Divestiture	N	
Design new budget and public expenditure management system.	1995 ESAF	SB	Aug-96	Fiscal	N	
Implementation of budget system in six ministries.	1995 ESAF	SB	Dec-96	Fiscal	N	

1995 ESAF Arrangement, 2nd Annual Program						
At approval date (March 1998)						
Structural Performance Criteria						
Offering for sale Tema Oil Refinery Ltd. and the Ghana Oil Co. Ltd.	1995 ESAF	SPC	Jun-98	Divestiture	N	Waived.
Eliminating GNPC's debt to the Bank of Ghana.	1995 ESAF	SPC	Jun-98	Fiscal	Y	
Completing medium-term expenditure framework (MTEF) for priority sectors of education, health, and roads.	1995 ESAF	SPC	Jun-98	Fiscal	Y	
Establishing central revenue authority.	1995 ESAF	SPC	Jun-98	Fiscal	N	Waived.
No restrictions on payments and transfers on current international transactions	1995 ESAF	SPC	cont.	External	Y	
No introduction of multiple currency practices.	1995 ESAF	SPC	cont.	External	Y	
No bilateral agreements inconsistent with Article VIII.	1995 ESAF	SPC	cont.	External	Y	
No import restrictions for BOP reasons.	1995 ESAF	SPC	cont.	External	Y	
Structural Benchmarks						
Identifying significant cost-cutting measures for Cocoa Board.	1995 ESAF	SB	Mar-98	Cocoa	Y	Delay.
Raising producers' share in fob cocoa price for 1998/99 to at least 56 percent.	1995 ESAF	SB	Jun-98	Cocoa	Y	
Offering for sale Produce Buying Co. (PBC).	1995 ESAF	SB	Jun-98	Divestiture	N	
Unifying extension services of Cocoa Board and Ministry of Agriculture.	1995 ESAF	SB	Jun-98	Cocoa	Y	Delay.
Replacing uniform national pump prices with uniform ex-regional wholesale prices.	1995 ESAF	SB	Mar-98	Energy	Y	Delay.
Recommending to Public Utilities Regulatory Commission a schedule for electricity tariff increases.	1995 ESAF	SB	Jul-98	Energy	Y	
Increasing weighted average electricity tariff by at least 35 percent.	1995 ESAF	SB	Sep-98	Energy	Y	
Determining stock of arrears (at end-1997) among power utilities and develop plan for their elimination.	1995 ESAF	SB	May-98	Energy	Y	
Begin monthly projection of cash flow for budget and monitor outturns.	1995 ESAF	SB	Mar-98	Fiscal	Y	
Issuing regulations for VAT.	1995 ESAF	SB	Apr-98	Fiscal	Y	Delay.
Completing assignment of taxpayer ID numbers to targeted groups of taxpayers.	1995 ESAF	SB	Jun-98	Fiscal	Y	Delay
Cabinet approval of budget ceilings for priority sectors and of guidelines for 1999 budget.	1995 ESAF	SB	Jun-98	Fiscal	Y	
Introducing a centralized book-entry system at the Bank of Ghana.	1995 ESAF	SB	Jun-98	Financial	Y	Delay
Expanding instruments of liquidity management to include repurchase agreements initiated by the Bank of Ghana.	1995 ESAF	SB	Jun-98	Financial	Y	Delay
Identifying subverted agencies to be incorporated into the budget, privatized or closed.	1995 ESAF	SB	Sep-98	Public service	Y	
Publishing revised and updated national accounts for 1995 and 1996.	1995 ESAF	SB	May-98	Statistics	Y	Delay

1999 ESAF/PRGF							
At approval date (May 1999)							
Prior Actions							
Announcing that Cocobod will ensure equal access to crop financing/warehousing facilities for all LBCs.	1999 ESAF/PRGF	PA		Mar-99	Cocoa	Y	
Obtaining cabinet approval of the medium-term cocoa strategy.	1999 ESAF/PRGF	PA		Apr-99	Cocoa	Y	
Providing to the Fund a divestiture work program, including annual targets for divestiture receipts for 1999 - 2000.	1999 ESAF/PRGF	PA		Mar-99	Divestiture	Y	
Announcing removal of the freeze on licensing new banks.	1999 ESAF/PRGF	PA		Mar-99	Financial	Y	
Structural Performance Criteria							
Offering for sale the Produce Buying Co. (PBC).	1999 ESAF/PRGF	SPC		Jun-99	Divestiture	N	Waived.
Increasing the producer price to 60 percent of the fob cocoa price for 1999/2000.	1999 ESAF/PRGF	SPC		Jun-99	Cocoa	Y	Delay
Reconcile trade data from ASYCUDA with CEPS's manual tabulation.	1999 ESAF/PRGF	SPC		Jun-99	Statistics	Y	
No restrictions on payments and transfers on current international transactions.	1999 ESAF/PRGF	SPC	cont.		External	Y	
No introduction of multiple currency practices.	1999 ESAF/PRGF	SPC	cont.		External	N	Waived
No bilateral agreements inconsistent with Article VIII.	1999 ESAF/PRGF	SPC	cont.		External	Y	
No import restrictions for BOP reasons.	1999 ESAF/PRGF	SPC	cont.		External	Y	
No new external payments arrears.	1999 ESAF/PRGF	SPC	cont.		External	N	Waived in 2001.
Structural Benchmarks							
Complete financial restructuring of TOR.	1999 ESAF/PRGF	SB		Jun-99	Divestiture	Y	Delay
Establish amount of road sector arrears and reduce them by cedi 30 billion in H1 1999.	1999 ESAF/PRGF	SB		Jun-99	Fiscal	N	
Establish monitorable quarterly targets for banks not meeting capital adequacy requirements.	1999 ESAF/PRGF	SB		Mar-99	Financial	Y	
Enforce revised regulations for forex exposure limits.	1999 ESAF/PRGF	SB		Jun-99	Financial	Y	
Obtain cabinet approval of legal framework for reforming subvented agencies.	1999 ESAF/PRGF	SB		Jun-99	Public service	Y	
Reduce lags in reporting consumer price index and monetary results to one month, and budgetary results to six weeks.	1999 ESAF/PRGF	SB		Jun-99	Statistics	Y	
At First (mid-term) Review (November 1999)							
Prior Actions for completing 1st Review							
Adoption by Bank of Ghana of new procedure to calculate the market exchange rate from actual commercial bank transactions.	1999 ESAF/PRGF	PA		Oct-99	External	Y	
Release data on gross international reserves to public with a delay of not more than one month.	1999 ESAF/PRGF	PA		Nov-99	External	Y	
Submit to parliament an increase in VAT.	1999 ESAF/PRGF	PA		Nov-99	Fiscal	Y	
Complete report on measures taken to strengthen customs.	1999 ESAF/PRGF	PA		Nov-99	Fiscal	Y	

Make the Ghana Living Standards Survey available to the Fund staff.	1999 ESAF/PRGF	PA	Oct-99	Statistics	Y	
Complete divestiture of State Transport Co. and GHACEM.	1999 ESAF/PRGF	PA	Oct-99	Divestiture	Y	
Offer the Produce Buying Co for sale.	1999 ESAF/PRGF	PA	Oct-99	Divestiture	Y	
Eliminate all outstanding arrears.	1999 ESAF/PRGF	PA	Sep-99	Financial	Y	
Structural Performance Criteria						
Submit new draft central bank law to parliament.	1999 ESAF/PRGF	SPC	Dec-99	Financial	N	Waived.
Offer the TOR for sale.	1999 ESAF/PRGF	SPC	Dec-99	Divestiture	N	Waived.
Appoint sales advisor for the divestiture of Ghana Airways, Ghana Railways, and Electricity Co of Ghana.	1999 ESAF/PRGF	SPC	Dec-99	Divestiture	N	Waived.
Withdraw banking licenses from banks that do not meet the capital adequacy requirements for Banking Law of 1989 on 9/30/99.	1999 ESAF/PRGF	SPC	Sep-99	Financial	N	Waived.
Structural Benchmarks						
Reduce the top tariff rate to 20 percent.	1999 ESAF/PRGF	SB	Jan-00	External	Y	Delay
Complete comprehensive review of tariff regime.	1999 ESAF/PRGF	SB	Oct-99	External	Y	
Divest Bank of Ghana shares in National Investment Bank and other banks.	1999 ESAF/PRGF	SB	Dec-99	Divestiture	Y	
Publish monthly trade and travel data within 60 days.	1999 ESAF/PRGF	SB	Dec-99	Statistics	Y	
Publish Quarterly Statistical Digest of the GSS and the Bank of Ghana Quarterly Bulletin within 60 days.	1999 ESAF/PRGF	SB	Dec-99	Statistics	Y	
Provide Fund staff with summary information on the methodology used to compile national accounts.	1999 ESAF/PRGF	SB	Oct-99	Statistics	Y	
Reduce lags in reporting consumer price index and monetary results to one month, and budgetary results to 6 weeks.	1999 ESAF/PRGF	SB	Cont.	Statistics	Y	
Reduce road sector arrears by c30 billion in H2 1999.	1999 ESAF/PRGF	SB	Dec-99	Fiscal	N	
At Second Review (August 2000)						
Prior Actions for Completing 2nd Review						
Inform the Fund staff of cocoa policies for the 2000/01 crop, and issue regulations to allow qualified Licensed Buying Companies (LBCs) to export 30 percent of cocoa purchases.	1999 ESAF/PRGF	PA	Aug-00	Cocoa	Y	
Select an advisor for the sale of at least 10 percent of the government shares in Ghana Telecom.	1999 ESAF/PRGF	PA	Aug-00	Divestiture	Y	
Offer the Tema Oil Refinery (TOR) for sale.	1999 ESAF/PRGF	PA	Aug-00	Divestiture	Y	
Make a public statement that the foreign exchange market will be allowed to operate without any administrative interference.	1999 ESAF/PRGF	PA	Aug-00	Financial	Y	
Elimination of existing external arrears.	1999 ESAF/PRGF	PA	Aug-00	Financial	N	
Define a package of contingent expenditures amounting to at least 1 percent of GDP and obtain cabinet approval of its deferral to H2.	1999 ESAF/PRGF	PA	Aug-00	Fiscal	Y	
Ensure the new VAT tax rate is effective June 1, 2000.	1999 ESAF/PRGF	PA	Aug-00	Fiscal	Y	

Make the GC 80 petroleum excise effective by June 1, 2000.	1999 ESAF/PRGF	PA	Aug-00	Energy	Y	
Withdrawal of banking license from BCC.	1999 ESAF/PRGF	PA	Aug-00	Financial	Y	
Submit Bank of Ghana Act and Banking Act to Parliament.	1999 ESAF/PRGF	PA	Aug-00	Financial	Y	
Inform the Fund staff of cocoa policies for the 2000/01, and issue regulations to allow Licensed Buying Companies (LBCs) to export 30 percent of cocoa purchases.	1999 ESAF/PRGF	PA	Aug-00	Cocoa	Y	
Structural Performance Criteria						
Reduce road arrears to not more than GC278 billion.	1999 ESAF/PRGF	SPC	Aug-00	Fiscal	Y	
Reduce road arrears to not more than GC172 billion.	1999 ESAF/PRGF	SPC	Dec-00	Fiscal	Y	
Submission to Parliament of a Proposal to eliminate special tax on all imports except selected 36 tariff items.	1999 ESAF/PRGF	SPC	Dec-01	Fiscal	Y	
Appoint sales advisor for the divestiture of Electricity Co of Ghana.	1999 ESAF/PRGF	SPC	Sep-00	Divestiture	N	Waived.
Structural Benchmarks						
Monitor exemptions and report them quarterly by Harmonized Systems code.	1999 ESAF/PRGF	SB	Sep-00	Fiscal	N	
Complete a study on Ghana's tariff structure.	1999 ESAF/PRGF	SB	Dec-00	External	Y	Delay
Hire financial advisor for the concessioning of Ghana Railways.	1999 ESAF/PRGF	SB	Sep-00	Divestiture	Y	
Divest all Bank of Ghana's share in commercial banks.	1999 ESAF/PRGF	SB	Sep-00	Divestiture	Y	Delay
Improve flexibility and responsiveness of treasury bill market by accepting outlier bids.	1999 ESAF/PRGF	SB	Sep-00	Financial	Y	
Revise the accounting in the monetary survey to be based on the residency criterion and produce an estimate of usable gross reserves.	1999 ESAF/PRGF	SB	Dec-00	Statistics	Y	
Respond to FAD's public expenditure management report from the May/June 2000 technical assistance mission.	1999 ESAF/PRGF	SB	Sep-00	Fiscal	N	
Complete an audit of domestic arrears.	1999 ESAF/PRGF	SB	Dec-00	Fiscal	N	
At Third review (June 2001)						
Prior Actions for Completing Third review						
Cabinet approval of a debt restructuring plan for TOR.	1999 ESAF/PRGF	PA	Jun-01	Divestiture	Y	
Cabinet approval of a list of government assets valued at not less than US$ 50 million that will be divested in 2001, with estimated dates of sale.	1999 ESAF/PRGF	PA	Jun-01	Divestiture	Y	
Implementation of an automatic petroleum price adjustment formula with the properties defined in the TMU.	1999 ESAF/PRGF	PA	Jun-01	Energy	Y	
Submission to Parliament of supplementary tax measures requiring parliamentary approval.	1999 ESAF/PRGF	PA	Jun-01	Fiscal	Y	
Structural Performance Criteria						
Audit of the full stock of payment arrears accrued since January 1, 2000, and adoption of a strategy for their liquidation.	1999 ESAF/PRGF	SPC	Aug-01	Financial	N	Waived
Completion of agreement with creditors on restructuring of TOR's debt.	1999 ESAF/PRGF	SPC	Aug-01	Divestiture	N	Waived

Structural Benchmarks						
Publish strategy for full cost recovery in the public utilities; implement automatic tariff adjustment formulae for electricity and water.	1999 ESAF/PRGF	SB	Sep-01	Energy	Y	Delay
Termination of the direct sale of foreign exchange to TOR or any other company from November 1, 2001.	1999 ESAF/PRGF	SB	Dec-01	Divestiture	N	
Submission to Parliament of a revised Bank of Ghana Law	1999 ESAF/PRGF	SB	Aug-01	Financial	Y	
Divestiture by Bank of Ghana of shareholdings in all financial institutions under its supervision	1999 ESAF/PRGF	SB	Dec-01	Divestiture	Y	
Completion of financial and management audits of 9 public enterprises.	1999 ESAF/PRGF	SB	Sep-01	Financial	Y	Delay
Provide reports to the Economic Policy Coordinating Committee and the Minister of Finance by the end of each month on aggregate budget outcomes, expenditure outlays and commitments by MDAs.	1999 ESAF/PRGF	SB	Jul-01	Fiscal	N	
All road sector arrears to be eliminated by end 2001	1999 ESAF/PRGF	SB	Dec-01	Fiscal	N	
Implementation of system for budget cash flow forecasting and quarterly expenditure ceiling, together with associated commitment controls.	1999 ESAF/PRGF	SB	Jul-01	Fiscal	N	
At Fourth review (February 2002)						
Prior Actions for Completing Fourth Review						
Full implementation of the specific duties on petroleum (averaging GC200 per liter).	1999 ESAF/PRGF	PA	Mar-02	Energy	Y	
Issuance to MDAs of disaggregated expenditure ceilings for the first quarter of 2002, consistent with the fiscal targets for 2002.	1999 ESAF/PRGF	PA	Mar-02	Fiscal	Y	
Provision of CAGD reports for the months of January-October 2001 on aggregate budget outcomes and MDA's expenditure commitments and cash outlays.	1999 ESAF/PRGF	PA	Mar-02	Fiscal	Y	
Completion of audits at the MDA level of the full stock of domestic expenditure arrears for January-August 2001, and adoption of a strategy for their liquidation.	1999 ESAF/PRGF	PA	Mar-02	Fiscal	Y	
Cabinet approval of revenue measures with a combined yield in 2002 of not less than CG 115 billion, for implementation with the 2002 Budget.	1999 ESAF/PRGF	PA	Mar-02	Fiscal	Y	
Commencement of the external financial audit of the Bank of Ghana.	1999 ESAF/PRGF	PA	Mar-02	Financial	Y	
Structural Performance Criteria						
Elimination of the special import tax in the 2002 Budget, effective immediately.	1999 ESAF/PRGF	SPC	Mar-02	Financial	Y	Delay
Announcement in the 2002 Budget of intent to create Large Taxpayers' Unit (LTU) for the 500 largest taxpayers, covering filing and payment, collection enforcement, and audit for all domestic tax liabilities.	1999 ESAF/PRGF	SPC	Jun-02	Fiscal	Y	

Structural Benchmarks						
Issuance of disaggregated expenditure ceilings for each MDA for the second, third, fourth quarters of 2002, consistent with the budget and cash flow forecasts.	1999 ESAF/PRGF	SB	Apr-02	Fiscal	Y	
Production by CAGD of monthly reports for November 2001-March 2002 on aggregate budget outcomes and MDA's expenditure commitments and cash outlays, by function, within 6 weeks.	1999 ESAF/PRGF	SB	May-02	Fiscal	N	
Complete and publish audit of 2000 non-road expenditure arrears.	1999 ESAF/PRGF	SB	Jun-02	Fiscal	Y	
Prior Actions for Fifth Review (during 2002)						
Complete an external audit of the Bank of Ghana's accounts for 2001.	1999 ESAF/PRGF	PA		Financial	Y	
Passage of a Budget for 2002 in line with the program framework, and of revenue measures consistent with that budget.	1999 ESAF/PRGF	PA		Fiscal	N	
Publish strategy for achieving full cost recovery in the public utilities; implement automatic tariff adjustment formulae for electricity and water.	1999 ESAF/PRGF	PA		Energy	Y	
2003 PRGF Arrangement, 1st Annual Program						
At Approval Date (April 2003)						
Prior Actions						
Obtain parliamentary passage of a 2003 budget with aggregate revenues, expenditures, and net domestic financing consistent with the MEFP.	2003 PRGF	PA	May-03	Fiscal	Y	
Obtain parliamentary passage of revenue measures, including those specified in paragraphs 17 and 18 of the MEFP, with an estimated yield of at least GC1687 billion in 2003.	2003 PRGF	PA	May-03	Fiscal	Y	
Obtain a cabinet decision that the 2003 quarterly expenditure ceilings on personal emoluments will be applied by the responsible MDAs and enforced by the Ministry of Finance.	2003 PRGF	PA	May-03	Fiscal	Y	
Align petroleum prices with the automatic adjustment formula, and announce that future adjustments will be made in line with the formula.	2003 PRGF	PA	May-03	Energy	Y	
Submit to the Economic Management Team the first monthly fiscal report, covering December 2002.	2003 PRGF	PA	May-03	Fiscal	Y	
Structural Performance Criterion						
Implement fully the automatic adjustment formula for petroleum prices.	2003 PRGF	SPC	Jun-03	Energy	Y	
Structural Benchmarks						
Submit to the Economic Management Team the monthly fiscal reports described in the MEFP, within eight weeks, for January-April 2003.	2003 PRGF	SB	Sep-03	Fiscal	Y	
Implement the published plan for adjusting electricity and water tariffs, including 12 percent tariff increases in March 2003, and automatic adjustment in line with the published cost recovery formulas thereafter.	2003 PRGF	SB	Sep-03	Energy	N	Partially
Cabinet approval of final purchase agreement for Ghana Commercial Bank.	2003 PRGF	SB	Sep-03	Divestiture	N	

At First Review (December 2003)						
Prior Actions for completion of First Review						
Bring electricity and water tariffs into line with the automatic adjustment formulas, based on calculated values through September 2003.	2003 PRGF	PA		Energy	Y	
Parliamentary passage of a supplementary expenditure appropriation consistent with aggregate government expenditures for 2003 of not more than c19233 billion	2003 PRGF	PA		Fiscal	Y	
Cabinet approval in principle of a strategy for GCB.	2003 PRGF	PA		Divestiture	Y	
Structural Performance Criteria						
Ensure that petroleum product prices are in line with the automatic adjustment formula.	2003 PRGF	SPC	Jan-04	Energy	Y	Delay
Ensure that petroleum product prices are in line with the automatic adjustment formula.	2003 PRGF	SPC	Mar-04	Energy	Y	Delay
Ensure that electricity and water tariffs are in line with their respective automatic adjustment formulas.	2003 PRGF	SPC	Jan-04	Energy	Y	Delay
Ensure that electricity and water tariffs are in line with their respective automatic adjustment formulas.	2003 PRGF	SPC	Mar-04	Energy	Y	Delay
Announce in the 2004 budget statement a plan to transform the ownership and management control of GCB, including a timetable for implementation.	2003 PRGF	SPC	Mar-04	Divestiture	Y	
Structural Benchmarks						
Determine and settle all cross arrears between VRA, ECG, GWCL, TOR, and government.	2003 PRGF	SB	Dec-03	Financial	N	
Submit to the Economic Management Team the monthly fiscal reports described in the MEFP, within eight weeks, for August-October 2003.	2003 PRGF	SB	Dec-03	Fiscal	Y	
Submit to the Economic Management Team the monthly fiscal reports within eight weeks, for November 2003-January 2004.	2003 PRGF	SB	Mar-04	Fiscal	Y	
At Second Review (June 2004)						
Prior Actions for completion of Second Review						
Introduce a legislative instrument in parliament to ensure the effective implementation of the National Health Insurance Levy on August 1, 2004.	2003 PRGF	PA		Fiscal	Y	
Issue maximum cash ceiling to ministries, departments and agencies totaling c2,402.5 billion for the third quarter of this year.	2003 PRGF	PA		Fiscal	Y	
Settle the revised structure of civil service (GUSS) wages for 2004 consistent with keeping the wage bill within the budgeted amount.	2003 PRGF	PA		Public Service	Y	
Issue a press release announcing Cabinet endorsement of a new regulatory/pricing regime that gives oil marketing companies the right to adjust retail petroleum prices according to a prescribed formula.	2003 PRGF	PA		Energy	Y	
Bring electricity and water tariffs into line with the automatic adjustment formulas, based on calculated values through end-March 2004.	2003 PRGF	PA		Energy	Y	

Structural Performance Criteria						
Ensure that electricity and water tariffs are in line with their respective automatic adjustment formulas.	2003 PRGF	SPC	cont.	Energy	Y	
Implement the new petroleum pricing regime.	2003 PRGF	SPC	Feb-05	Energy	N	Waived
Structural Benchmarks						
Introduce Bank of Ghana Bills.	2003 PRGF	SB	Sep-04	Financial	Y	
Complete the share flotation for Ghana Commercial Bank.	2003 PRGF	SB	Mar-05	Divestiture	N	
Hire a transactions advisor for a management contract of Ghana Commercial Bank.	2003 PRGF	SB	Sep-04	Divestiture	Y	
Settle all cross-debts as of December 31, 2003, of the Electricity Company of Ghana, Ghana Water Company Limited, Tema Oil Refinery, Volta River Authority, and the government, together with liabilities associated with on-lending from the government.	2003 PRGF	SB	Jun-04	Fiscal	Y	
All ministries, departments, and agencies will submit to the Ministry of Finance a quarterly financial report detailing receipts of internally generated funds, grants, and loans within eight weeks.	2003 PRGF	SB	cont.	Fiscal	Y	
At Third Review (June 2005)						
Prior Action for Completing Third Review						
Establish an independent oversight body to monitor application of the petroleum product pricing mechanism adopted on 2/23/05.	2003 PRGF	PA	Jun-05	Energy	Y	
Performance Criteria						
Establish computerized personnel and payroll databases, including all employees covered under the Ghana Universal Salary Structure (GUSS) and all subvented agencies.	2003 PRGF	SPC	Sep-05	Public service	Y	
Cabinet to approve the plan for the civil service reform covering human resource policy, reviewing the organization and structure of the civil service, and addressing wage policy and payroll management.	2003 PRGF	SPC	Dec-05	Public service	Y	
Structural Benchmarks						
Starting January 1, 2006, Bank of Ghana will enforce compliance of commercial banks with the capital adequacy stipulated in the Bank of Ghana Law and Banking Act.	2003 PRGF	SB	cont.	Financial	Y	
Ministry of Finance will expand the mandate of the non-tax revenue unit to cover 35 state-owned enterprises.	2003 PRGF	SB	Dec-05	Fiscal	Y	
At Fourth and Fifth Reviews						
Performance Criterion						
Report on the review of the wage and salary structure of public service workers.	2003 PRGF	SPC	Jun-06	Public service	Y	
Structural Benchmark						
The Ministry of Finance will submit the Credit Reporting Bill to Cabinet for final approval.	2003 PRGF	SB	Jun-06	Public service	Y	