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GHANA

April 2019

SEVENTH AND EIGHTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

In the context of the Seventh and Eighth Reviews Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on March 20, 2019, following discussions that ended on February 21, 2019, with the officials of Ghana on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on March 7, 2019.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- **Staff Supplements** updating information on recent developments.
- A **Statement by the Executive Director** for Ghana.

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

Letter of Intent sent to the IMF by the authorities of Ghana*
Memorandum of Economic and Financial Policies by the authorities of Ghana*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

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March 20, 2019

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IMF Executive Board Completes the Last Review of Extended Credit Facility for Ghana

On March 20, 2019, the Executive Board of the International Monetary Fund (IMF) completed the seventh and eight reviews under the Extended Credit Facility (ECF)[1] supported arrangement. This will make available to Ghana the cumulative amount of SDR132.84 million (about US$185.2 million).

Considering the authorities' resolved to tackle difficult reforms, the Executive Board also approved the authorities' request for a waiver of the nonobservance of a few program targets.

Ghana's three-year arrangement was approved on April 3, 2015 (see Press Release No.15/159) for SDR 664.20 million (about US$925.9 million or 180 percent of quota at the time of approval of the arrangement). It was extended for additional year on August 30, 2017 and is to end on April 2, 2019. The arrangement aimed to restore debt sustainability and macroeconomic stability in the country to foster a return to high growth and job creation, while protecting social spending.

Following the Executive Board's discussion, Mr. Tao Zhang, Deputy Managing Director and Acting Chair, issued the following statement:

"The authorities have achieved significant macroeconomic gains over the course of the ECF-supported program, with rising growth, single digit inflation, fiscal consolidation, and banking sector clean-up. Continued macroeconomic adjustment should underpin these improvements, as the 2020 elections approach.

"In a sign of the authorities' commitment to fiscal consolidation, the end-2018 fiscal targets were met. Sustained fiscal discipline is needed to reduce financing needs and anchor debt dynamics. As stronger revenue mobilization is critical, the submission of the tax exemption bill is welcome, but needs to be complemented by efforts to strengthen tax compliance. Fiscal space is needed to support priority programs, while off-budget expenditures should be

[1] The ECF is a lending arrangement that provides sustained program engagement over the medium to long term in case of protracted balance of payments problems.

avoided.
“Progress on structural reforms needs to be intensified. Plans to improve public financial management and supervision of state-owned enterprises (SOEs), the establishment of a fiscal council, and the fiscal rule are welcome. Stronger monitoring of fiscal operations, including for SOEs, will help mitigate fiscal risks.

“Debt management has improved, though reliance on foreign investors has increased Ghana’s exposure to market sentiment and exchange rate risk. Debt collateralization and revenue monetization should be limited to avoid encumbering revenues. Planned infrastructure projects should be transparently managed, be consistent with debt sustainability, and ensure value for money.

“While achieving single-digit inflation is commendable, monetary policy should remain vigilant to guard against upside risks to inflation, also stemming from exchange rate developments. Rebuilding international reserve buffers, including through careful foreign exchange liquidity management, is welcome and critical to support greater resilience to external shocks.

“The authorities deserve praise for strengthening the banking sector and for resolving nine banks. Completing the financial sector clean-up, as planned, will support the provision of adequate and affordable credit to the economy.

“The Fund congratulates the authorities for successfully completing the ECF supported program and stands ready to support Ghana in its quest for economic prosperity.”

INTERNATIONAL MONETARY FUND

GHANA

March 7, 2019

SEVENTH AND EIGHTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA

KEY ISSUES

These are the last two reviews of Ghana's Extended Credit Facility arrangement, approved by the Executive Board on April 3, 2015. The ECF-supported program was extended by one year on August 30, 2017, to end on April 2, 2019.

Ghana's macroeconomic performance has significantly improved in the last two years under the ECF-supported program. Growth was robust in the first three quarters of 2018, on the back of oil production. Inflation has continued to decline, to 9 percent in January 2019, within the Bank of Ghana's band around the inflation target. The fiscal position (excluding financial sector-related costs) has continued to improve in 2018, despite persistent revenue collection challenges; and the current account deficit was lower than anticipated. The Bank of Ghana resolved nine insolvent banks over a period of 18 months, in line with its commitment to clean up the banking sector; and structural reforms to strengthen public financial management and oversight of the state-owned enterprises have continued.

Challenges remain though. The elevated debt burden and fiscal risks from the financial and energy sectors limit policy space. The large loss of foreign exchange reserves in 2018 is a pointed reminder of Ghana's exposure to shifting investors' sentiment and external shocks, amplified by the government's still elevated financing needs. Ghana's legacy of political budget cycles will test the authorities' commitment to macroeconomic discipline and reform in 2020—a challenge that the authorities intend to face head on.

Program performance. Corrective measures have been put in place to address the PCs missed at end-June (three) and end-December (two) and the continuous PC on credit to the government by the Bank of Ghana. Implementation of structural benchmarks has continued to suffer delays though with some progress; at the same time, steps were taken in new areas, including the introduction of a fiscal rule and a fiscal council to oversee its enforcement, a Financial Stability Council, and a substantial strengthening of the regulatory framework for the banking sector.

Staff recommends completion of the seventh and eighth reviews of Ghana's ECF-supported program and granting waivers for non-observance of PCs.

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

Discussions on the seventh and eighth reviews under the ECF-supported arrangement took place in Accra during February 12-21, 2019, building on an earlier mission in September 2018. The IMF staff team included Annalisa Fedelino (head), Gomez Agou, Leandro Medina, Alice Mugnier (all AFR), Farayi Gwenhamo (SPR), Constant Verkoren (MCM), Albert Touna Mama (Resident Representative) and Osa Ahinakwah (local economist, ResRep office). Mr. Mojarrad (Executive Director) and Mr. Kwasi Osei-Yeboah (Advisor, ED office) participated in some of the discussions, along with Carlo Sdralevich (incoming mission chief). The IMF team met with Vice President Bawumia; Finance Minister Kenneth Ofori-Atta; Bank of Ghana Governor Ernest Addison; other senior officials; and representatives of the donor community and private sector. Nadia Margevich ably contributed to the preparation of this report.

CONTENTS

FIGURE

TABLES

ANNEX

APPENDIX

CONTEXT: GOOD PROGRESS, ONGOING AGENDA

1. **Ghana is concluding its four-year ECF-supported program with significant macroeconomic achievements (Figure 1).** When Ghana entered the program in April 2015, the economy was deeply affected by continued volatility, fiscal dominance, severe commodity price shocks and a rapidly depreciating exchange rate—in turn compounding an adverse debt dynamic. Initial progress toward restoring macroeconomic stability was reversed at end-2016, when the election-induced cycle generated further fiscal slippages and additional macroeconomic instability. Much has been done since to place the economy on a more sustainable path, with significant gains in terms of growth, inflation, fiscal performance and external position.

2. **Various reforms have also seen critical progress.** The implementation of the 2016 Public Financial Management Act has brought greater discipline and transparency; a memorandum of understanding between the Ministry of Finance and the Bank of Ghana (BoG) to refrain from central bank financing to the budget has significantly helped reduce inflationary pressures; debt management has improved; substantial banking sector reforms (with nine banks resolved in 18 months) has enhanced financial stability; and greater oversight of the inefficient energy sector is taking hold.

3. **At the same time, key challenges remain**. External and domestic pressures during 2018 have been a reminder that, with still large financing needs and limited external buffers, Ghana remains precariously exposed to investors' sentiment. Public debt is still elevated (also reflecting the expensive clean-up of the financial sector), and Ghana is considered at high risk of distress. The clean-up of the financial sector is not yet complete and, along with loss-making state-owned enterprises in the energy sector, poses large fiscal risk. Given Ghana's legacy of political budget cycles, the 2020 elections will represent a key test of the authorities' commitment to macroeconomic discipline and reform demonstrated so far.

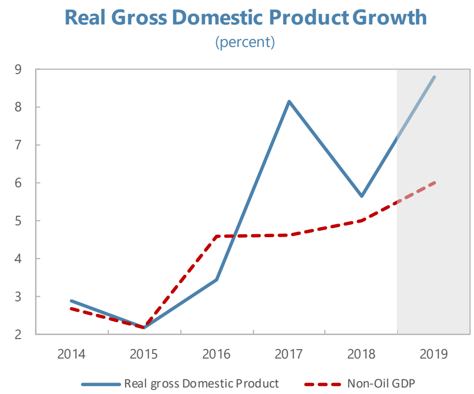
4. **The authorities are keenly aware of these challenges and are committed to maintain macroeconomic stability and continue reforms**. They view the recent adoption of a fiscal rule capping the budget deficit as a clear sign of their willingness to "tie the hands" of politicians, especially in election years.

RECENT ECONOMIC DEVELOPMENTS

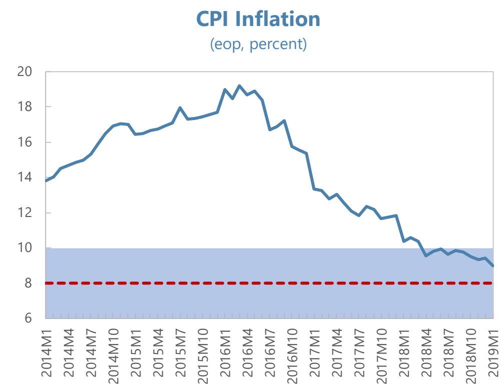
5. **Macroeconomic conditions remain broadly positive.** Provisional data show that the Ghanaian economy grew by 6.7 percent in the first three quarters of 2018, compared with same period in 2017, mainly on the back of oil production. A GDP rebase in late 2018 has roughly increased the recorded size of the economy by one quarter (Box 1).

Figure 1. Ghana: Overview of Key Macroeconomic Developments and Projections, 2014–19

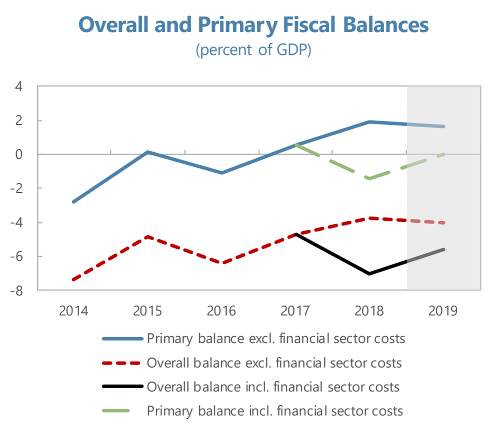
Growth has rebounded, on the back of oil production, and is expected to remain strong …



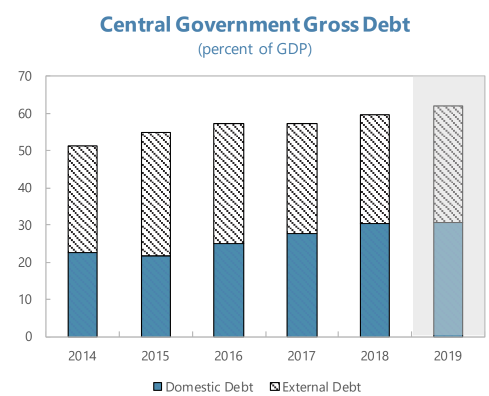
…while inflation has fallen within the BoG inflation band, as central bank financing of the budget was discontinued.



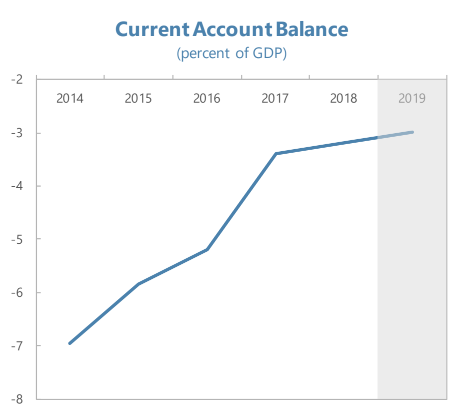
The underlying fiscal position has improved, though the financial sector clean-up has generated large one-off costs...



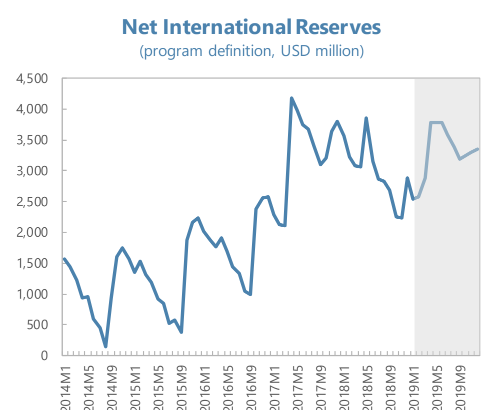
...that have also affected the debt dynamics



The current account position has significantly improved, largely reflecting strong commodity exports...



...though pressures on the financial account in H2 2018 have taken a toll on external buffers



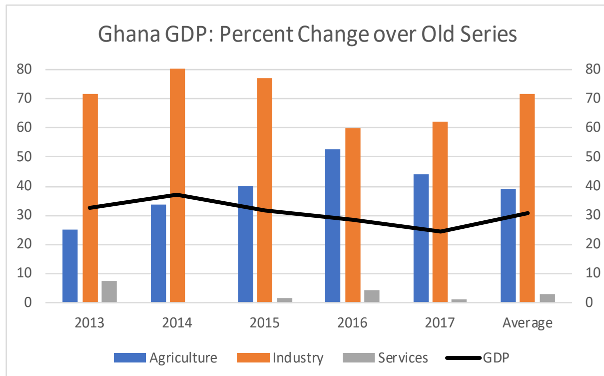
Sources: Ghanaian authorities and IMF staff calculations. Note: Shaded areas indicate projections.

Box 1. Impact of the 2018 GDP Rebase

Ghana's GDP was revised twice over the last decade:

- The first rebase took place in 2010, when GDP was revised by more than 60 percent, as the base year was changed from 1993 to 2006. The major increase in the GDP estimates came from the inclusion of new data, largely from surveys providing new details for the compilation of supply and use tables[1] and the rebasing of sector weights' contributions. The revision showed overall expansion in all sectors of the economy as well as a shift in the relative economic importance of various sectors. As a result, Ghana moved from being classified as a low-income country to a low middle-income country.[2]

- A new rebase took place in September 2018, increasing 2017 nominal GDP by 25 percent. The authorities are of the view that some sectors had not been appropriately accounted for since the previous rebase (new base year is 2013).



The new GDP series presents major adjustments in the agriculture and industry sectors. These sectors increased by 44 and 62 percent in 2017, respectively. In the case of agriculture, these large adjustments are due to an expansion in the livestock, crops, and fishing sub-sectors.[3] For industry, the expansion is explained by increases in mining and quarrying (substantial increase in the value added, and the inclusion of Sankofa and TEN fields), manufacturing,[4] and electricity, as a sizable portion of transmission and distribution of electricity was not included in previous series.

The recent GDP rebase has a generally positive impact, though with some nuances. While both debt and deficit ratios are now lower, the revenue ratio has declined as well, possibly placing Ghana as one of the lowest tax collectors among peers. Similarly, government capital expenditures have decreased significantly. Most importantly, debt-servicing ratios that are invariant to GDP, such as debt service-to-revenue, have remained unchanged at their high levels.

Ghana: Before and After GDP Rebase, 2017 in percent of GDP

Variables	Before	After	Diff.
Debt	71.8	57.3	-14.5
Fiscal Deficit	6.0	4.7	-1.3
Tax Revenue	17.5	13.9	-3.6
Capital Expenditure	3.1	2.5	-0.6

[1] The main sources of new data included the 2003 National Industrial Census, the 2005/06 Ghana Living Standards Survey (GLSS 5), and the small-scale 2007 Road and Lake Transport Survey.

[2] The 1993 series showed agriculture to be the largest sector of the economy in every year but one. By contrast, the 2010 rebased accounts showed the service sector to be dominant.

[3] For example, the number of registered crops increased from 12 to 27 in the 2013 base year.

[4] The number of establishments used by the Integrated Business Establishment Survey increased from 27,000 to 90,000 in the 2013 base year.

6. A primary surplus was again achieved in 2018. While fiscal targets were missed in H1 largely driven by VAT shortfalls and front-loading of priority government programs, the revenue measures in the Mid-Year Budget Review in July and intensified tax collection efforts helped achieve a primary surplus, excluding financial costs, of 1.7 percent of GDP by end-year, in line with the program target. However, public debt has increased from 57.3 percent of GDP to 59.6 percent of GDP, reflecting higher than programmed financial sector costs of 3.3 percent of GDP (see also Box 3).

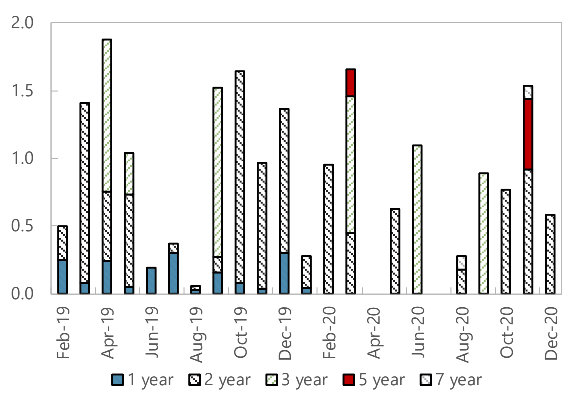
Ghana: 2018 Fiscal performance

Cumulative, unless indicated	Prog	Prov.
	(In percent of GDP)	
Revenue	14.4	14.6
Taxes	12.6	12.9
Direct taxes	5.3	6.1
o/w Personal income tax	2.0	2.0
Corporate tax	2.3	2.8
VAT	2.8	2.3
Expenditure	19.6	21.6
o/w Compensation of employees	6.5	6.6
Purchases of goods and services	1.1	1.7
Financial stability costs	1.5	3.3
Net acquisition of nonfinancial assets	2.2	1.5
Primary balance, excl. financial sector costs	1.6	1.9
Overall fiscal deficit, excl. financial sector costs	-3.7	-3.7
Primary balance, incl. financial sector costs	0.1	-1.4
Overall fiscal deficit, incl. financial sector costs	-5.2	-7.0

Source: Ghana authorities.

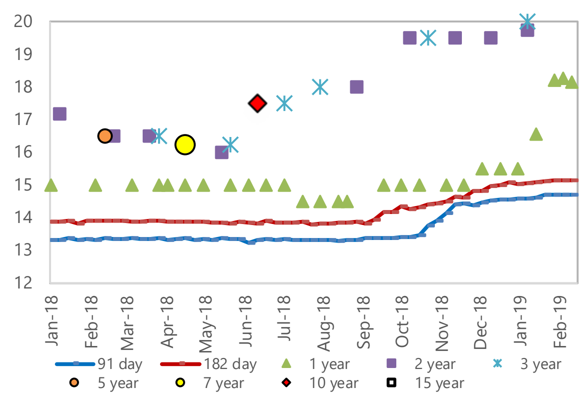
7. In a marked shift from 2017, tight financing conditions affected the local bond market in 2018. Yields in the primary market jumped over 100bps on treasury bills and 375bps on government bonds in H2 2018, while auctions for longer maturities were either canceled or went largely undersubscribed. A domestic debt buyback operation took place in September 2018 to accommodate demand for reduced exposure from some investors. As a result, tap issuances of existing medium-term instruments with short residual maturities were opportunistically used to cover refinancing needs—with the downside of worsening the redemption profile over the next 18 months. The net domestic financing requirement for 2018 (GHc 11 billion, excluding the costs related to the financial sector clean-up) was partially met by using cash buffers to pay maturities on local currency bonds held by foreign investors. On the external debt front, the Eurobond buyback operation in May 2018 helped ease near-term redemption pressures.[1]

Redemption Profile of MLT Domestic Debt
(GHc billion)



Source: Ghana authorities and IMF Staff estimates.

Spot Yields on New Domestic Notes
(percent)

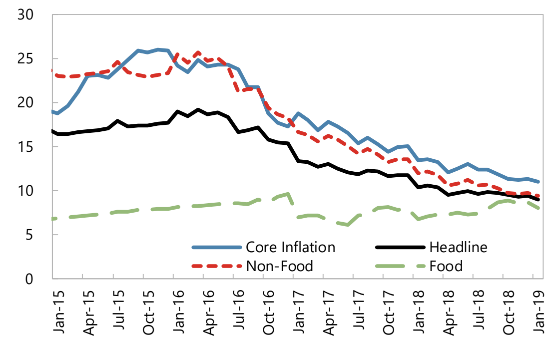


Source: Ghana authorities and IMF Staff estimates.
Note: the 1-year bill was replaced by a 364 day T-bill on 14th Jan 2019. This chart does not include yields on tap issuances.

[1] Of the US$1.5 billion, the authorities used US$829 million to repurchase most of the US$750 million 9.25 percent 2022 Eurobond and the remaining $421 million for management of domestic debt held by foreign investors.

8. Following large gains since 2016, disinflation has recently slowed down. Headline inflation declined from 15.4 percent at end-2016 to 9.6 percent in April 2018 and has since hovered below the upper-band of the inflation target (8±2 percent), reaching 9 percent in January 2019. After keeping the monetary policy rate (MPR) unchanged at 17 percent for three consecutive meetings since May 2018, the Monetary Policy Committee lowered it by 100 basis points on January 27.

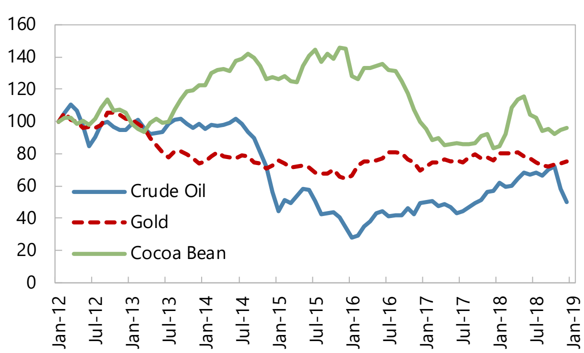
CPI Inflation
(percent, y-o-y change)



Source: Ghana authorities and IMF Staff estimates.

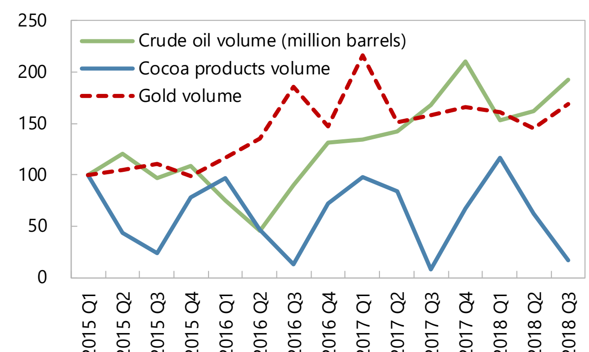
9. Despite a better-than-projected current account performance, foreign exchange reserves declined significantly in 2018 reflecting portfolio outflows. The current account deficit dropped to an estimated 3.2 percent of GDP, driven by oil exports. At the same time, portfolio rebalancing by foreign investors led to the repatriation of coupons and principal, leading to a drop in gross international reserves (GIR, excluding oil funds and encumbered assets) of US$174 million through end-December 2018—against a programmed increase of about US$418 million. As a result, import cover declined to 2.7 months compared to 2.8 months a year earlier.[2] Despite large FX sales by the BoG, the cedi depreciated by around 9 percent against the US dollar over the course of the year. Depreciation pressures have continued in early 2019 as the BOG sought to strengthen its FX reserves (Box 2).

Commodity Prices
(index; Jan 2012=100)



Source: Ghana authorities and IMF Staff estimates.

Export Volumes for Key Commodities
(index; 2015 Q1=100)



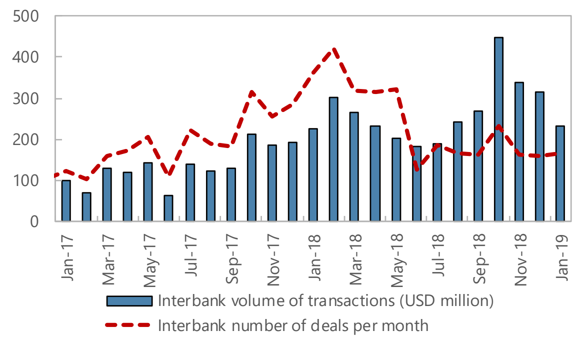
Source: Ghana authorities and IMF Staff estimates.

[2] Measured on the basis of NIR, the decline was about US$910 million over the period (MEFP Table 1).

Box 2. Policy Priorities for FX Market Development

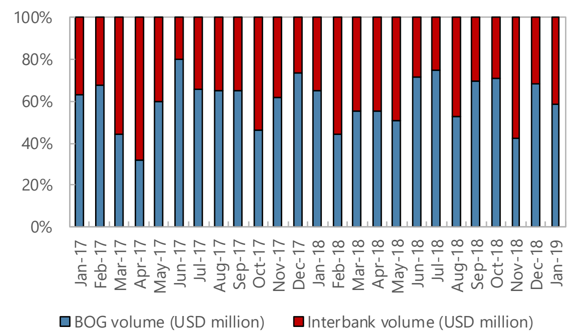
The FX interbank market has deepened in recent years, though it remains dominated by BoG's transactions. Liquidity has increased markedly since 2016, when the surrender and repatriation requirements for exporters were loosened, resulting in a doubling of transactions and increased trade volumes. At the same time, the BoG has continued to transact regularly in the FX market, including to intermediate foreign exchange proceeds from cocoa or oil sales and to address shortages. The BoG's FX sales in H2 2018, to accommodate repatriations by foreign investors in government bonds, have resulted in a marked erosion of net international reserves (NIR, program definition), by around US$1 billion for the year as a whole.[1]

Interbank FX Market



Note: the volume of transactions includes pure market support and payments of obligations.

Interbank FX Transaction Volumes



Promoting market-based interventions will further deepen the FX market, while still leaving room for the BoG to address exchange rate volatility. Until recently, US dollars sold by the BoG have tended to be slightly "cheaper" than dollars bought in the interbank market. As the BoG has accounted for the bulk of the transactions in the FX market, it has continued to be the market maker. In an effort to narrow the gap with the interbank rate and encourage price discovery, the BoG has recently revised its pricing methodology to follow market trends more closely. It has also recently published new market conduct guidelines to help strengthen the supply of FX to the interbank market.[2]

The BoG has committed to formalize its FX intervention policy. It is preparing a rule-based FX intervention policy, with the dual objectives of supporting reserve accumulation and dampening excess volatility in the exchange rate.

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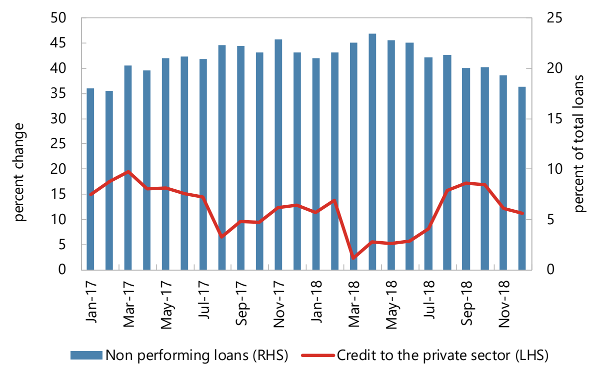
[1] The authorities are of the view that the program definition of NIR is excessively conservative, for example by excluding foreign assets accumulated in oil funds.

[2] Ghana Interbank Forex Market Conduct.

10. Extensive supervisory and regulatory reforms and interventions of problem banks by the BoG are boosting banking sector resilience. Capital adequacy continues to improve (21.9 percent at end-2018, an increase of 330 basis points year-on-year) and the system-wide NPL ratio (18.2 percent at end-2018) is steadily declining since its peak in April 2018, also supported by the adoption of BoG's NPL resolution plan. Still, loans classified as "loss" (as per the BoG's prudential classification rules) continue to comprise about 50 percent of the system-wide NPLs. Since the beginning of the program, the BoG has resolved nine banks, approved three bank mergers, issued new regulatory directives (e.g., capital requirements, corporate governance) and overseen completion of the increased statutory capital for banks. Clean-up costs to date—comprised of resolution bonds (almost 4 percent of GDP) and capitalization of the government-owned bridge bank—have been higher than expected amidst substantial gaps in banks' corporate governance and internal control framework, as well as unlawful transactions involving shareholders and connected parties (Box 3).

Credit to the Private Sector and NPLs



Source: Ghana authorities and IMF Staff estimates.

ECONOMIC OUTLOOK AND RISKS

11. Medium-term prospects remain supportive, provided the macro policy stance stays prudent, infrastructure and oil sector investments proceed as planned, and the external environment remains favorable. Overall GDP growth is expected to remain strong, increasing to 8.8 percent in 2019, reflecting increased oil production;[3] it would then stabilize at around 4.5 percent into the medium term absent new oil discoveries (see ¶13). Inflation would remain within the BoG's band and could continue to decline to the target's lower bound. The overall fiscal balance is expected to remain contained, also guided by the new fiscal rule capping the budget deficit at 5 percent of GDP. The baseline assumes no additional fiscal adjustment in 2020, an election year;[4] some adjustment would resume in 2021, continuing to secure a downward debt dynamic.

12. The balance of risks is however tilted to the downside (RAM Matrix). The political budget cycle remains a critical risk, along with Ghana's exposure to investors' sentiment given large financing needs and lower external buffers. The risk of debt distress remains high; however, the realization of contingent liabilities makes the DSA less favorable compared to the last review, with three indicators breaching the thresholds/benchmarks (see DSA).

[3] In 2018 oil production was lower than previously projected due to the deferred 9-12 week shut-down of the Jubilee Field (turret remediation) from 2017 to 2018.

[4] The headline budget deficit would nonetheless improve in 2020 compared to 2019, as financial sector clean-up costs are currently not expected in 2020.

Box 3. Financial Sector Fragilities

Strengthening the resilience of the financial sector has been one of the key pillars of Ghana's ECF program, as financial stability is key to promote sufficient and affordable credit to the economy. During the initial stage of the program, the Bank of Ghana (BoG) in coordination with staff developed a roadmap for buttressing banking sector capitalization amidst increasing credit risks and lagging provisioning levels (in part due to protracted regulatory forbearance). Cornerstone of the roadmap was an Asset Quality Review (AQR) involving all banks active in Ghana at that point in time. Upon finalization in March 2017, the AQR identified nine banks as being undercapitalized, with an aggregate capital shortfall of about 1.6 percent of GDP (IMF Country Report No. 17/262). By September 2017, the BoG had closed two deeply insolvent banks that could not demonstrate credible recapitalization prospects, while most other institutions were reporting capital adequacy ratios above the regulatory minimum of 10 percent.

However, implementation of the banking sector roadmap met additional challenges. Onsite inspections conducted by the BoG in late 2017 and early 2018 highlighted further under-provisioning in some institutions—among others resulting in the appointment of an official administrator at UniBank (one of Ghana's largest banks). By early July, it had become clear that prudential reports for UniBank were largely inaccurate and that the bank had, in fact, become deeply insolvent. Given the absence of credible rehabilitation prospects, the BoG decided to resolve the bank in August 2018, together with four other troubled banks. A government-owned bridge bank, Consolidated Bank Ghana (CBG), was created and good assets and liabilities of the resolved banks were transferred to CBG; the gap between assets and liabilities was covered via the issuance of special resolution bonds of GHc 7.6 billion (in two tranches, text table). In January 2019, two more banks were closed via similar operations, supported by the issuance of another GHc 1.5 billion in resolution bonds. But while these steps have helped support depositor confidence, substantial business transformation of CBG remains necessary to buttress its resilience and enable a successful privatization over the medium term.

Ghana: Financial Sector Costs [1/]

GHc million	2018	2019
Banking sector costs	10,250	1,500
GCB resolution bonds (UT, Capital Bank)	2,200	
CBG resolution bond (UniBank et al), first tranche	3,200	
CBG resolution bond (UniBank et al), second tranche	4,400	
CBG equity injection	450	
CBG resolution bond (Heritage, Premium)		1,500
SDIs costs		4,000
MFI clean-up		1,000
Savings and Loans and Finance Houses clean-up		3,000
Total costs	10,250	5,500
Memorandum items:		
Total costs (in percent of GDP)	3.4	1.6
Nominal GDP (GHc million)	299,099	347,239

1/ Excluding potential recoveries

Source: Bank of Ghana and staff estimates.

Increased paid-up capital requirements have helped strengthen bank capitalization, though the capitalization scheme for select indigenous banks raises some concerns. A significant increase of minimum paid-up capital, from GHc 120 million to GHc 400 million by end-2018, was announced by the BoG in September 2017 to buttress capitalization and enable the banking sector to better support the government's economic vision and transformational agenda. As of end-2018, 16 banks had been able to meet the new minimum requirement on a stand-alone basis through retained earnings and fresh capital injections; six other banks decided to merge, forming three new banking groups. A handful of other indigenous banks, however, was not able to comply with the requirements and turned towards a recapitalization scheme that seeks to raise funds from the private sector (pension funds and other institutional investors) through a special purpose vehicle (Ghana Amalgamated Trust or GAT).

Box 3. Financial Sector Fragilities (concluded)

While implementation of the scheme is still in train, the envisaged use of government guarantees may pose fiscal risks upon maturity of the bonds. GAT's effectiveness will hinge on its ability to successfully transform the supported banks, which may require (among others) a reorientation of their business strategies and further investments in their risk management capabilities.

Complementary efforts to strengthen the regulatory framework are in train. Following the publication of the Capital Requirements Directive in July 2018, to align regulatory capital requirements with Basel II/III, the BoG issued, among others, new Directives on Corporate Governance and Cyber and Information Security; a new guideline on the prevention of money laundering and terrorism financing; and draft requirements on the fitness and propriety of shareholders and bank management, financial holding companies and mergers and acquisitions. The introduction of IFRS 9 (effective as of 2018), together with the ongoing enhancement of practices for risk-based supervision, the envisaged introduction of a Pillar 2 capital framework and new liquidity requirements will further enhance Ghana's supervisory and regulatory framework. At the same time, the breadth and scope of the new requirements will require effective enforcement, while testing the banking sector's absorption capacity.

Financial sector fragilities are compounded by lingering weaknesses in specialized deposit-taking institutions (SDIs). During 2018, the BoG conducted an analysis of microfinance institutions (MFI) and rural banks, in cooperation with the World Bank, identifying a large number of institutions[1] that warrant prompt intervention to protect depositors and enable the sector to contribute to financial sector development and inclusion. Clean-up of the savings and loans companies and finance houses, also showing signs of distress, will complete the financial sector reform strategy. The BoG is finalizing plans to intervene distressed institutions; the sector's clean-up will require mobilization of government funding to cover resolution costs (as a first step, funding for MFIs is being secured).

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[1] https://www.bog.gov.gh/privatecontent/Public_Notices/State%20of%20the%20Banking%20System.pdf.

13. At the same time upside-risks are non-negligible, though less likely in the short term. Ghana's recent oil discoveries could significantly boost production starting in late 2020. If the envisaged developments progress without delays, they could potentially double oil production in 2021, to roughly 400,000 barrels-per-day.[5]

14. The authorities are confident the outlook is very favorable, though mindful of remaining challenges. Oil prospects provide an opportunity to lift Ghana's development in a sustainable way, and planned cooperation with Norway on the new oil discoveries is seen as a way to "import a credible brand" to oil resource management. The authorities agreed that large financing needs and high debt posed the main risks, though remained confident that their demonstrated commitment to macroeconomic stability and fiscal discipline will create irreversible gains and serve them well beyond the Fund-supported program.

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[5] A recent appraisal of a new oil producing area revealed that the field has over 500 million barrels, instead of the originally estimated 290 million barrels. This could boost GDP growth above 10 percent on average over 2020-22.

Ghana: Risk Assessment Matrix[1]

Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized	Policies to Mitigate Risks
Sharp tightening of global financial conditions causes higher debt service and refinancing risks; stress on vulnerable sovereigns (and those with un-hedged dollar exposures).	***High*** Government's financing needs remain sizable (though declining); and reliance on non-resident investors is high.	***High*** • Failure to secure financing would call for higher interest rates, further dampening growth and exacerbating fiscal costs and debt dynamics. • Reduced external financing would erode FX buffers, and possibly put pressure on the exchange rate, and inflation.	• Bolster investors' confidence by implementing credible medium-term fiscal adjustment strategy. • Build FX buffers to enhance resilience. • Formulate and adopt contingency measures in case financing conditions tighten further and more adjustment is needed.
Sizeable deviations from baseline energy prices. Prices could drop significantly if downside global growth risks materialize or supply exceeds expectations.	***Medium*** Oil represents a significant source of FX earnings and oil-related revenue benefit the budget.	***High*** • Could result in sharp contraction of exports, further weakening the external position, reducing the low reserve buffers and resulting in exchange rate depreciation and inflationary pressures.	• Diversify the economy and export base by improving business environment, and by investing in physical and human capital.
Fiscal loosening in the run-up to the 2020 elections. Continued weak revenue collections and spending pressures could escalate and undermine adjustment.	***High*** Political pressures to spend more and tax less are evident. And Ghana has de facto entered pre-election campaign.	***High*** • Could results in further arrear accumulation (and increasing NPLs) and strained public service provision—all calling into question the government's credibility. The associated loss of confidence could also trigger pressures on the exchange rate, with negative impact on inflation, balance sheets, and debt sustainability.	• Implement a credible medium-term fiscal adjustment strategy, with a balance across revenue and expenditure measures. • Tackle the arrear problem by pursuing non-compliance cases from the audit of unpaid commitments and claims; and by strengthening the PFM system.
Financial stability problems arising from liquidity pressures, the large stock of non-performing loans and capital shortfalls in some parts of the financial sector.	***Medium*** Significant weaknesses persist in the financial sector.	***Medium*** • Could further limit lending to the private sector, reducing investment and growth. • Could create contingent liabilities for the government, adding to the risk of debt distress.	• Address banking sector weaknesses, including through resolution of distressed firms and tackling the NPL overhang.
Continued and intensifying weaknesses in the SOE utility sector.	***High*** SOEs continue to make significant losses.	***Medium*** • Could add to the government's risk of debt distress. • Could further constrain growth.	• Formulate and implement a credible strategy to tackle energy inefficiencies. • Continue to strengthen monitoring and oversight of SOEs.

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

PERFORMANCE UNDER THE PROGRAM

15. **Program performance in 2018 has been mixed, though with improvements towards the end of the year.** While the authorities have shown continued commitment to fiscal adjustment and financial stability, external shocks have complicated policy-making and led to eroded buffers (see below). At the same time, the authorities have taken actions in new areas, including the introduction of a fiscal rule and Fiscal Council to oversee its enforcement, a Financial Stability Council, and steps to strengthen the regulatory framework for the banking sector.

POLICY ISSUES

A. Fiscal Policy

16. **The authorities have achieved an underlying primary balance sufficient to put debt on a downward path**. Larger than expected one-off costs of the financial sector clean-up—a cumulative 5 percent of GDP in 2018-19 (Box 3)—have temporarily weakened the primary balance, though the GDP rebase has helped mitigate their impact. Stripping out these costs, the primary adjustment has been 3.8 percent of GDP in 2016-18[6] (and debt would have declined).

Ghana: Selected Fiscal Aggregates, 2016-19

	2016		2017		2018		2019	
	Old GDP	New GDP	Old GDP	New GDP	Old GDP	New GDP	Old GDP	New GDP
	Percent of GDP, unless othewise indicated							
Revenue	17.2	13.4	17.5	13.9	17.9	14.6	19.7	16.1
Expenditures	26.6	20.7	23.4	18.7	26.5	21.6	26.6	21.7
o/w Compensation	8.7	6.8	8.2	6.6	8.1	6.6	8.0	6.6
Purchase of goods and services	1.9	1.5	1.2	1.0	2.1	1.7	2.2	1.8
Financial sector costs	0.0	0.0	0.0	0.0	4.0	3.3	1.9	1.6
Interest	6.9	5.4	6.6	5.3	6.9	5.6	6.9	5.6
Net acquisition of non financial ass	4.6	3.6	3.1	2.5	1.8	1.5	3.0	2.4
Overall balance	-9.3	-7.3	-6.0	-4.7	-8.6	-7.0	-6.8	-5.6
Overall balance, excl. financial sector costs	-9.3	-7.3	-6.0	-4.7	-4.6	-3.7	-4.9	-4.0
Primary balance	-2.4	-1.9	0.7	0.5	-1.7	-1.4	0.0	0.0
Primary balance, excl. financial sector cost	-2.4	-1.9	0.7	0.5	2.3	1.9	2.0	1.6
Central government debt	73.4	57.1	71.8	57.3	72.5	58.9	75.8	62.0
Memorandum item:								
Nominal GDP (GHc million)	167,353	215,077	204,610	256,671	243,013	299,099	284,066	347,239

Source: Data provided by the authorities and staff calculations.

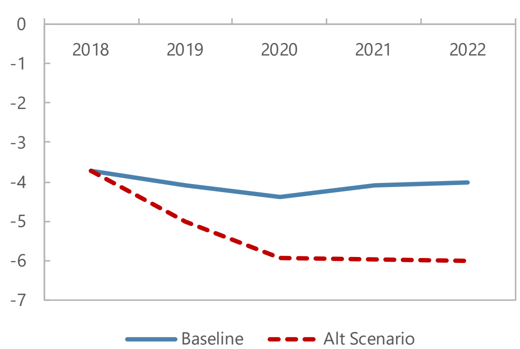
[6] The analysis is complicated by the fact that the GDP rebase affected past years differently; in addition, not all financial sector costs are reflected in the above the line fiscal accounts (as some represent equity injections below the line), though they are all included in public debt.

17. The approved 2019 budget would preserve these gains. It aims for an overall deficit, excluding financial sector costs, of 4 percent of GDP and a primary balance of 1.6 percent of GDP (Box 4). These targets will be adequate to preserve a sustainable debt trajectory, even accounting for one-off financial sector costs. Careful implementation will be required to ensure the targets can be met, as revenue could continue to disappoint, and priority programs could crowd out other spending. The authorities have committed to tapping new financing schemes solely to fund already budgeted spending; for the GETFund, additional borrowing will only serve for arrears clearance (MEFP, ¶85).[7]

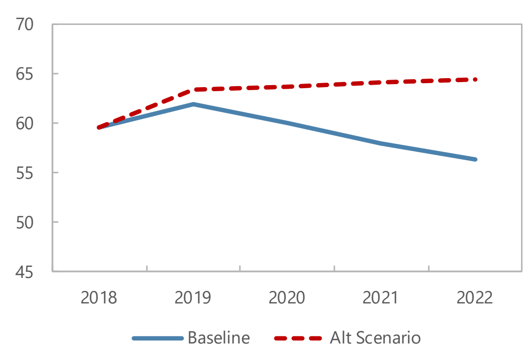
18. Large spending and financing needs continue to call for stronger domestic revenue mobilization. The authorities estimate that 2-3 percent of GDP is lost annually to tax expenditures (MEFP, ¶27) and to this end have submitted to Parliament an exemption bill, to rationalize exemptions and tighten the exemption granting process by requiring all exemptions to be approved by the Ministry of Finance (**prior action**). They continue to increase tax compliance efforts, also supported by technical assistance (TA) from the Fund and other partners, as the Ghana Revenue Authority is still struggling to improve significantly its performance. Raising additional revenue is also needed to ensure the sustainability of flagship programs. Despite overall spending pressures, the authorities are committed to avoid off-budgetary expenditures (see below and MEFP, ¶32).

19. Fiscal policy will need to be carefully managed, given downside risks. An illustrative alternative scenario shows that a one percentage point deviation from the projected deficit in 2019 and onwards could trigger a much higher debt path, compared to the baseline. Under such a scenario, the deficit (excluding financial sector related costs) would increase to 5 percent of GDP in 2019, widen to 6 percent of GDP in 2020, and remain at that level afterwards, also driven by larger interest payments. These changes, together with a more expensive financing, increase the debt levels to roughly 65 percent of GDP over the medium term, compared to 55 percent of GDP under the baseline scenario.

Overall Fiscal Balance
(exc. financial sector costs, percent of GDP)



Central Government Gross Debt
(percent of GDP)



[7] Apart from the GETFund arrears, the authorities continue to implement the central government arrears clearance plan adopted in 2017. According to the latter, GHc 730 million will be cleared in 2019 and the rest of the arrears stock (GHc 1.5 billion) in 2020.

Box 4. Key Elements of the 2019 Budget

The 2019 budget targets an overall fiscal balance of 4 percent of GDP and a primary balance of 1.6 percent of GDP (excluding financial sector clean-up costs).[1] Public debt is expected to peak at 62 percent of GDP in 2019, also reflecting the costs of financial sector clean-up, before declining to 56 percent of GDP by 2022.

Revenue mobilization is projected to improve by 1.5 percent GDP. The increase reflects the full impact of 2018 mid-year budget review measures[2] along with enhanced tax compliance and revenue administration reforms—underpinned by McKinsey, IMF and other partners' technical assistance. Also, an exemption bill will remove some existing exemptions and tighten the exemption granting process by requiring all exemptions to be approved by the Ministry of Finance.

The expenditure envelope reflects the full implementation of the government flagship programs. Total expenditures, excluding financial sector costs, are expected to increase by 1.9 percent of GDP, driven by grants to other government units and capital expenditures expected to increase in 2019 from low execution levels in 2018. Compensation of employees (in percent of GDP) would remain unchanged, reflecting continued improvements in payroll management. The larger spending envelope also reflects the full implementation of flagship programs (with an estimated cost of about 2 percent of GDP, including the Free Secondary High School program).

Ghana: Summary of Budgetary Central Government Operations, 2018–19
(GFS 2001, Cash Basis)

	2018 Proj.	2019 Proj.
Revenue 1/	14.6	16.1
Taxes	13.0	14.3
Direct taxes	6.1	6.4
Indirect taxes	4.7	5.6
Other revenue	1.3	1.5
Grants	0.3	0.3
Expenditure	21.6	21.7
Expense	20.1	19.3
Compensation of employees	6.6	6.6
Purchases of goods and services	1.7	1.8
Interest	5.6	5.6
Grants to Other Government Units	2.5	3.4
Financial sector related costs	3.3	1.6
Net acquisition of nonfinancial assets	1.5	2.4
Overall balance	-7.0	-5.6
Overall balance excluding financial sector related costs	-3.7	-4.0
Primary balance (excl. discrepancy)	-1.4	0.0
Primary balance excluding financial sector related costs	1.9	1.6
Nominal GDP (millions of GHc)	299,099	347,239

Sources: Ghanaian authorities; and IMF staff estimates and projections.
1 Revenues in staff's presentation differ to that of the authorities as staff reports revenues net of retentions of the revenue agency.

The budget seeks to diversify its financing sources.

- A Eurobond of up to US$3 billion would be used for budget financing (US$2 billion) and debt liability management (US$1 billion).
- Additional financing would be raised through borrowing for GETFund to clear arrears, backed up by earmarked sale tax (up to US$500 million per year for the next three years)—though the authorities indicated that actual amounts will be lower, given capacity implementation constraints.
- Gold royalties of 2020 and onward would be monetized, for US$500 million. Although it is unlikely that such funding will be wholly generated, these financing instruments need to be used cautiously as they introduce seniority among creditors and uncertainty over revenues in the medium term.

[1] The 2019 budget, adopted by Parliament, targeted an overall fiscal balance, excluding financial sector, of 4.2 percent of GDP and primary balance, excluding financial sector costs, of 1.2 percent of GDP. The changes in ratios are due to revised assumptions, by IMF staff, of exchange rate, crude oil production, and GDP growth.

[2] The top bracket for the personal income tax, which had been increased to 35 percent from 25 percent in the mid-year budget review, was lowered to 30 percent in the 2019 budget.

B. Fiscal Structural Reforms

20. Fiscal structural reforms are proceeding, though at a slower pace than anticipated (MEFP Table 2). Delays accumulated as reforms proved more challenging than originally anticipated, also reflecting capacity constraints at the technical level. Four structural fiscal benchmarks, reset from the previous review, called for completion of institutional reforms, and a fifth sought publication of a fiscal risk statement by end-2018.

- The authorities met the benchmark on integrating the payment, personnel (HRMIS) and budget (GIFMS) information systems in the education sector by end-August. The authorities also published (with a delay) a comprehensive Fiscal Risk Statement, broadly reflecting FAD guidance.

- However, despite significant progress, the September benchmark on the Treasury Single Account (TSA) and the end-December benchmarks related to the GIFMIS and HRMIS were not met. On the TSA, 176 accounts of ministries, departments, and agencies (MDAs) remained to be transferred (see MEFP, ¶51).[8] For GIFMIS, all MDAs of the central and local governments are on the system. However, a very small number (4 out of 58) of entities with internally generated funds remain outside GIFMIS. The authorities' progress on completing the rollout of the TSA and GIFMIS will continue to be tracked under the World Bank's PFM reform project. The HRMIS now covers about 80 percent of the government payroll. The authorities plan to continue extending HRMIS until all MDAs are part of the system.

21. The authorities are also pursuing a number of other notable fiscal structural reforms. Passage and implementation of the Public Financial Management (PFM) Act were critical developments under the program and supported by Fund TA (Annex 1). The implementing regulations, which reflect broad consultations among stakeholders, are with the Legislative Committee of Parliament (**prior action)** and will be approved on a lapse-of-time basis by early April.

22. In December, the authorities enacted fiscal rules and announced the creation of a fiscal council. The Fiscal Responsibility Act, 2018 (982) establishes two numerical fiscal rules, limiting the overall fiscal deficit on a cash basis to 5 percent of GDP and mandating a positive primary balance. The rules cover the central and local governments, autonomous agencies, and statutory bodies. The law allows for suspension of the rules for circumstances of force majeure, severe economic shocks (including commodity price shocks), and periods when the GDP growth rate is one percent or below. If the numerical fiscal rules are missed by more than one percentage point, Parliament may pass a vote of censure on the Finance Minister. The government also established a fiscal council comprised of seven members appointed by the President and whose terms will lapse with the President's term. Staff has recommended delinking the two terms to support the independence of the council.

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[8] The transfer of bank accounts to the BoG to broaden the TSA were partly hampered by funding difficulties at some banks and were caught up in proceedings for bank resolutions.

C. Financing Strategy and Debt Management

23. Aware of the risks of excessive debt accumulation, the authorities have decided to continue to adhere to the ECF debt limits for new external borrowing post-program. The Ministry of Finance has adopted a list of priority projects (similar to the one supported under the program) as basis to bring planning and discipline in managing requests from line ministries.

24. With concessional financing not available to them, the authorities will continue to partly fund themselves through international markets in 2019. The government plans to issue a Eurobond in H1 2019 of up to US$3 billion (of which US$2 billion for budget financing and US$1 billion for liability management operations). The Eurobond issuance will not significantly raise external debt (which has fallen in the second half of 2018 due to exit of non-residents from the market) while it is expected to contribute to higher reserves (thus also mitigating public sector exchange rate risk). Staff recommended that part of the proceeds of the 2019 Eurobond be used to buy back maturing domestic securities held by foreign investors, given the challenging redemption profile over the next 18 months.

Ghana: 2018-19 Fiscal Financing Needs

(percent of GDP)

	2018	2019
	percent of GDP	percent of GDP
Gross financing needs	**15.5**	**13.7**
Domestic primary balance[1] (-)	-0.8	1.2
Interest payments	5.6	5.6
External	1.1	1.4
Domestic	4.5	4.2
Accumulation of deposits	0.0	0.0
Loans to SOEs[2]	0.2	0.0
Amortization	9.0	9.3
External[3]	2.7	3.0
Domestic (T-bills)	2.7	2.4
Domestic (1 year and over)	3.7	4.0
Financing	**14.6**	**13.7**
Program grants and loans	0.3	0.5
Grants	0.0	0.0
Loans	0.3	0.5
IMF	0.3	0.3
Other	0.0	0.2
External commercial borrowing (Eurobond)[3]	1.2	2.9
Domestic debt	12.7	9.9
Short term	2.8	2.0
1 year and over	6.5	7.5
Other[4]	3.4	0.4
Net use / sale of financial assets	0.4	0.3
Bank of Ghana	0.0	0.0
Commercial Banks	0.0	0.0
Other	0.4	0.3
o/w: oil funds	-0.2	-0.1
o/w: monetization of royalties	0.0	0.4

Sources: Ghanaian authorities and IMF staff estimates and projections.

[1] Primary balance (measured from financing), excluding grants foreign-financed capital expenditure.

[2] On-lending of ESLA bonds to SOEs.

[3] Does not include Eurobond proceeds intended for debt man.

[4] Includes non-marketable bonds issued for financial sector clean-up.

25. The financing strategy for 2019 also involves some securitization and use of revenues as collateral. The government plans to monetize future revenues from gold royalties expected from 2020 onwards, for a total amount of up to US$500 million. In addition, GETFund was authorized to borrow up to the equivalent of US$500 million, for three years, backed by its earmarked sales tax, to meet education needs. The authorities assured that borrowing would not exceed the equivalent of US$250 million and confirmed that funding would be used solely for budgeted spending (MEFP, ¶85). Staff cautioned against excessive debt collateralization and revenue monetization, as such operations create seniority amongst creditors and uncertainty over revenues in the medium term.

26. The authorities intend to further strengthen debt management through several structural reforms. These include the publication of the 2019 Annual Borrowing Plan by end-Q1 2019, revamping the joint bookrunner system and accepting higher auction yields. Coordination between MOF and the BoG on debt management was enhanced through the re-established

Economic Policy Coordination Committee (EPCC), which includes a sub-committee on debt and finance. The authorities view the EPCC as a key mechanism to continue sound policy coordination and monitoring post-program.

27. The authorities have also been working on a large off-balance transaction to be conducted through an SPV. This would involve the provision of infrastructure by Sinohydro against refined bauxite proceeds (Box 5). The discussions during the review focused on the need to ensure that costs and risks to the government balance sheet are fully understood and mitigated. Costs include the required investments to build capacity to refine bauxite, and risks include delayed transfer of obligations to the SPV (leaving the government exposed) and potentially loss of collateral even if the transfer is executed (in the event development of bauxite lags). Staff emphasized that before proceeding the authorities should be comfortable that the arrangement: (i) is fully mapped out and consistent with debt sustainability; (ii) can be transparently monitored and managed; and (iii) will deliver value for money.

D. State-Owned Enterprises

28. Energy sector SOEs continue to pose significant fiscal risks (Box 6). They face significant financial pressures stemming from inefficiencies, weak governance, and inadequate tariff structure despite various attempts at debt restructuring and repayment.[9]

29. A number of measures seek to mitigate fiscal risks in the energy sector through better monitoring and oversight. Through their flagship SOE report, monitoring and disclosure of SOE financial performance has been significantly enhanced. The authorities have prepared legislation to improve governance of SOEs through the establishment of a single oversight entity (the State Interest and Governance Authority, SIGA) with submission to Parliament slated by mid-March (**prior action**). They also intend to introduce annual performance contracts and more rigorous credit assessments under a standardized credit analysis framework.

[9] Proceeds from bonds issued by ESLA Plc—a government-sponsored entity—in 2017 and 2018 have paid off a portion of bank and supplier claims on electricity SOEs. However, the nature of ESLA Plc claims (debt or equity) remains unsettled as no formal agreements documenting the claims have been concluded between ESLA and the beneficiary SOEs. The Volta River Authority has recorded ESLA's injection as equity in its 2017 financial statements.

Box 5. Sinohydro Financing Arrangement for Infrastructure Projects

The government of Ghana (GoG) is entering a financing arrangement with Sinohydro to develop infrastructure in Ghana. Under the Master Project Support Agreement (MPSA), approved by Parliament in July 2018, Sinohydro will provide US$2 billion worth of infrastructure (including roads, bridges, interchanges, hospitals, affordable housing and other infrastructure) in exchange for Ghana's refined bauxite.[1] Following the approval of MPSA, in early November Parliament approved Deferred Payment Agreements (DPAs) and Engineering, Procurement Construction (EPC) contracts for ten projects ("Lots") worth US$646 million to be executed in the first phase of the MPSA. Parliament also enacted legislation to set up the Ghana Integrated Aluminum Development Corporation (GIADC), a commercial-based independent SPV in charge of developing and managing Ghana's bauxite reserves.

The financing structure is defined as follows:

- **Financiers**: Sinohydro will enter into a financing arrangement with financier(s) to provide financing for the construction of the projects.
- **Ghana's financial obligations**: Under the DPAs, all financial obligations to Sinohydro will be transferred from MoF to GIADC, at which point the GoG will have no financial liability to Sinohydro nor will it provide any guarantees. Sinohydro will not be directly involved in the mining and selling of refined bauxite but it will be reimbursed for the total project costs by deferred payments by GIADC.
- **Terms and conditions:** Project-by-project basis. Tenor of 15 years from project commencement, grace period of 3 years, repayment period of 12 years, interest rate of 6 months US Libor + 2.80 p.a. and other charges, including management fee (0.7 percent flat), commitment fee (0.5 percent p.a.) and Sinosure premium (one-off, 7 percent flat).
- **Collateral**: GIADC is required to set up an offshore escrow account for revenue generated from selling bauxite, to secure GIADC's repayments to Sinohydro with the provision that the funds will be for the "exclusive benefit of Sinohydro." At any time during the term, the escrow account is required to have amounts sufficient to cover upcoming two instalments, from the start of construction onward.

Staff Preliminary Assessment and Related Risks

- Staff's views based on facts as explained by the authorities is that the financial obligation to Sinohydro is not yet current, and thus not captured by the performance criterion on borrowing.
- Nonetheless, committing future bauxite receivables to debt service and locking bauxite sales receipts in the escrow account limits the GoG's ability to exercise discretion of how the proceeds are allocated.
- The government estimates that Ghana's bauxite resources can potentially deliver over US$500 billion in revenue. It will however take considerable effort and time to put into place GIADC's capabilities to produce enough refined bauxite to cover debt service under the agreement.
- In the event of a breach of the agreement by GIADC, Sinohydro may demand prepayment.
- In the event that the transfer of obligations from MoF to GIADC is not completed as envisaged, this arrangement will be considered as a government obligation. At this stage, the conditions precedents (CPs) specified in the agreement have not been met and could take a few months to be satisfied.

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[1] Bauxite exploration started in the 1940s in Ghana. Ghana produces around 1.5 million of tons of bauxite per year. Exports of bauxite were around US$50 million in 2017, only 0.3 percent of total exports. The price of bauxite has hovered around $45 per ton. Aluminum production started in1964. VALCO (formerly Volta Aluminum Company)—the only smelter now entirely owned by the GoG—produces around 200,000 tons per year. The aluminum international price has dropped since mid-2018, from US$2,300 per ton to around US$1,970 per ton currently.

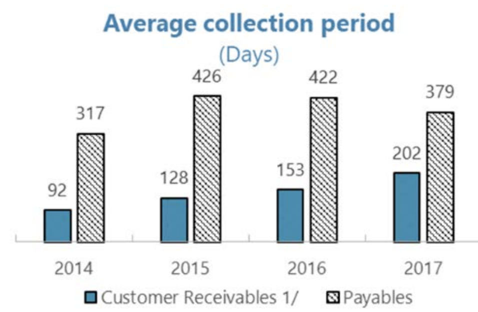
30. The authorities are also taking steps to improve the energy sector's financial performance. On March 1, 2019, a private concessionaire took over the electricity distribution and collection operations of the state-owned Electricity Company of Ghana (ECG) under a twenty-year concession agreement. The authorities are confident that the concession will help significantly improve the financial performance of the overall sector through enhanced transparency and accountability. However, a few "conditions precedent" for the concession were converted to "conditions post" that remain to be resolved, including the establishment of a regulated electricity tariff consistent with sector viability. The new tariff is expected to be announced by July 1, 2019. In addition, the ECG will still face capacity charges under some purchase power agreements. More broadly, the authorities are working with the World Bank on a comprehensive Energy Sector Recovery Program (ESRP) to ensure the sector's financial viability and plan to reduce the large stock of intra-SOE and government payables in the energy sector, following the completion of an ongoing external audit of the payables.

31. The state-owned cocoa marketing company (Cocobod) is also experiencing difficulties. Cocobod faces an estimated financing gap of GHc 1 billion (0.3 percent of GDP) in the current crop year. In staff's view, producer prices should be adjusted to reflect changes in international cocoa prices; support of farmers' incomes—a key priority of the government to prevent loss of farmland to illegal mining—should be provided via explicit budget transfers. The authorities and Cocobod are instead pursuing a series of cost savings measures in an effort to close the gap. In staff's view, while these measures may provide some temporary relief, more is needed to strengthen Cocobod's financial position.

Box 6. Fiscal Risks—Limited Room for Maneuver

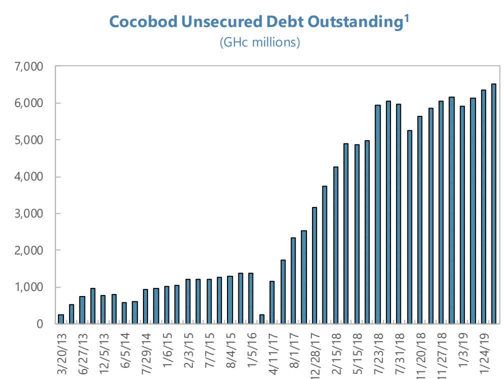
Ghana presents a range of fiscal risks. The SOEs and financial sectors pose some of the greatest fiscal risks—the related fiscal cost is projected to total some 10 percent of GDP over 2017-19.[1] The authorities have taken some initial steps to mitigate, monitor, and manage fiscal risks. However, the general government debt service bill relative to revenues has continued to grow to one of the highest in sub-Saharan Africa, reducing fiscal room to maneuver. Revenue-based consolidation is critical to provide fiscal space to offset the next economic downturn or the realization of fiscal risks.

Cashflow problems and inefficient operations affect electricity sector SOEs and the gas sector. The core electricity SOEs (the electricity distributor ECG[2], the transmission company Gridco and the power supplier VRA) have generated a negative average return on equity since 2014. A supplier to the ECG can expect to wait over a year, on average, to get paid. Simultaneously, the time it takes ECG to collect from its customers has increased to over 200 days. Electricity tariff cuts in March 2018 (of up to 30 percent) have added to these financial problems and, consequently, to fiscal risks. In the gas sector, the off-take agreement for gas supply from the offshore Cape Three Points field, which entered into operation in October 2018, requires Ghana to make monthly payments equivalent to 0.7 percent of GDP annually. The planned pipeline infrastructure is not in place to receive the gas.



1/ Excludes receivables related to government subsidy and street-light shortfall.

Fiscal risks also emanate from commodity price volatility. While automatic pricing of fuel products and saving a portion of oil revenue mitigate the impact of oil price volatility on the budget, Ghana's policies in the cocoa sector (another key export) also represent a source of possible contingent liabilities. The cocoa marketing board (Cocobod) estimates that it faces a GHc 1billion (0.3 percent of GDP) financing gap in the current year. Guaranteed producer prices to cocoa farmers has contributed to a sharp increase in Cocobod's short-term debt.



Sources: Ghanaian authorities; and IMF staff calculations.
[1] Secured debt at December 31, 2017, amounted to another GHc 2,988 million.

The authorities have initiated measures to address specific fiscal risks. Finalization of the proposed concession of ECG's distribution network to a private consortium, the streamlining of VRA's structure through asset sales, and the establishment of a single SOE oversight agency with guidelines on appointing professionals to SOE boards and management would help reduce SOE-related fiscal risks over the medium term. The publication of the first Fiscal Risk Statement would help remind policymakers and citizens of existing fiscal risks and inform investors and other stakeholders about the steps the government is taking to address them.

[1] Includes the ESLA bond (2 percent of GDP) and estimated 5 percent of GDP for clean-up of the financial sector (see Box 3).

[2] On March 1, 2019, a private concessionaire took over the electricity distribution operations of ECG.

E. Monetary and Exchange Rate Policy

32. A relatively tight monetary stance remains appropriate to address underlying inflation pressures. Inflation has continued to decline, although at a slower pace than previously anticipated. Given possible pass-through of cedi depreciation to inflation, and weak demand from non-resident investors for domestic government bonds, the MPC needs to exercise caution in further easing the MPR and should stand ready to tighten if conditions warrant.

33. Progress in implementing key recommendations from recent safeguards assessments has been mixed. Recent safeguards assessments recommended that the BoG's legal framework be strengthened to prohibit monetary financing of the government and safeguard the BoG's autonomy. Instead, the memorandum of understanding between the BoG and the government on monetary financing was extended until the end of the program, which will help anchor disinflation. There have also been delays in fully enforcing the BoG's ELA framework for collateralization of liquidity assistance, with possible implications for the BoG's balance sheet. Going forward, it will be important for the BoG to secure repayment from going concern banks and recover amounts from banks placed under receivership.

34. The BoG remains committed to strengthening its FX operations framework (Box 2). It is preparing an internal FX intervention policy (**prior action**) that outlines a rule-based framework with the dual objective of supporting reserve accumulation and dampening excess volatility in the exchange rate, in line with good international practices. To complement this framework and address volatility-inducing practices by certain market participants, the BoG issued new market conduct guidelines and published them on its website on February 25, 2019. The authorities believe that the market remains excessively shallow, thus amplifying volatility. As part of ongoing efforts to address the exchange rate gap, which gives rise to an existing MCP, the BoG is moving away from trading at the reference rate to ensure market-based pricing of BoG transactions.[10] It has also revised the calculation method for the reference rate to exclude BoG trades, also to be outlined on the BoG website. These measures seek to help develop a deeper and more efficient foreign exchange market.[11]

35. The authorities have taken decisive steps to restore FX buffers. They have maintained NIR at the level observed at end-December 2018 (**prior action**). Issuance of the planned Eurobond will further help rebuilding buffers, to a projected NIR of US$4.5 billion by year-end relative to about US$3.2 billion at the beginning of the program in April 2015; and careful FX management (see above) will help ensure adequate NIR levels into the medium term.

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[10] Ghana-2017 Article IV Consultation Staff Report, Informational Annex.

[11] Regarding capital flow management measures, a $1,000 limit on over-the-counter withdrawals from foreign exchange accounts (FEA) and foreign currency accounts (FCA), classified as a CFM, was rescinded in August 2014. However, a limit of US$10,000 withdrawal per travel and annual transfer without documentation is still in place. Removal of this restriction would be consistent with the Fund's institutional view on CFMs.

F. Financial Sector

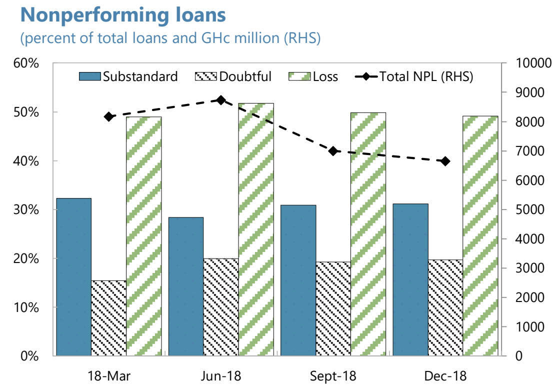
36. The financial sector reform agenda has broadened substantially over the course of the program, with important initiatives still in train. The closure of nine distressed banks and the initiation of forensic audits are crucial steps towards restoring confidence and strengthening accountability, though further actions remain necessary to address remaining weaknesses.

- *Bank-specific restructuring measures are needed to reduce fiscal risks going forward.* Actions taken by the government-owned bridge bank (Consolidated Bank of Ghana, CBG) to restructure its deposit portfolio and establish correspondent relationship are welcome. The authorities are committed to ensuring the bank's sustainability over the medium term, including via monetization of the remaining resolution bonds with private sector counterparts (MEFP, ¶38). They acknowledge that CBG's successful privatization hinges on the continued development of a sustainable business strategy and further rationalization of operating costs, following initial steps in this area. The authorities are committed to restructure banks undergoing recapitalization via Ghana Amalgamated Trust (GAT) and have gathered a group of well-respected professionals to oversee the necessary business transformations.[12] To ensure that private sector investments in GAT are adequately protected, robust transparency and disclosure practices, and safeguards to ensure GAT's operational autonomy, are imperative. These actions are all the more important given that the GAT scheme poses fiscal risks associated with (partial) government guarantees.

- *Timely finalization of the regulatory reform agenda is critical to prevent recurrence of financial sector fragilities.* Important progress has been made and pending initiatives (including, among others, a draft directive on risk management, implementation guidance on IFRS9 and the envisaged introduction of a Pillar 2 capital framework) will further enhance Ghana's regulatory framework. However, implementation will need to be carefully tailored to the industry's absorption capacity and resource constraints of the BoG's supervisory function. Enhanced risk-based supervision practices, need to be combined with a more robust enforcement culture. The mission welcomes the authorities' commitment to further strengthen the Banks and SDI Act, duly informed by lessons learned from the financial sector clean-up. Understandably, such reforms have been put on hold during the bank interventions but should be pursued at the earliest opportunity as conditions continue to stabilize.

[12] GAT was established by the Ghanaian government as a special purpose vehicle that will raise funds from the private sector to support qualifying banks that successfully complete a due diligence process. The entity is seeking to raise up to GHc 2 billion (0.7 percent of GDP) through the issuance of bonds (guaranteed or partially guaranteed by the government) and will use the proceeds to make equity investments in the selected banks. GAT plans to divest its investments in 3-5 years, following the completion of business transformation processes that seek to strengthen the operations of the supported banks and improve their profitability. Also see https://www.mofep.gov.gh/press-release.

- *Actions to alleviate balance sheet constraints associated with the legacy NPLs should be stepped up.* Addressing the NPL overhang is crucial to foster sustainable credit growth. The authorities are moving ahead with the implementation of their NPL resolution plan. Further write-offs of loans with no reasonable expectation of recovery, as per IFRS 9, is expected to free up banks' balance sheets. In addition, ongoing improvements in the insolvency framework and enforcement of creditor rights should enable more effective workouts of problem loans by banks (MEFP, ¶43).



Sources: Bank of Ghana

37. **Further improvements of the BoG's framework for emergency liquidity assistance (ELA) are important to mitigate risks to the BoG's balance sheet.** Drawing on lessons from the past years, the BoG is reviewing its ELA framework, and has requested IMF TA to further support this process (MEFP, ¶45). Staff welcomes the BoG's commitment to offload the monetized resolution bond at a market-based price (MEFP, ¶38) and has cautioned against further bond monetization going forward. The planned build-up of cash buffers and sale of the bond to third parties will help sterilize the monetary impact of the monetized resolution bond. Claims against the various bank receiverships will need to be duly provisioned, in view of uncertain recovery prospects.

38. **Staff welcomes the mobilization of funding to support the clean-up of the specialized deposit-taking institutions (SDIs).** Timely clean-up is important to protect depositors and enable the sector to adequately support the government's development and inclusion strategy. Timebound intervention plans are being finalized for savings and loans and finance houses (**prior action**), while government funding for the resolution of microfinance institutions has been secured (**prior action**). Going forward, robust enforcement of prudential rules, combined with greater scrutiny of SDIs business models, are needed to prevent fragilities from reemerging.

39. **There is a need for corrective actions in the area of anti-money laundering and combating terrorist financing (AML/CFT).** A national action plan is being implemented by various agencies, under the oversight of an Inter-Ministerial Committee, in accordance with timelines agreed with the Financial Action Task Force's International Cooperation Review Group.[13] The establishment of a Regulatory Forum comprising all financial regulators is helping to strengthen supervisory practices on a cross-sectoral basis (MEFP, ¶46), but. timely remediation of all identified gaps remains important to ensure Ghana's unimpeded access to the international financial system.

[13] In October 2018, Ghana was identified by the FATF as a jurisdiction with strategic AML/CFT deficiencies. The listing was maintained in February 2019, even though the FATF recognized that Ghana had taken steps towards improving its AML/CFT regime. Also see http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/documents/fatf-compliance-february-2019.html.

40. The authorities have reiterated their resolve to complete the ongoing financial sector reforms to support credit growth and financial inclusion. They are well aware that more work lies ahead, but strongly believe that actions taken to date have helped lay a stronger foundation. They remain confident that further financial weaknesses can thus be effectively prevented and financial institutions will be able to better support the development agenda post-program.

G. Program Modalities and Financing Assurances

41. Program performance, while improving, has remained mixed. Three PCs were missed at end-June, two at end-December 2018, in addition to the nonobervance of the continuous PC on gross credit to the government by the Bank of Ghana. PCs on the wage bill, and NIR were missed at end-June and end-December while the primary fiscal balance PC was missed at end-June but met at end-December. The continuous PC on gross financing of BOG to the government was also missed. Inflation has remained within the inner band of the MPCC. Given the actions taken to correct the slippages (MEFP, ¶15), including seven PAs, staff support the government's request for waivers for nonobservance of these PCs. While progress on Structural Benchmarks (SBs) has been slow, there has been progress in key arears (MEFP, ¶17 and Table 2). Given improved performance and corrective measures, it is proposed to conclude the two reviews, marking the end of the program which expires on April 2, 2019.

42. Financing assurances are in place for the seventh and eighth reviews and Ghana's capacity to repay the Fund is adequate (Tables 6 and 8).

- The program remains fully financed, with firm commitments in place until the end of the program in April and with good prospects thereafter.
- Capacity to repay remains adequate. Maximum outstanding liabilities to the Fund will reach 1.7 percent of GDP and 4.7 percent of exports as the external position will continue to improve.
- Staff supports the authorities' request to use of Fund's disbursement associated with the seventh and eighth reviews for budget support, with a view to help cover BOP needs and mitigate the cost of budget financing. The disbursements will be made directly to the government, consistent with BoG's zero financing to the latter.

STAFF APPRAISAL

Woforo dua pa a, na yepia wo
When you climb a good tree, you are given a push
(when you work for a good cause, you will get support)

43. The Ghanaian authorities proudly look at the completion of the ECF-supported program as the beginning of a new period for their country. The current program—following a series of earlier ones—came into effect in 2015, at a time of widening external and domestic imbalances. Initial adjustment efforts were reversed by the 2016 election-related policy slippages—in a repeat of Ghana's political budget cycle. Over the last two years significant macroeconomic gains have taken place, with rising growth, single digit inflation, a much-reduced budget deficit and sustained primary surpluses, and a courageous clean-up of the banking sector. The authorities deserve praise for restoring macroeconomic stability. They have restated their commitment to fiscal discipline and prudent macroeconomic management going forward.

44. While the Fund program is coming to an end, the government's adjustment and reform agendas are not yet complete. The key challenge will be for macroeconomic gains to withstand external shocks. 2018 was a keen reminder that shifts in investors' sentiment can severely test Ghana's limited buffers and heighten its vulnerabilities, putting macroeconomic stability at risk. Thus, the need to entrench macroeconomic stability through "irreversible policies" (in the authorities' words) is as relevant as ever, especially in the run-up to the 2020 elections.

45. Credible and sustained fiscal adjustment remains critical to reduce large financing needs and anchor the debt dynamics. Stronger domestic revenue mobilization is needed to reduce Ghana's large funding needs and put the implementation of priority spending on a sustainable path, while reducing the debt burden. The exemption bill recently submitted to Parliament is a step in the right direction; it will need to be complemented by continued efforts to broaden the tax base and strengthen compliance. On the spending side, temptations to shift expenditure off-budget will need to be resisted. Regardless of how it is recorded and executed, excessive public spending will exert pressures on the economy, which can ill-afford an excessively expansionary stance going into the elections.

46. Progress on fiscal structural reforms needs to be intensified. The passage of the PFM regulations will further underpin stronger cash management, spending execution and budget monitoring. The Ghana Revenue Authority needs to improve its operations, despite many reform efforts and significant technical assistance in this area. While the authorities place much confidence in the new fiscal rule capping the budget deficit, the rule's effectiveness will need to be underpinned by stronger monitoring and oversight of fiscal operations, including in the SOE sector.

47. The energy sector remains a key source of fiscal risks to be addressed decisively. Continued losses stemming from high-cost of fuel and power bought from IPPs, operational inefficiencies, low revenue collections, and non-payment practices among public sector entities have all contributed to a substantial drain on public finances. Efforts to resolve legacy debts, while helpful, cannot replace the need to secure the sector's financial viability. The authorities have taken promising steps to increase monitoring, including via the soon to be established oversight entity SIGA. Much more needs to be done, though, starting with actions under the World Bank's forthcoming budget support operation. Proper cost recovery for electricity tariffs is also needed.

48. Debt management has improved, though increased reliance on foreign investors has come at a cost. Since the beginning of the program, the government has successfully deepened the domestic debt market and lengthened the average debt maturity. At the same time, the increased presence of foreign investors has heightened exposure to shifting market sentiment and exchange rate risk. The financing strategy for 2019 involves debt collateralization and revenue monetization, which needs to be carefully managed to avoid encumbering revenue over the medium term and creating seniority amongst creditors. It is also imperative that funding be used solely for budgeted spending to anchor debt sustainability and ensure transparency. The planned operation with Sinohydro needs to be properly designed and managed to avoid significant obligations for Ghana and encumbrance of resource assets which could adversely affect debt sustainability. More generally transparency and careful value for money assessments need to underpin planning of debt-financed investments.

49. After successfully bringing inflation to single-digits, monetary policy needs to remain vigilant. The risk of further exchange rate shocks is ever present, requiring careful management of upside risks to inflation. The IT framework will benefit from continued elimination of fiscal dominance and development of the FX market. FX intervention needs to foster market efficiency and development. Rebuilding FX buffers, which suffered a decline in 2018, is paramount to support greater resilience to external shocks.

50. The authorities deserve credit for a broad-based clean-up of the banking sector, with nine banks resolved in 18 months, albeit at substantial fiscal and political costs. Still, the work of the newly established Financial Stability Council will need to be fully operationalized, while concerted efforts remain necessary to improve the resilience of individual banks. In particular, further consideration should be given to replacing special resolution bonds with marketable instruments to improve profitability of the bridge bank and facilitate privatization in the medium-term; and the business transformation process of banks recapitalized through GAT will need to be closely monitored to ensure that sufficient returns can be realized by the time its bonds come due. To support the provision of adequate and affordable credit to the economy, write-offs of unrecoverable loans will need to be stepped up; and distressed deposit-taking institutions will need to be promptly resolved. To protect its balance sheet and reduce moral hazard, the BoG will need to strengthen its ELA framework and guard against potential credit losses from the receiverships.

51. Going forward, increased monitoring and policy coordination will be essential to anchor discipline—and the Fund stands ready to assist Ghana in climbing its "good tree." The authorities' efforts to revamp the Economic Policy Coordination Committee are welcome. Continued policy dialogue and capacity development activities will help strengthen policies and structural reforms beyond the ECF program. Working together to build a stronger institutional and policy framework will be a key sign of the Fund's continued engagement with Ghana.

52. On this basis, staff supports the authorities' request for the completion of the seventh and eight reviews under the ECF arrangement and request of waivers.

Table 1. Ghana: Selected Economic and Financial Indicators, 2017–22

	2017		2018		2019	2020	2021	2022
	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.	Proj.
	(Annual percentage change; unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	5.9	8.1	6.3	5.6	8.8	5.8	4.4	4.5
Non-oil GDP	4.0	4.6	5.0	5.0	6.0	6.0	6.0	6.0
Oil and gas GDP	42.5	80.3	20.0	10.5	24.9	4.7	-4.6	-5.2
Real GDP per capita	3.3	5.8	3.6	3.4	6.6	3.7	2.7	1.9
GDP deflator	14.2	10.4	11.1	10.3	6.7	8.6	8.9	9.0
Consumer price index (annual average)	11.8	12.4	9.3	9.8	9.1	8.4	7.5	6.8
Consumer price index (end of period)	10.0	11.8	8.0	9.4	8.7	8.0	7.0	6.5
Consumer price index (excl. food, end of period)	13.1	13.6	8.0	9.8	8.7	8.0	7.0	6.5
Gross capital formation	13.7	22.0	14.1	21.8	25.1	26.3	27.9	28.4
Government	3.2	2.5	2.7	1.4	2.4	2.2	2.4	3.1
Private	9.9	18.1	10.9	19.1	21.6	23.2	24.6	24.7
National savings	7.9	20.7	9.9	20.4	21.9	22.2	32.5	33.5
Government	-1.3	-1.6	-3.3	-5.1	-3.2	-2.3	-1.7	-0.9
Private[2]	9.2	22.3	13.2	25.8	26.0	24.9	14.8	15.4
Foreign savings	-5.8	-3.4	-4.2	-3.2	-3.0	-3.5	-3.3	-3.0
Central government budget (cash basis, in percent of GDP)								
Revenue	18.9	13.9	17.9	14.6	16.1	15.3	15.9	15.9
Expenditure	25.2	18.7	24.3	21.6	21.7	19.8	20.0	19.9
o/w financial sector related costs		0.0		3.3	1.6	0.0	0.0	0.0
Overall balance[3]	-6.3	-4.7	-6.4	-7.0	-5.6	-4.4	-4.1	-4.0
Overall balance excluding financial sector related costs[3]	-6.3	-4.7	-4.5	-3.7	-4.0	-4.4	-4.1	-4.0
Primary balance[3]	0.2	0.5	0.1	-1.4	0.0	1.7	1.6	1.2
Primary balance excluding financial sector related costs[3]		0.5	2.0	1.9	1.6	1.7	1.6	1.2
Overall balance (from financing)	-6.3	-4.7	-6.4	-7.0	-5.6	-4.4	-4.1	-4.0
Central government debt (gross)	70.5	57.3	70.3	59.6	62.0	60.0	58.2	56.3
Domestic debt[4]	32.5	27.7	34.8	30.2	30.5	31.3	32.1	32.5
External debt	38.0	29.5	35.5	29.3	31.5	28.7	26.1	23.8
Money and credit								
Credit to the private sector (commercial banks)	11.0	12.8	17.8	11.2	14.2	21.9	21.0	18.3
Broad money (M2+)	22.7	16.7	20.3	18.1	19.8	18.2	17.8	17.6
Velocity (GDP/M2+, end of period)	2.9	3.9	3.0	3.8	3.7	3.6	3.5	3.4
Base money	26.3	13.1	21.0	4.7	9.7	18.0	17.7	17.5
Banks' lending rate (weighted average, percent)	…	29.3	…	26.9	…	…	…	…
Policy rate (in percent, end of period)	…	20.0	…	16.0	…	…	…	…
	(Percent of GDP)							
External sector								
Current account balance	-5.8	-3.4	-4.2	-3.2	-3.0	-3.5	-3.3	-3.0
Gross international reserves (millions of US$)	5,783	5,491	5,909	5,317	5,631	6,448	7,063	8,301
in months of prospective imports of goods and services	3.0	2.8	2.9	2.7	2.7	2.9	2.9	3.2
Net international reserves (millions of US$)	4,475	4,652	5,035	3,980	4,502	5,409	6,142	7,509
in months of prospective imports of goods and services	2.3	2.4	2.5	2.0	2.1	2.4	2.5	2.9
Total donor support (millions of US$)	977	814	456	828	608	327	266	52
in percent of GDP	2.1	1.4	0.9	1.3	0.9	0.5	0.3	0.1
Memorandum items:								
Nominal GDP (millions of GHc)	202,389	256,671	241,717	299,099	347,239	399,175	454,163	516,935
Nominal GDP (millions of US$)	45,464	58,978	51,619	65,191	68,258	72,264	77,628	83,740
National Currency per U.S. Dollar (period average)		4.4	4.7	4.6	…	…	…	…
GDP per capita (US$)	1,608	2,038	1,780	2,206	2,263	2,348	2,482	2,610
Central Government Debt excluding ESLA bond	70.5	55.4	67.8	57.8	60.5	58.7	57.1	55.3

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

[1] Based on the old GDP.

[2] Including public enterprises.

[3] Excludes discrepancy.

[4] Includes ESLA bond.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2017–21

(GFS 2001, Cash Basis)

	2017	2017		2018		2019	2020	2021
	Budget	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.
	(In percent of GDP, unless otherwise specified)							
Revenue[2]	20.2	18.9	13.9	17.9	14.6	16.1	15.3	15.9
Taxes	17.3	16.0	12.4	15.6	13.0	14.3	14.1	14.8
Direct taxes	6.6	6.1	5.1	6.6	6.1	6.4	6.2	6.5
Indirect taxes	7.2	6.9	5.1	6.5	4.7	5.6	5.7	6.1
Trade taxes	3.5	3.0	2.0	2.6	2.0	2.1	2.0	2.2
Other tax revenues	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Other revenue	2.0	2.0	1.0	1.8	1.3	1.5	0.9	0.9
o/w Retentions from IGFs	0.6	0.6	0.0	0.1	0.1	0.1	0.1	0.1
Grants	0.8	0.7	0.6	0.2	0.3	0.3	0.2	0.1
Expenditure	26.9	25.2	18.7	24.3	21.6	21.7	19.8	20.0
Expense	23.4	22.0	16.2	21.5	20.1	19.3	17.6	17.6
Compensation of employees	7.9	7.9	6.6	8.0	6.6	6.6	6.4	6.6
Wages and salaries	6.9	6.9	5.6	6.9	5.8	5.6	5.5	5.6
Deferred wage payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Social contributions	1.0	1.0	0.9	1.0	0.8	1.0	1.0	1.0
Purchases of goods and services	1.7	1.3	1.0	1.4	1.7	1.8	1.7	1.7
Interest	6.9	6.5	5.3	6.5	5.6	5.6	6.1	5.7
Domestic	5.5	5.2	4.3	5.2	4.5	4.2	4.6	4.4
Foreign	1.3	1.3	1.0	1.3	1.1	1.4	1.5	1.4
Subsidies	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Social transfers	0.1	0.1	0.0	0.1	0.1	0.0	0.1	0.1
Grants to Other Government Units	4.8	4.3	2.7	3.3	2.5	3.4	3.1	3.2
Transfers to Statutory Funds	3.2	2.8	1.8	2.5	1.8	2.3	2.3	2.4
Transfer to GNPC from oil revenue	0.6	0.6	0.4	0.4	0.5	0.4	0.4	0.4
ESLA transfers	1.0	0.9	0.6	0.3	0.3	0.7	0.4	0.4
Other expenses[3]	1.8	1.8	0.7	2.2	3.5	1.9	0.1	0.2
o/w: financial sector related costs			0.0	1.9	3.3	1.6	0.0	0.0
Net acquisition of nonfinancial assets	3.6	3.2	2.5	2.7	1.5	2.4	2.2	2.4
Domestic financed	1.4	1.1	0.4	1.2	0.6	0.9	1.0	1.5
Foreign financed	2.1	2.1	2.1	1.5	0.9	1.5	1.2	0.9
Overall balance	-6.8	-6.3	-4.7	-6.4	-7.0	-5.6	-4.4	-4.1
Overall balance excluding financial sector related costs		-6.3	-4.7	-4.5	-3.7	-4.0	-4.4	-4.1
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	-6.8	-6.3	-4.7	-6.4	-7.0	-5.6	-4.4	-4.1
Net acquisition of financial assets	-1.4	-0.4	2.8	0.3	-0.9	1.1	0.1	0.0
Currency and deposits	-0.4	0.7	0.9	0.0	-0.7	1.0	0.0	0.0
Bank of Ghana[4]	-0.4	0.7	1.2	0.0	-0.7	1.0	0.0	0.0
Deposit Money Banks	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Shares and other equity	-1.1	-1.1	0.1	-0.3	-0.4	0.1	0.1	0.0
Loans[5]			1.8	0.5	0.2	...	...	...
Net incurrence of liabilities	5.3	6.0	7.5	6.7	6.1	6.7	4.5	4.1
Domestic	6.0	6.2	7.4	5.4	6.4	3.6	4.8	4.5
Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit Money Banks	1.2	1.2	0.3	1.6	1.9	0.7	1.0	0.9
Nonbanks	4.8	5.0	7.0	3.8	4.5	2.9	3.9	3.6
Foreign	-0.7	-0.3	0.1	1.3	-0.4	1.7	-0.3	-0.3
Borrowing	2.3	2.4	2.1	6.6	2.3	4.7	0.9	0.8
Amortization	-3.0	-2.7	-1.9	-5.4	-2.7	-3.0	-1.2	-1.1
Memorandum items:								
Oil revenue	1.2	1.2	0.9	1.3	1.5	1.7	1.3	1.1
Proceeds from Energy Sector Levies Act (ESLA)	1.0	0.9	0.6	0.7	0.6	0.7	0.6	0.6
Revenue excl. oil, grants, and ESLA (percent of non-oil GDP)	18.1	16.7	12.2	16.5	12.8	14.1	14.0	14.8
Primary balance (excl. discrepancy)	0.1	0.2	0.5	0.1	-1.4	0.0	1.7	1.6
Primary balance excluding financial sector related costs	0.1		0.5	2.0	1.9	1.6	1.7	1.6
Nominal GDP (millions of GHc)	202,563	202,389	256,671	241,717	299,099	347,239	399,175	454,163

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

[1] Based on the old GDP.

[2] Revenues in staff's presentation differ to that of the authorities as staff reports revenues net of retentions of the revenue agency.

[3] Payments of cash arrears and promissory notes to statutory funds. 2018 also includes one-off costs related to the financial sector.

[4] Includes change in overdraft (negative balances). For 2016 also includes $200 million earmarked for repayment of the Eurobond maturing in 2017.

[5] Includes onlending to SoEs using the proceeds from issuance of the 'energy bond'.

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2017–21
(GFS 2001, Cash Basis)

	2017 Budget	2017 Prog.[1]	2017 Prov.	2018 Prog.[1]	2018 Proj.	2019 Proj.	2020 Proj.	2021 Proj.
	(In millions of GHc)							
Revenue[2]	40,906	38,158	35,782	43,156	43,523	56,003	61,200	72,251
Taxes	35,113	32,698	31,771	37,778	38,859	49,562	56,433	67,069
Direct taxes	13,447	12,329	13,067	15,937	18,347	22,373	24,901	29,629
Indirect taxes	14,594	13,997	13,160	15,615	14,167	19,285	22,863	27,615
Trade taxes	7,072	6,076	5,103	6,225	5,967	7,418	8,108	9,825
Other tax revenues	296	296	440	516	377	486	561	643
Other revenue	3,965	3,966	2,477	4,271	3,838	5,331	3,776	3,976
Grants	1,532	1,493	1,535	591	827	1,110	991	564
Expenditure	54,582	50,976	47,964	58,624	64,480	75,429	78,875	90,847
Expense	47,306	44,476	41,632	52,078	60,049	66,961	70,192	79,929
Compensation of employees	16,006	16,023	16,821	19,295	19,612	22,838	25,569	29,888
Wages and salaries	14,047	14,047	14,445	16,762	17,213	19,437	21,771	25,567
Deferred wages	0	18	0	0	0	0	0	0
Social contributions	1,958	1,958	2,376	2,533	2,399	3,401	3,798	4,321
Purchases of goods and services	3,518	2,651	2,482	3,348	5,128	6,116	6,764	7,894
Interest	13,941	13,180	13,572	15,713	16,788	19,565	24,302	26,051
Domestic	11,228	10,584	11,039	12,507	13,460	14,706	18,428	19,882
Foreign	2,712	2,596	2,533	3,206	3,328	4,859	5,874	6,169
Subsidies	50	50	0	172	125	180	208	238
Social transfers	241	241	23	257	166	96	417	470
Grants to Other Government Units	9,808	8,605	6,976	7,934	7,617	11,736	12,432	14,388
Transfers to Statutory Funds	6,505	5,618	4,596	6,136	5,371	8,102	9,313	11,124
Transfer to GNPC from oil revenue	1,221	1,221	930	1,002	1,396	1,346	1,605	1,601
ESLA transfers	2,082	1,766	1,450	796	851	2,288	1,514	1,662
Other expenses[3]	3,743	3,725	1,758	5,358	10,614	6,430	500	1,000
o/w: financial sector related costs			0	4,500	9,802	5,500	0	0
Net acquisition of nonfinancial assets	7,276	6,500	6,331	6,546	4,431	8,468	8,683	10,918
Domestic financed	2,928	2,245	1,021	2,964	1,683	3,160	3,992	6,812
Foreign financed	4,348	4,255	5,310	3,583	2,748	5,309	4,691	4,106
Additional measures		0	0	0	0	0	0	0
Net lending / borrowing (overall balance)	-13,676	-12,819	-12,181	-15,468	-20,957	-19,427	-17,675	-18,596
Overall balance excluding financial sector related costs		-12,819	-12,181	-10,968	-11,155	-13,927	-17,675	-18,596
Discrepancy	0	0	-55	0	0	0	0	0
Net financial transactions	-13,676	-12,819	-12,126	-15,468	-20,957	-19,427	-17,675	-18,596
Net acquisition of financial assets	-2,903	-763	7,137	674	-2,836	3,757	446	156
Currency and deposits	-735	1,493	2,207	35	-2,239	3,314	0	0
Bank of Ghana[4]	-735	1,493	3,150	35	-2,239	3,314	0	0
Deposit Money Banks	0	0	-943	0	0	0	0	0
Shares and other equity	-2,167	-2,256	231	-662	-1,112	443	446	156
Loans[5]			4,699	1,301	515	...	...	...
Net incurrence of liabilities	10,773	12,055	19,263	16,143	18,120	23,183	18,121	18,753
Domestic	12,091	12,593	18,896	13,017	19,211	12,516	19,304	20,329
Bank of Ghana	0	0	-10	0	0	0	0	0
Deposit Money Banks	2,468	2,519	824	3,905	5,763	2,503	3,861	4,066
Nonbanks	9,623	10,075	18,081	9,112	13,447	10,013	15,444	16,263
Foreign	-1,317	-611	367	3,125	-1,090	5,840	-1,184	-1,577
Borrowing	4,662	4,761	5,280	16,073	6,874	16,149	3,700	3,542
Amortization	-5,979	-5,373	-4,913	-12,948	-7,964	-10,310	-4,884	-5,118
Memorandum items:								
Oil revenue	2,358	2,359	2,408	3,208	4,475	6,061	5,006	5,006
Proceeds from Energy Sector Levies Act (ESLA)	2,082	1,766	1,619	1,700	1,817	2,469	2,469	2,617
Revenue excl. oil, grants, and ESLA	34,935	32,539	30,220	37,657	36,404	46,363	52,735	64,064
Primary balance (excl. discrepancy)	265	362	1,391	245	-4,169	138	6,627	7,455
Primary balance excluding financial sector related costs			1,391	4,745	5,633	5,638	6,627	7,455
Nominal GDP	202,563	202,389	256,671	241,717	299,099	347,239	399,175	454,163

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

[1] Based on the old GDP.

[2] Revenues in staff's presentation differ to that of the authorities as staff reports revenues net of retentions of the revenue agency.

[3] Payments of cash arrears and promissory notes to statutory funds. 2018 also includes one-off costs related to the financial sector.

[4] Includes change in overdraft (negative balances). For 2016 also includes $200 million earmarked for repayment of the Eurobond maturing in 2017.

[5] Includes onlending to SoEs using the proceeds from issuance of the 'energy bond'.

Table 2c. Ghana: Summary of Budgetary Central Government Operations, 2017–21

(GFS 2001, Commitment Basis)

	2017		2018		2019	2020	2021
	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.
	(In percent of GDP, unless otherwise indicated)						
Revenue[2]	18.9	13.9	17.9	14.6	16.1	15.3	15.2
Taxes	16.0	12.4	15.6	13.0	14.3	14.1	14.0
Direct taxes	6.1	5.1	6.6	6.1	6.4	6.2	6.5
Indirect taxes	6.9	5.1	6.5	4.7	5.6	5.7	5.3
Trade taxes	3.0	2.0	2.6	2.0	2.1	2.0	2.2
Other tax revenues	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Other revenue	2.0	1.0	1.8	1.3	1.5	0.9	0.9
Grants	0.7	0.6	0.2	0.3	0.3	0.2	0.1
Expenditure	23.3	18.0	23.9	21.3	21.5	19.6	19.8
Expense	20.1	15.5	21.2	19.8	19.0	17.5	17.4
Compensation of employees	7.9	6.6	8.0	6.6	6.6	6.4	6.6
Wages and salaries[3]	6.9	5.6	6.9	5.8	5.6	5.5	5.6
Social Contributions	1.0	0.9	1.0	0.8	1.0	1.0	1.0
Purchases of goods and services	1.3	1.0	1.4	1.7	1.8	1.7	1.7
Interest	6.5	5.3	6.5	5.6	5.6	6.1	5.7
Domestic	5.2	4.3	5.2	4.5	4.2	4.6	4.4
Foreign	1.3	1.0	1.3	1.1	1.4	1.5	1.4
Subsidies	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Social transfers	0.1	0.0	0.1	0.1	0.0	0.1	0.1
Grants to Other Government Units	4.3	2.7	3.3	2.5	3.4	3.1	3.2
Transfers to Statutory Funds	2.8	1.8	2.5	1.8	2.3	2.3	2.4
Transfer to GNPC from oil revenue	0.6	0.4	0.4	0.5	0.4	0.4	0.4
ESLA transfers	0.9	0.6	0.3	0.3	0.7	0.4	0.4
Other expense	0.0	0.0	1.9	3.3	1.6	0.0	0.0
o/w financial sector related costs		0.0	1.9	3.3	1.6	0.0	0.0
Net acquisition of nonfinancial assets	3.2	2.5	2.7	1.5	2.4	2.2	2.4
Domestic financed	1.1	0.4	1.2	0.6	0.9	1.0	1.5
Foreign financed	2.1	2.1	1.5	0.9	1.5	1.2	0.9
Net lending / borrowing (overall balance)	-4.5	-4.1	-6.0	-6.7	-5.3	-4.3	-4.6
Overall balance excluding financial sector related costs	-4.5	-4.1	-4.2	-3.5	-3.7	-4.3	-4.6
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	-4.5	-4.0	-6.0	-6.7	-5.3	-4.3	-4.6
Net acquisition of financial assets	-0.4	2.8	0.3	-0.9	1.1	0.1	0.0
Currency and deposits	0.7	0.9	0.0	-0.7	1.0	0.0	0.0
Bank of Ghana	0.7	1.2	0.0	-0.7	1.0	0.0	0.0
Deposit Money Bank	0.0	-0.4	0.0	0.0	0.0	0.0	0.0
Shares and other equity	-1.1	0.1	-0.3	-0.4	0.1	0.1	0.0
Loans[4]		1.8	0.5	0.2	...	...	...
Net incurrence of liabilities	4.1	6.8	6.3	5.8	6.4	4.4	4.7
Domestic	4.4	6.7	5.0	6.2	4.7	4.7	5.0
Debt securities	6.2	7.4	5.4	6.4	3.6	4.8	4.5
Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposit Money Bank	1.2	0.3	1.6	1.9	0.7	1.0	0.9
Nonbanks	5.0	7.0	3.8	4.5	2.9	3.9	3.6
Other accounts payable[5]	-1.8	-0.7	-0.4	-0.3	-0.3	-0.1	-0.2
Foreign	-0.3	0.1	1.3	-0.4	1.7	-0.3	-0.3
Loans	2.4	2.1	6.6	2.3	4.7	0.9	0.8
Amortization	-2.7	-1.9	-5.4	-2.7	-3.0	-1.2	-1.1
Memorandum items:							
Oil revenue	1.2	0.9	1.3	1.5	1.7	1.3	1.1
Proceeds from Energy Sector Levies Act (ESLA)	0.9	0.6	0.7	0.6	0.7	0.6	0.6
Revenue excl. oil, grants, and ESLA	16.1	11.8	15.6	12.2	13.4	13.2	13.4
Primary balance (excl. discrepancy)	2.0	1.2	0.5	-1.1	0.3	1.8	1.1
Primary balance excluding financial sector related costs		1.2	2.3	2.2	1.9	1.8	1.1
Government overdraft at Bank of Ghana	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Nominal GDP (millions of GHc)	202,389	256,671	241,717	299,099	347,239	399,175	454,163

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

[1] Based on the old GDP.

[2] Revenues in staff's presentation differ to that of the authorities as staff reports revenues net of retentions of the revenue agency.

[3] Includes deferred wage payments.

[4] Includes onlending to SoEs using the proceeds from issuance of the 'energy bond'.

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

Table 2d. Ghana: Summary of Budgetary Central Government Operations, 2017–21

(GFS 2001, Commitment Basis)

	2017		2018		2019	2020	2021
	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.
	(In millions of GHc)						
Revenue[2]	38,158	35,782	43,156	43,523	56,003	61,200	68,832
Taxes	32,698	31,771	38,294	38,859	49,562	56,433	63,649
Direct taxes	12,329	13,067	15,937	18,347	22,373	24,901	29,629
Indirect taxes	13,997	13,160	15,615	14,167	19,285	22,863	24,195
Trade taxes	6,076	5,103	6,225	5,967	7,418	8,108	9,825
Other tax revenues	296	440	516	377	486	561	643
Other revenue	3,966	2,477	4,271	3,838	5,331	3,776	3,976
Grants	1,493	1,535	591	827	1,110	991	564
Expenditure	47,234	46,206	57,765	63,669	74,499	78,375	89,847
Expense	40,733	39,874	51,219	59,238	66,031	69,692	78,929
Compensation of employees	16,006	16,821	19,295	19,612	22,838	25,569	29,888
Wages and salaries[3]	14,047	14,445	16,762	17,213	19,437	21,771	25,567
Social contributions	1,958	2,376	2,533	2,399	3,401	3,798	4,321
Purchases of goods and services	2,651	2,482	3,348	5,128	6,116	6,764	7,894
Interest	13,180	13,572	15,713	16,788	19,565	24,302	26,051
Domestic	10,584	11,039	12,507	13,460	14,706	18,428	19,882
Foreign	2,596	2,533	3,206	3,328	4,859	5,874	6,169
Subsidies	50	0	172	125	180	208	238
Social transfers	241	23	257	166	96	417	470
Grants to Other Government Units	8,605	6,976	7,934	7,617	11,736	12,432	14,388
Transfers to Statutory Funds	5,618	4,596	6,136	5,371	8,102	9,313	11,124
Transfer to GNPC from oil revenue	1,221	930	1,002	1,396	1,346	1,605	1,601
ESLA transfers	1,766	1,450	796	851	2,288	1,514	1,662
Other expense	0	0	4,500	9,802	5,500	0	0
o/w financial sector related costs		0	4,500	9,802	5,500	0	0
Net acquisition of nonfinancial assets	6,500	6,331	6,546	4,431	8,468	8,683	10,918
Domestic financed	2,245	1,021	2,964	1,683	3,160	3,992	6,812
Foreign financed	4,255	5,310	3,583	2,748	5,309	4,691	4,106
Net lending / borrowing (overall balance)	-9,076	-10,423	-14,610	-20,146	-18,497	-17,175	-21,016
Overall balance excluding financial sector related costs	-9,076	-10,423	-10,110	-10,343	-12,997	-17,175	-21,016
Discrepancy	0	-55	0	0	0	0	0
Net financial transactions	-9,076	-10,368	-14,610	-20,146	-18,497	-17,175	-21,016
Net acquisition of financial assets	-763	7,137	674	-2,836	3,757	446	156
Currency and deposits	1,493	2,207	35	-2,239	3,314	0	0
Shares and other equity	-2,256	231	-662	-1,112	443	446	156
Loans[4]		4,699	1,301	515	…	…	…
Net incurrence of liabilities	8,313	17,505	15,284	17,309	22,253	17,621	21,172
Domestic	8,924	17,138	12,159	18,399	16,414	18,804	22,749
Debt securities	12,593	18,896	13,017	19,211	12,516	19,304	20,329
Other accounts payable[5]	-3,743	-1,758	-858	-811	-930	-500	-1,000
Foreign	-611	367	3,125	-1,090	5,840	-1,184	-1,577
Loans	4,761	5,280	16,073	6,874	16,149	3,700	3,542
Amortization	-5,373	-4,913	-12,948	-7,964	-10,310	-4,884	-5,118
Memorandum items:							
Oil revenue	2,359	2,408	3,208	4,475	6,061	5,006	5,006
Proceeds from Energy Sector Levies Act (ESLA)	1,766	1,619	1,700	1,817	2,469	2,469	2,617
Revenue excl. oil, grants, and ESLA	32,539	30,220	37,657	36,404	46,363	52,735	60,645
Primary balance (excl. discrepancy)	4,104	3,149	1,104	-3,358	1,068	7,127	5,035
Primary balance excluding financial sector related costs		3,149	5,604	6,444	6,568	7,127	5,035
Nominal GDP (millions of GHc)	202,389	256,671	241,717	299,099	347,239	399,175	454,163

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

[1] Based on the old GDP.

[2] Revenues in staff's presentation differ to that of the authorities as staff reports revenues net of retentions of the revenue agency.

[3] Includes deferred wage payments.

[4] Includes onlending to SoEs using the proceeds from issuance of the 'energy bond'.

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

Table 3. Ghana: Monetary Survey, 2017–21[1]

	2017		2018		2019	2020	2021
	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.
	(In millions of GHc, unless otherwise indicated)						
I. Monetary Survey (Central Bank and Commercial Banks)							
Net foreign assets	24,105	20,679	24,882	14,249	18,623	27,246	33,753
Net domestic assets	45,457	45,493	54,692	63,926	75,026	83,481	96,669
Domestic claims	62,686	57,236	63,067	78,291	78,392	91,664	107,407
Net claims on central government	19,377	12,616	20,770	27,552	22,777	26,638	30,704
Claims on other sectors	43,309	44,620	42,297	50,740	55,615	65,027	76,704
Claims on public non-financial corporations	7,788	8,104	-223	9,903	9,431	9,431	9,431
Claims on private sector	35,471	36,355	42,360	40,411	46,268	55,680	67,357
Other	50	161	161	426	-84	-84	-84
Other items (net)	-17,230	-9,415	-8,375	-11,408	-3,366	-8,183	-10,738
Money and quasi-money (M3)	69,561	66,172	79,574	78,175	93,648	110,727	130,422
Broad money (M2)	53,914	52,066	63,560	62,049	73,944	87,261	102,689
Foreign exchange deposits	15,648	14,106	16,014	16,126	19,705	23,466	27,734
II. Central Bank							
Net foreign assets	18,211	17,241	21,146	12,975	17,207	23,464	29,161
Net domestic assets	5,750	4,217	4,807	9,493	7,441	5,623	5,068
Net domestic claims	11,249	15,186	15,776	14,194	12,142	10,325	9,770
Claims on other depository corporations	68	4,498	5,538	-1,073	3,831	2,013	1,459
Net claims on central government	7,310	6,057	5,608	10,209	3,253	3,253	3,253
Claims on central government (BOG)		13,385	13,384	17,152	13,384	13,384	13,384
Liabilities to central government (BOG)		7,327	7,777	6,943	10,131	10,131	10,131
Claims on other sectors[2]	3,871	4,631	4,631	5,058	5,058	5,058	5,058
Other items (net)[3]	-5,498	-10,969	-10,969	-4,701	-4,701	-4,701	-4,701
Base money[4]	23,962	21,457	25,953	22,468	24,648	29,087	34,230
Currency in circulation (net of cash in vaults)	12,722	10,708	13,185	13,586	16,452	19,735	23,441
Currency in banks (cash in vault)	1,442	1,448	1,660	1,623	1,855	2,089	2,344
Bank deposits in BOG[4]	8,193	6,631	8,438	6,184	3,642	2,453	3,251
Liabilities to other sectors	1,606	2,670	2,670	2,698	2,698	2,698	2,698
III. Commercial Banks							
Net foreign assets		3,438	3,735	1,274	1,415	3,782	4,592
Net domestic assets		53,752	64,379	61,112	73,578	85,007	100,187
Net domestic claims		64,419	70,573	79,261	79,500	91,816	108,613
Net claims on central bank (net of below two lines)		13,475	13,349	15,742	8,924	7,968	9,021
Claims on central bank		17,871	17,744	16,237	9,419	8,463	9,516
Liabilities to central bank		4,396	4,395.8	495	495	495	495
Net claims on public non-financial corporations		6,170	-2,157	8,088	7,616	7,616	7,616
Claims on private sector		33,819	39,824	37,593	42,941	52,352	64,030
Other items (Net)		-10,667	-6,194	-18,149	-5,922	-6,810	-8,426
Memorandum items:	(In 12-month percentage change; unless otherwise indicated)						
Base money	26.3	13.1	21.0	4.7	9.7	18.0	17.7
M2	24.1	19.8	22.1	19.2	19.2	18.0	17.7
M2+[5]	22.7	16.7	20.3	18.1	19.8	18.2	17.8
Credit to the private sector (commercial banks)	11.0	12.8	17.8	11.2	14.2	21.9	21.0
M2-to-GDP ratio (in percent)	26.6	20.3	26.3	20.7	21.3	21.9	22.6
M2-to-Non-Oil GDP ratio (in percent)	27.6	21.0	27.8	21.7	22.5	23.1	23.7
Base money multiplier (M2/base money)	2.3	2.4	2.4	2.8	3.0	3.0	3.0
Credit to the private sector (commerical banks, in percent of GDP)	17.5	13.2	16.5	12.6	12.4	13.1	14.1

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

[1] Based on the old GDP.

[2] Include public enterprises and local governments.

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

[4] Bank of Ghana's definition does not include foreign currency deposits.

[5] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2017–21

	2017		2018		2019	2020	2021
	Prog.[1]	Prov.	Prog.[1]	Proj.	Proj.	Proj.	Proj.
	(In millions of U.S. dollars)						
Current account	-2,643	-2,002	-2,166	-2,075	-2,035	-2,531	-2,577
Trade balance	-1,449	1,151	225	1,779	1,807	1,431	1,735
Exports, f.o.b.	12,045	13,836	13,889	14,868	15,670	16,133	17,244
Of which: cocoa	2,195	2,711	1,984	2,092	2,128	2,191	2,254
Of which: gold	5,277	5,786	5,443	5,461	5,805	5,922	6,648
Of which: oil	2,122	3,115	3,904	4,573	4,748	4,941	4,641
Imports, f.o.b	-13,494	-12,684	-13,664	-13,089	-13,863	-14,702	-15,509
Of which: oil	-1,823	-2,029	-2,065	-2,538	-2,059	-2,077	-2,092
Services (net)	-1,859	-2,972	-2,669	-2,510	-2,171	-2,209	-2,626
Income (net)	-1,463	-2,651	-2,198	-3,926	-4,300	-4,435	-4,421
Of which: interest on public debt	-1,155	-1,147	-1,466	-1,404	-1,662	-1,726	-1,983
Transfers	2,127	2,470	2,476	2,581	2,629	2,682	2,736
Official transfers	17	0	4	4	0	0	0
Other transfers	2,111	2,470	2,473	2,578	2,629	2,682	2,736
Capital and financial account	3,255	2,739	2,379	1,554	2,221	3,438	3,309
Capital account	318	242	122	507	135	35	11
Financial account	2,937	2,497	2,257	1,047	2,086	3,404	3,298
Foreign direct investment (net)	2,955	3,239	3,097	2,908	3,413	3,035	3,649
Portfolio investment (net)	2,209	2,536	1,236	929	2,000	1,854	683
Other investment (net)	-2,227	-3,278	-2,076	-2,790	-3,327	-1,485	-1,033
Medium and long term (net)	-1,143	-2,475	-1,651	-2,964	-2,933	-1,127	-986
Official (net)	-343	-389	-440	-322	-141	-334	-336
Government oil investments	0	-53	-107	0	-87	-91	-85
Amortization	-1,042	-1,103	-1,015	-907	-918	-934	-875
Disbursements	699	767	682	585	865	691	624
Private (net)	-800	-2,086	-1,210	-2,643	-2,793	-793	-650
Short-term (net)	-1,084	-803	-425	174	-394	-358	-47
Errors and omissions	0	141	0	-339	0	0	0
Overall balance	612	879	214	-860	186	908	733
Financing	-612	-879	-214	860	-186	-908	-733
Changes in net reserves (-, incr.)[2]	-1,044	-1,221	-504	672	-522	-908	-733
of which: Use of Fund credit (net)	-74	-74	155	213	38	-90	-118
Residual gap	-432	-342	-290	-188	-336	0	0
Official donor support	432	342	290	188	336	0	0
Memorandum items:	(Percent of GDP, unless otherwise indicated)						
Current account	-5.8	-3.4	-4.2	-3.2	-3.0	-3.5	-3.3
Trade balance	-3.2	2.0	0.4	2.7	2.6	2.0	2.2
Official transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital and financial account	7.2	4.6	4.6	2.4	3.3	4.8	4.3
Foreign direct investment (net)	6.5	5.5	6.0	4.5	5.0	4.2	4.7
Overall balance	1.3	1.5	0.4	-1.3	0.3	1.3	0.9
Oil-net exports	0.7	1.8	3.6	3.1	3.9	4.0	3.3
Non-oil current account	-6.5	-5.2	-7.8	-6.3	-6.9	-7.5	-6.6
Gross foreign assets[3]							
Millions of U.S. dollars	7,282	7,555	8,080	7,025	7,425	8,333	9,033
Months of imports	3.7	3.9	4.0	3.5	3.5	3.7	3.7
Gross international reserves[4]							
Millions of U.S. dollars	5,783	5,491	5,909	5,317	5,631	6,448	7,063
Months of imports	3.0	2.8	2.9	2.7	2.7	2.9	2.9
Net international reserves							
Millions of U.S. dollars	4,475	4,652	5,035	3,980	4,502	5,409	6,142
Months of imports	2.3	2.4	2.5	2.0	2.1	2.4	2.5
Nominal GDP in U.S. dollars	45,464	58,978	51,619	65,191	68,258	72,264	77,628

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

[1] Based on the old GDP.

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

[3] Includes foreign encumbered assets and oil funds.

[4] Excludes foreign encumbered assets and oil funds.

Table 5. Ghana: Financial Soundness Indicators

	December 2014	December 2015	December 2016	December 2017	December 2018
Capital Adequacy					
Regulatory capital to risk weighted assets	17.9	17.7	17.8	15.6	19.3
Regulatory Tier I capital to risk-weighted assets	15.3	14.5	14.4	13.5	18.3
Asset Quality					
Nonperforming loans net of loan-loss provision to capital	11.2	14.9	15.8	14.9	13.2
Nonperforming loans to total gross loans	11.3	14.9	17.3	21.6	18.2
Bank provisions to nonperforming loans	69.5	69.9	72.5	77.7	70.8
Profitability and Earnings					
Return on assets	4.7	3.1	2.5	2.4	2.3
Return on equity	32.3	21.4	18.0	18.7	18.5
Liquidity					
Liquid asset to total assets	26.8	26.5	27.2	26.0	26.0
Liquid asset to short-term liabilities	34.8	34.3	35.1	33.3	34.0
Liquid assets/total deposits	42.5	40.7	42.8	41.8	40.1

Source: Ghanaian authorities

Table 6. Ghana: External Financing Requirements and Sources, 2017–21

(millions of U.S. dollars)

	2017	2018	2019	2020	2021
		Proj.	Proj.	Proj.	Proj.
I. Total financing requirements	-7,047	-5,209	-6,661	-5,524	-4,881
Current account balance (excl. official transfers)	-2,002	-2,079	-2,035	-2,531	-2,577
o/w: Exports	13,836	14,868	15,670	16,133	17,244
Imports	-12,684	-13,089	-13,863	-14,702	-15,509
Debt amortization[1]	-1,177	-935	-1,027	-1,024	-993
Private financing (net)	-2,086	-2,643	-2,793	-793	-650
Short-term (net)[2]	-1,153	274	-494	-358	-47
Gross reserves accumulation	-629	174	-313	-817	-615
II. Total available financing	6,731	4,930	6,326	5,524	4,881
Project grants	242	507	135	35	11
Disbursement from external creditors	767	585	865	691	624
Foreign direct investment (net)	3,239	2,908	3,413	3,035	3,649
Portfolio investment (net)	2,536	929	2,000	1,854	683
Oil Funds (net)	-53	0	-87	-91	-85
III. Financing gap	-316	-279	-336	0	0
IV. Expected sources of financing	248	4	150	0	0
Other IFIs (WB, AfDB)	248	0	150	0	0
Other program support	0	4	0	0	0
of which: Program grants	0	4	0	0	0
of which: Bilateral program loans	0	0	0	0	0
V. Residual gap	-68	-276	-186	0	0
ECF program	94	188	186	0	0
Memorandum items:					
Gross international reserves					
Millions of U.S. Dollars	5,491	5,317	5,631	6,448	7,063
Months of imports	2.8	2.7	2.7	2.9	2.9
Net international reserves					
Millions of US dollars	4,637	3,966	4,488	5,395	6,128
Months of imports	2.4	2.0	2.1	2.4	2.5
Current account balance (in percent of GDP)	-3.4	-3.2	-3.0	-3.5	-3.3
Nominal GDP (USD million)	58,978	65,191	68,258	72,264	77,628
Oil prices (USD / bbl)	54.4	71.1	61.8	61.5	60.8

Sources: Ghanaian authorities and IMF staff estimates and projections.

[1] Including repayments to IMF.

[2] Including transactions associated with BoG's short-term liabilities for a reserve management purpose.

Table 7. Ghana: Proposed Schedule of Reviews and Disbursements Under the ECF Arrangement, 2015–19[1]

Amount		Availability Date	Conditions
Millions of SDR	Percent of Quota[2]		
83.025	11.25	April 3, 2015	Executive Board approval of the three-year ECF arrangement
83.025	11.25	July 15, 2015	Observance of the performance criteria for April 30, 2015, and completion of the First Review under the arrangement
83.025	11.25	November 15, 2015	Observance of the performance criteria for August 31, 2015, and completion of the Second Review under the arrangement
83.025	11.25	April 15, 2016	Observance of the performance criteria for December 31, 2015, and completion of the Third Review under the arrangement
66.42	9.00	April 15, 2017	Observance of the performance criteria for June 30, 2016, and completion of the Fourth Review under the arrangement
66.42	9.00	September 15, 2017	Observance of the performance criteria for August 31, 2017, and completion of the Fifth Review under the arrangement
66.42	9.00	February 15, 2018	Observance of the performance criteria for December 31, 2017, and completion of the Sixth Review under the arrangement
66.42	9.00	August 15, 2018	Observance of the performance criteria for June 30, 2018, and completion of the Seventh Review under the arrangement
66.42	9.00	February 15, 2019	Observance of the performance criteria for December 31, 2018, and completion of the Eighth Review under the arrangement
664.2	90.00	Total under the ECF arrangement[3]	

[1] In addition to the generally applicable conditions under the ECF arrangement.

[2] Based on Ghana's current quota of SDR 738 millions. Effective February 19, 2016, Ghana's quota doubled, from SDR 369 millions previously.

[3] Total under the ECF arrangement upon approval was 180 percent of quota.

Table 8. Ghana: Indicators of Capacity to Repay the Fund, 2018–32

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Fund obligations based on existing credit (in millions of SDRs)															
Principal	20.1	58.8	64.1	83.2	90.3	93.0	106.3	98.0	64.8	39.9	13.3	0.0	0.0	0.0	0.0
Charges and interest	1.5	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Fund obligations based on existing and prospective credit (in millions of SDRs)															
Principal	20.1	58.8	64.1	83.2	90.3	93.0	119.6	124.5	91.3	66.4	39.9	13.3	0.0	0.0	0.0
Charges and interest	1.5	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8	3.8
Total obligations based on existing and prospective credit															
In millions of SDRs	21.6	62.5	67.9	87.0	94.1	96.8	123.4	128.4	95.2	70.2	43.7	17.1	3.8	3.8	3.8
In millions of US$	30.6	87.4	95.6	123.2	134.1	138.7	176.8	184.0	136.4	100.7	62.6	24.5	5.5	5.5	5.5
In percent of gross international reserves	0.6	1.6	1.5	1.7	1.6	1.5	1.9	1.9	1.3	0.9	0.5	0.2	0.0	0.0	0.0
In percent of exports of goods and services	0.1	0.4	0.4	0.4	0.5	0.5	0.6	0.6	0.4	0.3	0.2	0.1	0.0	0.0	0.0
In percent of debt service[1]	1.0	2.4	3.5	4.1	4.7	4.6	5.3	5.5	4.2	3.1	1.5	0.4	0.1	0.1	0.1
In percent of GDP	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	2.9	8.5	9.2	11.8	12.7	13.1	16.7	17.4	12.9	9.5	5.9	2.3	0.5	0.5	0.5
Outstanding Fund credit															
In millions of SDRs	796.6	785.5	721.4	638.2	548.0	455.0	328.8	204.2	112.9	46.5	6.6	0.0	0.0	0.0	0.0
In millions of US$	1103.4	1101.3	1018.0	906.4	782.8	654.0	472.6	293.6	162.3	66.8	9.5	0.0	0.0	0.0	0.0
In percent of gross international reserves	20.8	19.6	15.7	12.8	9.5	7.3	5.1	3.0	1.5	0.6	0.1	0.0	0.0	0.0	0.0
In percent of exports of goods and services	4.7	4.5	4.0	3.3	2.8	2.2	1.5	0.9	0.5	0.2	0.0	0.0	0.0	0.0	0.0
In percent of debt service[1]	34.8	29.8	36.9	30.3	27.6	21.8	14.3	8.7	5.0	2.1	0.2	0.0	0.0	0.0	0.0
In percent of GDP	1.7	1.6	1.4	1.2	0.9	0.7	0.5	0.3	0.1	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	107.9	106.4	97.8	86.5	74.3	61.7	44.6	27.7	15.3	6.3	0.9	0.0	0.0	0.0	0.0
Net use of Fund credit (in millions of SDRs)	112.8	74.0	-64.1	-83.2	-90.3	-93.0	-119.6	-124.5	-91.3	-66.4	-39.9	-13.3	0.0	0.0	0.0
Disbursements	132.8	132.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	20.1	58.8	64.1	83.2	90.3	93.0	119.6	124.5	91.3	66.4	39.9	13.3	0.0	0.0	0.0
Memorandum items:															
Nominal GDP (in millions of US$)	65,191	68,258	72,264	77,628	83,740	90,497	97,375	104,594	112,267	120,433	129,120	138,413	148,351	159,008	170,550
Exports of goods and services (in millions of US$)	23,395	24,727	25,761	27,405	28,396	29,963	31,290	32,625	34,008	35,463	37,334	39,341	41,461	43,834	46,209
Gross international reserves (in millions of US$)	5,317	5,630	6,469	7,067	8,209	8,972	9,358	9,807	10,773	11,293	11,746	12,194	12,909	13,829	14,184
Debt service (in millions of US$)	3,172	3,699	2,761	2,987	2,834	3,007	3,315	3,362	3,257	3,237	4,287	5,568	5,459	4,733	4,040
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repayments.

Annex I. Fund Capacity Development

Capacity development (CD) has played an important role in supporting Ghana's structural reforms under the program and building needed capacity. While activities have been broad-based (including support from AFRITAC West 2 in Accra), key areas include:

- In the fiscal sector, Fund TA has focused on domestic revenue mobilization and management, with a particular focus on oil and gas and, more recently, mining, through multi-year projects that include a significant training component. Fund TA has also supported efforts to enhance fiscal risks monitoring, leading to the publication of the first ever Fiscal Risk Statement. The preparation of the 2016 Public Financial Management and subsequent regulations also benefitted from significant Fund TA and desk-based reviews from headquarters.

- In the financial sector, Fund TA has focused on enhancing supervisory and regulatory oversight of the banking sector through the development of a strategy and implementation program for Basel II/III and risk-based supervision practices and processes. The development of the BoG's new Capital Requirements Directive, a key milestone towards strengthening the regulatory framework, has been complemented with workshops on various areas. The financial sector clean-up efforts have also been supported by extensive TA on resolution planning, in cooperation with the World Bank. TA is also being provided on AML/CFT and central bank liquidity support.

- Debt management has also benefitted from Fund TA (coordinated with the World Bank), focusing on developing and implementing a Medium-Term Debt Strategy, strengthening the primary market distribution methods and developing the secondary market, in support of the authorities' objective of deepening the domestic sovereign bond market. Key milestones include lengthening the average maturity of the debt portfolio, stronger engagement with investors and more frequent communication published on the BoG and MOF websites.

- Fund capacity development has also played a role in strengthening national accounts, in particular related to last year's GDP rebase, and CPI, where a number of TA missions advised the authorities on the current and updated CPI (to be launched in H1 2019).

Appendix I. Letter of Intent

Accra, March 7, 2019

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

Dear Ms. Lagarde,

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

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

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

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

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

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

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

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

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

/s/
Ken Ofori-Atta
Minister of Finance

/s/
Ernest Addison
Governor of Bank of Ghana

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

Attachment I. Memorandum of Economic and Financial Policies, 2019

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

A. Background and Recent Economic Developments

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

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

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

5. Provisional fiscal performance through end-December was in line with programme targets, with primary balance, excluding financial sector costs, reaching 1.7 percent of GDP. Fiscal performance in the first half of the year was weaker than expected due to revenue shortfall and frontloading of current expenditures related to government flagship programs. Yet, to safeguard the end-year fiscal targets and to ensure that Performance Criteria (PCs) under the programme are met, the Government introduced a fiscal package amounting GHc 1.7 billion (0.5

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

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

percent of GDP) during the mid-year review of its fiscal policy in July 2018. In the same vein, additional measures, strengthening compliance, were taken in the last quarter of 2018.

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

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

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

9. **The external developments were mixed during the year.** The trade balance continued to improve, underpinned by strong performance in some of the major export commodities, especially crude oil (which benefited from both volume and price developments), resulting in a trade surplus of US$1.78 billion (2.7 percent of GDP) at the end of December 2018. This is an improvement upon the US$1.19 billion trade surplus recorded in the same period of 2017. The current account recorded a deficit of US$2.07 billion (3.2 per cent of GDP) in 2018 compared to a deficit of US$2.00 billion (3.4 per cent of GDP) in 2017 mainly as a result of the net outflows in the income and services account outweighing the gains in the trade balance. During the same period, the capital and financial accounts attracted lower inflows (net) than expected, coming mainly from foreign direct and portfolio investments. These developments resulted in an overall balance of payments deficit of US$0.67 billion (1.0 percent of GDP), compared with a surplus of US$1.09 billion in the same period of 2017. As a result, gross international reserves amounted to US$7.02 billion (3.6 months of imports cover) at end-December 2018, compared with US$7.55 billion (4.3 months of import cover) recorded at end-December 2017.

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

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

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

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

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

B. Performance Under the Programme

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

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

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

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

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

16. Performance on indicative targets was satisfactory.

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

C. Policies for 2019 and Beyond

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

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

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

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

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

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

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

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

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

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

22. Government will adopt new financing streams in 2019 to support its infrastructural drive to boost inclusive growth. Government announced its intention to issue longer dated sovereign bonds this year as part of our bilateral engagement with other countries. Our phase of massive economic transformation requires a more ambitious financing arrangement, and the capacity to refinance and or retire about half of the country's high cost existing debt. The decision to raise these ultra-long-term bonds is not intended to derail our debt sustainability path, but rather to enhance it. The Sovereign Century Fund programme shall engage on a bilateral basis to raise long term concessional financing to underwrite our other commercial infrastructure needs through the Ghana Infrastructure Investment Fund (GIIF), Ghana Integrated Aluminium Development Corporation (GIADC), Public-Private-Partnership (PPP) projects and other entities as well as liability management. New financing schemes will be used for budget spending, given their impact on overall fiscal targets and debt sustainability and in line with value for money considerations. Financing plans should not go beyond presently agreed levels and shall be used to fund already budgeted expenditure (see Paragraph 61).

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

Fiscal Policy

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

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

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

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

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

26. Revenue measures introduced in the 2018 midyear budget are expected to be fully realised in 2019 and complement collection efforts of the Ghana Revenue Authority (GRA). Government will continue to step up efforts to boost domestic revenue mobilization in 2019. The Ministry of Finance has put together a framework for a medium-term revenue policy that would outline revenue reforms targeted at ensuring adequate revenue to support Government initiatives.

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

The policy is expected to be rolled out in 2019. This would then pave the way for development of a Medium-Term Revenue Strategy that would comprehensively address our revenue challenges.

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

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

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

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

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

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

e) Revitalizing the Inter-Agency Technical Committee on Mining

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

a) Property registration and property data management;

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

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

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

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

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

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

Monetary Policy

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

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

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

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

Financial Sector

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

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

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

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

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

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

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

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

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

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

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

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

D. Structural Reform Agenda

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

Tax Policy and Revenue Administration

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

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

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

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

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

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

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

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

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

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

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

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

Public Financial Management

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

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

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

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

d. The Ministry will also seek to improve the quality of budget analysis and reporting by deploying an Oracle Business Intelligence Suite Enterprise Edition system to facilitate real time fiscal and budget reporting. Furthermore, to improve the quality of budgeting in all

MDAs and to facilitate adherence to PFM Act, the Ministry intends to transform the current Institute of Accountancy Training (IAT) into a globally structured PFM training centre in future.

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

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

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

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

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

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

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

Debt Management

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

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

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

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

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

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

Restructuring of Energy Sector State-Owned Enterprises (SOEs)

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

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

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

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

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

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

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

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

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

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

audited financial results for 2017 showed a significant reduction in a net loss position over that of 2016.

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

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

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

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

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

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

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

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

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

iv. Strict enforcement of the PFM Act;

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

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

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

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

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

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

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

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

a. The introduction of additional oil and gas production from new fields. These new fields include the AKER, AGM and the ExxonMobil fields. The AKER field has proven reserves of over 900 million barrels. The AKER accelerated and integrated plan of development that will ensure that first oil is realised in the fourth quarter of 2020. It is anticipated that with the inclusion of the Aker field (using 1 out of 3 FPSOs), total crude oil production will increase from 171,972 barrels of oil per day in 2018 to 220,000 barrels per day in 2020. Similarly, gas production is expected to increase from 278.66 mmscf per day in 2018 to 318.41 mmscf per day. Initial projections show that if AKER, AGM, and the ExxonMobil fields are fully operational, Ghana will attain crude oil production of 1 million barrels in the next 4-5 years. The prospects of discovering and producing more crude oil and gas are higher given the profile of the sixteen (including

ExxonMobil, Total, ENI, Tullow, Kosmos, Aker) out of sixty companies which were shortlisted for the three blocks in the recently published bidding rounds;

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

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

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

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

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

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

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

77. Underpinning the broad vision of Ghana Beyond Aid are the five goals of building: **A Wealthy, Inclusive, Sustainable, Empowered, and Resilient Ghana, or in short, a W.I.S.E.R**

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

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

F. Policies to Support Growth and Poverty Reduction

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

i. Infrastructure;
ii. Agricultural Modernisation;
iii. Industrialisation;
iv. Entrepreneurship;
v. Improving Efficiency in Revenue Mobilisation and Protecting the Public Purse; and
vi. Social Partnership

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

Supporting Entrepreneurship and Private Sector Development

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

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

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

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

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

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

Additionally, the development of a comprehensive policy document to guide National Entrepreneurship has been initiated and is expected to be ready by the end of the year.

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

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

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

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

Supporting the Poor and Vulnerable

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

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

Table 1. Ghana: Quantitative Program Targets[1]

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

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

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

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

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

[4] Defined as a level.

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

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

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

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

Table 2. Ghana: Structural Benchmarks

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

Table 3. Ghana: Proposed Prior Actions

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

Attachment II. Technical Memorandum of Understanding

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

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

A. Quantitative Program Indicators

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

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

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

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

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

Government

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

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

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

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

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

11. **Domestic payments arrears** are payments not made "when due". These will be measured as the sum of five components. The first component, arrears to the government's statutory funds,

[1] Not set for 2018.

(continued)

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

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

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

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

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

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

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

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

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

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

Bank of Ghana

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

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

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

Net international reserves are defined as:

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

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

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

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

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

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

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

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

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

Monetary Policy Consultation Clause

22. The consultation bands around the projected 12-month rate of inflation in consumer prices (as measured by the headline consumer price index (CPI) published by the Ghana Statistical Service), are specified in the Performance Criteria table in the MEFP. If the observed 12-month rate of CPI inflation falls outside the lower or upper outer bands specified in the Performance Criteria table for end-June 2018 and end-December 2018 test dates, the authorities will complete a consultation with the IMF Executive Board which would focus on: (i) the stance of monetary policy and whether the Fund-supported program remains on track; (ii) the reasons for program deviations, taking into account compensating factors; and (iii) proposed remedial actions if deemed necessary. When the consultation with the IMF Executive Board is triggered, access to Fund resources would be interrupted until the consultation takes place and the relevant program review is completed. In addition, the authorities will conduct discussions with Fund staff should the observed year-on-year rate of CPI inflation fall outside the inner bands specified for the end of each test date in the Performance Criteria table.

Non-Accumulation of New External Arrears

23. For the purpose of the ceiling on the accumulation of external payment arrears, external payment arrears will accrue when undisputed payments such as interest or amortization on debts of the government (as defined in paragraph 6) to non-residents are not made within the terms of the contract. This performance criterion will be monitored on a continuous basis.

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

24. For the purposes of this TMU, the definition of debt is set out in paragraph 8 of the Guidelines on Public Debt Conditionality in Fund Arrangements (Executive Board's Decision No.15688-(14/107). The definition also refers to commitments contracted or guaranteed for which value has not been received. The definition of debt is as follows:

> 8 (a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of financial and nonfinancial assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:
>
> > (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral

from the buyer in the future (such as repurchase agreements and official swap arrangements);

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

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

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

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

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

27. A performance criterion (ceiling) applies to the nominal values of new nonconcessional external debt, and an indicative target (ceiling) applies to the nominal value of new concessional external debt, contracted or guaranteed by the government and the BoG, and the following public enterprises: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana;(vi) GRIDCO; (vii) Ghana Water Company Limited; (viii) GIIF. The ceiling applies to debt and commitments contracted or

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

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

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

28. For program purposes, a debt is concessional if it includes a grant element of at least 35 percent, calculated as follows: the grant element of a debt is the difference between the net present value (NPV) of debt and its nominal value, expressed as a percentage of the nominal value of the debt. The NPV of debt at the time of its signing date of an underlying loan agreement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is 5 percent.

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

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

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

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

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

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

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

SOEs

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

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

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

Adjustors to the Program Targets

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

Primary Fiscal Deficit of the Government

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

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

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

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

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

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

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

Non-concessional External Debt

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

Net international reserves of the Bank of Ghana

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

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

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

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

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

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

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

Provision of Data to the Fund

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

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

Item	Periodicity
Fiscal data (to be provided by the MoF)	
Central budget operations for revenues, expenditures and financing, including clearance of arrears.	Monthly, within six weeks of the end of each month.
Divestiture receipts received by the budget (in cedis and foreign exchange, net of divestiture transactions costs).	Monthly, within six weeks of the end of each month.
The stock of domestic payments arrears by sub-category (as defined in para. 11 of the TMU)	Quarterly, within six weeks of the end of each quarter
Updated list of (prioritized) projects to be financed by non-concessional loans and concessional loans.	Monthly, within six weeks of the end of each month.
Cash flow of the central government and cash flow projections.	Monthly, within six weeks of the end of each month
Income, cash flow, and debt service projections for the state-owned energy utilities.	Monthly, within six weeks of the end of each month
Itemized data on the proceeds from the energy sector levies.	Monthly, within six weeks of the end of each month
Financial statements of ESLA Plc and details on amount and timing of interest payments on ESLA bond.	Monthly, within six weeks of the end of each month
Expenditures committed but not paid and within the legal period before they become arrears (float).	Monthly, within six weeks of the end of each month.
Wage bill monthly reports including breakdown of developments per MDAs.	Monthly, within six weeks of the end of each month.
Monetary data (to be provided by the BoG)	
Net domestic assets and net international reserves of the BoG.	Monthly, within two weeks of the end of each month.
Detailed balance sheet of the monetary authorities.	Monthly, within four weeks of the end of each month.
Monetary survey detailing the consolidated balance sheet of commercial banks.	Monthly, within six weeks of the end of each month.
Weekly balance sheet of the central bank, including gross international reserves, net international reserves.	Weekly, within a week of the end of each week

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

Item	**Periodicity**
Summary position of government committed and uncommitted accounts at BoG, and total financing from BoG.	Monthly, within four weeks of the end of each month. (continued)
Composition of banking system and nonbanking system net claims on government.	Monthly, within four weeks of the end of each month.
Financial soundness indicators.	Monthly, within four weeks of the end of each month
Stock of BoG swaps and encumbered and non- encumbered loans with resident and non-resident commercial banks.	Monthly, within two weeks of the end of each month.
Daily computations for the BoG benchmark exchange rate, including all transactions used to derive it.	Monthly, within two weeks of the end of each month.
Debt registry showing structure and holders of domestic government debt, at face value and at discount. Similar table showing holders of treasury bills for open market operations.	Monthly, within four weeks of the end of each month.
Itemized overview of outstanding liquidity support, granted to financial institutions,	Monthly, within four weeks from the end of each month.
Balance of payments (to be provided by the BoG)	
Export and import data on value, volume, and unit values, by major categories and other major balance of payments variables.	Quarterly, with a maximum lag of two months.
Foreign exchange cash flow.	Monthly, within four weeks of the end of the month.
Monthly foreign exchange cash flow projections (with actual historical figures updated)	Monthly update, with a maximum lag of two weeks of the end of the month.
External debt and foreign assistance data (to be provided by MoF)	
Information on the concessionality of all new external loans contracted by the government or with a government guarantee.	Quarterly, within four weeks of the end of each quarter.
For the coming quarter: (i) total debt service due by creditor, and (ii) debt service paid and Report should cover government and government-guaranteed debt (as defined in this document).	Quarterly within four weeks of the end of each quarter.
External debt and external debt service incurred by enterprises with government ownership above 50 percent, even if loans have not been explicitly guaranteed by the government.	Quarterly, within three weeks of the end of each quarter.
Short-term liabilities to nonresidents (maturity in one year or less), including overdraft positions and debt owed or guaranteed by the government or the BoG. Data on the BoG short-term liabilities to nonresident commercial banks on accounts 1201 plus 301 plus Crown Agent).	Quarterly, within three weeks of the end of each quarter.

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

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

INTERNATIONAL MONETARY FUND

GHANA

March 7, 2019

SEVENTH AND EIGHTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the International Monetary Fund and the International Development Association.

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

This debt sustainability analysis (DSA) concludes that Ghana's risks of external and overall debt distress continue to be assessed as high.[1] *While the rebased nominal GDP significantly improved the public debt to-GDP ratios (albeit remaining elevated), the debt service ratios continue to breach their respective thresholds under the baseline, reflecting underlying vulnerabilities. The downward trend in total public debt-GDP ratio was interrupted in 2018, reflecting the realization of significant contingent liabilities in the banking sectors (seven banks resolved through end-December). At the same time, reflecting investor confidence in the first half of 2018 and efforts in restoring macroeconomic stability, Ghana successfully issued a US$2 billion Eurobond in May 2018 at more favorable terms relative to peer countries. Going forward, maintaining fiscal discipline, building buffers, diversifying the export base and exercising caution in contracting new external financing arrangements for infrastructure and other spending would be critical in making sure public debt dynamics be put firmly on a downward path.*

[1] This DSA was jointly prepared by International Monetary Fund (IMF) and World Bank staff under the new debt sustainability framework (DSF) for low-income countries (LICs), implemented since July 2018. The LIC DSA compares the evolution of debt-burden indicators against thresholds, which are pre-determined depending on the classification of debt-carrying capacity (weak, medium, and strong). The debt-carrying capacity is classified using the country-specific composite indicator (CI) composed of three macroeconomic indicators and the World Bank's Country Policy and Institutional Assessment (CPIA). Ghana's capacity is assessed as "medium" using the CI based on the October 2018 WEO.

BACKGROUND

Public Debt Coverage

1. **The DSA focuses on the public and publicly guaranteed (PPG) debt of the central government.** In addition to the standard PPG debt, the DSA also captures debt contracted independently by selected energy-sector state-owned enterprise (SOEs), which are not explicitly backed by government guarantee and deemed to be the most important for the assessment of public debt dynamics.

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

2. **Efforts to step up the government's capacity to record and monitor public debt and contingent liabilities are underway.** The Ministry of Finance (MoF) prepared borrowing policy guidelines to regulate loan acquisition for ministries, departments and agencies (MDAs) and SOEs, which will be published once consultations with stakeholders are completed. In 2018, the government also launched a new credit risk assessment framework to enhance the management of fiscal risk arising from issuance of guarantees and on-lent operations to public entities as articulated in the Medium-Term Debt Strategy (MTDS) for 2019-22. Technical Assistance (TA) by the World Bank and IMF will continue in 2019 and include efforts to enhance data coverage of SOEs in the subsequent DSAs.[2]

3. **The magnitude of the shock of the contingent liability test applied in the context of the sensitivity analysis of this DSA reflects potential additional liabilities**. They could emanate from other

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2	
4	PPP	35 percent of PPP stock	1.44	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5	
	Total (2+3+4+5) (in percent of GDP)	8.4		

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

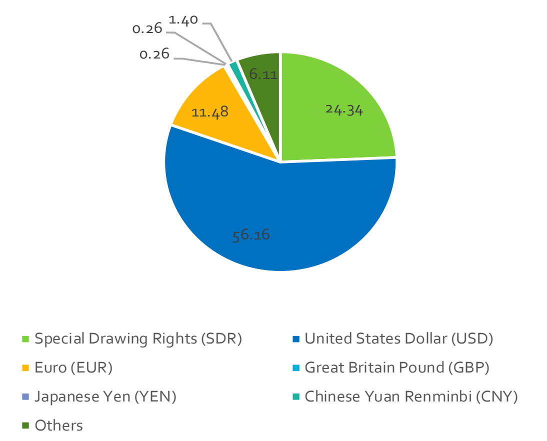
[2] World Bank TA in 2019 will be produced through the Debt Management Facility (DMF), the Ghana Economic Management Strengthening (GEMS) Project, and the Ghana Government Debt and Risk Management (GDRM) Project. TA through the DMF will be largely demand-driven. Other programmed project activities include: stakeholder engagement on the new borrowing guidelines and operational manual; Government staff training to prepare Annual Borrowing Plans in context of the MTDS and DSA, including sensitivity analysis and reporting; finalize the operational risk management (ORM) framework; support activities on reporting and communication; and develop capacity building on international capital market operations.

SOEs whose debts are not captured in the debt data coverage, public–private partnership agreement (PPP) and financial sector. Unanticipated bank resolution costs in 2018 and the 2017 issuance of the energy bond highlight the risk posed by contingent liabilities. Total contingent liabilities for the CL test are estimated at 8.4 percent of GDP.

Background on Debt

4. *The downward trend in total public debt-GDP ratio was reversed in 2018* due to financial sector cleaning up costs unanticipated during the last DSA. The fiscal performance faced headwinds in 2018 due to weak revenue collection (driven by lower VAT) and overruns in spending (driven by goods and services). Nonetheless, 2018 fiscal targets were still met thanks to combined effect of the July Mid-Year Budget Review measures, collection efforts in December and significant cuts in capital expenditures. However, including financial sector cleaning up costs (Staff Report Box 3), the primary deficit reached 1.4 percent of GDP compared a surplus of a 0.3 percent of GDP projected in the previous DSA.

Ghana: Currency Composition of External Debt End-July 2018



5. Ghana has increasingly relied on non-concessional borrowing along with its consistent improvement in income status and has maintained more-sustained market access. As of July 2018, Ghana's external public debt (excluding non-resident holdings of government securities) stood at US$18,211.8 or 28 percent of GDP. The borrowing comes mostly from multilateral creditors, bilateral creditors and international market. The main multilateral creditors are the African Development Bank (AfDB), International Development Agency (IDA) and IMF. Bilateral creditors are evenly spread across Paris and non-Paris club creditors. Over 50 percent of the external debt stock is denominated in US dollars.

UNDERLYING ASSUMPTIONS AND COUNTRY CLASSIFICATION

Background on Macro Forecasts

6. The updated macroeconomic projections assume a slightly lower short-to medium term growth trajectory compared to the April 2018 DSA and reflect the rebased nominal GDP, which increased 2017 nominal GDP by 25 percent (see Staff Report Box 1 table and box below).

7. While the authorities remain committed to contracting external loans in line with debt limits, other financing arrangements envisaged for 2019 pose potential risks to debt dynamics. They are within the 2018 debt limits for new non- concessional external borrowing priority projects set at US$3,500 million (cumulatively since end-Dec 2015). In 2018, the Parliament approved a financing arrangement with Sinohydro, a construction company, under which the latter will provide infrastructure worth US$2 billion to Ghana to be financed from Ghana's refined bauxite export proceeds (see Staff Report Box 5). The arrangement is planned to be independent of the government and to be implemented by a commercial entity established by the Parliament. While the arrangement—still to become effective—seems to have ring-fenced possible government obligations and therefore would not impact the DSA, it should still be designed and executed to ensure transparency and value for money. Since the project is classified as commercial debt, it is not included in the coverage of the DSA.

Ghana: Macroeconomic Assumptions Comparison Table

	DSA April 2018		Current DSA	
	2017-22	2023-2037	2018-23	2024-2038
Real GDP (%)	6.0	4.7	5.7	4.2
Inflation (GDP, deflator, %)	9.0	6.3	8.7	8.2
Nominal GDP (Billions of GHc)	301	1040	434	1814
Revenue and grants (% of GDP)	17.6	16.7	15.6	15.5
Grants (% GDP)	0.2	0.0	0.2	0.0
Primary expenditure (% GDP)	16.3	16.2	14.9	14.6
Primary balance (% GDP)	1.3	0.5	0.7	0.9
Exports of G&S (% change)	6.7	6.0	5.8	5.0
Noninterest current account deficit (% GDP)-	1.1	1.0	0.4	0.9

Sources: Ghanaian authorities and IMF staff estimates and projections

Box 1. Baseline Macroeconomic Assumptions

- **Overall real GDP growth** is estimated to have moderated to 5.6 percent in 2018 (1 percentage lower than the previous DSA estimate), reflecting lower growth in oil and gas than projected in the previous DSA. It is however projected to increase to 8.8 percent in 2019 on the back of increased oil production. Oil production is currently expected to peak in 2023, with the possibility of new oil discoveries and gas production implying significant upside potential. Non-oil growth reached 5 percent in 2018 and is expected to increase to 6 percent in 2019 and onwards, reflecting government initiatives to close infrastructure gaps and improvements in the financial sector. Tackling structural impediments including power supply, infrastructure, and diversifying the non-commodity economy will be key to increasing potential GDP.

- **Inflation and exchange rate:** After decreasing from 15.4 percent at end-2016 to 9.6 percent in April 2018, headline inflation has remained below, but stubbornly close to the 10 percent target upper-band, reaching 9.4 percent in December 2018. The end-period exchange rate came under pressure amid portfolio outflows, depreciating by over 8 percent at end-December 2018 relative to end- December 2017. Going forward inflation is expected to stay within the BOG's target band.

- **Government balance:** The 2019 budget targets an overall fiscal balance, excluding financial sector costs, of 4 percent of GDP and primary balance, excluding financial sector costs, of 1.6 percent of GDP. But high financial sector costs (not originally envisaged in 2019 under the program) will result in a primary balance of 0 percent of GDP. Yet, after these one-off costs, the primary balance is projected to remain around 1.5 percent of GDP over the medium term, provided additional domestic revenues are mobilized. Total public GFNs are projected decline by about 2 percent of GDP in 2019 but will remain elevated.

- **Current account balance:** The current account deficit narrowed to 3.2 percent of GDP in 2018 supported by oil exports. It is projected to further improve to 3 percent of GDP in 2019 reflecting sustained performance in the trade account supported by exports of key commodities. In the medium term, it would improve to an average of 3.2 percent of GDP; the non-interest current account will improve as well, reflecting maintenance of surpluses in the trade account. In line with the authorities' plans, 2019 will see an accumulation of foreign exchange reserves to restore buffers lost in 2018. Gross international reserves would steadily increase to almost 3-months of imports coverage by 2022.

- **Financing flows:** Mainly driven by the hydrocarbons sector, Ghana has enjoyed high FDI inflows in recent years, near 5½ percent of GDP in 2017. Looking forward, FDI is projected to decline gradually as oil production reaches its peak and eventually stays at around 4 percent of GDP over the long run. Consistent with Ghana's improving income status and more-sustained market access, grant inflows are projected to decline to around 0.1 percent of GDP in the medium term. Borrowing is projected to become increasingly non-concessional (less than a 35 percent grant element), as loans are expected to be used for key infrastructure projects to raise the potential growth rate. Up to US$3 billion Eurobond issuance is planned for 2019, of which US$1 billion is meant for liability management. A series of Eurobond issuances is envisaged to roll over maturing Eurobonds, which are assumed to be repaid on an amortizing basis rather than as bullet payments.

8. The realism tools show that projections are in line with historical and peers' experiences.

- **Fiscal adjustment**: The size of the projected fiscal adjustment over the three-year period up to 2020 is 1.1 percent of GDP (including financial sector cleaning up costs); and lies within normal ranges (below the top quartile of the distribution of past fiscal adjustments of LICs that have requested IMF supported programs).

- **Fiscal adjustment-growth**: In 2018, the difference between the expected fiscal impulse and the baseline can be explained by repairs and technology issues in key oil fields, which affected oil and gas production. However, in 2019, the baseline real GDP growth projection converges to the paths derived by using different typical multipliers in LICs.

- **Investment-growth:** The levels of private investment/GDP and public investment/GDP significantly shifted upward following the GDP rebase exercise, reflecting new data sources and a comprehensive survey. In terms of trends, private investment is expected to stay more or less flat throughout 2022 in line with the previous DSA but public investment will pick up starting in 2019 in line with the government policy of stepping up infrastructure projects. Consequently, the contribution of government investment to real growth is projected to be higher in the projection period than in the previous DSA.

- **Debt drivers**: for external PPG, debt dynamics in the projection period are mainly driven by current account deficit and FDI, the exchange rate, real GDP and nominal interest rates. Public debt dynamics will be driven by real growth and interest rates.

- **Forecast errors**: historical forecast errors for both external and public debt are largely driven by residuals, reflecting materialization of contingent liabilities. While the macroeconomic framework aims to capture such risks to the extent possible, the materialization of further contingent liabilities remains a relevant downside risk to the baseline.

Country Classification and Determination of Scenario Stress Tests:

9. Ghana is assessed to have a medium debt carrying capacity. Based on October 2018 WEO macroeconomic framework and the World Bank's CPIA index, Ghana's composite indicator score is 2.83 (above the lower cut-off value of 2.69 but below the strong capacity cut-off value of 3.05) confirming medium debt carrying capacity used in the April 2018 DSA under the old methodology. The new thresholds for a medium performer are therefore used below to assess external debt risk rating. Given Ghana's economic characteristics, tailored stress tests for commodity prices market financing, and contingent liabilities are applied.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.550	1.37	48%
Real growth rate (in percent)	2.719	5.490	0.15	5%
Import coverage of reserves (in percent)	4.052	24.294	0.98	35%
Import coverage of reserves^2 (in percent)	-3.990	5.902	-0.24	-8%
Remittances (in percent)	2.022	4.168	0.08	3%
World economic growth (in percent)	13.520	3.583	0.48	17%
CI Score			2.83	100%
CI rating			Medium	

(In percent)	Old methodology	New methodology
Public debt ratio-to-GDP	56	55
PV of PPG external debt-to-GDP	40	40
PV of PPG external debt-to-XGS	150	180
Debt service of PPG external debt-to-XGS	20	15
Debt service of PPG external debt-to-revenue	20	18

10. Contingent liabilities (CL) test is applied reflecting that SOEs and the financial sector represent a material risk to debt sustainability, as explained above. High levels of systemic losses and poor fee collection capacity in the utility sector could lead to fresh liabilities building up in the sector. While, the authorities have secured and set aside resources for the micro-finance sector resolution and are working on plans for resolution of the SDIs, risks from these sectors should be closely monitored.

EXTERNAL DSA

11. The external debt indicators have significantly improved relative to the previous DSA on account of the rebased GDP, but vulnerabilities associated with debt service remain (Figure 1 and Table 3). Two out of four indicators are in breach the thresholds under the baseline.[3] The debt service-to-exports ratio would be breached in the first 3 years; and then hovers around the threshold until 2022, breaches again from 2023 to 2026 beyond which it stays around the threshold. As in the past, debt service-to-revenue ratio is projected to stay above the threshold over the entire projection period. The outlook of this indicator would improve to the extent that the revenue mobilization measures are ramped up and through implementation of proactive debt management to further smoothen and lengthen the debt maturity profile.

12. The debt outlook remains sensitive to standard shocks under the DSA. The standard stress tests suggest that Ghana is particularly vulnerable to a decline in exports, confirming the need to diversify the economy and increase resilience to external shocks (Figure 1 and Table 3).

13. Ghana's gross financing needs have declined significantly over the past three years, but financing risks remain. This is flagged by the breach of benchmark for the market financing risk indicator of Ghana's GFNs, albeit with a small margin. The latest EMBI spread is just below the benchmark of 570, although there was a temporary breach between mid-November 2018 and end-January 2019 (Figure 5).

PUBLIC DSA

14. The public debt/GDP ratio improved following the GDP rebase. However, the downward trend in the debt/GDP was interrupted in 2018, reflecting the realization of significant contingent liabilities in the banking sector). Under the baseline, all debt indicators are expected to improve and stabilize reflecting the

[3] Under the new DSF, external debt indicators have been streamlined to only four indicators namely (i) PV of debt-to GDP ratio, (ii) PV of debt-to-exports ratio, (iii) Debt service-to-exports ratio and (iv) Debt service-to-revenue ratio.

expected fiscal consolidation and sustained growth. Nonetheless, total public debt-to-GDP ratio initially breaches the benchmark of 55 percent of GDP and would only decline below the benchmark by 2023 (Figure 2 and Table 4).[4] Over the medium term, debt service -to-revenue will also improve in the medium term.

15. Public debt sustainability is significantly vulnerable to commodity price shocks, with the PV of debt-to-GDP reaching 82 percent in 2028. On this basis, Ghana's overall public debt risk is assessed to be high.

CONCLUSIONS

16. The authorities agreed with the DSA results and are taking steps to improve debt dynamics and secure debt sustainability. Going forward, they have committed to cap overall fiscal deficit at 5 percent of GDP and secure positive primary balance, in line with the Fiscal Responsibility Law. In addition, they have set their own annual limits for the new external borrowing for projects and budget financing in 2019, following the same approach used under the ECF program.

17. The overall risk rating of debt distress is assessed to be high. The external risk of debt distress is assessed to be high because of the breaches of two indicators (external debt service-to-exports and external debt service-to-revenue) and the overall risk of debt distress is high because of those breaches as well as the PV of debt of total public debt-to-GDP ratio breaching its benchmark.

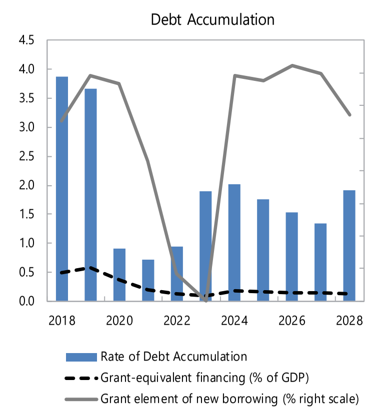
18. Ghana's public debt is deemed sustainable based on the authorities' sustained commitment to fiscal consolidation, prudent borrowing and proactive debt management initiatives, guided by their MTDS and recently passed Fiscal Responsibility Law. The average maturity of domestic public debt has been significantly increased in recent years and the recent buyback of the 2022 Eurobond with proceeds from the 2018 Eurobond helped to ease near-term refinancing risks. Going forward, keeping the fiscal performance on track is essential for engineering a favorable debt dynamic and maintaining confidence among foreign investors. In addition, efforts to strengthen the oversight over SOEs will be instrumental to stem their financial losses and prevent further feedback-loops to the budget and public debt. While Ghana's gross financing needs are declining, they will nonetheless remain high in the near term. Given the increasing presence of nonresidents in the domestic debt market, continued fiscal discipline and a strong macroeconomic environment are needed to continue attracting nonresident investors and anchor their confidence. A departure from the planned fiscal adjustment path could seriously jeopardize debt sustainability. Ghana should continue engaging with development partners to seek concessional financing and expedite disbursements under existing commitments from multilateral agencies.

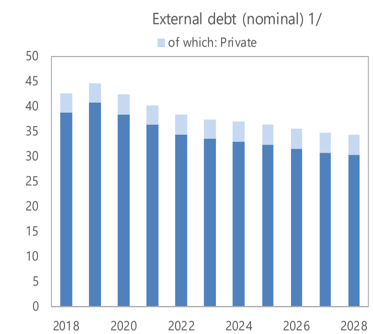
[4] As Ghana's debt carrying capacity is rated as medium, the relevant public debt benchmark is 55 percent of GDP.

Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2015–38
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
External debt (nominal) 1/	41.4	41.9	41.5	42.7	44.7	42.5	40.3	38.4	37.4	34.4	25.6	31.0	38.5
of which: public and publicly guaranteed (PPG)	37.4	37.9	37.5	38.7	40.7	38.5	36.3	34.4	33.4	30.4	21.6	26.9	34.5
Change in external debt	9.0	0.5	-0.4	1.2	2.0	-2.2	-2.2	-1.9	-0.9	-0.3	-1.3		
Identified net debt-creating flows	1.8	-6.1	-5.5	-3.4	-5.6	-3.2	-3.1	-3.4	-2.5	-1.1	0.1	-1.3	-2.5
Non-interest current account deficit	3.2	2.4	0.3	0.8	0.2	0.4	0.4	0.3	0.4	1.1	1.4	5.1	0.6
Deficit in balance of goods and services	8.8	5.6	3.1	1.1	0.5	1.0	1.2	2.4	2.6	4.2	4.4	8.8	2.5
Exports	34.0	31.8	34.6	34.4	34.6	34.0	33.6	32.3	31.6	27.5	23.1		
Imports	42.7	37.3	37.7	35.5	35.1	35.0	34.8	34.7	34.2	31.7	27.4		
Net current transfers (negative = inflow)	-5.3	-2.6	-4.2	-4.0	-3.9	-3.7	-3.5	-4.2	-4.0	-3.1	-1.9	-4.5	-3.7
of which: official	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	-0.3	-0.5	1.4	3.6	3.5	3.1	2.7	2.1	1.8	0.0	-1.1	0.9	1.8
Net FDI (negative = inflow)	-6.1	-6.3	-5.5	-4.5	-5.0	-4.2	-4.7	-4.9	-3.8	-2.7	-1.8	-6.0	-3.8
Endogenous debt dynamics 2/	4.7	-2.2	-0.3	0.3	-0.8	0.6	1.2	1.2	0.9	0.5	0.4		
Contribution from nominal interest rate	2.6	2.8	3.1	2.4	2.8	3.0	3.0	2.8	2.6	1.9	1.5		
Contribution from real GDP growth	-0.8	-1.3	-3.2	-2.1	-3.6	-2.5	-1.8	-1.7	-1.8	-1.4	-1.1		
Contribution from price and exchange rate changes	2.9	-3.7	-0.2	...	...	...	...	...	...	...	...		
Residual 3/	7.2	6.6	5.1	4.6	7.6	1.0	0.9	1.5	1.6	0.8	-1.3	3.0	1.8
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	36.8	36.8	38.7	37.4	35.5	33.8	33.0	30.1	22.1		
PV of PPG external debt-to-exports ratio	...	...	106.3	107.0	111.9	110.1	105.6	104.7	104.6	109.2	95.9		
PPG debt service-to-exports ratio	15.1	17.7	18.5	17.0	17.1	14.6	14.4	14.4	16.6	14.8	17.8		
PPG debt service-to-revenue ratio	38.4	43.7	47.9	41.1	37.3	32.9	30.7	29.5	33.0	26.0	27.1		
Gross external financing need (Million of U.S. dollars)	1504.1	1443.0	1260.0	2074.6	1425.0	1584.6	1158.9	856.7	2610.5	4522.4	12228.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	2.2	3.4	8.1	5.6	8.8	5.8	4.4	4.5	5.0	4.3	4.4	7.4	4.9
GDP deflator in US dollar terms (change in percent)	-10.6	9.4	-0.8	4.6	-3.8	0.0	2.9	3.3	2.9	2.8	2.7	-0.9	2.4
Effective interest rate (percent) 4/	7.4	7.6	7.9	6.4	6.8	7.2	7.5	7.6	7.5	5.8	6.0	4.5	6.9
Growth of exports of G&S (US dollar terms, in percent)	8.1	5.9	17.0	9.8	5.1	4.0	6.3	3.5	5.7	5.3	3.6	14.1	5.2
Growth of imports of G&S (US dollar terms, in percent)	7.9	-1.1	8.4	4.1	3.4	5.6	6.7	7.5	6.5	6.0	3.8	9.5	5.7
Grant element of new public sector borrowing (in percent)	...	...	...	2.8	3.5	3.3	2.1	0.4	0.0	2.9	0.0	...	2.6
Government revenues (excluding grants, in percent of GDP)	13.4	12.9	13.3	14.3	15.8	15.1	15.8	15.8	15.9	15.6	15.1	12.1	15.6
Aid flows (in Million of US dollars) 5/	724.3	291.7	352.7	327.3	365.1	289.2	121.5	114.5	83.8	2.3	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	0.5	0.6	0.4	0.2	0.1	0.1	0.1	0.0	...	0.2
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	6.1	7.3	9.7	5.9	3.6	1.9	2.9	0.0	...	4.7
Nominal GDP (Million of US dollars)	48,595	54,989	58,978	65,191	68,258	72,264	77,628	83,740	90,497	129,120	257,368		
Nominal dollar GDP growth	-8.6	13.2	7.3	10.5	4.7	5.9	7.4	7.9	8.1	7.2	7.2	6.6	7.4
Memorandum items:													
PV of external debt 7/	...	...	40.8	40.8	42.7	41.4	39.5	37.8	37.0	34.1	26.1		
In percent of exports	...	...	117.9	118.7	123.5	121.9	117.5	117.1	117.2	123.7	113.2		
Total external debt service-to-exports ratio	17.7	20.5	21.2	19.9	19.9	17.5	17.3	17.5	19.8	18.4	22.0		
PV of PPG external debt (in Million of US dollars)			21729.8	24018.3	26404.3	27029.2	27554.5	28286.6	29873.7	38830.5	56898.5		
(PVt-PVt-1)/GDPt-1 (in percent)				3.9	3.7	0.9	0.7	0.9	1.9	1.9	0.4		
Non-interest current account deficit that stabilizes debt ratio	-5.8	2.0	0.7	-0.4	-1.8	2.7	2.6	2.2	1.4	1.4	2.7		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

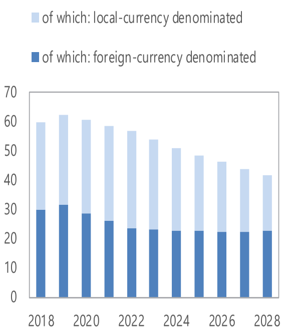
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

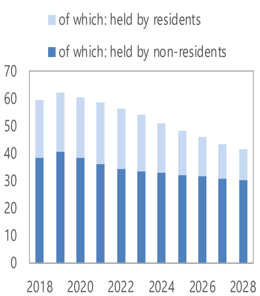
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2015–38
(in percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028	2038	Historical	Projections
Public sector debt 1/	55.2	57.5	57.7	59.8	62.4	60.4	58.6	56.7	54.0	41.5	26.2	42.2	53.0
of which: external debt	37.4	37.9	37.5	38.7	40.7	38.5	36.3	34.4	33.4	30.4	21.6	26.9	34.5
Change in public sector debt	7.2	2.2	0.2	2.1	2.6	-1.9	-1.8	-1.9	-2.7	-2.2	-1.3		
Identified debt-creating flows	3.7	2.4	-1.7	2.0	0.3	-2.5	-2.2	-1.9	-2.3	-2.0	-1.2	0.2	-1.6
Primary deficit	0.3	1.9	-0.5	1.4	0.0	-1.7	-1.6	-1.2	-1.3	-0.7	-0.8	2.4	-0.9
Revenue and grants	14.9	13.4	13.9	14.6	16.1	15.3	15.9	15.9	16.0	15.6	15.1	13.3	15.7
of which: grants	1.5	0.5	0.6	0.3	0.3	0.2	0.1	0.1	0.1	0.0	0.0		
Primary (noninterest) expenditure	15.2	15.3	13.4	15.9	16.1	13.7	14.3	14.7	14.7	14.9	14.3	15.7	14.8
Automatic debt dynamics	3.4	0.5	-1.1	-0.6	0.3	-0.8	-0.6	-0.6	-1.0	-1.2	-0.3		
Contribution from interest rate/growth differential	1.9	1.5	-0.2	-1.0	-1.4	-0.8	-0.3	-0.4	-0.9	-1.1	-0.3		
of which: contribution from average real interest rate	2.9	3.3	4.1	2.1	3.4	2.7	2.2	2.1	1.9	0.7	0.9		
of which: contribution from real GDP growth	-1.0	-1.8	-4.3	-3.1	-4.8	-3.4	-2.6	-2.5	-2.7	-1.8	-1.2		
Contribution from real exchange rate depreciation	1.5	-1.0	-0.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Privatization receipts (negative)	0.0	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.5	-0.1	1.9	0.5	4.1	0.5	0.1	-0.3	-0.5	-0.3	-0.2	2.6	0.1
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	57.6	59.8	62.4	60.5	58.8	57.0	54.5	42.0	27.1		
PV of public debt-to-revenue and grants ratio	...	...	413.0	411.0	387.0	394.9	369.6	358.4	340.1	268.8	179.1		
Debt service-to-revenue and grants ratio 3/	119.7	133.3	134.8	91.7	74.9	73.2	65.4	67.4	73.2	50.3	35.1		
Gross financing need 4/	18.1	19.8	18.2	14.7	12.0	9.6	8.8	9.5	10.4	7.1	4.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	2.2	3.4	8.1	5.6	8.8	5.8	4.4	4.5	5.0	4.3	4.4	7.4	4.9
Average nominal interest rate on external debt (in percent)	8.4	8.1	8.8	6.6	7.4	7.8	8.0	8.1	7.9	6.1	6.3	4.6	7.3
Average real interest rate on domestic debt (in percent)	5.1	5.1	9.0	3.4	7.0	3.3	2.3	2.2	1.9	-0.5	2.4	-7.5	1.8
Real exchange rate depreciation (in percent, + indicates depreciation)	5.7	-2.9	-2.9	...	...	...	...	...	...	...	...	3.2	...
Inflation rate (GDP deflator, in percent)	13.6	15.2	10.4	10.3	6.7	8.6	8.9	9.0	8.6	8.5	6.4	14.9	8.9
Growth of real primary spending (deflated by GDP deflator, in percent)	-4.7	4.6	-5.4	25.7	9.8	-10.1	9.0	7.4	5.5	6.3	3.6	6.9	6.2
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-6.9	-0.3	-0.8	-0.7	-2.7	0.3	0.2	0.7	1.4	1.4	0.4	-2.7	0.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government plus social security and extra budgetary funds, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

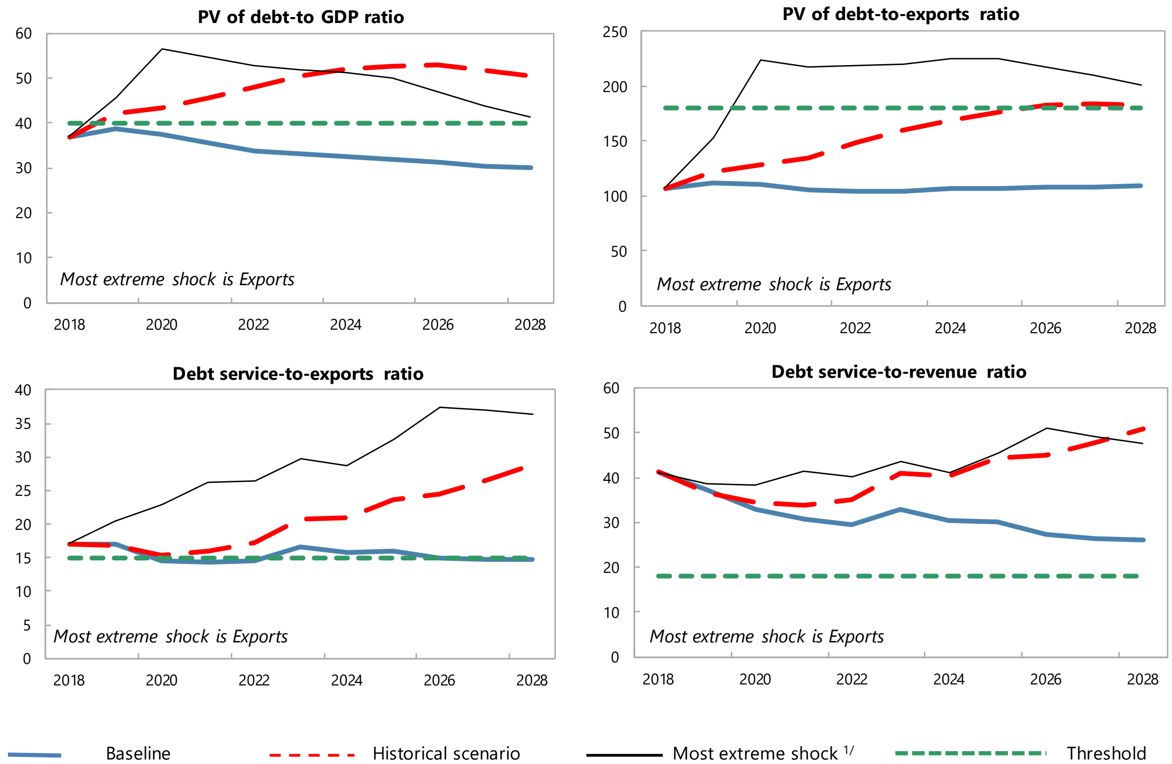
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

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

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2018–28



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

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	8.9%	8.9%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	5	5

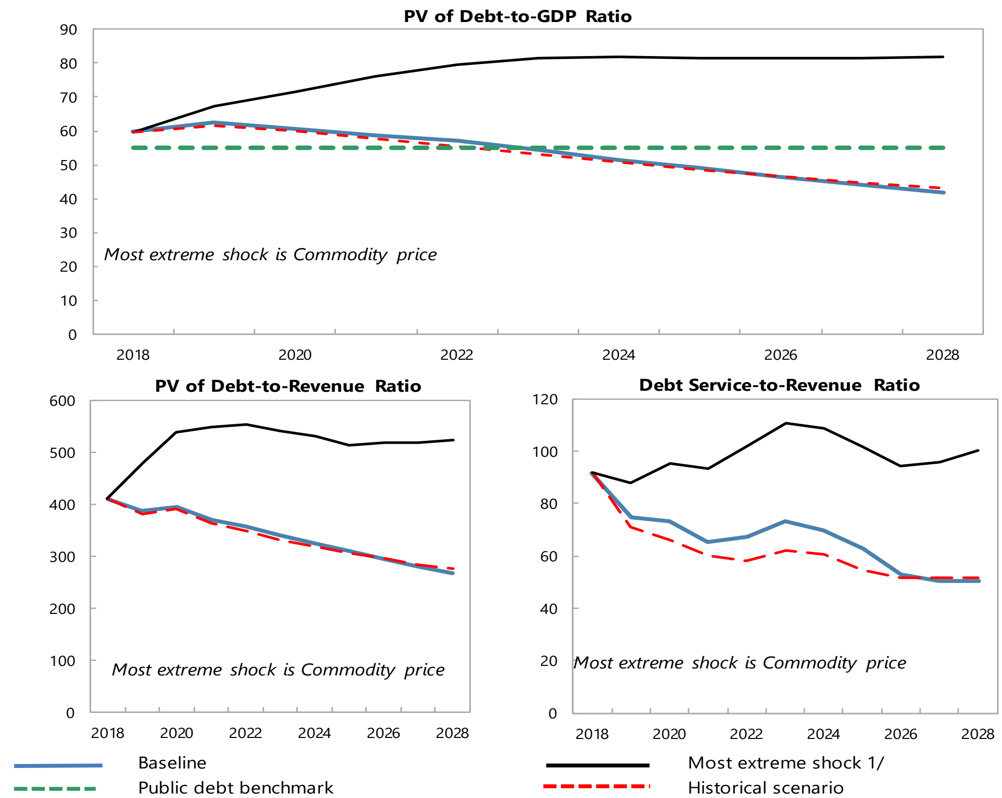
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2018–28



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	51%	51%
Domestic medium and long-term	35%	35%
Domestic short-term	15%	15%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	8.9%	8.9%
Avg. maturity (incl. grace period)	10	10
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.3%	3.3%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.3%	2.3%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2028. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2018–28
(In percent)

	Projections 1/										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
PV of debt-to GDP ratio											
Baseline	37	39	37	35	34	33	33	32	31	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	37	**42**	**43**	**45**	**48**	**50**	**52**	**53**	**53**	**52**	**51**
B. Bound Tests											
B1. Real GDP growth	37	**42**	**43**	**41**	39	38	37	37	36	35	34
B2. Primary balance	37	**42**	**45**	**44**	**43**	**43**	**43**	**42**	**42**	**41**	**40**
B3. Exports	37	**46**	**57**	**55**	**53**	**52**	**51**	**50**	**47**	**44**	**41**
B4. Other flows 3/	37	**41**	**42**	40	38	37	37	36	35	33	32
B5. Depreciation	37	**47**	**43**	**41**	38	38	37	36	36	36	36
B6. Combination of B1-B5	37	**46**	**46**	**44**	**42**	**41**	**41**	**40**	39	37	36
C. Tailored Tests											
C1. Combined contingent liabilities	37	**44**	**43**	**41**	**41**	**40**	**40**	40	39	39	39
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	39	39	37	36	35	35	34	33	31	31
C4. Market Financing	37	**43**	**42**	**40**	38	38	37	36	35	34	33
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	107	112	110	106	105	105	106	107	108	108	109
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	107	122	128	135	149	159	169	177	**183**	**184**	**183**
B. Bound Tests											
B1. Real GDP growth	107	112	110	106	105	105	106	107	108	108	109
B2. Primary balance	107	120	133	131	133	136	140	142	144	145	146
B3. Exports	107	153	**224**	**218**	**219**	**220**	**225**	**225**	**218**	**209**	**201**
B4. Other flows 3/	107	118	123	118	118	118	120	121	120	118	117
B5. Depreciation	107	107	99	95	93	93	94	96	98	99	102
B6. Combination of B1-B5	107	134	124	142	143	143	146	147	146	144	143
C. Tailored Tests											
C1. Combined contingent liabilities	107	126	127	123	127	128	131	134	136	138	140
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	107	112	113	110	110	111	113	113	113	112	112
C4. Market Financing	107	112	111	107	106	107	108	108	107	107	107
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	17	17	15	14	14	17	16	16	15	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	17	17	15	16	17	21	21	24	24	27	29
B. Bound Tests											
B1. Real GDP growth	17	17	15	14	14	17	16	16	15	15	15
B2. Primary balance	17	17	16	17	17	19	19	20	21	21	21
B3. Exports	17	20	23	26	26	30	29	33	37	37	36
B4. Other flows 3/	17	17	15	15	16	18	17	18	18	18	18
B5. Depreciation	17	17	14	13	13	16	15	14	12	12	12
B6. Combination of B1-B5	17	19	19	19	19	22	21	23	22	22	22
C. Tailored Tests											
C1. Combined contingent liabilities	17	17	16	16	16	18	18	18	17	17	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	17	17	15	15	15	18	17	17	16	16	16
C4. Market Financing	17	17	15	15	15	23	22	18	15	14	15
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**41**	**37**	**33**	**31**	**30**	**33**	**30**	**30**	**27**	**26**	**26**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	**41**	**37**	**34**	**34**	**35**	**41**	**40**	**44**	**45**	**48**	**51**
B. Bound Tests											
B1. Real GDP growth	**41**	**41**	**38**	**35**	**34**	**38**	**35**	**34**	**31**	**30**	**30**
B2. Primary balance	**41**	**38**	**35**	**35**	**34**	**38**	**37**	**38**	**38**	**38**	**38**
B3. Exports	**41**	**38**	**38**	**41**	**40**	**44**	**41**	**45**	**51**	**49**	**48**
B4. Other flows 3/	**41**	**37**	**34**	**33**	**32**	**35**	**33**	**34**	**33**	**32**	**31**
B5. Depreciation	**41**	**48**	**41**	**37**	**35**	**40**	**37**	**34**	**29**	**28**	**28**
B6. Combination of B1-B5	**41**	**40**	**39**	**37**	**36**	**40**	**37**	**40**	**37**	**36**	**36**
C. Tailored Tests											
C1. Combined contingent liabilities	**41**	**38**	**36**	**34**	**33**	**37**	**34**	**34**	**31**	**31**	**30**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**41**	**44**	**39**	**37**	**35**	**38**	**34**	**32**	**29**	**28**	**28**
C4. Market Financing	**41**	**37**	**34**	**32**	**31**	**46**	**43**	**33**	**28**	**26**	**26**
Threshold	18	18	18	18	18	18	18	18	18	18	18

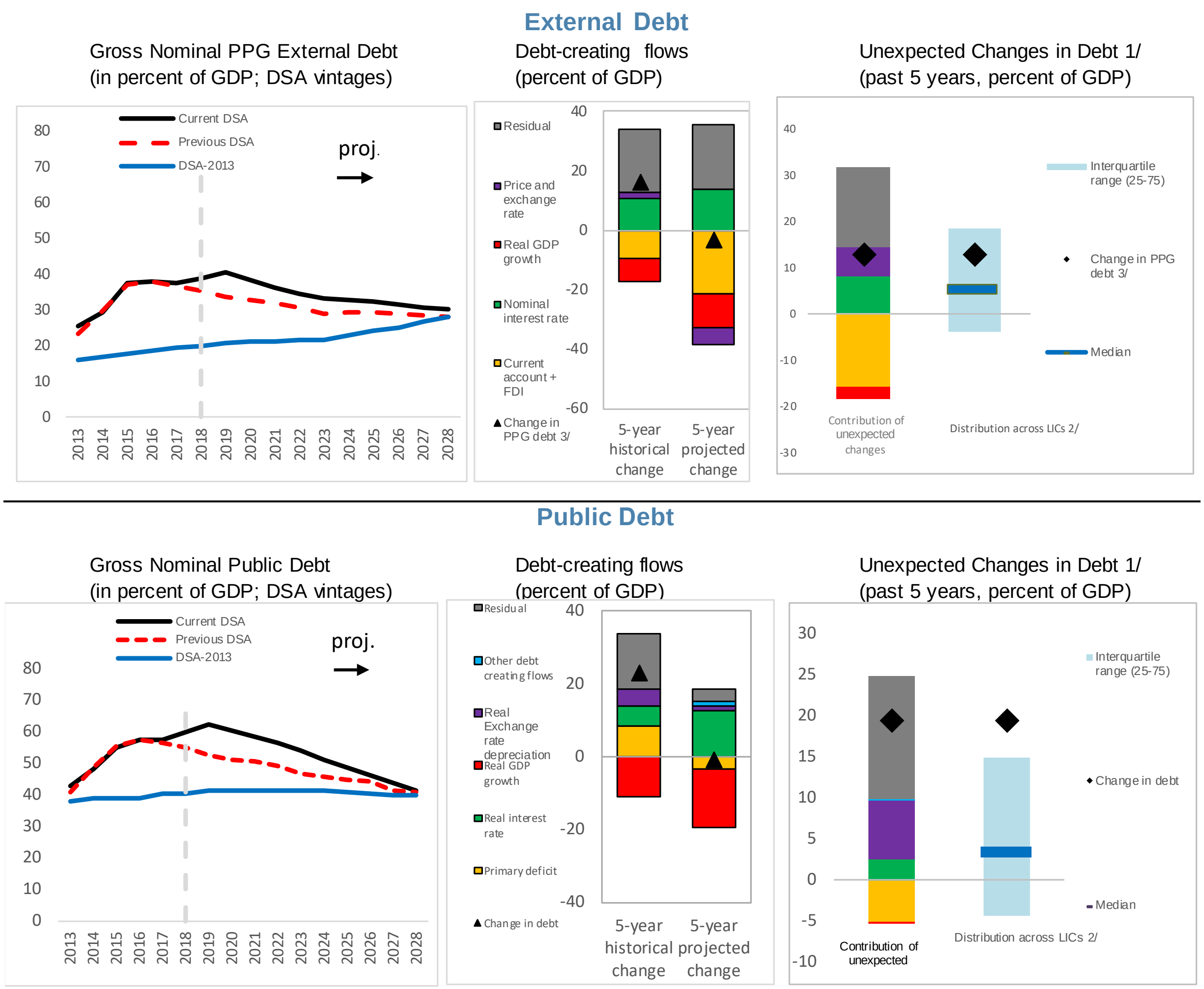
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt, 2018–28

	Projections 1/										
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
	PV of Debt-to-GDP Ratio										
Baseline	**60**	**62**	**61**	**59**	**57**	55	52	49	47	44	42
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	**60**	**62**	**60**	**58**	**56**	53	51	49	47	45	43
B. Bound Tests											
B1. Real GDP growth	**60**	**70**	**74**	**74**	**75**	**74**	**74**	**73**	**73**	**73**	**73**
B2. Primary balance	**60**	**67**	**73**	**72**	**70**	**68**	**66**	**63**	**61**	**59**	**57**
B3. Exports	**60**	**68**	**77**	**75**	**73**	**71**	**68**	**64**	**60**	**55**	51
B4. Other flows 3/	**60**	**65**	**65**	**63**	**61**	**59**	**56**	53	50	47	44
B5. Depreciation	**60**	**68**	**65**	**63**	**60**	**58**	54	51	49	46	43
B6. Combination of B1-B5	**60**	**66**	**70**	**69**	**67**	**65**	**63**	**61**	**59**	**57**	55
C. Tailored Tests											
C1. Combined contingent liabilities	**60**	**71**	**70**	**68**	**67**	**65**	**62**	**60**	**58**	**55**	54
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**60**	**67**	**72**	**76**	**80**	**81**	**82**	**82**	**82**	**81**	**82**
C4. Market Financing	**60**	**62**	**61**	**59**	**58**	**55**	52	49	46	44	41
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	411	387	395	370	358	340	325	310	296	281	269
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	411	383	392	364	350	333	319	307	296	285	276
B. Bound Tests											
B1. Real GDP growth	411	434	479	465	468	463	463	462	464	464	467
B2. Primary balance	411	417	478	452	442	425	413	400	389	377	366
B3. Exports	411	424	502	472	460	441	426	406	380	352	326
B4. Other flows 3/	411	401	424	397	386	367	352	335	318	300	284
B5. Depreciation	411	421	426	395	380	359	341	324	309	292	278
B6. Combination of B1-B5	411	408	456	432	423	408	396	384	374	362	351
C. Tailored Tests											
C1. Combined contingent liabilities	411	442	454	429	419	403	390	377	366	354	343
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	411	479	540	550	555	543	532	515	518	520	523
C4. Market Financing	411	387	396	372	362	344	328	310	295	279	265
	Debt Service-to-Revenue Ratio										
Baseline	92	75	73	65	67	73	70	63	53	50	50
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2018-2028 2/	92	71	66	60	58	62	60	55	52	52	52
B. Bound Tests											
B1. Real GDP growth	92	82	86	81	86	95	95	90	82	84	87
B2. Primary balance	92	76	81	82	84	94	85	79	73	71	72
B3. Exports	92	75	76	74	76	81	78	76	74	70	69
B4. Other flows 3/	92	75	74	68	70	75	72	67	58	56	55
B5. Depreciation	92	75	76	71	70	77	75	67	58	56	55
B6. Combination of B1-B5	92	75	77	78	76	89	82	73	65	61	61
C. Tailored Tests											
C1. Combined contingent liabilities	92	76	86	74	87	84	79	74	62	59	60
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	92	88	95	93	102	111	109	102	94	96	100
C4. Market Financing	92	75	74	67	69	86	83	66	54	50	50

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

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



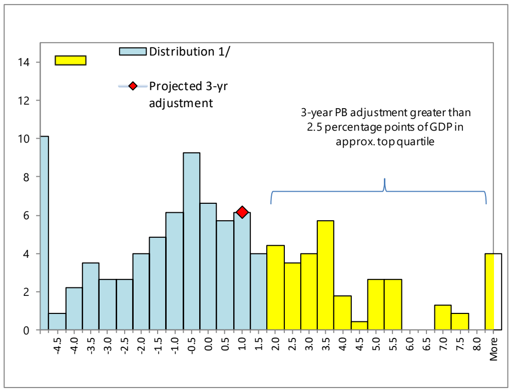
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

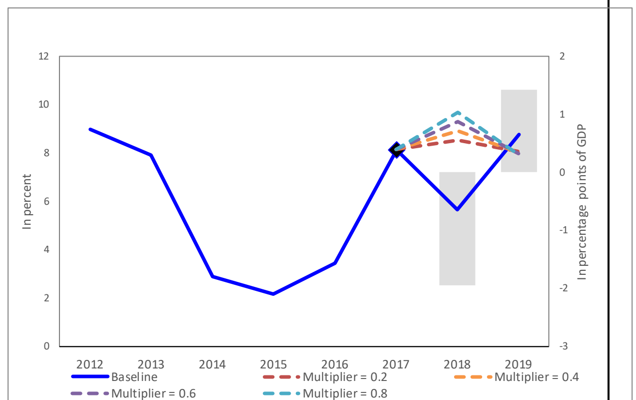
Figure 4. Ghana: Realism Tools

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



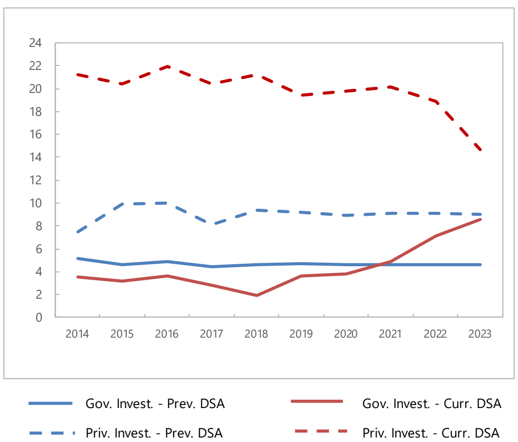
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates
(percent of GDP)



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

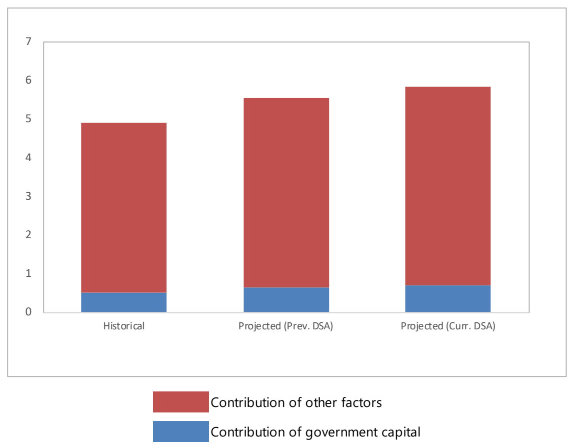
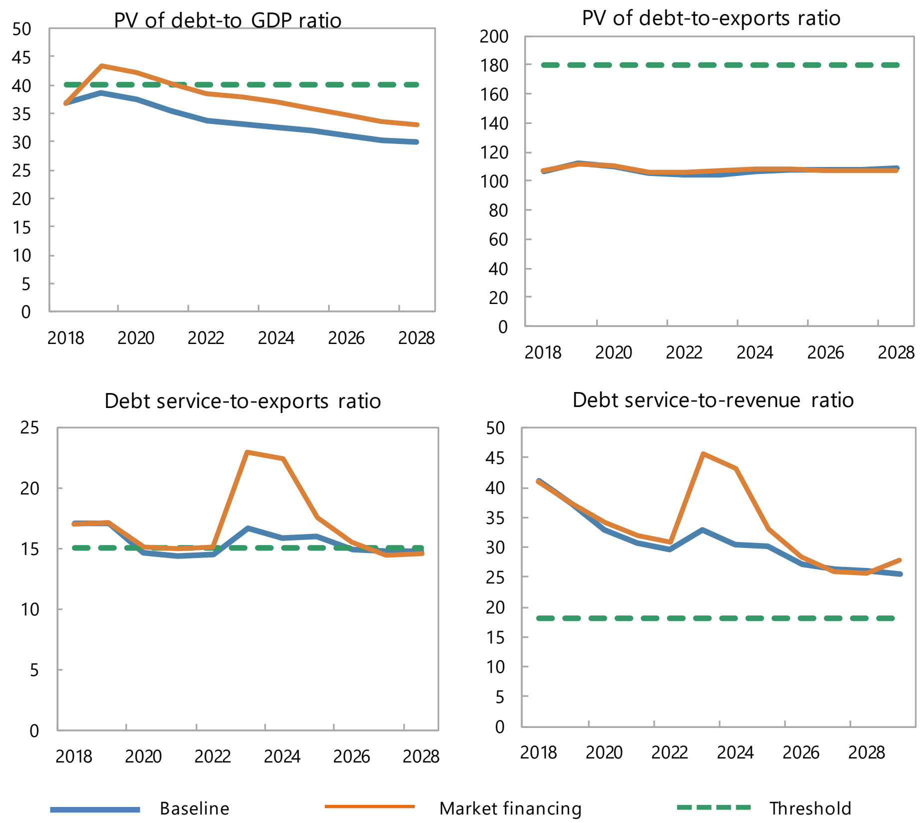


Figure 5. Ghana: Market-Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	15	562
Breach of benchmark	Yes	No
Potential heightened liquidity needs	Moderate	

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



Sources: Country authorities; and staff estimates and projections.

INTERNATIONAL MONETARY FUND

GHANA

SEVENTH AND EIGHTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION

March 18, 2019

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

Prepared by the Ghana team.

1. **This supplement provides additional information since the Staff Report (EBS/19/10) was circulated to the Executive Board, including the fulfillment of seven prior actions for the seventh and eighth reviews under the Extended Credit Facility.** The additional information does not alter the thrust of the staff appraisal.

2. **The government has completed the seven outstanding prior actions.** Specifically:

- To improve domestic revenue mobilization, the authorities have submitted to Parliament an exemption draft bill removing exemptions equivalent to GHc 500 million and tightening the exemptions granting process (with all exemptions to be approved by the Ministry of Finance).

- To strengthen oversight of SOEs and mitigate fiscal risks emanating from the SOE sector, the authorities have submitted to Parliament legislation establishing a single supervisory entity (State Interests and Governance Authority, SIGA) for SOEs.

- To strengthen fiscal transparency and accountability, the Ministry of Finance submitted to the Legislative Committee (LC) of Parliament regulations for the 2016 Public Financial Management Act, in line with FAD recommendations. The regulations will be approved by the LC on a lapse of time basis after 21 sitting days, in April.

- To complete the clean-up of the financial sector (in addition to interventions for the banking system) and further buttress depositors' confidence,

   i. the Ministry of Finance has secured funds needed for the clean-up of microfinance institutions. These funds have been placed in an escrow account at the Ghana Consolidated Bank, which will function as paying agent bank for the reimbursement of depositors given its vast branch network across the country.

ii. the BoG, in agreement with the Ministry of Finance, has finalized the timeline for the resolution of the remaining insolvent Specialized Deposit-Taking Institutions (savings & loans companies and finance houses). The relevant firms will be placed into receivership by the end of 2019, with the MoF providing the funds needed for depositor reimbursement.

- To strengthen FX management and ensure market-based pricing of FX transactions, the BoG has adopted an FX management policy, consistent with good international practice and in line with MCM recommendations.

- To start rebuilding FX buffers after a decline in Net International Reserves (NIR) in 2018, the authorities have achieved an NIR level amounting to US$3,268.68 million as of March 15, through securing funding from several sources, which exceeds the level observed at end-December 2018 (US$2,888.71 million) by US$379.97 million.

3. One additional structural benchmark was met. On March 15, the Ministry of Finance published the first Fiscal Risk Statement on its website, identifying potential risks from SOE activities and other extra-budgetary funds.

INTERNATIONAL MONETARY FUND

GHANA

March 20, 2019

SEVENTH AND EIGHTH REVIEWS UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVERS OF NONOBSERVANCE OF PERFORMANCE CRITERIA—SUPPLEMENTARY INFORMATION

Approved By
Abebe A. Selassie (AFR) and Mark Flanagan (SPR)

Prepared by African Department.

1. This supplement provides additional information to the Staff Report (EBS/19/10) circulated to the Executive Board.

2. Staff proposes that Ghana be moved to the standard 12-month Article IV Consultation cycle.

Statement by Mr. Mojarrad, Executive Director for Ghana, and Mr. Osei Yeboah, Advisor to the Executive Director March 20, 2019

Our Ghanaian authorities are grateful to the staff for the constructive engagement and the high-quality policy discussions and technical assistance under the ECF arrangement.

Overview

This combined 7th and 8th reviews will bring the ECF-supported program to a conclusion, enabling Ghana to pursue its medium-term strategy of strong inclusive growth under more stable macroeconomic conditions than at the onset of the program. Much has been achieved over the program period and there is much to build on going forward. Growth rebounded from 3.4 percent in 2016 to 8.1 percent in 2017, and remained strong at 6.7 percent for the first three quarters of 2018; inflation has decelerated to a single digit level (9.2 percent in February 2019), well within the Bank of Ghana's target band; the overall deficit has been almost cut in half to 3.7 percent of GDP between 2016 and 2018, and the primary balance has turned positive since 2017 for the first time in a decade. The current account deficit is estimated to have declined to 3.2 percent of GDP in 2018, but its positive impact on the overall balance was offset by capital outflows reflecting risk aversion affecting many emerging markets and frontier economies, including Ghana.

Advances in structural reform have been made, including bank resolutions and public financial management, although progress in other areas has varied, and the pace was slower than expected. The authorities are committed to deepen and accelerate their reform strategy as outlined in the MEFP to ensure "irreversibility" of sound policies and reforms. They are also aware of the existing vulnerabilities to potential downside risks, which they intend to address.

Ghana's medium-term outlook is favorable, with the economy projected to grow at around 8 percent in 2019 and 7 percent on average over the medium term. While the growth momentum will continue to be driven by the oil sector, non-oil activities will sustain their recent strong performance as several flagship programs launched under the "Ghana Beyond Aid" agenda will start to bear fruit.

Program Performance

Under particularly challenging global conditions, performance under the program has been broadly satisfactory. Three out of nine end-June PCs were missed, two of them (wage bill and the primary fiscal balance) with a small margin. For end December 2018, two out of nine PCs (wage bill and NIR) were missed together with the continuous PC on BoG credit to government. The PC on the wage bill was missed because government was compelled to execute a onetime action of absorbing additional nurses and teachers on the payroll to meet the SDG targets on student-teacher and patient-nurse ratios, respectively. Enhanced monitoring of wage administration through tighter adherence to the budget and integration of the payroll with budget execution has been put in place to gradually bring the wage bill growth within target. The continuous PC on BoG credit to government was missed due to valuation effects and the monetization by the BoG of Consolidated Bank Ghana's bond in November 2018, called for by exceptional circumstances. Efforts are underway to offload the bond at market price at the earliest opportunity. Regarding the PC on NIR, higher than projected outflows of coupon payments by foreign investors and one-off payments to independent power producers and Bulk Distribution Companies (BDC), as well as lower-than programmed sovereign bond receipts significantly impacted the BoG reserves. Several corrective measures are being taken to boost buffers, including instituting guidelines for forex intervention management.

Structural benchmarks (SBs) are progressing broadly in line with expectations, albeit with some delays and modifications. The PFM Act has been passed while the regulations to operationalize it have been submitted to parliament (prior action). In addition, legislation to bring all SOEs under a single supervisory body has been submitted to parliament (also a prior action). All indicative targets for end-December have been met and all seven prior actions for this combined review have been met, and the authorities are firmly committed to pursue their structural reform agenda beyond the ECF program.

Fiscal Policy

The overall fiscal deficit has continued on its downward path from a high of 7.3 percent of GDP in 2016 to 3.7 percent of GDP in 2018 (excluding financial sector costs), and the primary balance, which turned positive in 2017, recorded another surplus of 1.7 percent of GDP in 2018. This significant accomplishment, notwithstanding challenges in revenue mobilization and expenditure management, attests to the authorities' commitment to prudent fiscal management and foster debt sustainability. Building on this momentum, the 2019 budget seeks to maintain the fiscal deficit at 4 percent of GDP and a primary surplus of 1.6 percent of GDP, which according to staff, are in line with a sustainable debt trajectory.

A broad range of revenue and expenditure measures will be introduced to this effect, as detailed in the MEFP (27-32). An Exemptions Bill currently before parliament for consideration and passage will tighten the exemption procedures and require their approval by the Minister of Finance. The Ghana Revenue Authority (GRA) is finalizing preparations to better monitor cargo in transit to land-locked neighboring countries and mitigate revenue loss during clearing of goods at the ports. Other revenue measures are being introduced to strengthen tax administration while intensifying compliance. Central government is also partnering with Municipal, Metropolitan, and District Assemblies (MMDAs) to enhance revenue mobilization at the local government level.

To ensure continued fiscal discipline, parliament has enacted the Fiscal Responsibility Act, which caps the overall deficit at 5 percent of GDP and sets a positive primary balance each year with accompanying sanctions for the Minister for Finance in case of breach of the Act exceeding 1 percent of GDP. To sustain fiscal discipline over the medium-term, the government has established the Fiscal Responsibility Advisory Council and the Financial Stability Advisory Council this year to offer independent advice on fiscal management and financial sector stability and prevent fiscal slippages.

Financing and Debt Management

The authorities are committed to maintaining public debt below the threshold of 65 percent of GDP as envisaged under the recently approved fiscal responsibility law. They are actively pursuing a debt management strategy aimed at bringing down the cost of debt and minimizing refinancing risks, including by building liquidity buffers (MEFP 55-58). To further deepen the domestic debt market, they have engaged primary dealers to use book-building processes, guided by a published issuance calendar to enhance transparency, foster price optimization through greater competition, and support debt market development. With regard to the external debt, the authorities are aware of the increased risk of shifting sentiment of foreign investors, which hold a significant share of Ghana's long-term debt instruments and are looking at ways to mitigate it. While they will continue to tap the international markets in 2019 and beyond, they will ensure that such funding is consistent with the sustainability of their debt strategy.

Monetary and Exchange Rate Policies

Monetary policy will remain focused on reducing inflation further to enhance the credibility of BoG under the inflation targeting regime (IT). In this regard, BoG will be vigilant to developments in inflation, including from pressures on the cedi, and stands ready to tighten the monetary policy stance as needed. The central bank is also adhering to the memorandum of understanding on zero central bank financing of the budget to limit fiscal dominance, which has largely been respected. Development of the foreign exchange market is also necessary to support IT, and in its market intervention, BoG continues to focus on smoothening excessive volatility and achieving its external buffers objectives consistent with the IT framework, while promoting market deepening. To support foreign exchange market development, the BoG has developed guidelines to address conduct imperfections in the interbank foreign exchange operations consistent with international standards.

Financial Stability

The cleanup of the banking sector following the 2016 Asset Quality Review (AQR) of commercial banks has been a major undertaking, involving a successful resolution of nine banks and recapitalization of all banks to meet a new unimpaired paid-up capital requirement. The consolidation of banks has led to a reduction in their number from 34 to 23 while their capital base has strengthened. To preserve the presence of indigenous banks in the sector during the recapitalization process, five healthy local banks are to receive private sector capital injection through the Ghana Amalgamated Trust (GAT), which was constituted to raise domestic funds by issuing bonds and proceeds invested as equity in the recipient banks. GAT has a 5-year window of existence to liquidate its interest either through the stock market or sell to institutional buyers. The modalities governing private participation through GAT will among other things enhance management and operational efficiency of beneficiary banks, thereby mitigating risk to GAT's investments. The BoG is currently working to extend the clean-up of the financial sector to the Specialized Deposit-Taking Institutions (SDIs) and the Microfinance Institutions (MFI) in cooperation with the World Bank. Finalization of intervention plans for savings and loans and finance houses as well as mobilization of government funding for the resolution of microfinance institutions have been completed as prior actions for this review.

To address the lapses in governance that were identified in the AQR, the central bank has issued corporate governance directives to banks and SDIs. The central bank has also streamlined the write-off policy of bad loans consistent with the Banking Act and relevant IFRS9 requirements, which will help address the high NPLs to free banks' balance sheets. Moreover, the ongoing implementation of Basel II/III supervisory framework will bolster risk management and compliance, thereby improving resilience of the banking sector. The central bank is also reviewing the emergency liquidity assistance (ELA) framework to safeguard potential risks to its balance sheet.

Ghana has been effectively cooperating with the Inter Government Action Group against Money Laundering in West Africa (GIABA) and the Financial Action Task Force (FATF) as demonstrated by its adherence to the16 core and key recommendations for an effective AML/CFT regime. Following the 2018 National Risk Assessment (NRA) of Ghana, a national AML/CFT Policy (2019-2022) was developed to address identified deficiencies under the oversight of a Committee chaired by the Minister of Finance and in line with plans agreed with the FATF's International Cooperation Review Group. The authorities are committed to implementing their reform plan ahead of time to ensure that Ghana exit the FATF grey list by end-2019.

Structural Reforms

The authorities are moving forward with wide-ranging reforms to sustain a high growth path, consistent with the objectives of the "Ghana beyond Aid" agenda. As detailed in the MEFP (20-21), these involve flagship reform plans in infrastructure, agricultural modernization, industrialization, and entrepreneurship, with particular focus on reforms in the areas of tax policy and revenue administration, public financial management, debt management, and the restructuring of SOEs in the energy sector, which will be critical for the country's industrialization and to mitigate fiscal risks. Already benefiting from past reforms, Ghana has built up significant capacity and is currently a net exporter of power to the neighboring countries. The government has streamlined the existing Power Purchase Agreements (PPA) leading to the termination of 11 out of 24 contracts identified to be inefficient, with the remaining 13 rescheduled to give the nation a competitive edge while saving significant resources over a period of 13 years. A private entity, Power Distribution Services (PDS) has taken over electricity distribution from the state-owned ECG under a 20-year concession agreement to help improve its financial performance of SOEs.

A single regulatory authority, State Interest and Governance Authority (SIGA), has been established for all SOEs, with a clear mandate to strengthen the governance framework while ensuring transparency of their activities. In the cocoa sector, the state-owned marketing company, Cocobod, is pursuing cost-saving measures while providing training to farmers to enhance yield. In addition, other initiatives being pursued are geared towards improving accountability and transparency. The authorities will seek to strengthen implementation capacity in these areas in cooperation with the World Bank and other partners to ensure a faster pace of reform going forward.

Conclusion

The Fund-supported program has helped Ghana restore macroeconomic stability and make significant in-roads in structural reforms. The successful completion of this program is leaving the authorities with a sense that more can—and should be—accomplished to continue to enhance fiscal discipline, foster macroeconomic stability, and step up reforms in critical areas to put the economy on an irreversible path of high inclusive growth. They look forward to continued cooperation and policy dialogue with Fund staff and are grateful to the Executive Board and Management for their continued support.