

**Ghana: 2007 Article IV Consultation—Staff Report; Public Information Notice on the Executive Board Discussion; and Statement by the Executive Director for Ghana**

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2007 Article IV consultation with Ghana, the following documents have been released and are included in this package:

- the staff report for the 2007 Article IV consultation, prepared by a staff team of the IMF, following discussions that ended on March 28, 2007 with the officials of Ghana on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on May 7, 2007. The views expressed in the staff report are those of the staff team and do not necessarily reflect the views of the Executive Board of the IMF;
- a Public Information Notice (PIN) summarizing the views of the Executive Board as expressed during its May 18, 2007 discussion of the staff report that concluded the Article IV consultation; and
- a statement by the Executive Director for Ghana.

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

Selected Issues Paper  
Ex Post Assessment of Longer-Term Program Engagement

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INTERNATIONAL MONETARY FUND

GHANA

**Staff Report for the 2007 Article IV Consultation<sup>1</sup>**

Prepared by the Staff Representatives for the 2007 Consultation with Ghana

(In consultation with Other Departments)

Approved by Saul Lizondo and Adnan Mazarei

May 7, 2007

**EXECUTIVE SUMMARY**

**Ghana's economy has been performing well in a supportive world economy, but the fiscal deficit deteriorated substantially in 2006.** The economic outlook is generally positive, but short-term risks arise from the fiscal problems and energy shortages.

**Ghana has a historic opportunity to accelerate growth to reach the Millennium Development Goals (MDGs) and achieve middle-income status within a decade.** But attaining a high-growth trajectory while preserving macroeconomic stability will be a challenge, because there are public expectations of a rapid rise in income given Ghana's recent economic success, and because the country is gearing up for presidential elections next year. Another challenge will be to finance Ghana's development agenda and attain the MDGs when aid is not likely to be scaled up soon.

Main outcome of the discussions:

- **The authorities' strategy for accelerating growth is fitting;** it starts with large infrastructure projects to raise growth potential. **It will be equally important to enhance total factor productivity** by increasing the efficiency of public sector spending and sustaining macro-critical structural reforms.
- **As the fiscal deterioration in 2006 demonstrated, preserving macroeconomic stability is vital.** The authorities are appropriately addressing the fiscal slippage with

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<sup>1</sup> Discussions took place in Accra, January 31–February 14, 2007, and March 26–28, 2007. The staff team comprised Ms. Nagy (head), Ms. Pattillo, Ms. Loukoianova, Mr. Motshidisi (all AFR), Ms. Brixiova (PDR), Mr. Akitoby (FAD), and Mr. McIntyre, Resident Representative in Accra. The mission worked closely with World Bank staff. Staff met with the President, the Minister of Finance, the Governor of the Bank of Ghana, other senior officials, and representatives of development partners, business, and trade unions. Mr. Mirakhor, Executive Director for Ghana, participated in the policy discussions during the February mission.

a combination of measures to enhance revenue, cut nonessential capital expenditure, and accelerate structural reforms.

- **Monetary policy successfully reduced inflation to below 10 percent by March 2007.** Staff considers that interest rates may need to be increased if fiscal problems are not corrected; the Bank of Ghana did not see a potential case for an interest rate increase.
- **The Bank of Ghana (BoG) has adopted many elements of inflation targeting (IT) over the years and has begun to operate a monetary regime that is akin to IT “lite.”** Beyond the primary IT objective, there seems to be a secondary operational exchange rate objective to support the inflation goal. Staff underscored that effective IT will require a more flexible exchange rate policy.
- **Views differed on how exchange rate policy is being implemented.** Staff believes that the stability of the cedi against the U.S. dollar in recent years was the result not only of good macroeconomic policies but also of the BoG’s statutory involvement in the foreign exchange market, which allows it to manage the exchange rate heavily. The BoG considered that good policies and confidence alone were keeping the exchange rate stable.
- **In the absence of imminent scaling up of donor assistance, prudent and gradual nonconcessional borrowing for carefully selected high-return projects can help finance poverty reduction.** To this end, institutional capacity for selecting projects and managing debt needs to be enhanced further.
- **A joint debt sustainability analysis incorporating future nonconcessional borrowing rated the risks to Ghana’s external debt sustainability as moderate, albeit close to the low risk category.**

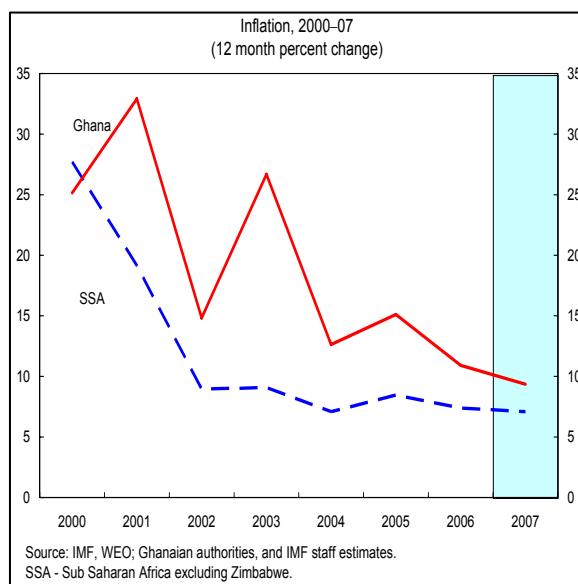
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## I. RECENT ECONOMIC AND POLICY DEVELOPMENTS

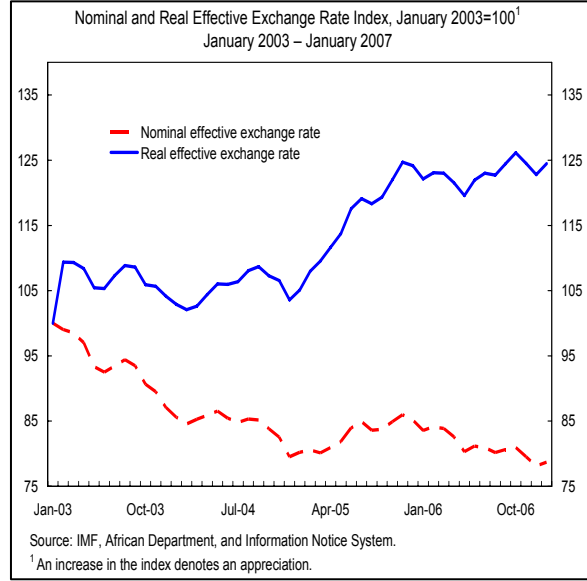
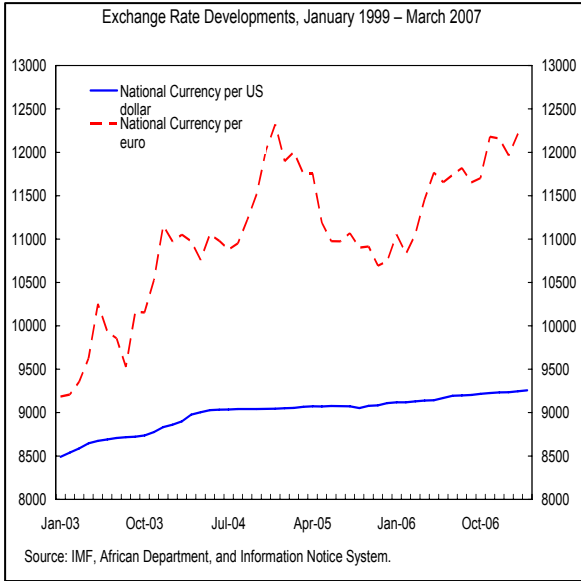
1. **The Ghanaian economy has performed well in recent years; in 2006 real GDP growth reached 6.2 percent, the highest rate since the early 1990s.** An exceptionally good cocoa harvest, two new gold mines coming on stream, and activities in construction and services (responding to the improved business environment) were the main factors. Large remittance inflows fuelled both consumption and private investment in housing. The economy has thus far proved reasonably resilient to the energy shortages that began in September 2006 (Box 1).



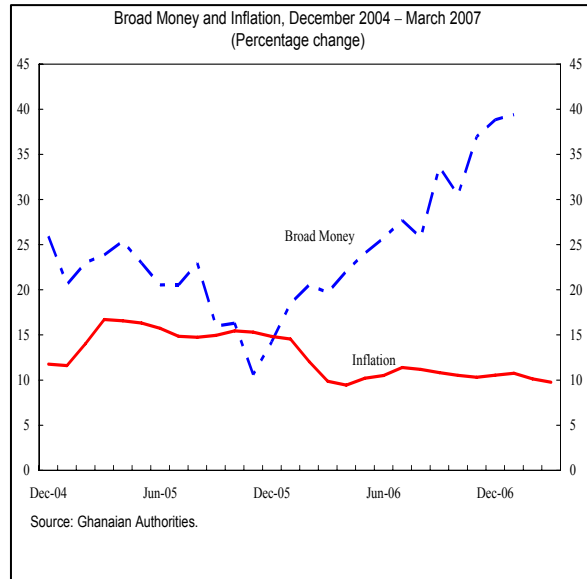
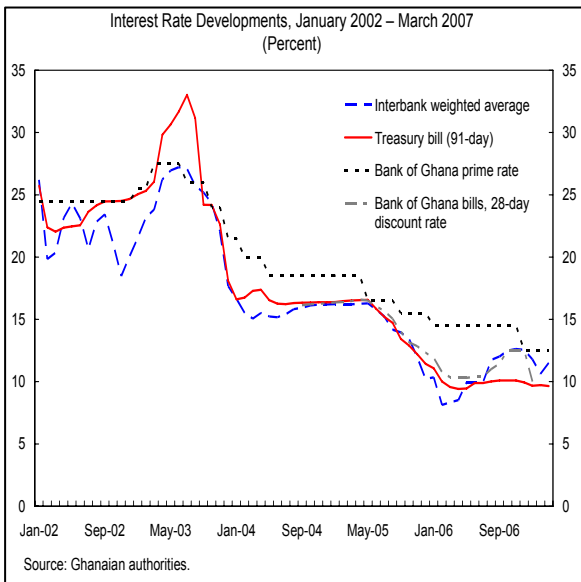
2. **Inflation continued to decline, dipping below 10 percent at end-March 2007.** As the original inflation objective of 8.3 percent for end-2006 under the past Poverty Reduction and Growth Facility (PRGF) arrangement would have been missed due to higher-than-projected oil prices, the objective was revised upward to 10.4 percent in mid-year.<sup>2</sup> This revised objective was attained in the context of offsetting forces. On the one hand, drops in oil prices in the second half of the year helped achieve lower inflation. On the other hand, strong demand pressures from large public sector wage increases and a nominal effective depreciation of the currency pushed inflation higher. The latter was the result of a stable exchange rate vis-à-vis the U.S. dollar when it depreciated against other major currencies in Ghana's trade basket.



<sup>2</sup> The BoG's original inflation range of 7-9 percent was not revised upward.



3. **Monetary aggregates grew twice as fast as the central bank’s objectives for 2006 in the wake of a stronger-than-foreseen increase in net foreign assets in the last months of the year, but inflation continued to decline, probably reflecting a concurrent increase in the demand for money.** Indeed, a notable consequence of ongoing structural changes has been an increasingly unstable demand for money. The Bank of Ghana (BoG)’s Monetary Policy Committee (MPC) lowered its prime rate by two percentage points in December 2006 and kept the rate unchanged in March 2007.



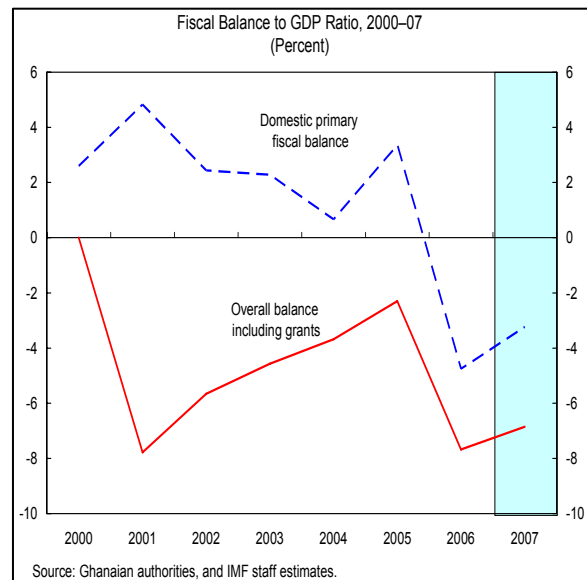
### Box 1. Responding to the Energy Crisis

**In September 2006, shortfalls in power supply and surging demand caused serious energy shortages in Ghana.** In the fourth quarter low water levels at the Akosombo Dam, the larger of the two hydroelectric generators in Ghana, reduced the power supply by an estimated 25 to 30 percent. The problem is expected to persist through the first half of 2007. Meanwhile electricity demand has increased substantially in the last decade in the wake of strong economic growth. In 2006, exceptional demand from VALCO, the aluminum smelter, put additional strains on the energy supply. To meet the growing demand, the VRA, the main energy producer, has been moving from mainly hydro generation to a hydrothermal mix. This makes the energy supply less dependent on the weather but increases the cost of energy significantly.

**The government responded quickly to the crisis, instituting a national load-management exercise.** Waste has also been cut and efficiency increased. Most (private) mining operators and some manufacturing and service establishments have bought their own generators; electricity use is low in other sectors. As a result, the economy has proven to be quite resilient to energy shortages.

**The government has moved to augment supply and to reinstate full cost recovery pricing.** It started major investments and reduced exports to neighboring countries. New thermal generation investments that will allow for tapping gas from the West African Gas Pipeline (WAGP) are scheduled for completion in late 2007. The recently announced closing of VALCO will also free up significant amounts of energy for the rest of the economy and reduce budget support to VRA. New projects (including hydro generation) are planned. As part of the authorities' fiscal package, the utility tariff regulation system is being reinstated with a commitment to move toward full cost recovery.

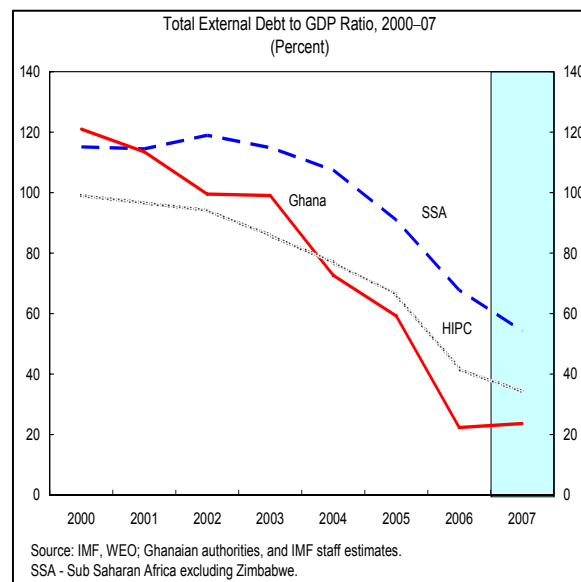
4. **After years of sustained consolidation, the fiscal deficit (including grants) widened to 7.7 percent of GDP in 2006 from 2.3 percent of GDP in 2005 and against 5.1 percent of GDP in the mid-year supplementary budget.** Lower revenue from import-related taxes and significant overruns in both wages and subsidies and transfers to state-owned enterprises (SOEs) in the energy sector were the main culprits for the deviation from both the 2005 outcome and the 2006 supplementary budget. Public sector wage increases were considerably higher as large wage increases in the health sector in the first half of the year, aimed at retaining skilled labor, led to demands for additional wage increases in the rest of the public sector in the second half of the year. The public sector wage bill and related allocations now exceed 10 percent of GDP, absorbing close to half of domestic revenue. Higher subsidies and transfers to the energy sector reflected the suspension of pass-through of utility price increases to end users after May 2006. The higher deficit was financed by nonbank borrowing, in part by issuing local currency (cedi) bonds, many of which were purchased by





foreign investors. As a result, the trend decline in the ratio of domestic debt to GDP, the authorities' fiscal anchor, was reversed.

5. **Ghana continued to accumulate international reserves, despite a widening of the external current account deficit (including grants) to 8.2 percent of GDP in 2006 from 7.0 percent of GDP in 2005.** A significant improvement in the trade deficit as a share of GDP, helped by terms of trade gains and strong export growth, was more than offset by a decline in project grants. But strong capital inflows helped raise gross international reserves to slightly over 3 months of imports. Thanks to massive HIPC and MDRI debt relief<sup>3</sup> and good macroeconomic policies, Ghana's external debt dropped from about 120 percent of GDP in 2000 to just 22 percent in 2006.



6. **Banks seem to be generally well capitalized, profitable, and fairly liquid.** As of January 2007 the average bank capital adequacy ratio was 17 percent, well above the 10 percent minimum; and all banks met the minimum capital requirements that came into effect at the end of 2006. Nonperforming loans declined to 7.5 percent of total loans at the end of January 2007, due to both rapid growth in loan assets and better loan recovery. Loan provisioning appears to be adequate. There are no clear signs of major asset price (stock market or housing) inflation. The BoG's self-assessment showed full compliance with the recommendations of the 2003 FSAP update. Competition is increasing, with five foreign banks from the region entering the market in 2006. Financial deepening is rapid, though from a very shallow base.

7. **Critical structural reforms moved forward in public financial management (PFM), though some others have been delayed.** There have been improvements in fiscal reporting, treasury reform, and deployment of the new computerized payroll management system. The monthly reviews of petroleum product pricing introduced in April 2006 are proceeding smoothly. Still, tariff increases for electricity and water, which should have been put into effect in May 2006, were gazetted in November but not passed on to consumers. Special energy tariffs for mines and VALCO, the aluminum smelter, contributed to below-cost-recovery prices for the Volta River Authority (VRA), the main state-owned energy producer. As a result, both the VRA and ECG, the main energy distributor, came under significant financial pressure. Public and civil service sector reforms have been slow, but are now being stepped-up.

<sup>3</sup> 2007 MDRI relief from the IMF is being used to finance growth-enhancing and poverty-reducing outlays in the energy sector.

## II. POLICY DISCUSSIONS

8. **Ghana is entering a new phase in its economic development; it has a historic opportunity to accelerate growth so that within a decade it can reach the Millennium Development Goals (MDGs) and middle-income status.** The macroeconomic stabilization and structural reforms of recent years are paying off; business confidence is growing, and private sector activity is picking up. Good economic policies have earned Ghana massive external debt relief and financial support from development partners and have increased the interest of investors both at home and abroad.

9. **This new phase raises two main questions:**

- How can Ghana attain a high-growth trajectory without risking macroeconomic stability? This is particularly important because of public expectations of rapidly rising income in the wake of Ghana's recent economic success, and the fact that the country is gearing up for presidential elections next year. The fiscal slippage in 2006 demonstrates the challenge.
- How can Ghana finance its development agenda and attain the MDGs in light of unlikely scaling-up of aid in the near future? A corollary question is: how can debt be kept sustainable?

10. **Against this background, the discussions with the authorities focused on:**

- How to accelerate growth while preserving macrostability;
- The economic outlook, macroeconomic policies, and vulnerabilities;
- Prospects for reaching the MDGs, scaling up donor support, and accessing capital markets while keeping debt sustainable.

### A. Accelerating Growth and Preserving Economic Stability

11. **Staff supported the authorities' plan to accelerate growth to meet the MDGs and Ghana's own Growth and Poverty Reduction Strategy (GPRS) II goals.** The growth strategy is centered on scaling up public sector investment, financed by external grants and concessional resources, and, for the first time in decades, tapping international capital markets if concessional financing is not available. Large infrastructural projects are needed to remove supply bottlenecks in the energy sector and infrastructure. The authorities' approach also incorporates measures to improve conditions for private sector development, invest in human resources, and strengthen economic governance.

12. **It was agreed that special attention should be given to preserving macroeconomic stability.** Staff noted that there was a risk that bunching large investment projects may create supply bottlenecks and wage pressures that could jeopardize macrostability. This was important because inflation was still about 10 percent and because pressures for additional fiscal spending may re-emerge on the way to next year's presidential elections.

13. **Staff and the authorities also concurred that, in addition to infrastructure projects, the growth strategy should put strong emphasis on removing obstacles to growth and increasing total factor productivity.** The latter can be achieved by further

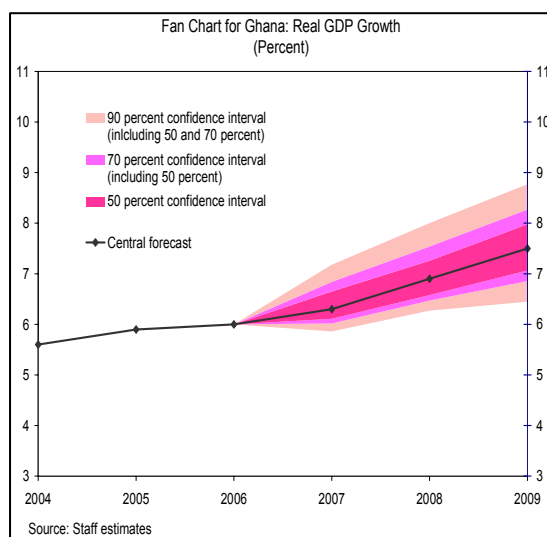
increasing the efficiency of public sector spending, starting civil service reform, and by sustaining macro-critical structural reforms, such as PFM and financial sector reform.<sup>4</sup>

## B. Economic Outlook, Macroeconomic Policies, and Vulnerabilities

14. **Ghana's near-term prospects are positive.** Indicators suggest that growth will hold up, supported by buoyant services and construction activities. Staff projects output growth of 6.3 percent in 2007 and 6.9 percent in 2008, with the current account deficit widening slightly in 2007. Inflation would decline to the upper band of the authorities' target range of 7-9 percent in 2007. The authorities projected moderately higher economic growth over the medium term than staff did.

15. **The main short-term risks to the positive outlook come from the recent deterioration of the fiscal accounts and the difficulties in the energy sector; the authorities are addressing both.** Their fiscal package, detailed below, appropriately aims to reverse the fiscal worsening. The energy shortage will ease because VALCO, a high energy user, was closed in March for the rest of the year; emergency supplies are being put in place; and movement toward full cost recovery pricing in energy and utilities has been announced from May 1. **In both the fiscal and energy areas, time is of the essence.** The outlook is also subject to a deterioration of the external environment, particularly a worsening of Ghana's terms of trade.

16. **The medium-term outlook is reasonably strong.** Staff projects a pickup in growth from 6.2 percent in 2006 to an annual average of 6.9 percent in 2007–09. Trend growth is assumed to rise somewhat above the historical average as a result of the elimination of debt overhang, ongoing structural reforms, an improved environment for private sector activities, and increasing efficiency in the public sector. Inflation is projected to decline to 9 percent in 2007 and to decline further in the medium term. The overall fiscal deficit is envisaged to stabilize at about 6 percent of GDP after 2007 and to decline slightly over time, keeping public debt around 40 percent of GDP. The external current account deficit, including grants, would stabilize around 7 and 8 percent of GDP and international reserves increase marginally to above 3 months of imports. Under this scenario, a joint DSA analysis with the World Bank indicates that risks to Ghana's debt sustainability are moderate; albeit close to the low risk category; risks to overall public debt sustainability are also moderate (Appendix).



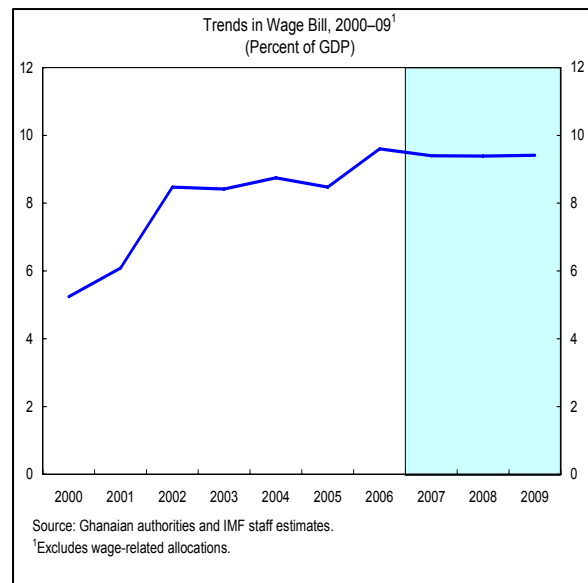
<sup>4</sup> See the accompanying Selected Issues Papers on structural fiscal issues, constraints to growth, and the next stage of financial sector reforms, including development of domestic capital markets.

## Fiscal policy

17. **The fiscal deficit is expected to decline from 7.7 percent of GDP in 2006 to 6.8 percent in 2007.** The fiscal slippage in the second half of 2006 necessitated a number of corrective measures, which, together with one-time support to VRA and several urgent investments to ease energy shortages, are being incorporated into the budget. A supplementary budget is being prepared for submission to parliament by mid-summer 2007.

18. **The authorities' fiscal package aims at a correction equivalent to 1.7 percent of GDP in 2007 relative to the baseline scenario of unchanged policies.** Staff supported the package and agreed with the authorities that timely implementation is critical. The package is designed to:

- Reduce exemptions from import duties<sup>5</sup> and accelerate collection of tax arrears.
- Implement the postponed energy and utility tariff increases to industrial users as of May 1 and to residential users by August 1.<sup>6</sup>
- Conduct a full review of the utility tariff structure and preferential rates for bulk users for the eventual move to full cost-recovery pricing for utilities by year-end.
- Cut nonessential domestic capital expenditure.
- Streamline the wage-setting process by committing to increase real wages only in line with productivity and index wages to the central bank's inflation target. At the same time, start the civil service reform by announcing rightsizing.



- Accelerate the privatization of state-owned enterprises.

19. **Recognizing the authorities' focus on overall debt sustainability, staff proposed a shift from the present fiscal anchor, domestic public debt/GDP, to a broader debt category, such as total public debt/GDP.<sup>7</sup>** Moreover, with the recent purchase of local currency treasury bonds by foreign investors, the line between “domestic” and “external”

<sup>5</sup> The estimated revenue loss from these exemptions was about 2 percent of GDP in 2006.

<sup>6</sup> Tariff increases of 10 percent for electricity and 21 percent for water that were planned for May 2006 will be put into place.

<sup>7</sup> The sensitivity of this ratio to contingent liabilities stemming from SOEs should also be monitored.

debt is becoming blurred. The authorities agreed that total debt could be a more suitable fiscal anchor in the future.

20. **Looking ahead, the authorities are considering introducing a fiscal responsibility law**, building on the existing Financial Administration Act of 2003. A fiscal responsibility law could cement fiscal discipline and anchor fiscal expectations by lengthening the planning horizon over the political cycle. It could enshrine both good fiscal institutions (such as the value for money unit that is being set up) and set quantitative fiscal rule(s).

### **Monetary and interest rate policy**

21. **The monetary regime has evolved over the past years from targeting monetary aggregates to what the authorities call a “de facto” inflation targeting (IT) framework.** Since 2002, the BoG has been building up an inflation targeting framework, with support from the Bank of England. Regarding the institutional conditions for an IT, many are in place (central bank instrument independence; development of liquidity instruments; procedures for IT regime such as operating an MPC, inflation modeling and forecasting), while others are partly in place (full-fledged communication strategy). Regarding the policy conditions, the authorities have moved to preclude fiscal dominance by legally restricting central bank’s financing of the deficit (in practice there has not been any in recent years), and to accelerate financial sector development. The latter would enhance the effectiveness of monetary policy instruments, strengthening the relationship between interest rates and inflation.

22. **Staff considers that the present monetary regime operates as an IT “lite” regime.** In addition to the primary objective of targeting inflation, a secondary operational exchange rate objective seems to be pursued. The exchange rate of the cedi to the U.S. dollar has been kept relatively stable since 2004, helping to anchor inflation expectations. Staff noted that for the IT to be fully effective, the exchange rate needed to be flexible.

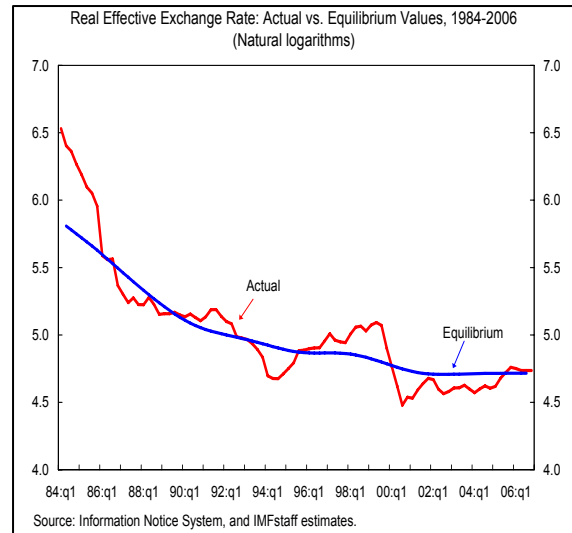
23. **The BoG considered that lowering the prime rate in December was warranted because interest rates had been unchanged for about a year despite declining inflation; most core inflation indicators also pointed to a trend decline.** Noting that the inflation objective was achieved after its upward revision and that the fiscal outturn had been considerably worse than expected in 2006, staff suggested that interest rates may need to be increased should implementation of the fiscal measures suffer a delay. The BoG did not see a potential case for a rate increase but stated that further interest rate reduction was possible only once the fiscal situation improves.

### **Exchange rate policy and capital account liberalization**

24. **Staff believes that beyond good macroeconomic policies that build confidence, the stability of the cedi with respect to the U.S. dollar in recent years is a result of the Bank of Ghana’s statutory involvement in the foreign exchange market, which allows it to manage the exchange rate heavily.** There is a high compulsory surrender requirement to the BoG for the main export items, cocoa and gold (the buy end of the foreign exchange market), and the BoG supplies foreign exchange to the main oil importer company (TOR) through the partially government-owned Ghana Commercial Bank (the sale end).

Consequently, the interbank foreign exchange market is shallow and banks often rely on the BoG for foreign exchange. The authorities maintained that confidence-inducing macroeconomic policies alone were responsible for the relative stability of the cedi against the U.S. dollar.

25. **It was agreed that the exchange rate was broadly in line with macroeconomic fundamentals.** Staff calculations indicate that after a significant overshooting following the large depreciation of the cedi in 2000, Ghana's real effective exchange rate (REER) seems to have reverted to its long-term equilibrium level consistent with its macroeconomic fundamentals by 2006. Other competitiveness indicators, such as the profitability of the tradable sector, export performance, and relatively unchanged shares in world exports (as well as in Ghana's main export markets) also indicate that the 10 to 15 percent real effective appreciation of the cedi over the last six years is not cause for concern.<sup>8</sup>



26. **In 2006 the authorities started to liberalize capital controls, focusing on the longer end of the market (maturities of 3 years or more) and requiring a minimum holding period of 1 year.** This allowed foreign investors to buy the cedi-denominated 5-year-maturity treasury bonds issued in December 2006. Staff supported the authorities' plan to ease controls gradually as this will make for a more diversified and deeper foreign exchange market while allowing time for domestic capital market development. Remaining portfolio controls on non-residents include prohibition of investment in money market instruments with a maturity shorter than three years, prohibition of sale or local issuance of these instruments, and some other restrictions on capital market transactions; for residents, restrictions on the use of foreign exchange accounts for capital transactions. Provided that good macro economic policies continue, risks of sudden capital reversals are presently limited, because most of the inflows are concessional resources or long term foreign direct investment. However, increasing nonconcessional borrowing in the future would increase such risks, underlining the importance of prudent borrowing and enhanced debt management and monitoring.

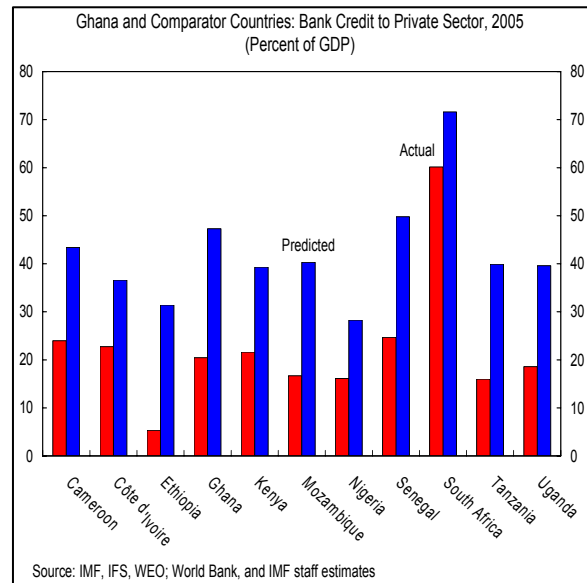
27. **Staff suggested that foreign exchange markets be further liberalized.** A gradual easing of the high surrender requirements for the main export items and elimination of direct sales of foreign exchange to TOR once the latter is privatized would make room for market expansion. The authorities indicated that the high surrender requirements on cocoa export

<sup>8</sup> For details, see the accompanying Selected Issues Paper.

proceeds had the purpose of ensuring foreign exchange repatriation by the state-owned Ghana Cocoa Board and the prevention of exchange rate volatility that would result from the lumpiness of those proceeds if sold directly to the foreign exchange market; some relaxation might be possible over time.

## Financial sector

28. **The authorities and staff agreed that Ghana’s financial system is reasonably healthy.** But the rapid expansion of credit to the private sector has raised the need for banks to enhance their risk management practices rapidly, placing this objective at the top of the BoG’s supervisory agenda. Staff calculates that despite the strong credit increase, private sector credit as a share of GDP is below the “equilibrium” level based on Ghana’s economic fundamentals and the characteristics of the financial sector, albeit such calculations can only be indicative.<sup>9</sup> Nevertheless, the speed at which the financial deepening is taking place requires supervisory vigilance, particularly with regard to potential



maturity mismatch as well as concentration and credit risk. The authorities’ planned eventual move to a more risk sensitive regulatory system such as the simplified (i.e., the standardized) approach of Basel II would also help. The next stage of financial sector reforms focuses appropriately on developing domestic capital markets, which, in tandem with a continued gradual liberalization of the capital account and legislative reform, would help competition, efficiency, and better information and thus risk assessment. These actions should help narrow the still high interest rate spreads and sustain ongoing financial deepening.

## Macro-critical reforms

29. **The authorities noted that the efficiency of public spending is being enhanced by continued PFM and civil service reforms, and divestiture.** Staff welcomed these reforms, which, as well as those to improve the business environment and foster private sector productivity, should be strongly growth-enhancing. In PFM, the computerized budget and public expenditure management system will be installed in Accra and the three regional capitals by year-end; the new computerized payroll management system is being deployed, with subvented agencies being integrated into the system by year-end, the commitment control and cash management systems are being enhanced, and a single treasury account is being developed. Public Expenditure Tracking Surveys in the education and health sectors

<sup>9</sup> See the accompanying Selected Issues Paper.

have been launched in March. Finally, a new value for money unit is being set up to support the project-vetting process that is currently handled by the Capital Market Committee.

30. **Civil service reform is beginning with rightsizing.** The main objectives are to determine the appropriate number of workers needed to deliver public services efficiently and retrench accordingly; link public sector pay to productivity, position, and qualification; and keep public sector wages competitive with the private sector. The authorities are planning to start a retrenchment program with donor support, starting with subvented agencies. The reduced employment should make room for paying higher wage to skilled employees.

31. **The divestiture program is being accelerated, focusing on the telecommunication sector and oil refineries, including TOR.** This is consistent with the government's policy to give the private sector a crucial role in its growth acceleration strategy, and would also ease the fiscal burden in the future. The government also intends to ensure private sector participation in the planned major infrastructural projects through public-private partnerships (PPPs). The current PPP guidelines can be usefully strengthened by ensuring that the related fiscal risks and contingent liabilities are disclosed and accounted for in the budget.

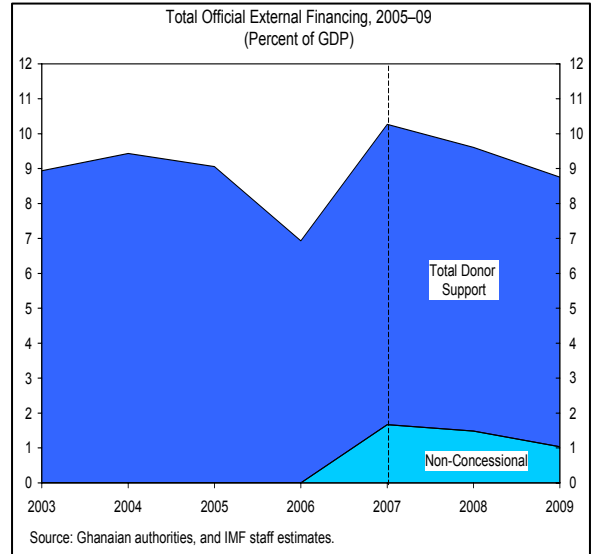
### C. Reaching the MDGs, Scaling Up, and Capital Market Access

32. **Preliminary results from the Maquette for MDG Simulation (MAMS) exercise indicate that Ghana may deliver on some MDGs but will fail on others unless there is a major scaling up of aid.**

- The MDG on halving poverty is likely to be achieved well before 2015 thanks to strong growth and appropriate supportive policies. That on education is also likely to be within reach by 2015.
- The MDGs on health and on water and sanitation are not likely to be met unless resources are scaled up by several percentage points of GDP annually, provided that absorptive capacity will be adequate to effectively utilize additional resources. Synergies across different MDGs are important in the MAMS: progress on health and education would likely be higher with more improvements in water and sanitation infrastructure.



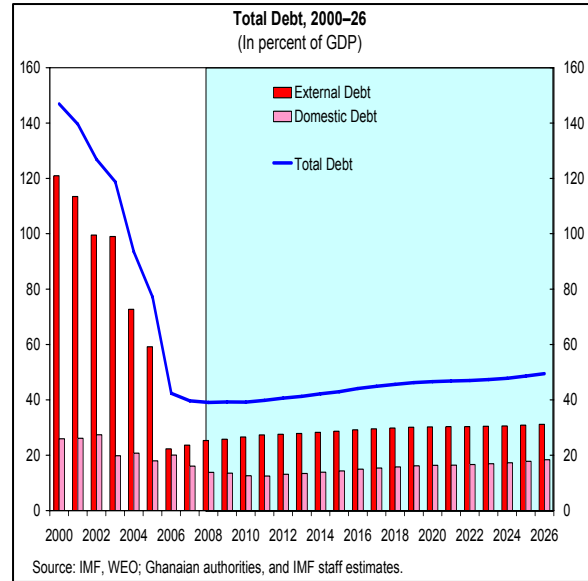
33. **Discussions with the authorities and representatives of development partners suggest that donor support is not likely to be scaled up soon.**<sup>10</sup> Total donor support—budget grants and project and program loans—peaked at about 9 percent of GDP in 2004 but fell to below 7 percent in 2006. While this outcome reflected delays on specific projects, commitments through 2009 indicate that concessional flows should be about 7 percent of GDP per year for the period. Over the next years the historical average level of official financing of 8-9 percent of GDP would be reached through nonconcessional borrowing.



34. **Reaching the MDGs and the goals identified in the Growth and Poverty Reduction Strategy (GPRS II) in the absence of imminent scaling up of donor assistance would require that Ghana access international capital markets.** It was agreed that access should be gradual, for high-yielding projects only, and preceded by institutionalizing an effective method for selecting projects and monitoring and structuring debt. The authorities have now trimmed their earlier investment plans to limit nonconcessional borrowing to about US\$700 million over the next three years (equivalent to 1.4 percent of GDP annually); specific annual amounts will depend on market conditions and the projects chosen. The project selection process gained credibility with the work of the Capital Market Committee, which consists of high-level BoG and Ministry of Finance officials; the authorities are now setting up a value for money unit with donor assistance to support the work of the committee. The project selection process consists of screening large public investment projects by using basic cost-benefit and cost effectiveness analysis. The IMF is providing capacity-building support to upgrade the debt management unit.

<sup>10</sup> This excludes emerging market donors; information is limited, and there are indications that some of such official financing would be nonconcessional.

35. **Keeping debt sustainable is a policy goal of the authorities that staff fully endorsed.** A DSA prepared by IMF and World Bank staff, which takes into account planned nonconcessional borrowing indicates that the risks to the sustainability of Ghana’s external debt are moderate, albeit close to low (Appendix). However, because lower growth than in the baseline scenario could raise the risks in later years, macroeconomic stability, structural reforms, and export diversification are critically important. Risks are partially mitigated by Ghana’s high remittance inflows, which are not incorporated into the standard debt sustainability indicators.



36. **The authorities generally agreed with the findings and conclusions of the Ex Post Assessment of Long-term Program Engagement**, which reviewed experience with the three most recent Fund arrangements, which together covered the past decade.<sup>11</sup> In particular, they agreed with the emphasis in the report on the importance of increased transparency and the development of a participatory democracy with appropriate checks and balances. They considered that on balance the support of the Fund and other donors had helped Ghana achieve macroeconomic stability, but that staff could have been more sensitive to the political economy of reform. The authorities agreed with the report’s conclusion that institutional reform and improved expenditure management would reduce the likelihood of a repeat of previous election-induced slippages, but did not fully share the report’s view that a clearer monetary policy framework could have helped achieve more rapid disinflation, as their attempt to reduce inflation was mainly obstructed by a series of adverse price shocks.

37. **In the context of the Article IV consultations, staff and the authorities discussed Ghana’s future relations with the Fund in light of the expiration of the latest PRGF arrangement in October 2006.** As indicated in the 2007 budget document, the government saw merit in discussing Fund support under a Policy Support Instrument (PSI). The discussions during the consultation were preliminary, and covered possible building blocks of a program that could be supported under a PSI.

<sup>11</sup> Ghana: Ex-Post Assessment of Longer-Term Program Engagement ([www.imf.org](http://www.imf.org)).

### Box 2. Summary of Debt Sustainability Analysis (DSA)

**Ghana's risk of external debt distress is moderate, albeit close to the low risk category.**

The baseline scenario assumes (i) macroeconomic stability (prudent fiscal stance, single digit inflation); (ii) continued structural reforms; and (iii) prudent borrowing and efficient use of borrowed funds. All external debt indicators are below their policy-dependent thresholds. However, under stress tests, some of the indicators worsen over the projection period, assuming various macroeconomic shocks and the slowdown of reforms.

*Alternative Scenario A* that assumes baseline borrowing and lower growth of GDP and exports indicates also moderate, but notably higher, risk of debt distress than the baseline scenario.

*Alternative Scenario B* that assumes roughly double nonconcessional borrowing and baseline growth indicates still moderate but also notably higher debt distress than the baseline scenario.

*Alternative Scenario C* that combines higher nonconcessional borrowing from Scenario B and lower growth from Scenario A indicates that Ghana would be approaching high risk of debt distress by the end of the projection period, as both the NPV of debt-to-exports ratio and the debt service-to-exports would approach the policy-dependent thresholds at the end of the projection period, and all stress tests and historical scenarios would exceed the thresholds.

Ghana: External Public and Publicly Guaranteed Debt Burden Indicators (in percent)

	Indicators					Thresholds
	2006	2026				
		Baseline	Scenario A	Scenario B		
NPV of debt-to-GDP	18	28	36	35	39	50
NPV of debt-to-exports	46	121	182	151	199	200
Debt service-to-exports	12	13	19	18	24	25
<i>Memorandum items:</i>						
NPV of debt-to-exports and remittances	34	80	...	...	...	...
Debt service-to-exports and remittances	9	9	...	...	...	...

Source: IMF and World Bank staff calculations.

**The public debt sustainability analysis that includes both external and domestic debt also indicates a risk of moderate debt distress.** The baseline scenario projects an increase in total public debt from about 40 percent of GDP in 2007 to over 50 percent in 2026, due to some deceleration of growth and continued borrowing in outer years. The sensitivity analyses suggest that the baseline scenario is most vulnerable to a shock to real GDP growth (see Appendix).

### III. STAFF APPRAISAL

38. **Ghana has a unique opportunity to achieve its development objectives.** Prudent macroeconomic policies and structural reforms, a supportive international environment, massive debt relief, and donor financial support have contributed to macroeconomic stabilization, growth, and a vibrant private sector that has proved resilient to recent energy supply bottlenecks. But success has created expectations in the public of rapidly rising future income that, if not managed, might derail this process, particularly as the country gears up for elections next year. The fiscal slippage in 2006 demonstrates the issue. The new era brings new challenges that the authorities need to address so they can capitalize on the opportunity.

39. **The main short-term risks to the positive outlook relate to the recent fiscal deterioration and the energy problem.** The authorities are addressing both areas, but decisive and timely implementation of all fiscal measures will be critical, particularly in the looming election period. Accelerated divestiture will strengthen the private sector's role in the economy and ease any future burden on the budget. In the energy sector, immediate progress will hinge both on selecting projects that can quickly ease supply bottlenecks and the government's sustained commitment to full cost-recovery pricing for all users. The outlook is also subject to the risk of a possible deterioration of the external environment, particularly a worsening of Ghana's terms of trade.

40. **The Bank of Ghana has been building capacity for moving toward formal inflation targeting, and staff considers that the present monetary regime is akin to inflation targeting "lite," where there seems to be a secondary policy objective for the exchange rate in support of the inflation target.** The authorities' efforts to strengthen domestic financial markets are, inter alia, enhancing the monetary transmission mechanism; moving toward exchange rate flexibility would also help the effectiveness of the IT regime.

41. **The authorities' plan to continue gradual and cautious relaxation of capital controls is appropriate.** It will help Ghana benefit from financial globalization and manage potentially large capital inflows. The current financial sector development program is supporting this process, appropriately focusing on strengthening domestic capital markets.

42. **The banking system appears to be healthy, but it will be important to continue enhancing regulation and move over time toward risk-based supervision and the more risk-sensitive Basel II regulatory system.** The rapid growth in private sector credit in recent years supports much needed financial deepening but will need to be closely monitored.

43. **Civil service reform is long overdue and its planned start with rightsizing is welcome.** Sustained progress in other areas is also important, such as PFM and public investment project selection and debt management and monitoring.

44. **Reaching the authorities' growth and poverty reduction goals and the MDGs demands both sustained government efforts and additional financial resources to fund them.** In the absence of scaling up of donor financial support in the near future, the

authorities have decided to access international capital markets to finance prudently selected high-yielding infrastructural projects. Ghana can benefit from financial globalization in this way but, because it is still a low-income country, access needs to be gradual and conditioned on there being effective institutions in place to select projects and monitor debt. Prudently leveraging financial globalization will be key to bring Ghana to a high growth trajectory that will reduce poverty.

45. It is expected that the next Article IV consultation will be held on the standard 12-month cycle.

Table 1. Ghana: Selected Economic and Financial Indicators, 2003–07

	2003	2004	2005	2006	2007
				Est.	Proj.
(Annual percentage change, unless otherwise specified)					
<b>National accounts and prices</b>					
Real GDP	5.2	5.6	5.9	6.2	6.3
Real GDP per capita	2.6	3.0	3.2	3.6	3.7
GDP deflator	28.6	14.4	15.0	14.6	11.2
Consumer price index (annual average)	26.7	12.6	15.1	10.9	9.4
Consumer price index (end of period)	23.6	11.8	14.8	10.5	9.0
<b>External sector</b>					
Exports, f.o.b. (percentage change, in U.S. dollars)	20.1	12.7	0.7	31.3	8.1
Imports, f.o.b. (percentage change, in U.S. dollars)	20.1	31.9	24.4	22.0	17.9
Export volume	-6.8	14.5	-0.9	14.9	-0.1
Import volume	6.9	13.8	14.1	11.9	19.2
Terms of trade	14.8	-15.1	-6.9	4.8	9.4
Nominal effective exchange rate (end of period)	-15.5	-8.7	7.1	-8.3	...
Real effective exchange rate (end of period)	2.4	-0.5	19.9	-1.1	...
Cedis per U.S. dollar (avg.)	8,677	9,005	9,073	9,183	...
<b>Money and credit</b>					
Net domestic assets <sup>1</sup>	7.2	1.0	7.0	16.0	16.0
Credit to the private sector <sup>1</sup>	16.4	10.0	23.1	25.8	24.2
Broad money (excluding foreign currency deposits)	40.9	26.4	13.7	39.4	23.9
Velocity (GDP/average broad money)	4.7	4.3	4.3	3.6	3.4
Prime rate (Bank of Ghana; percent; end of period)	25.7	19.1	15.5	12.5	...
(Percent of GDP, unless otherwise specified)					
<b>Investment and saving</b>					
Gross investment	22.9	28.4	29.9	30.2	31.6
Private <sup>2</sup>	14.0	16.0	17.9	18.0	18.0
Central government	8.9	12.4	12.0	12.2	13.6
Gross national saving	24.6	25.7	22.8	22.1	23.0
Private <sup>2</sup>	18.4	14.9	12.0	13.7	14.3
Central government	6.2	10.8	10.8	8.4	8.7
<b>Government operations</b>					
Total revenue	20.8	23.8	23.8	21.6	22.2
Grants	4.7	6.4	5.2	5.2	5.1
Total expenditure	28.8	33.3	30.7	33.8	33.6
Overall balance (including grants) <sup>3</sup>	-4.6	-3.7	-2.3	-7.7	-6.8
Overall balance (excluding grants)	-4.4	-3.6	-3.0	-7.5	-6.8
Domestic primary balance	2.3	0.7	3.4	-4.8	-3.2
Net domestic financing	0.6	0.1	-1.7	4.9	-0.9
Discrepancy/resource gap	-0.2	-0.1	0.7	-0.1	0.0
Total government debt	118.8	93.4	77.1	42.4	39.6
Domestic debt (gross) <sup>4</sup>	19.8	20.7	17.9	20.0	16.0
External debt	99.0	72.7	59.2	22.3	23.6
<b>External sector</b>					
Current account balance (including official transfers)	1.7	-2.7	-7.0	-8.2	-8.6
Current account balance (excluding official transfers)	-3.5	-8.8	-12.3	-11.2	-11.9
NPV of external debt outstanding	71.5	35.2	19.9	17.5	19.0
(Percent of exports of goods and services)	175.7	89.6	55.1	45.9	53.6
Gross international reserves (millions of U.S. dollars)	1,427	1,816	1,951	2,325	2,568
(Months of imports of goods and services)	3.2	3.3	2.9	3.1	3.0
Total donor support (millions of U.S. dollars)	681	837	971	894	1,039
(Percent of GDP)	8.9	9.4	9.1	6.9	6.9
<b>Memorandum items:</b>					
Nominal GDP (billions of cedis)	66,158	79,888	97,261	118,404	140,075
(Millions of U.S. dollars)	7,624	8,872	10,720	12,894	...

Sources: Data provided by Ghanaian authorities, and IMF staff estimates and projections.

<sup>1</sup> Percent of broad money at the beginning of the period.

<sup>2</sup> Including public enterprises and errors and omissions.

<sup>3</sup> Below-the-line.

<sup>4</sup> Gross debt including all outstanding government obligations, and previously excluded items: noninterest-bearing perpetual Bank of Ghana revaluation stocks, and bonds issued in 2004-06 for recapitalization of BoG and TOR.

Table 2. Ghana: Balance of Payments, 2003–07

	2003	2004	2005	2006	2007
				Est.	Proj.
	(Millions of US dollars, unless otherwise indicated)				
Balance on current account (including grants)	127	-235	-754	-1,054	-1,287
Trade balance	-788	-1,512	-2,542	-2,843	-3,711
Exports f.o.b.	2,471	2,785	2,803	3,680	3,980
Cocoa	818	1,071	908	1,187	1,127
Gold	830	840	946	1,277	1,565
Other	823	874	949	1,216	1,287
Imports, f.o.b.	-3,259	-4,297	-5,345	-6,523	-7,692
Non-oil	-2,696	-3,522	-4,218	-5,107	-5,849
Oil	-563	-775	-1,127	-1,416	-1,842
Balance on services and income	-280	-554	-329	-392	-215
Of which: interest payments <sup>1</sup>	-110	-167	-103	-89	-75
Balance on transfers	1,194	1,831	2,117	2,181	2,639
Private transfers (net)	801	1,287	1,550	1,788	2,143
Official transfers (net)	393	544	567	393	495
Capital account	379	223	1,063	1,591	1,530
Official capital (net)	86	53	309	735	659
Medium and long-term loans					
Inflows <sup>1</sup>	370	402	500	4,349	793
Amortization <sup>2</sup>	-284	-350	-191	-3,614	-134
Private capital	75	332	559	717	851
Short-term capital	116	-183	128	78	20
Errors and omissions	102	21	67	61	0
Overall balance	506	-13	309	537	242
Financing	-506	13	-309	-537	-242
Debt deferral	-35	-35	0	0	0
Net international reserves (- is increase)	-679	-184	-309	-537	-242
Of which: use of Fund credit	53	-5	0	-265	0
Disbursements (PRGF)	74	39	0	116	0
Repayments (PRGF)	-21	-44	0	-381	0
Exceptional financing	208	231	0	0	0
<i>Memorandum items:</i>					
Current account balance, excl. official transfers	-266	-779	-1,321	-1,447	-1,783
Current account balance, excl. official transfers (percent of GDP)	-3.5	-8.8	-12.3	-11.2	-11.9
Current account balance, incl. official transfers (percent of GDP)	1.7	-2.7	-7.0	-8.2	-8.6
Trade balance (percent of GDP)	-10.3	-17.0	-23.7	-22.0	-24.8
Gross international reserves	1,427	1,816	1,951	2,325	2,568
Gross international reserves (months of imports of goods and services)	3.2	3.3	2.9	3.1	3.0
External debt (percent of GDP)	99.0	72.7	59.2	22.3	23.6
External debt service paid (percent of exports of GNFS)	5.2	5.6	2.4	11.9	3.9
MDRI debt-service savings	...	...	...	75.6	112.2
MDRI debt-service savings on obligations to IMF	...	...	...	37.8	48.9
MDRI debt-service savings on obligations to World Bank	...	...	...	23.9	49.0
MDRI debt-service savings on obligations to AfDB	...	...	...	13.9	14.3
GDP	7,624.2	8,871.9	10,720.3	12,893.8	

Sources: Bank of Ghana; and IMF staff estimates and projections.

<sup>1</sup> Including the capital transfer in 2006 of MDRI debt relief from the Fund, IDA, and the African Development Fund.

<sup>2</sup> In 2006, including the repayment of debt to the Fund, IDA, and the African Development Fund.

Table 3. Ghana: Summary of Central Government Budgetary Operations, 2003-08 <sup>1</sup>

	2003	2004	2005	2006	2007	2008
				Est.	Proj.	Proj.
(Percent of GDP)						
Total revenue and grants	25.5	30.1	29.1	26.8	27.3	25.6
Revenue	20.8	23.8	23.8	21.6	22.2	22.1
Tax revenue	20.2	21.7	20.6	19.6	20.0	19.9
Direct taxes	6.1	6.6	6.7	6.0	6.2	6.5
Indirect taxes	9.3	10.3	9.7	9.0	9.3	8.9
Trade taxes	4.8	4.8	4.2	4.6	4.6	4.5
Nontax revenue	0.6	1.5	2.0	0.8	0.8	0.8
Grants	4.7	6.4	5.2	5.2	5.1	3.4
Total expenditure	28.8	33.3	30.7	33.8	33.6	31.6
Recurrent expenditure	19.8	20.9	18.7	21.6	20.1	19.0
Of which : wages and salaries	8.4	8.7	8.5	9.6	9.4	9.4
utility subsidy			0.0	0.8	0.1	0.1
Capital expenditure (total)	8.9	12.4	12.0	12.2	13.6	12.6
Of which : domestic	4.6	6.4	5.9	7.8	7.7	6.5
foreign	4.4	6.0	6.1	4.5	5.9	6.1
Arrears clearance and VAT refunds	-1.1	-0.4	-1	-0.5	-0.5	-0.1
Overall balance	-4.4	-3.6	-3.0	-7.5	-6.8	-6.1
Discrepancy	-0.2	-0.1	0.7	-0.1	0.0	0.0
Total financing	4.6	3.7	2.3	7.7	6.8	6.1
Divestiture receipts	0.6	0.4	0.2	0.0	2.1	0.9
Foreign (net)	3.3	3.3	3.7	2.8	5.6	5.2
Domestic (net)	0.6	0.1	-1.7	4.9	-0.9	0.0
(Billions of cedis)						
Total revenue and grants	16,862	24,073	28,256	31,764	38,222	41,726
Revenue	13,743	18,994	23,156	25,569	31,143	36,121
Grants	3,119	5,080	5,100	6,195	7,079	5,605
Total expenditure	19,035	26,584	29,895	40,051	47,126	51,555
Recurrent expenditure	13,122	16,696	18,221	25,559	28,087	31,038
Capital expenditure (total)	5,912	9,888	11,673	14,492	19,039	20,517
Overall balance	-2,884	-2,836	-2,869	-8,917	-9,592	-9,971
Discrepancy	-138	-104	637	-171	0	0
Total financing	3,022	2,941	2,233	9,088	9,592	9,971
(Percent of GDP, unless otherwise indicated)						
<i>Memorandum items:</i>						
Total poverty spending <sup>2</sup>	6.5	7.7	8.5	10.5	10.4	10.6
Domestic primary balance <sup>3</sup>	2.3	0.7	3.4	-4.8	-3.2	-0.9
Total domestic debt (gross) <sup>4</sup>	19.8	20.7	17.9	20.0	16.0	13.8
Nominal GDP (billions of cedis)	66,158	79,888	97,261	118,404	140,075	163,195

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

<sup>1</sup> Above-the-line data for domestic recurrent and capital expenditure are presented on a cash basis.

<sup>2</sup> The authorities revised the definition of poverty spending in 2006; it now includes growth enhancing spending on energy and key infrastructure.

<sup>3</sup> Defined as total revenue plus VAT refunds (negative) and discrepancy, less noninterest recurrent spending and domestic capital expenditure.

<sup>4</sup> Gross debt including all outstanding government obligations, and previously excluded items: noninterest-bearing perpetual Bank of Ghana revaluation stocks, and bonds issued in 2004-06 for recapitalization of BoG and TOR.



Table 4. Ghana: Monetary Survey, 2003-07

	2003	2004	2005	2006	2007
	Dec.	Dec.	Dec.	Dec. Prel.	Dec. Proj.
	(Billions of cedis, unless otherwise specified; end of period)				
Net foreign assets	10,575	14,802	16,224	21,807	24,438
(Millions of U.S. dollars)	1,195	1,635	1,716	2,364	2,584
Net domestic assets	10,599	11,865	14,244	20,496	26,792
Domestic credit	17,784	25,685	31,165	40,102	47,791
Claims on government (net)	7,433	12,569	13,257	14,877	14,236
Claims on non-government	10,351	13,116	17,907	25,225	33,555
Other items, net (assets+)	-7,185	-13,821	-16,920	-19,606	-21,000
Broad money (M2+) <sup>1</sup>	21,174	26,667	30,468	42,302	51,229
Currency	6,338	7,303	8,026	10,196	11,374
Deposits <sup>1</sup>	14,836	19,364	22,442	32,107	39,855
Broad money (M2) <sup>2</sup>	16,598	20,986	23,870	33,278	41,238
<i>Memorandum items:</i>	(Annual percentage change, unless otherwise specified)				
Broad money (M2)	40.9	26.4	13.7	39.4	23.9
Reserve money (RM)	33.4	18.5	11.2	32.3	20.0
Broad money (M2+)	38.1	25.9	14.3	38.8	21.1
Reserve money (RM+) <sup>3</sup>	34.8	17.6	6.9	36.8	19.1
Velocity (GDP/average M2+)	3.6	3.3	3.4	2.8	2.7
Velocity (GDP/average M2)	4.7	4.3	4.3	3.6	3.4
Reserve money multiplier (M2/RM)	2.16	2.30	2.35	2.48	2.56
Reserve money multiplier (M2+/RM)	2.75	2.92	3.00	3.15	3.18
Reserve money multiplier (M2+/RM+)	2.45	2.63	2.81	2.85	2.90
Bank reserves-to-deposits ratio (in percent) <sup>2</sup>	12.3	12.4	12.6	13.0	15.6
Foreign currency deposits to total deposits (in percent)	30.8	29.3	29.4	28.1	25.1
Currency-to-deposits ratio (in percent) <sup>1</sup>	42.7	37.7	35.8	31.8	28.5
Currency/M2+ ratio (in percent)	29.9	27.4	26.3	24.1	22.2
Credit to the private sector <sup>4</sup>	34.7	21.4	47.8	42.8	38.7
	(Millions of U.S. dollars)				
Net international reserves <sup>5</sup>	798	982	1,291	1,828	2,071

Sources: Table 5, Ghanaian authorities, and IMF staff estimates and projections.

<sup>1</sup> Including foreign currency deposits.

<sup>2</sup> Excluding foreign currency deposits.

<sup>3</sup> Including foreign currency reserves of deposit money banks with Bank of Ghana (BoG).

<sup>4</sup> Credit from deposit money banks to the private sector.

<sup>5</sup> Net international reserves are defined as short-term foreign assets of the BoG, minus short-term external liabilities.

Table 5. Ghana: Bank of Ghana and Deposit Money Banks, 2003-07  
(Billions of cedis, unless otherwise specified; end of period)

	2003	2004	2005	2006	2007
	Dec.	Dec.	Dec.	Dec. Prel.	Dec. Proj.
<b>Bank of Ghana</b>					
Net foreign assets	8,590	11,917	13,588	18,876	20,870
(Millions of U.S. dollars)	970	1,316	1,428	2,047	2,207
Net domestic assets	-897	-2,799	-3,448	-5,463	-4,768
Claims on government (net)	2,525	6,231	5,044	4,845	4,845
Claims on deposit money banks <sup>1</sup>	-4,412	-7,127	-7,552	-6,883	-7,036
Claims on rest of the economy	-142	-203	-31	-60	-60
Other items, net (assets +)	1,132	-1,701	-909	-3,366	-2,516
Reserve money	7,693	9,118	10,140	13,413	16,102
Currency outside banks	6,338	7,303	8,026	10,196	11,374
Bank reserves	1,259	1,697	2,003	3,006	4,664
Cash	342	371	495	712	908
Deposits	917	1,327	1,509	2,295	3,756
Nonbank deposits	96	117	110	211	64
<b>Deposit money banks</b>					
Net foreign assets	1,985	2,885	2,636	2,931	3,568
(Millions of U.S. dollars)	224	319	289	317	377
Reserves	1,259	1,697	2,003	3,006	4,664
Net claims on Bank of Ghana <sup>1</sup>	4,412	7,127	7,552	6,883	7,036
Domestic credit	15,400	19,657	26,151	35,316	43,006
Claims on government (net)	4,907	6,338	8,213	10,031	9,391
Claims on non-government	10,493	13,319	17,938	25,285	33,615
Public enterprises	2,148	2,902	3,307	4,432	4,810
Private sector	8,052	9,778	14,455	20,640	28,626
Other items, net (assets +)	-8,317	-12,120	-16,011	-16,240	-18,483
Total deposits	14,740	19,247	22,332	31,896	39,791

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

<sup>1</sup> Includes holding of T-bills issued for monetary liquidity purposes, starting January 2003, and starting September 2004, Bank of Ghana bills.

Table 6. Ghana: Country Profile, Millennium Development Goals, 1990–2004

	1990	1995	2001	2003	2004	2015 Target	Status <sup>1</sup>
<b>1. Eradicate extreme poverty and hunger.<sup>2</sup></b>							
Population below US\$1 a day (percent)	...	29 <sup>3</sup>	45	39	29	15	On track
Poverty gap at US\$1 a day (percent)	...	7 <sup>3</sup>	17	...	...	...	On track
Percentage share of income or consumption held by poorest 20 percent	...	...	6	...	...	...	...
Prevalence of child malnutrition (percent of children under 5)	30	27	25	22	22	...	Off track
Population below minimum level of dietary energy consumption (percent)	35	17	12	...	...	...	Off track
<b>2. Achieve universal primary education.<sup>4</sup></b>							
Net primary enrollment ratio (percent of age group)	52	...	56	62	58	100	On track
Percentage of cohort reaching grade 5 (percent)	81	...	...	...	...	100	...
Youth literacy rate (percent of ages 15–24)	82	87	92	...	71	...	...
<b>3. Promote gender equality.<sup>5</sup></b>							
Ratio of girls to boys in primary education (percent)	82	87	94	98	94	100	On track
Ratio of girls to boys in primary and secondary education (percent)	79	...	91	...	91	100	On track
Ratio of young literate females to males (percent of ages 15–24)	86	...	...	...	86	100	On track
Share of women employed in the nonagricultural sector (percent)	57	...	...	...	...	...	...
Proportion of seats held by women in national parliament (percent)	...	8	...	9	9	...	...
<b>4. Reduce child mortality.<sup>6</sup></b>							
Under-5 mortality rate (per 1,000)	122	110	112	...	112	42	Off track
Infant mortality rate (per 1,000 live births)	75	67	68	...	68	...	Off track
Immunization, measles (percent of children under 12 months)	61	70	81	83	83	...	...
<b>5. Improve maternal health.<sup>7</sup></b>							
Maternal mortality rate (modeled estimate, per 100,000 live births)	740	590	540	...	...	185	Off track
Births attended by skilled health staff (percent of total)	40	44	...	...	47	...	...
<b>6. Combat HIV/AIDS, malaria, and other diseases.<sup>8</sup></b>							
Prevalence of HIV, female (percent ages 15–24)	...	...	3	4	...	...	On track
Contraceptive prevalence rate (percent of women ages 15–49)	13	20	...	25	25	...	On track
Number of children orphaned by HIV/AIDS	...	...	140,000	130,000	170,000	...	...
Incidence of tuberculosis (per 100,000 people)	516	...	377	376	376	...	...
Tuberculosis cases detected under DOTS (percent)	...	16	41	40	37	...	...
<b>7. Ensure environmental sustainability.<sup>9</sup></b>							
Forest area (percent of total land area)	33	...	27	...	24	...	Off track
Nationally protected areas (percent of total land area)	15	15	15	15	15	...	...
GDP per unit of energy use (PPP \$ per kg oil equivalent)	5	5	5	...	5	...	...
CO2 emissions (metric tons per capita)	0.2	0.3	0.3	0.4	...	...	...
Access to an improved water source (percent of population)	55	...	73	79	75	83	On track
Access to improved sanitation (percent of population)	15	...	...	...	18	...	...
Access to secure tenure (percent of population)	...	...	...	...	...	...	...
<b>8. Develop a Global Partnership for Development.<sup>10</sup></b>							
Youth unemployment rate (percent of total labor force ages 15–24)	...	...	...	...	...	...	On track
Fixed-line and mobile telephones (per 1,000 people)	3	4	24	...	93	...	...
Personal computers (per 1,000 people)	0	1	3	...	5	...	...

Sources: World Development Indicators database, November 2005 and September 2006, United Nations site for MDG indicators (<http://mdgs.un.org/unsd/mdg/Data.aspx?cr=293>); and IMF staff estimates and projections.  
Note: In some cases the data are for earlier or later years than those stated.

<sup>1</sup> As reported in the Ghana Poverty Reduction Strategy 2006 and the Annual Progress Report (2005).

<sup>2</sup> Targets: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day; halve, between 1990 and 2015, the proportion of people who suffer from hunger.

<sup>3</sup> Data for 1994.

<sup>4</sup> Target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

<sup>5</sup> Target: Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education, no later than 2015.

<sup>6</sup> Target: Reduce by two-thirds, between 1990 and 2015, the under-5 mortality rate.

<sup>7</sup> Target: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

<sup>8</sup> Targets: Have halted by 2015, and begun to reverse, the spread of HIV/AIDS. Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases.

<sup>9</sup> Targets: Integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Halve, by the proportion of people without sustainable access to safe drinking water. By 2020, achieve a significant improvement in the lives of at least 100 million slum dwellers.

<sup>10</sup> Targets: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Address the special needs of the least developed countries. Address the special needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communication

National specification of individual indicators and targets may differ from the ones reported in the WDI database.

Table 7. Ghana: Selected Medium-Term Indicators, 2006-12

	2006	2007	2008	2009	2010	2011	2012
	Est.	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
(Annual percentage change, unless otherwise specified)							
<b>National accounts and prices</b>							
Real GDP	6.2	6.3	6.9	7.5	7.5	7.5	7.3
Real GDP per capita	3.6	3.7	4.2	4.8	4.8	4.8	4.6
GDP deflator	14.6	11.2	9.0	8.2	7.4	6.5	5.5
Consumer price index (annual average)	10.9	9.4	8.8	7.0	6.3	5.4	4.4
<b>External sector</b>							
Exports, f.o.b. (percentage change, in U.S. dollars)	31.3	8.1	16.2	10.6	10.5	11.1	10.8
Imports, f.o.b. (percentage change, in U.S. dollars)	22.0	17.9	12.5	12.4	15.0	10.3	8.7
Export volume	14.9	-0.1	12.5	8.2	8.0	8.9	8.2
Import volume	11.9	19.2	9.8	12.3	14.8	10.0	8.4
Terms of trade	4.8	9.4	0.8	2.2	2.1	1.7	2.1
(Percent of GDP, unless otherwise specified)							
<b>Investment and saving</b>							
Gross investment	30.2	31.6	31.1	31.7	32.0	31.9	31.8
Private <sup>1</sup>	18.0	18.0	18.5	19.0	19.5	19.5	19.5
Central government	12.2	13.6	12.6	12.7	12.5	12.4	12.3
Gross national saving	22.1	23.0	22.9	24.6	23.5	24.1	25.0
Private <sup>1</sup>	13.7	14.3	14.7	16.4	15.2	15.7	16.5
Central government	8.4	8.7	8.3	8.2	8.4	8.4	8.5
<b>Government operations</b>							
Total revenue	21.6	22.2	22.1	22.2	22.4	22.6	22.6
Grants	5.2	5.1	3.4	3.5	3.5	3.4	3.4
Total expenditure	33.8	33.6	31.6	31.7	31.3	31.3	31.3
Overall balance (including grants, below-the-line)	-7.7	-6.8	-6.1	-6.0	-5.5	-5.5	-5.5
Overall balance (including grants)	-7.5	-6.8	-6.1	-6.0	-5.5	-5.5	-5.5
Domestic primary balance	-4.8	-3.2	-0.9	-1.2	-0.1	-0.2	-0.6
Net domestic financing	4.9	-0.9	0.0	1.6	0.9	1.5	2.1
Total government debt	42.5	39.6	39.1	39.2	39.2	39.8	40.6
Domestic debt (gross) <sup>2</sup>	20.0	16.0	13.8	13.5	12.6	12.5	13.1
External debt	22.5	23.6	25.3	25.8	26.6	27.3	27.5
<b>External sector</b>							
Current account balance (including official transfers)	-8.2	-8.6	-8.1	-7.1	-8.5	-7.8	-6.8
Current account balance (excluding official transfers)	-11.2	-11.9	-11.1	-10.3	-11.7	-11.0	-10.0
NPV of external debt outstanding	17.5	19.0	20.5	20.9	21.9	22.6	22.7
(Percent of exports of goods and services)	45.9	53.6	57.7	60.1	64.4	67.2	68.7
Gross international reserves (millions of U.S. dollars)	2,325	2,568	2,874	3,270	3,533	3,936	4,522
(Months of imports of goods and services)	3.1	3.0	3.0	3.0	3.0	3.1	3.2
Total donor support (millions of U.S. dollars)	894	1,039	1,121	1,286	1,463	1,612	1,799
(Percent of GDP)	6.9	6.9	6.6	6.7	6.7	6.6	6.7

Sources: Data provided by Ghanaian authorities; and IMF staff estimates and projections.

<sup>1</sup> Including public enterprises and errors and omissions.

<sup>2</sup> Gross debt including all outstanding government obligations, and previously excluded items: noninterest-bearing perpetual Bank of Ghana revaluation stocks, and bonds issued in 2004-06 for recapitalization of BoG and TOR.

Table 8. Ghana: Balance of Payments, 2006-12  
(Millions of U.S. dollars; unless otherwise specified)

	2006	2007	2008	2009	2010	2011	2012
	Est.			Proj.			
Exports f.o.b.	3,680	3,980	4,623	5,113	5,651	6,277	6,956
Cocoa beans and cocoa products	1,187	1,127	1,181	1,219	1,254	1,311	1,370
Gold	1,277	1,565	1,851	2,070	2,287	2,457	2,639
Other	1,216	1,287	1,592	1,824	2,110	2,509	2,947
Imports, f.o.b.	-6,523	-7,692	-8,652	-9,725	-11,187	-12,340	-13,415
Non-oil	-5,107	-5,849	-6,458	-7,386	-8,693	-9,670	-10,561
Oil	-1,416	-1,842	-2,194	-2,338	-2,494	-2,669	-2,855
Trade balance	-2,843	-3,711	-4,029	-4,611	-5,536	-6,063	-6,459
Balance on services and income	-392	-215	-340	-263	-311	-246	-268
Private transfers (net)	1,788	2,143	2,489	2,890	3,289	3,646	4,037
Current account balance (before official transfers)	-1,447	-1,783	-1,880	-1,985	-2,558	-2,662	-2,690
Official transfers (net)	393	495	509	614	703	770	860
Current account balance (after official transfers)	-1,054	-1,287	-1,371	-1,371	-1,855	-1,892	-1,830
Capital account (including errors and omissions)	1,591	1,530	1,677	1,767	2,118	2,295	2,417
Official capital, including grants and loans (net)	735	659	727	697	868	815	767
Medium and Long-term loans							
Inflows	4,349	793	862	873	1,110	1,192	1,238
Amortization	-3,614	-134	-135	-176	-242	-377	-472
Private capital	717	851	950	1,070	1,250	1,480	1,650
Short term capital	78	20	0	0	0	0	0
Errors and omissions	61	0	0	0	0	0	0
Overall balance	537	242	306	396	263	403	586
Financing	-537	-242	-306	-396	-263	-403	-586
Net international reserves ( - is increase)	-537	-242	-306	-396	-263	-403	-586
<i>Memorandum items:</i>							
Nonconcessional borrowing	0	250	250	200	350	350	300
Current account balance (excl. official transfers, in percent of GDP)	-11.2	-11.9	-11.1	-10.3	-11.7	-11.0	-10.0
Current account balance (incl. official transfers, in percent of GDP)	-8.2	-8.6	-8.1	-7.1	-8.5	-7.8	-6.8
Gross international reserves (millions of US dollars)	2,325	2,568	2,874	3,270	3,533	3,936	4,522
Gross international reserves (months of imports of goods and services)	3.1	3.0	3.0	3.0	3.0	3.1	3.3
External debt service (in percent of GNFS exports)	11.9	3.9	4.0	4.7	5.5	7.1	7.9
Terms of trade (percent change)	4.8	9.4	0.8	2.2	2.1	1.7	2.1
MDRI debt-service savings on obligations to IMF (millions of US dollars)	38	49	48	56	56	32	20

Sources: Bank of Ghana; and IMF staff estimates and projections.

Table 9. Ghana: Financial Soundness Indicators, 2003-06  
(Percent, end-of-period, unless specified otherwise)

	2003	2004	2005	2006
<b>Capital adequacy:</b>				
Regulatory capital to risk weighted assets ratio	9.3	13.9	16.2	15.8
Tier 1 capital to risk weighted assets ratio	6.1	11.8	12.0	...
<b>Asset quality:</b>				
Nonperforming loans to total gross loans	18.3	16.3	13.0	7.9
Credit to total assets	41.7	44.0	48.7	45.0
Loan loss provision to total gross loans	15.4	13.8	8.5	7.4
<b>Earnings and profitability:</b>				
Return on assets (average)	6.2	5.8	4.6	4.3
Return on equity (average)	32.7	33.7	23.6	24.2
Interest margin to gross income	63.2	62.9	64.0	64.5
Noninterest expenses to gross income	50.0	50.6	58.2	...
Interest spread <sup>2</sup>	23.1	20.3	19.3	18.3
<b>Liquidity:</b>				
Core liquid assets to total assets ratio	29.0	25.4	20.7	23.5
Broad liquid assets to total assets ratio	57.0	53.5	47.0	46.3
Core liquid assets to short-term liabilities ratio	40.8	34.6	42.8	31.0
Broad liquid assets to short-term liabilities ratio	80.2	72.8	97.4	61.0
<b>Exposure to foreign exchange risk:</b>				
Share of foreign currency deposits in total deposits	30.8	29.3	26.3	28.1
Share of foreign liabilities in total liabilities	4.0	2.8	2.4	4.0

Source: Bank of Ghana.

<sup>1</sup> Average lending rate minus average (saving and demand) deposit rate.

Table 10. Ghana: Indicators of External Vulnerability, 2003-2007

	2003	2004	2005	2006	2007
<b>Financial indicators</b>					
Public sector debt (percent of GDP)	118.8	93.4	77.1	42.4	...
Broad money (percent change, 12-month basis) <sup>1</sup>	40.9	26.4	13.7	39.4	...
Private sector credit (percent change, 12-month basis)	32.3	21.0	50.6	42.7	...
Treasury bill rate (percent, end of period) <sup>2</sup>	18.1	16.4	11.5	9.9	9.7
Prime rate (Bank of Ghana, percent, end of period) <sup>2</sup>	25.7	19.1	15.5	12.5	12.5
<b>External Indicators</b>					
Exports of goods and services (percent change; US dollar value)	18.7	12.4	11.0	27.3	...
Imports of goods and services (percent change; US dollar value)	19.1	33.2	23.4	21.6	...
Terms of trade (percent change)	14.8	-15.1	-6.9	4.8	...
Current account balance (including official transfers, percent of GDP)	1.7	-2.7	-7.0	-8.2	...
Current account balance (excluding official transfers, percent of GDP)	-3.5	-8.8	-12.3	-11.2	...
Gross official reserves (millions of US dollars)	1,427	1,816	1,951	2,325	...
Short-term foreign liabilities of BOG (millions of US dollars)	491	542	471	226	...
Exchange rate (per US dollar; period average)	8,677	9,005	9,073	9,183	...
Real effective exchange rate appreciation (end of period; percent)	2.4	-0.5	19.9	-1.1	...
<b>Financial market indicators</b>					
Stock market index (end-of-period) <sup>3</sup>	263.6	370.6	248.5	273.1	284.5
Percent change	124.4	40.6	-33.0	9.9	4.2
Fitch foreign currency rating <sup>4</sup>	...	B	B+	B+	...
Standard and Poor's foreign currency rating <sup>5</sup>	B+	B+	B+	B+	...

Sources: Bank of Ghana and IMF staff estimates

<sup>1</sup> Excluding foreign currency deposits.<sup>2</sup> For 2007, as of January.<sup>3</sup> For 2007, as of March 30.<sup>4</sup> Positive outlook, as of February 2006.<sup>5</sup> Stable outlook, constant since 2003.

## APPENDIX I

### GHANA—JOINT IMF AND WORLD BANK DEBT SUSTAINABILITY ANALYSIS<sup>1</sup>

*Ghana's external debt distress risk rating is moderate, albeit close to the low risk category. The baseline scenario is contingent on continued macroeconomic stability and structural reforms that would lead to expansion of the private sector with resulting growth in GDP and exports. The analysis illustrates the importance of prudent debt management and judicious use of borrowed funds. The risk of debt distress related to total public debt—both external and domestic—is also moderate.*

#### A. EXTERNAL DEBT SUSTAINABILITY ANALYSIS

##### Summary

The **baseline scenario** assumes (i) continued macroeconomic stabilization (prudent fiscal stance, single-digit inflation), (ii) perseverance with the pace of structural reforms (public financial management (PFM), reforms of state-owned enterprises (SOEs), including divestiture), and (iii) prudent borrowing strategy and efficient use of borrowed funds. It incorporates nonconcessional borrowing of US\$700 million over the next three years and continued annual market access of about 1 percent of GDP for the rest of the projection period. In making these assumptions, the analysis attempts to be realistic with regard to commercial borrowing volumes and illustrates the value of prudence and the importance of the judicious use of nonconcessional funds.

In addition to the baseline scenario, three alternative scenarios are investigated:

- **Alternative scenario A** has the same borrowing path as in the baseline but lower growth of exports and GDP. This scenario examines whether the risk of debt distress would significantly increase should GDP growth and exports fail to accelerate.
- **Alternative scenario B** has higher nonconcessional borrowing than in the baseline but the same macroeconomic framework. The purpose is to examine the impact of higher borrowing on the risk of debt distress.
- **Alternative scenario C** has the higher nonconcessional borrowing path of Scenario B and the lower GDP and export growth of Scenario A. This scenario highlights the risks of high borrowing if growth of GDP and exports does not accelerate.

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<sup>1</sup> Prepared by the IMF and World Bank staff in collaboration with the Ghanaian authorities.



## 1. BASELINE SCENARIO

### Macroeconomic Assumptions

The baseline scenario is contingent upon continued macroeconomic stability and structural reforms that will cause growth of GDP and exports to increase.

#### Box 1. Macroeconomic Assumptions for the Baseline Scenario

**Real GDP** grows at about 7 percent until 2011 and 5.8 percent between 2012 and 2026 (Table 1). The projected increase reflects export diversification, significant improvements in physical infrastructure, and structural reforms to improve business environment and total factor productivity. Over the longer term, private consumption would be an important source of growth, due to higher incomes and continued inflows of remittances.

**Inflation rate** is projected to decline gradually to about 2½ percent by 2012 and stay at about that level thereafter. Monetary policy is geared toward achieving this objective.

**Exports of goods and services** are projected to grow (in US\$ terms) at an annual rate of 13.4 percent during 2006-11, and at about 8 percent until 2026. In the long run, exports would be driven by nontraditional exports, which would grow at an annual rate of 16 percent between 2006 and 2026.

**Remittances** are assumed to be around 15 percent of annual GDP, while **foreign direct investment** is envisaged to average only 4 percent of GDP a year during 2007-11, and stay close to that share until 2026. **Official external grants** as a share of GDP are projected to decline slightly, while the **official concessional loans** are projected to average about 4 percent of GDP. The **reserve coverage of imports** would exceed 5 months of goods and services in the outer years.

**The tax-to-GDP ratio** would rise to 20.5 percent by 2012 as tax administration would strengthen—particularly in the areas where efficiency gains have not been exhausted, such as customs, exemptions, and the informal sector.

Structural reforms in PFM and SOEs would continue to improve governance and the efficiency of **public spending**. Increased mobilization of domestic revenue together with sustained external financing will allow the government to finance pro-poor and pro-growth spending, with a view to achieve the MDGs. The wage bill would be contained through civil service reform and limits on wage increase. The **overall budget deficit** is projected to stabilize at around 5.5 percent of GDP.

Table 1. Assumption on Key Variables

	Historical Average	Average 2006-11	Average 2012-26
Noninterest CAD, incl. transfers (percent of GDP)	3.9	7.4	5.5
Real GDP growth (percentage change)	4.7	7.0	5.8
Export growth (US dollar terms, percent)	10.0	13.4	7.9
Import growth (US dollar terms, percent)	13.1	13.7	8.9
Current transfers (official and private) to GDP (percent)	13.3	17.8	18.0

## Borrowing Assumptions

Based on discussions with the authorities and development partners, it is assumed that gross concessional flows through 2012 do not exceed 7 percent of annual GDP, reflecting a stabilization after the peak observed in 2003–05. It is also assumed that nonconcessional borrowing would be in the range of US\$200–350 million a year amounting to 1–1.7 percent of annual GDP between 2007 and 2012 (Table 2), and 1 percent of annual GDP afterwards.

	2006		2007	2008	2009	2010	2011	2012
	Projected	Disbursed	Committed				Projected	
Concessional Flows	1,057	894	1,039	1,121	1,286	1,463	1,612	1,799
<i>Percent of GDP</i>	8.2	6.9	6.9	6.6	6.7	6.7	6.6	6.7
Nonconcessional Loans	0	0	250	250	200	350	350	300
<i>Percent of GDP</i>	0	0	1.7	1.5	1.0	1.6	1.4	1.1
Total Official Inflows	1,057	894	1,289	1,371	1,486	1,813	1,962	2,099
<i>Percent of GDP</i>	8.2	6.9	8.6	8.1	7.7	8.3	8.1	7.8

## Assumptions on Interest Rates on International Markets

Assumptions about likely interest rates are based on Ghana’s credit rating of B+ and conservatism on interest rate spreads. It is assumed that present favorable market conditions might not persist over the projection period, and therefore an annual interest rate of 9.5 percent is used.

## Results

**The results indicate that Ghana’s risk of external debt distress is in the lower range of the moderate category.** The 2005 World Bank Country Policy and Institutional Assessment (CPIA) classifies Ghana as a strong performer and assigns the following indicative debt-burden thresholds: (i) NPV of debt-to-exports of goods and services of 200 percent, (ii) NPV of debt-to-GDP of 50 percent, and (iii) debt service of 25 percent of exports of goods and services.<sup>2</sup> Under the baseline scenario, all of Ghana’s external debt-burden indicators remain below these thresholds during the projection period, reflecting the fact that additional investment (including from nonconcessional sources) are expected to be growth enhancing.

<sup>2</sup> Bank and Fund staffs agreed to apply discretion and continue to use the latest annual CPIA observation for Ghana as a temporary exception to the three-year rule, to prevent “undue volatility in the performance rating” as in *Staff Guidance Note on the Application of the Joint Fund-Bank Sustainability Framework for Low-Income Countries* ([www.imf.org](http://www.imf.org)).

The historical scenario is based on averages from 1996 to 2005, which includes a period of macroeconomic destabilization (large nominal depreciation, low export and import growth, etc. in 2000–01) and HIPC debt relief. In this scenario, all three debt burden indicators exceed their thresholds towards the end of the projection period. The results underscore the importance of continued macroeconomic stability while aiming for higher growth.

In the medium term, Ghana’s debt burden trajectory breaches only one of the three commonly used indicative thresholds (the NPV of debt-to-GDP ratio) in only one of the six standardized stress tests, the *combined shock* (to real GDP growth, the GDP deflator, exports growth, and net current transfers). Under this test, Ghana’s NPV of debt-to-GDP ratio rises from 18 percent in 2006 to 57 percent in 2008, staying above the 50 percent threshold until 2013, declining to about 40 percent thereafter.<sup>3</sup> The same shock would also significantly worsen the NPV of debt-to-exports ratio, which would reach 135 percent in 2008 and 142 percent in 2026. The deterioration of this indicator partly reflects a narrow export base and vulnerability to terms of trade shocks (Figure 1).

Table 3 illustrates the potential importance of remittance flows to debt sustainability. Remittance inflows are excluded from standard indicators of debt sustainability; their inclusion would significantly lower the indicators. For example, the NPV of debt-to-exports ratio would be about 40 percentage points of GDP lower in 2026 if remittances were included in foreign exchange earnings.<sup>4</sup>

Table 3. Debt Sustainability Indicators (baseline scenario) (in percent)				
	2006	2015	2026	Thresholds
NPV of debt-to-GDP	18	24	28	50
NPV of debt-to-exports	46	79	121	200
NPV of debt-to-exports and remittances	34	53	80	[200]
Debt service-to-exports	12	8	13	25
Debt service-to-exports and remittances	9	6	9	[25]
Source: IMF staff calculations.				

<sup>3</sup> This shock adds a half-standard deviation worsening to historical values of the affected variables. Its impact is magnified in the case of Ghana by a sharp decline in the GDP deflator (leading to a higher import bill) plus much lower net current transfers, creating large current account deficits in 2007 and 2008. These deficits are then financed primarily at nonconcessional terms.

<sup>4</sup> Official remittance inflows are the fastest-growing source of foreign exchange in Ghana. As a share of GDP, remittances increased from 4 percent in 1995 to about 14 percent in 2006.

## 2. ALTERNATIVE SCENARIOS

### Alternative A—Baseline Borrowing, Lower GDP and Export Growth

This scenario considers what might happen if GDP and export growth do not accelerate. Specifically, it assumes lower growth of GDP (average annual growth of 5.3 percent until 2026) and exports (average annual growth of 8 percent until 2026).

On this macroeconomic path, debt distress for **Ghana would be moderate, but it would be notably higher than in the baseline**. All thresholds would be exceeded in the historical scenarios (Figure 2). The GDP-related threshold would be exceeded or reached throughout the entire the period if Ghana experienced a negative shock to GDP growth, exports, or to current flows.<sup>5</sup>

	2006	2015	2026	Thresholds
NPV of debt-to-GDP	18	27	36	50
NPV of debt-to-exports	46	93	182	200
Debt service-to-exports	12	10	19	25

### Alternative Scenario B—High Borrowing and Baseline GDP and Export Growth

This scenario assumes that would Ghana borrow US\$500-600 million a year (2–3.5 percent of annual GDP) through 2012 on nonconcessional terms. It also assumes that these amounts would worsen the terms on which Ghana could borrow by 1 percentage point from all major creditors. All macroeconomic assumptions are same as in the baseline.

On this higher borrowing path and the baseline macroeconomic path, **Ghana would clearly be at moderate risk of debt distress**, but it would also be markedly higher than in the baseline scenario. All Ghana's external debt burden indicators are below their thresholds (Figure 3), but all historical scenarios breach the thresholds. The GDP-related threshold could be exceeded by a wide margin if Ghana suffered a combined negative shock to its GDP growth, exports, and FDI.<sup>6</sup>

<sup>5</sup> These variables would be one-half standard deviation below the historical average in the next two years.

<sup>6</sup> These variables would be one-half standard deviation below the historical average in the next two years.

Table 5. Scenario B: Debt Sustainability Indicators (high borrowing/baseline growth) (in percent)				
	2006	2015	2026	Thresholds
NPV of debt-to-GDP	18	29	35	50
NPV of debt-to-exports	46	94	151	200
Debt service-to-exports	12	12	18	25

### Alternative Scenario C—High Borrowing, Lower GDP and Export Growth

This scenario combines borrowing from alternative scenario B (high borrowing) and the macroframework from alternative scenario A (lower growth of GDP and exports). The results indicate that in this scenario, **Ghana would be approaching high risk of debt distress**, because two of the indicators are at or approaching their policy-dependent thresholds (NPV of debt -to-exports and debt service-to-exports), and all stress tests are above the thresholds. The results illustrate that exports (and foreign exchange) constitute one of the main risks for and constraints on debt sustainability, because the export base is relatively undiversified (Figure 4).

Table 6. Scenario C: Debt Sustainability Indicators (High Borrowing/Low growth scenario) (Percent)				
	2006	2015	2026	Thresholds
NPV of debt-to-GDP	18	30	39	50
NPV of debt-to-exports	46	101	199	200
Debt service-to-exports	12	14	24	25

## B. PUBLIC DEBT SUSTAINABILITY ANALYSIS

This section discusses the results of the public debt sustainability analysis (DSA) for Ghana using the new framework for low-income countries.

### Main Results

**The baseline scenario projects an increase in central government debt (external and domestic) from about 40 percent of GDP in 2007 to about 50 percent in 2026. The NPV of debt-to-GDP ratio would increase from about 38 percent in 2006 to about 47 percent in 2026**, due to increased borrowing (Table B). Similarly, the NPV of debt-to-revenue ratio would rise from 140 percent in 2007 to about 181 percent in 2026. To check the robustness of the conclusions, we subject this scenario to a number of stress tests.

**The sensitivity analyses suggest that the baseline scenario is most vulnerable to a shock to real GDP growth.** If real GDP growth were to stay at historical average minus one standard deviation in 2008–09, the NPV of debt-to-GDP ratio would increase by

18 percentage points in 2026, while the NPV of debt-to-revenue ratio would rise by 69 percentage points in 2026 (relative to the baseline).

**A shock that maintains the primary deficit at its peak 2006 level would also have a significant impact on the debt dynamics**, raising the NPV of debt-to-GDP ratio by about 14 percentage points. This is not surprising as the 2006 primary deficit has been the worst since 1995.

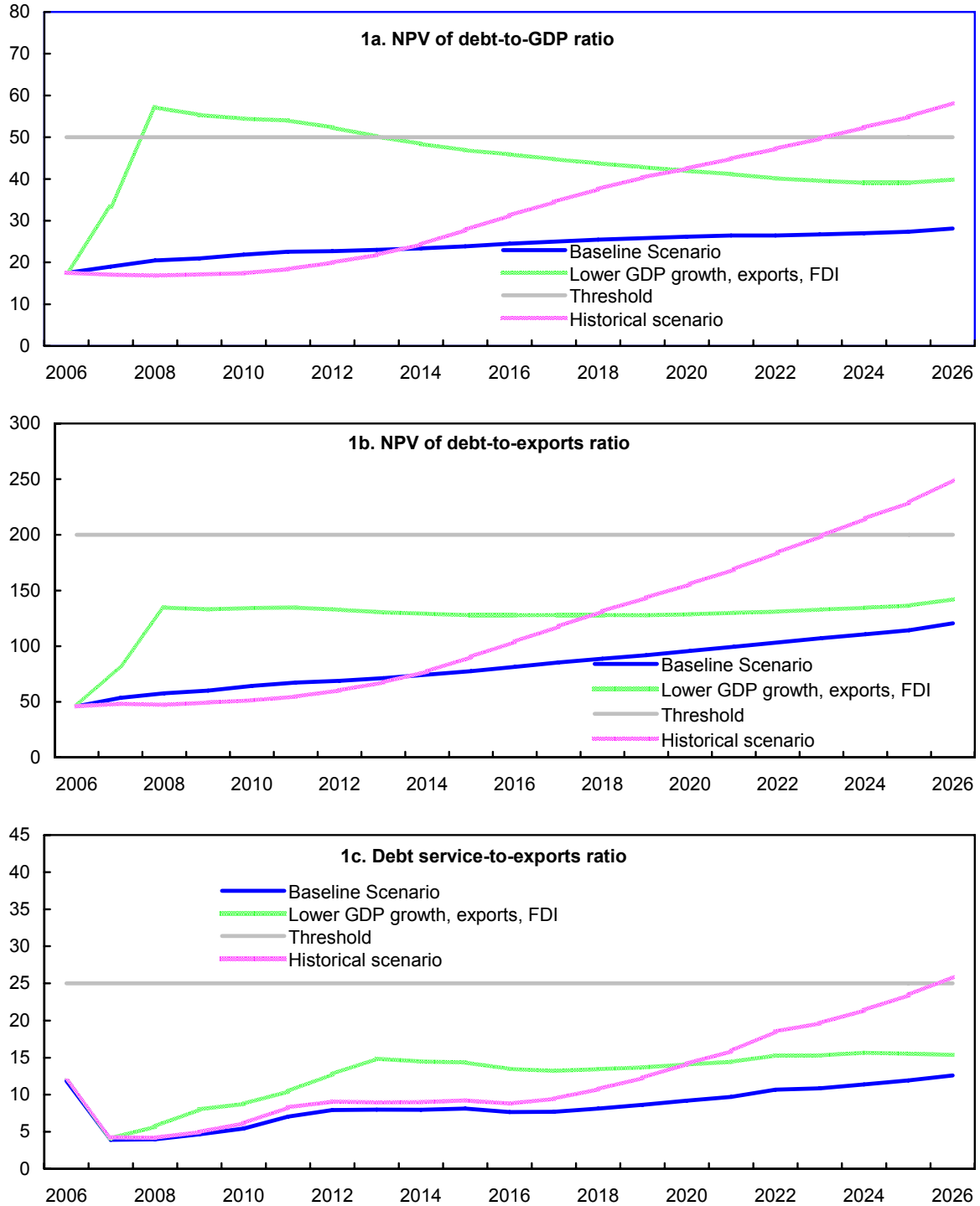
**The baseline scenario remains vulnerable to contingent liabilities.** While reliable and comprehensive data on contingent liabilities are not available, a stress could help gauge the likely impact of these flows on the debt profile. For example, a 10-percent increase in debt/GDP resulting from contingent liabilities in 2008 would increase the NPV of debt-to-GDP ratio by 9 percentage points in 2008 and by about 3 percentage points in 2026. It also would increase the NPV of debt-to-revenue ratio by 36 percentage points in 2008 and by 12 percentage points in 2026.

**Overall, the public debt analysis points to moderate risk of debt distress.** Combining (nominal) external and domestic debt shows that Ghana's total public debt would increase from about 40 percent of GDP in 2007 to about 50 percent in 2026 under the baseline scenario.

## Summary

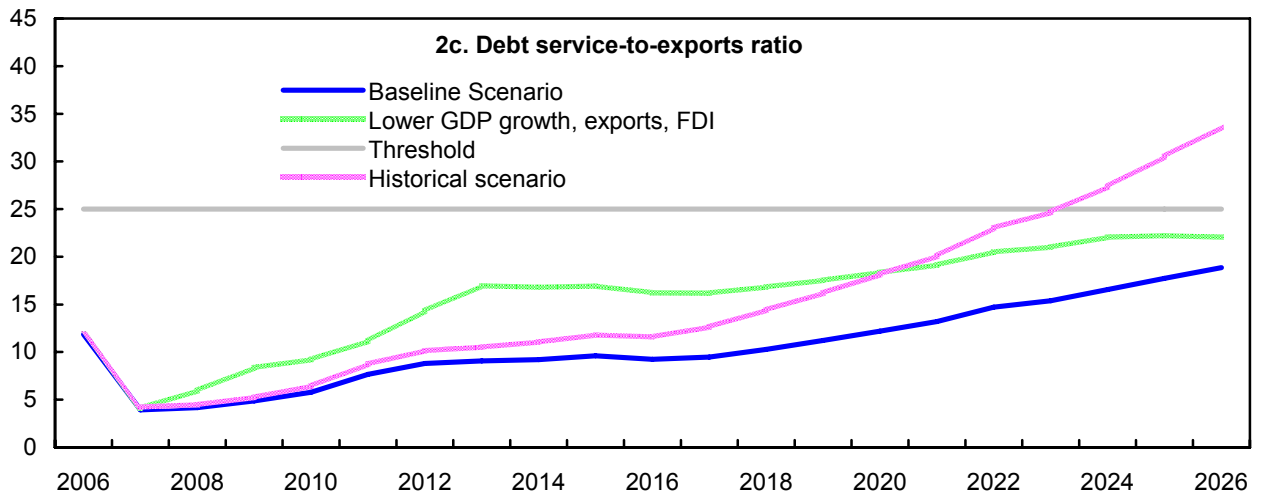
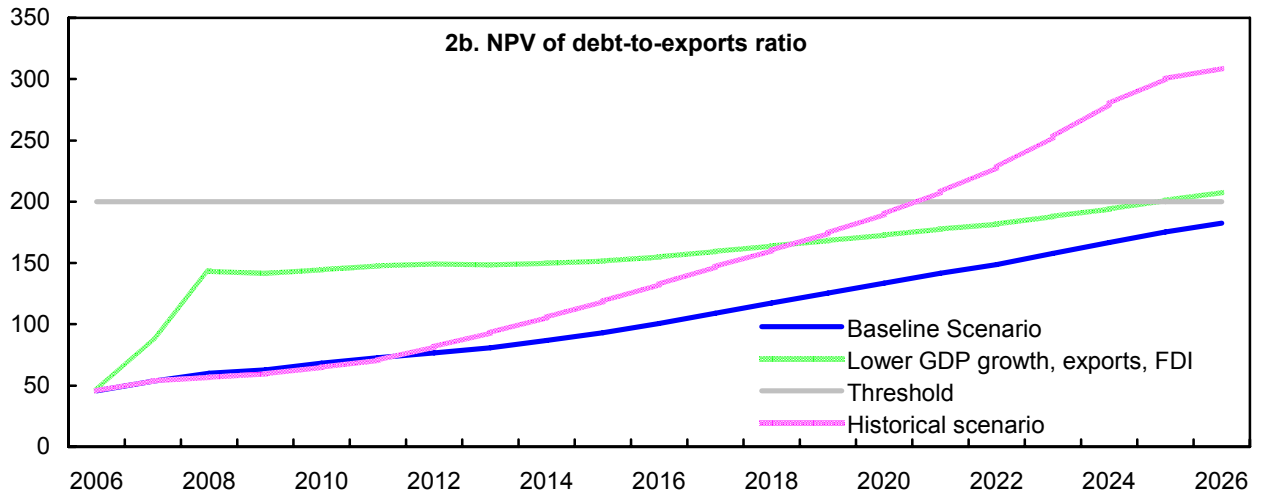
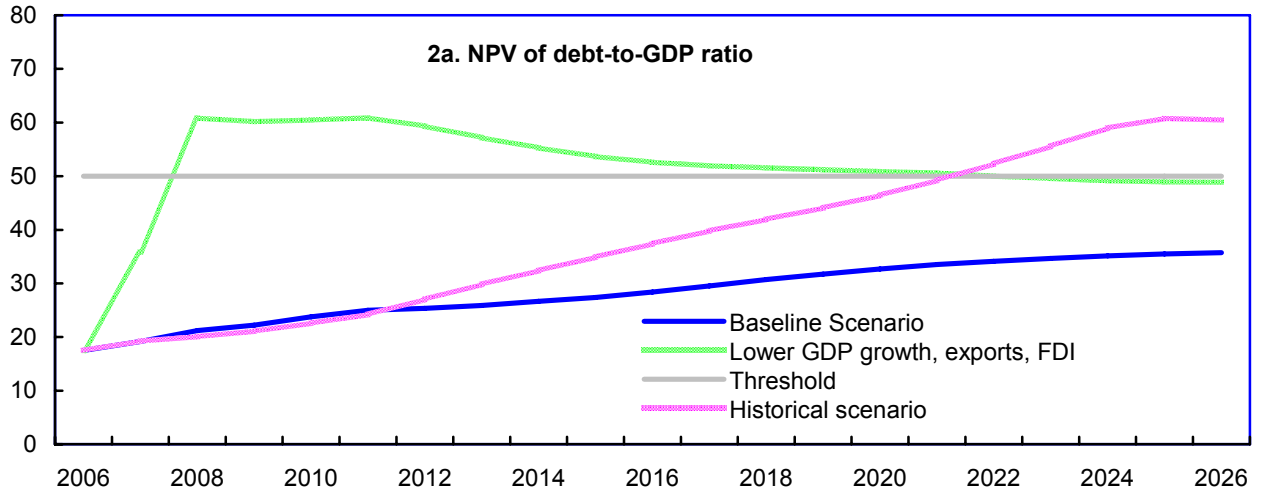
**The conclusion of the DSA is that Ghana's risk of external debt distress is moderate, albeit close to the low risk category.** Even under country-specific alternative scenarios, the baseline debt trajectory stays below the relevant indicative thresholds. The results of the country-specific alternative scenarios also indicate, however, that sustainability could deteriorate in the case of slower than forecast growth and/or increased borrowing on nonconcessional terms. **The risks to total public debt are also moderate.** These DSA results underscore the need for the authorities to maintain sound macroeconomic policies and accelerate structural reforms to achieve higher GDP growth and diversify exports. While these measures would reduce Ghana's vulnerability to exogenous shocks, staying on a sustainable path would also require that Ghana continues with prudent debt management, accesses international markets in a gradual and cautious manner, and uses all borrowed funds judiciously.

**Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt -- Baseline Scenario, 2006–2026 (Percent)**



Sources: IMF staff projections and simulations.

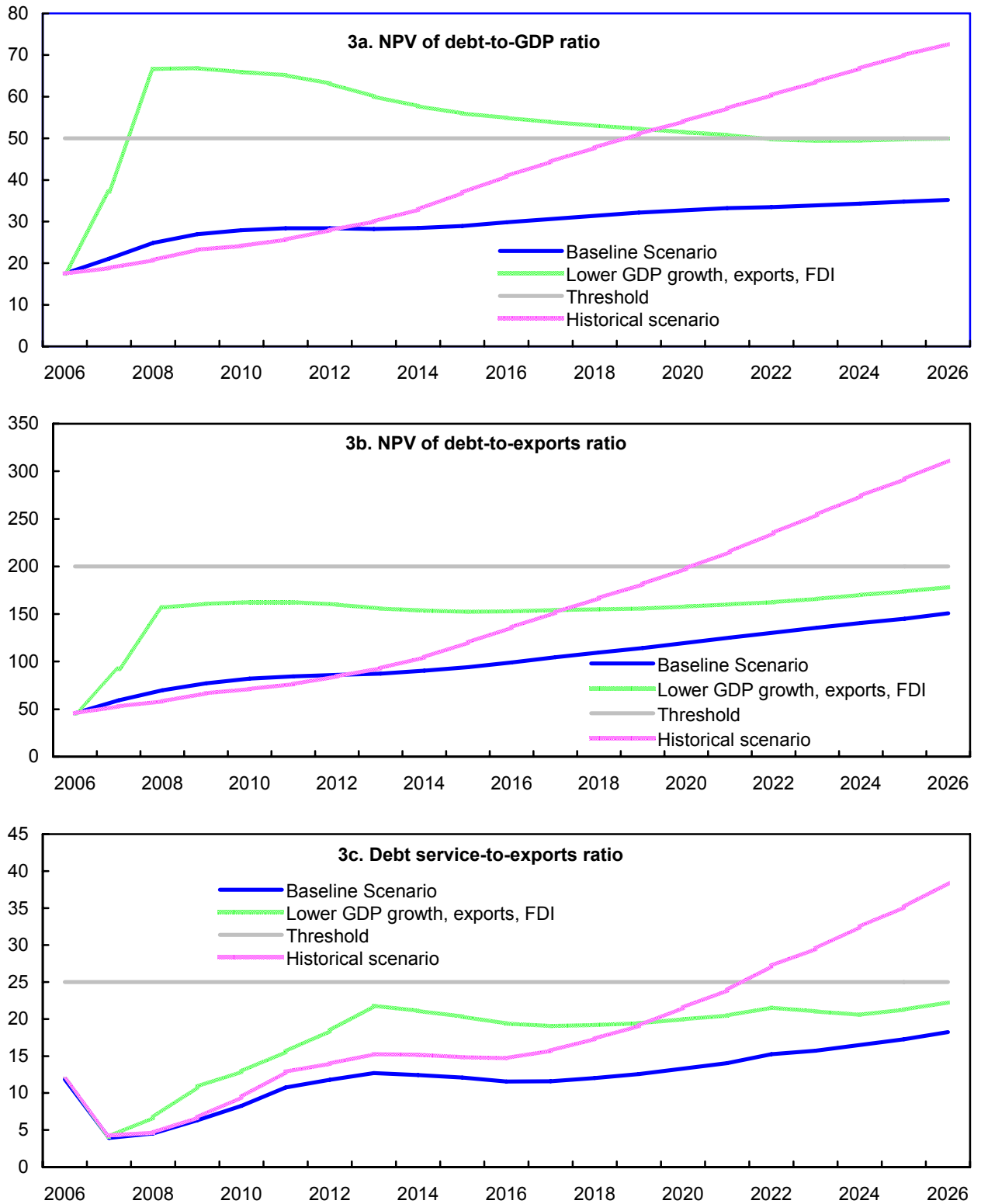
**Figure 2. Ghana: Indicators of External Debt -- Alternative Scenario A  
(Baseline Borrowing with Low GDP and Export Growth), 2006–2026**  
(Percent)



Sources: IMF staff projections and simulations.

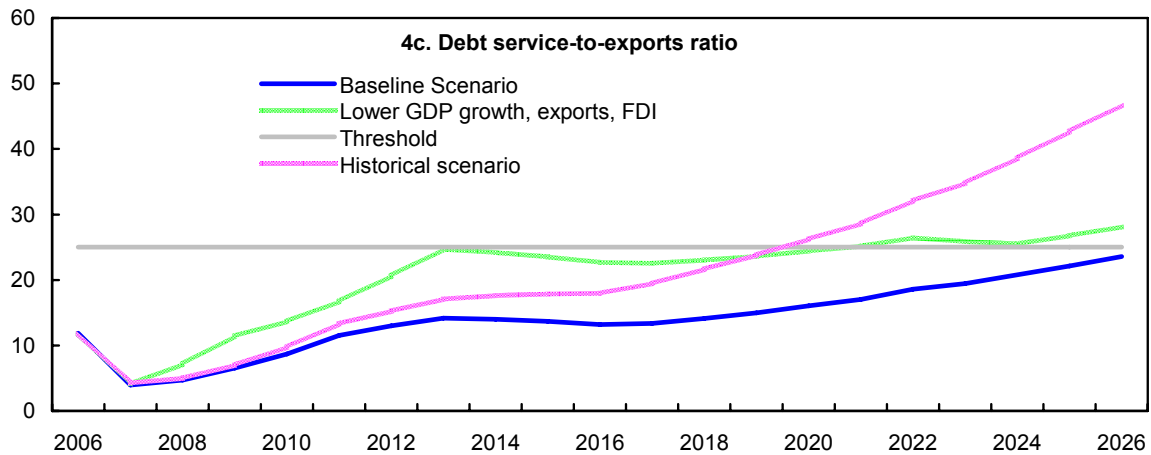
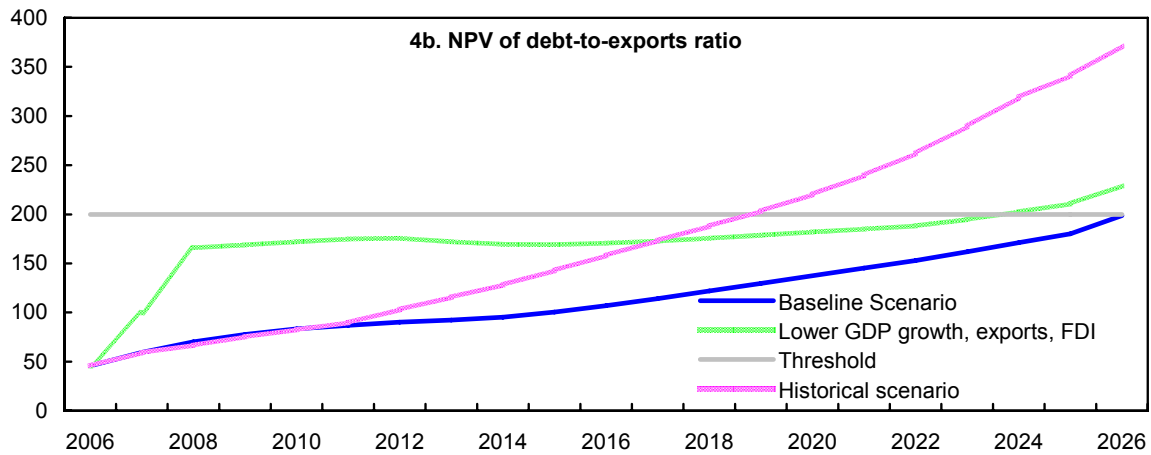
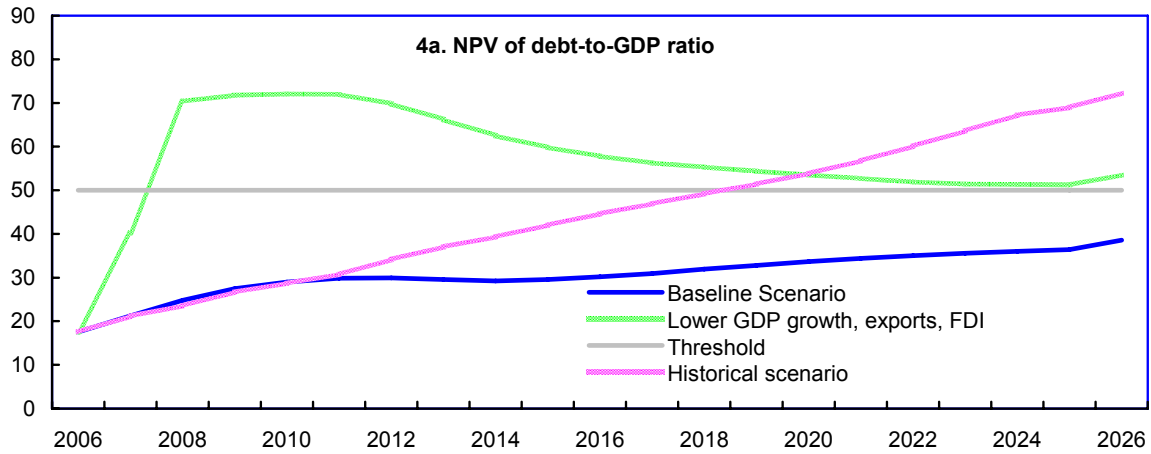


**Figure 3. Ghana: Indicators of External Debt -- Alternative Scenario B (High Borrowing with Baseline GDP and Export Growth), 2006–2026**  
(Percent)



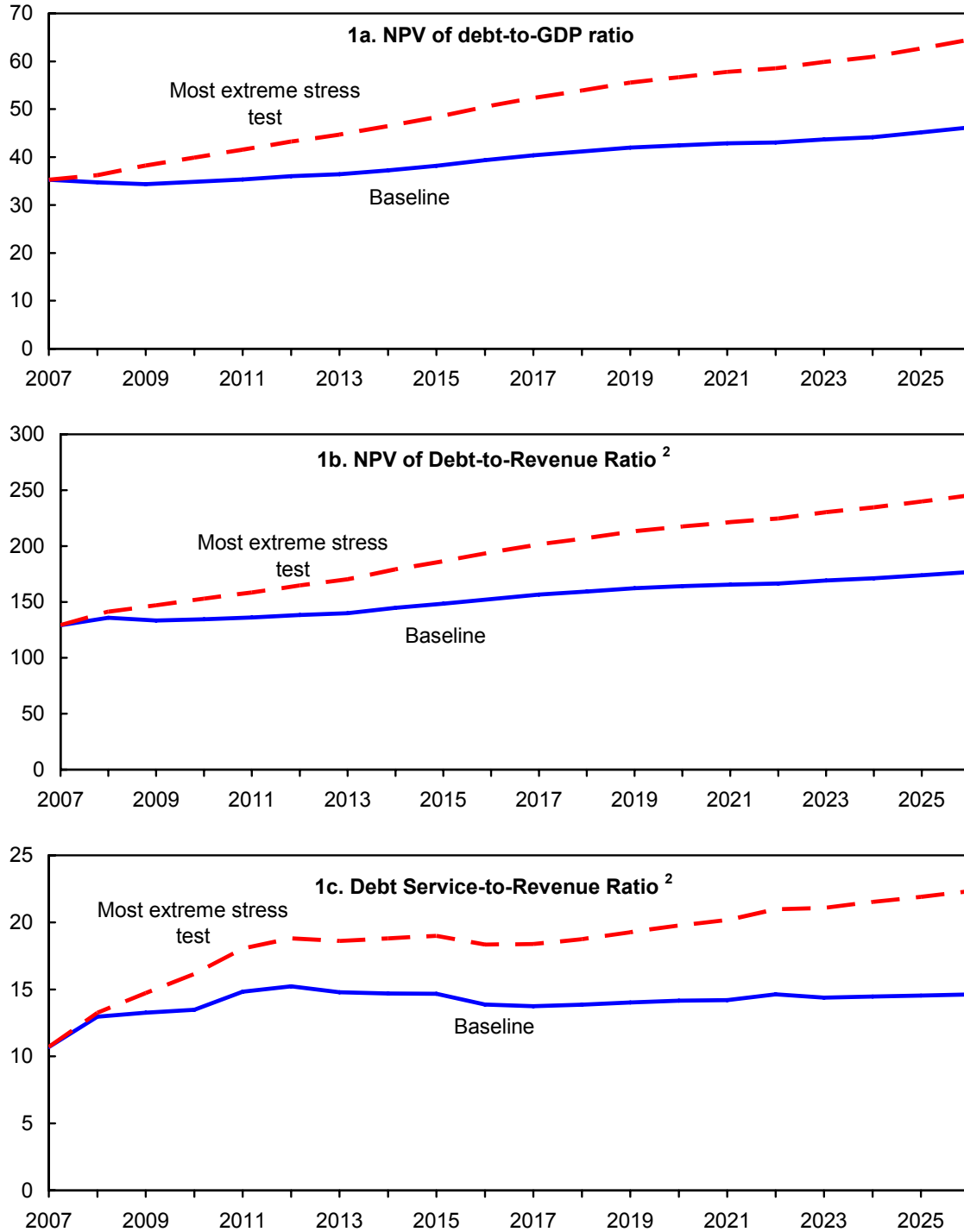
Sources: IMF staff projections and simulations.

**Figure 4. Ghana: Indicators of External Debt -- Alternative Scenario C (High Borrowing with Low GDP and Export Growth), 2006–2026**  
(Percent)



Sources: IMF staff projections and simulations.

**Figure 5. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2007-2026<sup>1</sup>**



Source: IMF staff projections and simulations.

<sup>1</sup> Most extreme stress test is test that yields highest ratio in 2026.

<sup>2</sup> Revenue including grants.

Table A. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2003-2026<sup>1</sup>  
(In percent of GDP, unless otherwise indicated)

	Actual			Historical Average <sup>6</sup>	Standard Deviation <sup>6</sup>	Projections										2012-26 Average
	2003	2004	2005			2006	2007	2008	2009	2010	2011	2011 Average	2012	2026		
<b>External debt (nominal)</b> <sup>1</sup>	99.0	72.7	59.2	22.3	23.6	25.3	25.8	26.6	27.3	27.3	27.5	31.1	29.6			
o/w public and publicly guaranteed (PPG)	99.0	72.7	59.2	22.3	23.6	25.3	25.8	26.6	27.3	27.3	27.5	31.1	29.6			
Change in external debt	-0.5	-26.3	-13.5	-36.9	1.3	1.7	0.5	0.8	0.7	0.7	0.2	0.3				
Identified net debt-creating flows	-21.8	-15.0	-6.9	3.2	5.0	4.3	2.8	3.3	1.8	1.8	0.7	0.0				
<b>Non-interest current account deficit</b>	-3.2	0.7	5.4	7.6	8.1	7.5	6.4	7.7	7.0	7.4	5.9	5.1	5.5			
Deficit in balance of goods and services	12.0	21.1	25.6	24.1	25.6	25.3	24.5	25.4	25.0	25.0	24.0	23.7				
Exports	40.7	39.3	36.1	38.2	35.5	35.6	34.9	34.0	33.6	33.6	33.1	23.4				
Imports	52.7	60.4	61.7	62.3	61.0	60.9	59.3	59.4	58.6	58.6	57.1	47.0				
Net current transfers (negative = inflow)	-15.7	-20.6	-19.7	-16.9	-17.6	-17.8	-18.2	-18.2	-18.2	-18.2	-18.2	-17.7	-18.0			
Other current account flows (negative = net inflow)	0.4	0.3	-0.4	0.4	0.1	0.0	0.1	0.5	0.2	0.2	0.1	-0.9				
<b>Net FDI (negative = inflow)</b>	-1.0	-3.7	-1.4	-1.9	-2.3	-2.4	-2.7	-3.4	-4.2	-4.2	-4.3	-4.7	-4.6			
<b>Endogenous debt dynamics</b> <sup>2</sup>	-17.6	-12.0	-10.9	-2.5	-0.7	-0.8	-0.9	-1.0	-1.0	-1.0	-0.9	-0.5				
Contribution from nominal interest rate	1.5	1.9	1.6	0.6	0.5	0.6	0.7	0.7	0.8	0.8	0.9	1.0				
Contribution from real GDP growth	-4.2	-4.8	-3.5	-3.1	-1.2	-1.4	-1.7	-1.7	-1.8	-1.8	-1.8	-1.5				
Contribution from price and exchange rate changes	-14.9	-9.2	-9.0	...	...	...	...	...	...	...	...	...				
<b>Residual (3-4)</b> <sup>3</sup>	21.3	-11.3	-6.6	-40.0	-3.8	-2.6	-2.3	-2.5	-1.0	-1.0	-0.5	0.3				
o/w exceptional financing	-3.8	-4.4	-3.3	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
NPV of external debt <sup>4</sup>	...	...	19.9	17.5	19.0	20.5	20.9	21.9	22.6	22.6	22.7	28.1				
In percent of exports	...	...	55.1	45.9	53.6	57.7	60.1	64.4	67.2	67.2	68.7	120.5				
<b>NPV of PPG external debt</b>	...	...	19.9	17.5	19.0	20.5	20.9	21.9	22.6	22.6	22.7	28.1				
In percent of exports	...	...	55.1	45.9	53.6	57.7	60.1	64.4	67.2	67.2	68.7	120.5				
Debt service-to-exports ratio (in percent)	14.5	16.2	15.3	11.9	3.9	4.0	4.7	5.5	7.1	7.1	7.9	12.6				
<b>PPG debt service-to-exports ratio (in percent)</b>	14.5	16.2	15.3	11.9	3.9	4.0	4.7	5.5	7.1	7.1	7.9	12.6				
Total gross financing need (billions of U.S. dollars)	0.1	0.3	1.0	1.3	1.2	1.3	1.2	1.5	1.5	1.5	1.4	4.7				
Non-interest current account deficit that stabilizes debt ratio	-2.7	27.0	18.8	44.5	6.8	5.8	5.9	6.9	6.2	6.2	5.7	4.8				
<b>Key macroeconomic assumptions</b>																
Real GDP growth (in percent)	5.2	5.6	5.9	6.2	6.3	6.9	7.5	7.5	7.5	7.5	7.3	5.3	5.8			
GDP deflator in US dollar terms (change in percent)	17.6	10.2	14.1	13.2	9.3	5.3	6.2	5.9	3.1	3.1	3.2	3.2	4.5			
Effective interest rate (percent) <sup>5</sup>	1.9	2.3	2.7	1.2	2.6	3.0	3.2	3.3	3.4	2.8	3.5	3.7	3.5			
Growth of exports of G&S (US dollar terms, in percent)	18.7	12.4	11.0	10.0	13.1	12.9	11.9	10.8	9.7	13.4	9.0	6.5	7.9			
Growth of imports of G&S (US dollar terms, in percent)	19.1	33.2	23.4	13.1	16.6	13.8	12.2	11.4	13.9	9.3	7.9	9.4	8.9			
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	20.9	22.4	17.3	17.2	21.8	18.3	12.8	14.8			
<i>Memorandum item:</i>																
Nominal GDP (billions of US dollars)	7.6	8.9	10.7	12.9	15.0	16.9	19.3	21.9	24.3	24.3	26.9	109.1				

Source: Staff simulations.

<sup>1</sup> Includes both public and private sector external debt.

<sup>2</sup> Derived as  $[r - \rho(1+g)] / (1+g+ppg)$  times previous period debt ratio, with  $r$  = nominal interest rate;  $g$  = real GDP growth rate, and  $\rho$  = growth rate of GDP deflator in U.S. dollar terms.

<sup>3</sup> 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.

<sup>4</sup> Assumes that NPV of private sector debt is equivalent to its face value.

<sup>5</sup> Current-year interest payments divided by previous period debt stock.

<sup>6</sup> Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table B. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2004-2026  
(In percent of GDP, unless otherwise indicated)

	Actual					Historical Average <sup>5</sup>	Standard Deviation <sup>5</sup>	Projections									
	2004	2005	2006	2007	2008			2009	2010	2011	2012	2015	2020	2021	2022	2023	2024
<b>Public sector debt<sup>1</sup></b>	93.4	77.1	42.4	39.6	39.1	39.2	39.8	40.6	42.9	46.6	46.8	47.0	47.3	47.8	48.6	50.2	
o/w foreign-currency denominated	72.7	59.2	22.3	23.6	25.3	25.8	26.6	27.3	27.5	28.6	30.2	30.3	30.4	30.6	30.8	31.1	
Change in public sector debt	-25.4	-16.3	-34.7	-2.7	-0.6	0.2	-0.1	0.6	0.8	0.4	0.2	0.2	0.4	0.5	0.8	1.7	
Identified debt-creating flows	-14.1	-13.5	-5.6	-1.5	0.3	1.0	0.6	1.3	1.4	0.9	0.4	0.2	0.2	0.4	0.5	0.8	
Primary deficit	-0.8	-0.7	4.2	4.4	3.5	3.5	3.1	3.1	3.2	2.7	2.8	2.7	2.8	2.8	2.9	3.0	
Revenue and grants	30.1	29.1	26.8	27.3	25.6	25.8	25.9	26.0	26.0	25.7	25.9	25.9	25.8	25.8	26.0	26.1	
of which: grants	6.4	5.2	5.2	5.1	3.4	3.5	3.4	3.4	3.4	3.1	2.9	2.9	2.8	2.8	2.7	2.7	
Primary (noninterest) expenditure	29.3	28.4	31.1	31.7	29.1	29.3	29.0	29.1	29.3	28.4	28.7	28.6	28.6	28.6	28.9	29.1	
Automatic debt dynamics	-12.9	-12.6	-9.9	-3.8	-2.3	-2.5	-2.5	-1.8	-1.8	-1.8	-2.4	-2.5	-2.4	-2.4	-2.1	-2.2	
Contribution from interest rate/growth differential	-6.1	-5.6	-3.9	-2.3	-1.4	-1.5	-1.7	-1.6	-1.5	-1.3	-1.5	-1.6	-1.6	-1.6	-1.7	-1.7	
of which: contribution from average real interest rate	0.2	-0.4	0.6	0.2	1.1	1.2	1.1	1.1	1.2	1.2	0.8	0.7	0.8	0.7	0.8	0.7	
of which: contribution from real GDP growth	-6.3	-5.2	-4.5	-2.5	-2.5	-2.7	-2.7	-2.7	-2.4	-2.4	-2.3	-2.4	-2.4	-2.4	-2.4	-2.4	
Contribution from real exchange rate depreciation	-6.9	-7.0	-6.0	-1.5	-0.9	-1.0	-0.9	-0.3	-0.3	-0.6	-0.9	-0.9	-1.0	-0.8	-0.7	-0.5	
Other identified debt-creating flows	-0.4	-0.2	0.0	-2.1	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Privatization receipts (negative)	-0.4	-0.2	0.0	-2.1	-0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Recognition of implicit or contingent liabilities	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	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	0.0	0.0	0.0	0.0	0.0	
Other (specify, e.g. bank recapitalization)	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	0.0	0.0	0.0	
Residual, including asset changes	-11.3	-2.8	-29.1	-1.2	-0.9	-0.8	-0.7	-0.6	-0.6	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	
<b>NPV of public sector debt</b>	...	...	37.6	35.0	34.3	34.4	34.4	35.0	35.8	38.1	42.5	43.1	43.6	44.2	45.1	47.2	
o/w foreign-currency denominated	...	...	17.5	19.0	20.5	20.9	21.9	22.6	22.7	23.8	26.1	26.4	26.5	26.7	27.0	28.1	
o/w external	...	...	17.5	19.0	20.5	20.9	21.9	22.6	22.7	23.8	26.1	26.4	26.5	26.7	27.0	28.1	
NPV of contingent liabilities (not included in public sector debt)	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	
Gross financing need <sup>2</sup>	6.0	5.1	9.4	7.4	6.9	6.9	6.6	7.0	7.2	6.5	6.5	6.4	6.5	6.6	6.7	6.8	
NPV of public sector debt-to-revenue ratio (in percent) <sup>3</sup>	...	...	140.0	128.4	134.1	133.6	133.0	134.8	137.6	148.2	164.3	165.3	166.5	169.0	171.5	180.8	
o/w external	...	...	65.3	69.6	80.2	81.3	84.5	86.8	87.3	92.6	101.0	101.9	102.3	103.5	104.6	107.7	
Debt service-to-revenue ratio (in percent) <sup>3,4</sup>	22.4	20.0	19.3	10.7	12.9	13.3	13.5	14.8	15.2	14.7	14.2	14.2	14.6	14.4	14.5	14.6	
Primary deficit that stabilizes the debt-to-GDP ratio	24.6	15.6	39.0	7.2	4.1	3.3	3.2	2.5	2.4	1.9	2.4	2.5	2.5	2.4	2.1	1.3	
<b>Key macroeconomic and fiscal assumptions</b>																	
Real GDP growth (in percent)	5.6	5.9	6.2	6.3	6.9	7.5	7.5	7.5	7.3	6.1	5.3	5.3	5.3	5.3	5.3	5.3	
Inflation rate (GDP deflator, in percent)	14.4	15.0	14.6	11.2	9.0	8.2	7.4	6.5	5.5	4.2	5.3	5.4	4.7	4.5	3.8	3.8	
Growth of real primary spending (deflated by GDP deflator, in percent)	30.9	2.3	16.4	8.6	-1.9	8.1	6.6	7.8	7.8	5.9	5.1	5.1	5.3	5.5	6.2	6.1	

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

<sup>1</sup> Coverage of public sector is central government; gross debt is used.

<sup>2</sup> 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.

<sup>3</sup> Revenues including grants.

<sup>4</sup> Debt service is defined as the sum of interest and amortization of medium and long-term debt.

<sup>5</sup> Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

**APPENDIX II. GHANA—RELATIONS WITH THE FUND**

(As of March 31<sup>st</sup>, 2007)

**I. Membership Status:** Joined September 20, 1957; Article VIII.

**I. FINANCIAL RELATIONS**

<b>II. General Resources Account</b>	SDR Million	% Quota
Quota	369.00	100.0
Fund holdings of currency	369.00	100.0

<b>III. SDR Department</b>	SDR Million	% Allocation
Net cumulative allocation	62.98	100.0
Holdings	0.14	0.22

<b>IV. Outstanding Purchases and Loans</b>	SDR Million	% Quota
PRGF arrangements	105.45	28.58

**V. Latest Financial Arrangements**

	Approval	Expiration	Amount Approved	Amount Drawn
Type	Date	Date	(SDR Million)	(SDR Million)
PRGF	05/09/2003	10/31/2006	184.50	184.50
PRGF	05/03/1999	11/30/2002	228.80	176.22
ESAF	06/30/1995	05/02/1999	164.40	137.00

**VI. Projected Payments to Fund:**

(SDR million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Principal					<u>10.54</u>
Charges/interest	<u>2.51</u>	<u>3.18</u>	<u>3.18</u>	<u>3.18</u>	<u>3.16</u>
Total	<u>2.51</u>	<u>3.18</u>	<u>3.18</u>	<u>3.18</u>	<u>13.70</u>

**VII. Implementation of HIPC Initiative:**

	<b>Enhanced Framework</b>
<i>Commitment of HIPC assistance</i>	
Decision point date	February 2002
Assistance committed by all creditors (US\$ million) <sup>1</sup>	2,186.00
<i>Of which:</i> IMF assistance (US\$ million)	112.10
(SDR equivalent in millions)	90.05
Completion point date	July 2004
<i>Disbursements of IMF assistance (SDR million)</i>	
Assistance disbursed to the member	90.05
Interim assistance	25.06
Completion point	64.99
Additional disbursement of interest income <sup>2</sup>	4.25
Total disbursements	94.30

**VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):**

I. MDRI-eligible debt (SDR Million) <sup>3</sup>	<u>265.39</u>
Financed by: MDRI Trust	220.04
Remaining HIPC Resources	45.35
II. Debt relief by facility (SDR million)	

	<b>Eligible Debt</b>			
	<u>Delivery Date</u>	<u>GRA</u>	<u>PRGF</u>	<u>Total</u>
	January 2006	N/A	265.39	265.39

<sup>1</sup> Assistance committed in the original framework is expressed in net present value (NPV) terms at the completion point; assistance committed in the enhanced framework is expressed in NPV terms at the decision point.

<sup>2</sup> In the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed in the interim.

<sup>3</sup> The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

## II. NONFINANCIAL RELATIONS

- IX. Safeguard Assessment:** The Bank of Ghana was subject to a safeguards assessment with respect to the PRGF arrangement approved on May 9, 2003. The assessment, which was completed in October 2003, made recommendations for addressing vulnerabilities in the external audit, financial reporting, internal audit, and internal controls areas. The authorities confirmed that all proposed measures were implemented.
- X. Exchange Rate Arrangement:** On February 2, 1994, Ghana accepted obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreement. The authorities describe their exchange rate regime as a managed float. However, the relative stability of the cedi-US dollar exchange rate suggests that de facto the exchange rate regime is heavily managed. The system is free of restrictions on payments and transfers for current international transactions. On March 26, 2007 the end of period exchange rate for transactions in the interbank market was ¢9,257 per U.S. dollar.
- XI. Article IV Consultation:** On June 20, 2005, the Executive Board concluded the 2005 Article IV Consultation with Ghana (IMF Country Report 05/292) and the third review of the PRGF arrangement ([www.imf.org/external/GHA/index.htm](http://www.imf.org/external/GHA/index.htm)).
- XII. FSAP:** Ghana participated in the FSAP in 2000–01, and a Financial System Stability Assessment (FSSA) was issued to the Executive Board in 2001. An FSAP update was presented to the Board in December 2003.



### XIII. Technical Assistance, 2002–March 2007:

<p><b>Fiscal Affairs Department:</b> <i>Ministry of Finance:</i> peripatetic advisor on establishing a large-taxpayers unit, February 2002–January 2003; review of public expenditure management reforms and assessment of long-term advisor, August 2002 and March 2003; tax peripatetic, May 2003; fiscal ROSC, February 2004; regional advisor on public expenditure management, August 2004–August 2005; evaluation of impact of new pricing mechanism for petroleum products on poor and vulnerable households, January 2005.</p>
<p><b>International Capital Markets:</b> <i>Bank of Ghana:</i> pilot study of access to private capital, May 2003. <i>Bank of Ghana and Ministry of Finance:</i> access to international capital markets, November 2004.</p>
<p><b>Legal Department:</b> <i>Bank of Ghana:</i> the remittance market, April–May, 2006.</p>
<p><b>Monetary and Financial Systems Department:</b> <i>Bank of Ghana (with Ministry of Finance):</i> accounting and internal audit reform, July 2002, November 2002, and March 2003; foreign exchange market, government securities market, and banking system issues, April 2003; joint FSAP follow-up with the World Bank, June 2003; multitopic technical assistance initiation, November 2004; improving monetary operations, banking supervision, and payment systems, May 2005.</p>
<p><b>Statistics Department:</b> <i>Bank of Ghana:</i> money and banking statistics, July 2002 and January–February 2004. <i>Ghana Statistical Service:</i> national accounts statistics, September and October 2001; August, November, and December 2002; and May and September 2003; national accounts and prices, March and October 2004, April–May 2005, April–May 2006, and September 2006; government finance statistics, March 2005. <i>Ministry of Finance and Economic Planning:</i> government finance statistics, May–June 2006.</p>
<p><b>Money and Capital Markets Department:</b> <i>Bank of Ghana:</i> mission to contribute to preparation of the financial sector strategy Note, March 2007; <i>Bank of Ghana and Ministry of Finance:</i> Debt Management Framework and Strategy, March 2007.</p>

**XIV. Resident Representative:** The Fund has had a Resident Representative office in Accra since June 1985. The current resident representative, Mr. M. Arnold McIntyre assumed the post in August 2006.

**APPENDIX III. GHANA—IMF-WORLD BANK RELATIONS**

(As of April 18, 2007)

**I. PARTNERSHIP IN GHANA'S DEVELOPMENT STRATEGY**

1. Ghana's development objectives are stated in the Ghana Growth and Poverty Reduction Strategy (GPRS II) presented to parliament in October 2005. The objectives of the GPRS are to create an environment favorable to private sector-led growth and sustainable poverty reduction, and to create room within the Government's budget for increased expenditures on education, health, and other priority services. The overarching objective of GPRS II is for Ghana to attain middle-income status by 2015, which entails maintaining annual real GDP growth rates of at least 6 percent. High real GDP growth rates are expected to be reflected in turn on positive social change and improvements in the quality of life for everyone.
2. The Bank and Fund teams closely coordinate their policy advice to the Ghanaian authorities. There is collaboration in terms of common objectives and joint support for implementation of Ghana's GPRS, through, e.g., joint assessments such as the 2006 Joint Staff Advisory Note on the GPRS II and the 2005 Annual Progress Report, the 2004 HIPC Expenditure Tracking Assessment and Action Plan (AAP), the mid-2004 assessment of progress toward the completion point under the Enhanced HIPC Initiative, and the update of the findings of the 2000–01 Financial Sector Assessment Program (FSAP).
3. The GPRS II, and before that the Ghana Poverty Reduction Strategy (GPRS I), created the momentum for a group of development partners (DPs) to align their assistance through a multidonor budgetary support (MDBS) agreement with the Government of Ghana (GoG). The GoG and DPs consider the MDBS to be the basis for supporting implementation of GPRS II through the budget. Building on gains made over the last few years, GoG representatives and their development partners (nine bilaterals and four multilaterals, including the World Bank) agreed on February 25, 2005, to work together according to the principles established in "Harmonization and Alignment in Ghana for Aid Effectiveness: a Common Approach for Ghana and its Development Partners." The principles agreed in that document were made operational at the November 2005 Consultative Group Meeting with the adoption of a Harmonization and Aid Effectiveness Action Plan.
4. On June 21, 2006, Ghana held a Consultative Group (CG) meeting to discuss development results, Government priorities for development investments, the need for scaled-up DP assistance, and the likely support that would be forthcoming from the donor partners. The CG documentation included a prioritized result matrix, a progress report on implementation of the aid harmonization and effectiveness action plan, and a support overview indicating actual and projected disbursements by DPs by sector and pillar of the GPRS II. The overview was designed to improve transparency related to alignment of DP support with national strategies and to increase predictability regarding future funding flows

to facilitate preparation of the 2007 national budget. The next CG meeting is scheduled for June 18-19, 2007, as the Government of Ghana and its Development Partners have adopted an annual cycle for results, resources, and partnership (RRP) CG policy dialogues, timed to provide input to the following year's budget process.

5. Building on the GPRS II and the Ghana Harmonization and Aid Effectiveness Action Plan, Ghana's DPs prepared a Ghana Joint Assistance Strategy (G-JAS), in consultation with Government and civil society, as a response to the formulation of Government priorities set out in the GPRS II. The G-JAS was signed on March 1, 2007, and provides the partnership context for the forthcoming Bank CAS that is expected to be presented to the Bank Board in June 2007.

## **II. THE WORLD BANK GROUP COUNTRY ASSISTANCE STRATEGY AND PORTFOLIO**

6. The Bank Board discussed the Country Assistance Strategy (CAS) for Ghana (FY04–07), prepared jointly with the International Finance Corporation (IFC), on March 16, 2004. The CAS was designed to support the GPRS by effectively helping Ghana achieve its development objectives. In doing so, it complements the interventions of other donors by focusing on three areas: (i) sustainable growth and job creation, (ii) service provision for human development, and (iii) governance for empowerment. The Board discussed a CAS progress report (CAS PR) on June 15, 2006. The CAS PR confirms that the strategy laid out in the 2004 CAS continues to be relevant for the Bank's program in Ghana.

7. The Bank Group strategy is to help the government: (i) maintain the progress made in achieving macroeconomic stability in recent years while pursuing accelerated growth by improving the investment climate and harnessing sources of growth; (ii) build human capital by improving delivery of human development services, and (iii) promote good governance and public sector reforms. The CAS for Ghana was prepared after consultations with government and stakeholders, including meetings throughout the country with civil society, the private sector, and others. The Bank group's strategy in Ghana also seeks to deepen its collaboration with other development partners through the MDDBS framework, partnership programs like the Health SWAp, and other sector support, and to further harmonize approaches in preparing analytical work, joint assessment of fiduciary underpinnings for sector and general budget support, mission management, and program-based assistance.

8. Since Board approval of the CAS in March 2004, the Bank program has been important in financing Ghana's development program. Total disbursements rose to US\$327 million equivalent in FY05 and US\$444 million in FY06, about 10 percent of total government expenditures. Actual disbursements for FY04–07 are projected to reach US\$1,150 million equivalent (including the PRSC-5, with an expected Board presentation on May 21, 2007). The Bank will have therefore delivered the bulk of the planned CAS program by mid-2007.

9. The Bank's cumulative commitments to Ghana as of April 18, 2007, amounted to US\$6 billion for 155 operations. The 23 active projects (including credits to Ghana for regional projects) total US\$1.18 billion, of which US\$488 million are still undisbursed. The portfolio is diverse: it consists of a series of single-tranche Poverty Reduction Support Credits (PRSCs) for continued support of policies and reforms articulated in the GPRS II, complemented by programs in health and education, agriculture, energy, roads, community water, and other infrastructure in both rural and urban areas. Annex 1 summarizes World Bank operations in Ghana. The performance of the portfolio is generally satisfactory, though the implementation of some projects is delayed.

10. Given the emphasis on growth in the GPRS II, the Bank program sharpened its focus on growth at the mid-term review in June 2006. FY07 operations are concentrated on supporting government initiatives related to ICT, energy, urban transport, and agricultural growth. Interventions related to strengthening Ghana's human development index are also scheduled for FY07: malaria and nutrition for child survival, health insurance, small towns water supply and sanitation. Additional financing for economic management capacity-building aims to enhance delivery of public services through a scaling up of the public sector reform program.

11. Non-lending services include updates of the core diagnostics, as well as targeted analyses to strengthen the analytical base for the assistance program supported by the FY04–07 CAS. In FY04, this work consisted of a CFAA update; a country economic memorandum on public policy, growth, and poverty; a financial sector assessment update; an accounting and audit assessment; a report on policy options facing the new National Health Insurance Scheme; a public expenditure review (PER) carried out with other MDDBS partners; and a poverty and social impact analysis (PSIA) that focused on electricity tariffs. In FY05, non-lending services included policy papers on the electricity and petroleum sectors, the joint WB-DFID-AFD study on natural resource management and economic growth, the external review of public financial management (ERPFM) prepared with other MDDBS partners, and analytical work on policy options for the GPRS update and on monitoring and evaluation. In FY06, non-lending services included an update of the external review of public financial management (ERPFM), prepared with other MDDBS partners; a youth and employment study; and a Country Environmental Assessment (CEA)—also carried out jointly with other development partners.

### **III. IMF-WORLD BANK COLLABORATION IN SPECIFIC AREAS**

12. The Bank and Fund teams closely coordinate their policy advice to the Ghanaian authorities; they have common objectives and together they support Ghana's GPRS and determine structural conditionality.

13. Areas where the Fund leads. The IMF leads the policy dialogue on macroeconomic policies, such as fiscal and monetary policies. The IMF has supported Ghana's poverty

reduction efforts through several arrangements under the Poverty Reduction and Growth Facility (PRGF). PRGF reforms have centered on measures to substantially raise revenue to make room for increased poverty-related spending and development needs, strengthen public expenditure management, and use monetary policy to achieve single-digit inflation. The sixth and final review under the PRGF was completed on October 27, 2006. Areas where the Bank leads. The World Bank leads the policy dialogue on economic reforms in such sectors as infrastructure, which encompasses energy, roads, and telecommunications, water, and sanitation; urban and local government; agriculture and rural development; human development; and private sector development and public sector reform.

- **Infrastructure** accounts for about 42 percent of commitments. The Road Sector Development SIL has the objective of achieving sustainable and regionally equitable improvements in the supply and performance of road transport services. The Bank Group's engagement in energy has grown to include Economic Sector Work (ESW) and Poverty and Social Impact Analysis (PSIA) and investment lending to support improvements in the operational efficiency of the national utility companies. An IDA guarantee also supports the country's participation in the West African Gas Pipeline project, while an IDA project supports Ghana's participation in the West Africa Power Pool (WAPP) through a two phase Adaptable Program Loan (A6PL). Dialogue on water and sanitation policy has been pivotal to major new investments in urban, small town, and community water access. In view of their importance for the delivery of reliable and cost-effective public services, policy issues in the power and water sectors are also part of the PRSC-supported policy agenda. Based on new developments in the government's approach to telecommunications, the Bank Group is again engaged in dialogue on sector strategy, policy, and regulation through the e-Ghana project.
- **Agriculture and rural development** accounts for about 15 percent of commitments; the intent is to find sustainable ways to increase agricultural productivity and diversification, deepen financial intermediation in rural areas, and rehabilitate land, forest, and wildlife resources. Beyond the cross-cutting issues tackled through the PRSCs, three IDA operations are supporting this agenda: the Agriculture Services Sub-Sector Investment (AgSSIP) Project, the Rural Financial Services SIL, and the Community-Based Rural Development Project, which supports a comprehensive approach to rural economic growth and poverty reduction. There are also three Global Environment Facility (GEF) projects in support of the natural resource management agenda and preservation of biodiversity.
- In **human development**, four projects account for 17 percent of total lending. Bank support in this area includes the Second Health Sector Support Program (SWAp), the Education Sector Project, the multi-sector HIV/AIDS program (M-SHAP—also a sector wide program), and the Regional Treatment Acceleration project (TAP) which is testing new approaches to accelerating treatment for people living with AIDS. The

PRSCs complement existing sector operations, leveraging their poverty focus by ensuring improved expenditure allocation (amount and structure) and addressing some of their financing implications for the poor (e.g., removal of school fees for girls in deprived areas and for disabled pupils across the country, and adopting a fee exemption policy for maternal deliveries). The PRSC-4 marked the transition from sector-targeted budget support through the health SWAPs to general budget support directed to increasing government support to the health sector and sharpening the focus of government intervention on health outcomes.

- IDA's assistance in **private sector development** represents about 13 percent of Bank Group commitments. The Trade and Investment Gateway SIL responds to new government policies; it seeks to attract a critical mass of export-oriented investors to Ghana to accelerate export-led growth and facilitate trade. The Land Administration Project will help create a sustainable, fair, efficient, and decentralized land administration system to increase land tenure security. The PRSCs also support reforms tackling the high-cost business environment, facilitating trade, and encouraging financial intermediation. Further Bank Group support to private sector development is being provided by the Micro, Small, and Medium Enterprise (MSME) Development Project, which promotes an enabling business environment and helps improve the capacity, competitiveness, and access to finance of small and medium enterprises. The joint donor Economic Management Capacity Building Project is designed to strengthen specific aspects of the financial sector and lay the foundation for public sector reforms.

14. Areas of shared responsibility. The IMF and World Bank staffs collaborate closely in supporting the GoG's structural reforms in budgeting, expenditure and financial management, public sector reform and privatization, and the financial sector, as shown below. Bank support to governance and public sector management is provided mainly through the PRSC and through programs supporting public sector capacity building and decentralization.

15. Budgeting, public expenditure management (PEM), and control. The February 2004 joint Bank-Fund assessment of the government's PEM capacity confirmed encouraging progress since 2001, though there was still a need for continued improvement in managing the budget. That assessment, the FY04 PER, and the FY05 and FY06 External Reviews of Public Financial Management (ERPFM) identified priority PEM actions being supported by the PRSC/MDBS. Through the planned ERPFMs, dialogue is expected to continue to support the country's efforts to strengthen PFM performance.

16. Public sector reform. The Fund follows public service reforms through their impact on macroeconomic aggregates (wage bill, government expenditure) and discusses the macroeconomic tradeoffs the government faces in supporting a large public sector. Building on lessons learned, the government prepared a strategy and implementation plan for public

sector reform that the cabinet approved in late 2005 and which was officially launched in March 2006. The Bank's support for implementing the government strategy takes place in the context of the PRSCs, the Economic Management Capacity Building project, and through sector-based operations (such as Urban Water, Roads Sector Development).

17. Public enterprise reform and divestiture. The Fund monitors the financial position of large public enterprises in the energy and financial sectors because of their importance for public finances and macroeconomic stability. Bank dialogue and assistance in this area is provided through the PRSCs and several sectoral projects. Bank dialogue in the energy sector, pursued through the PRSC, emphasizes ensuring the financial soundness of the power utility companies, the completion of the West Africa Gas Pipeline, and setting electricity tariffs at cost recovery levels.

18. Financial sector. In July 2003 a joint Bank-IMF mission updated the 2000–01 FSAP. The Bank of Ghana's self-assessment showed that there has been full compliance with the recommendations of the 2003 FSAP Update. Further reforms are now being implemented in the context of Ghana's comprehensive Financial Sector Strategic Plan (FINSSP). These reforms include the recently approved Foreign Exchange Act, which allows foreign investors to participate in the secondary capital market, and the Credit Reporting Act, which formalizes the procedures for reporting and sharing information on credit records, thus contributing to reduce the risks of lending and the cost of borrowing. The PRSCs and the Economic Management Capacity Building project support implementation of the FINSSP.

**ANNEX I**  
**Financial Relations with the World Bank Group**

(Active portfolio as of 18 April, 2007 millions of U.S. dollars)

Credit/Grant Number	Fiscal Year	Project Name	IDA Credit	IDA Grant	GEF Grant	IDA Guar. <sup>1</sup>	Undisbursed
20412-GH	1998	GEF Forest Biodiversity			8.7		0.2
31140-GH	1999	Trade Gateway and Investment	50.5				17.3
33740-GH	2000	Rural Financial Services	5.1				0.0
34050-GH	2001	Agricultural Services	67.0				0.0
35540-GH	2002	Road Sector Development	220.0				0.6
50723-GH	2002	GEF Northern Savanna			7.6		2.2
37310-GH H0190-GH	2003	Health Sector Program II	57.6	32.4			0.0
38170-GH	2004	Land Administration	20.5				12.3
38650-GH	2004	Education Sector Project	78.0				52.7
38890-GH	2004	2 <sup>nd</sup> Urban Environment and Sanitation	62.0				58.2
TF 50723	2004	GEF Community-based Int. Nat. Res. Mgt.			0.85		0.3
H1320-GH	2005	Urban Water		103.0			85.6
39710-GH	2005	Small Towns Water Supply	26.0				15.9
39640-GH	2005	Community-Based Rural Development	60.0				31.5
41250-GH	2006	Multisectoral HIV/AIDS program	20.0				16.3
41860-GH	2006	PRSC 4	143.1				0.0
41240-GH	2006	Economic Management Capacity Building	25.0				22.1
41390-GH	2006	Micro, Small, and Medium Enterprise Development	45.0				43.0
42260-GH	2007	e-Ghana	40.0				39.5
Total (number of credits/grants: 18) <sup>2</sup>			919.80	135.4	17.15		397.7
N.A.	2005	West Africa Gas Pipeline				8.0	
Total (number of partial risk guarantees: 1)						8.0	
H1050-GH	2004	Regional HIV/AIDS Treatment Acceleration		14.9			7.3
40920-GH	2005	West Africa Power Pool APL-1 Phase 1	40.0				38.0
42130-GH	2006	West Africa Power Pool APL-1 Phase 2	45.0				45.0
Total (number of regional credits/grants: 3)			85.0	14.9			93.4
Total (all operations)			1,004.8	150.3	17.15	8.0	488.0

Source: World Bank

<sup>1</sup> IDA partial risk guarantee up to US\$50.0 million (of which 25 percent is IDA commitment) to protect commercial parties against sovereign risk.

<sup>2</sup> Cumulative commitments for active projects total US\$1.04 billion.

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#### APPENDIX IV. GHANA—STATISTICAL ISSUES

1. **Provision of data to the Fund is broadly adequate for surveillance purposes, but the quality and timeliness of the data need to be improved.** There are also notable deficiencies in the dissemination of statistical information to the public, as well as in the reporting for Fund publications, although the situation has improved recently with the publication on the Bank of Ghana's Web site of the Monetary Policy Committee Statement, Statistical Releases, and monthly monetary series for 2001–06. Data for publication in the *International Financial Statistics (IFS)* on international transactions were last reported for 2000, on government finances for 1998, and on national accounts for 1997. No monthly or quarterly fiscal or balance of payments data are currently reported for publication in the *IFS*. The latest available data reported for publication in the *Government Finance Statistics Yearbook (GFSY)* are for 2004. However, these data cover only the cash revenue and expense transactions of the budgetary central government. Moreover, there have been long delays in the release by the Ghana Statistical Service of census and survey results, irregularity in the quarterly statistical digest, and long lags in the dissemination of data. Ghana is a participant in the General Data Dissemination System (GDDS); its metadata were initially posted on the Fund's Dissemination Standards Bulletin Board (DSBB) in July 2005. No updates of the metadata have been received since the original posting.

National accounts and prices

2. **As a result of a methodological change in the compilation of consumer prices in 1999, both the consumer price index (CPI) and the rate of inflation for the 1999-2001 period may be underestimated.** This may affect nominal GDP as well, although the impact on overall GDP is unclear, because agriculture production may have been overstated since 1990. To address problems in the compilation of price statistics and national accounts, a peripatetic advisor was assigned to Ghana during 2001–04. Follow-up technical assistance has been provided under the GDDS project for Anglophone Africa. Work on updating the CPI weights using the fourth Ghana Living Standard Survey (1998/1999) was completed in mid-2006, and the Ghana Statistical Service (GSS) plans to release the revised CPI series in 2007. STA is also providing ongoing peripatetic TA under the DFID project for the development of a Producer Price Index (PPI).

3. **The GSS is nearing completion of work on revising the GDP estimates and plans to release the revised series in 2007.** The advisor recruited under the GDDS project is assisting the GSS in updating the base year for the national accounts to 2002, expanding compilation to include estimates of expenditure on GDP, and improving sources and methods. The GSS also plans to compile estimates of quarterly GDP. A comprehensive overhaul of the basic sources of national accounts data is needed because surveys now used are outdated.

**Labor statistics**

4. **The paucity of labor statistics is a cause for concern.** Labor statistics are almost nonexistent, although some wage indicators are available from the Social Security National

Insurance Trust (SSNIT). The Ministry of Employment has been receiving technical assistance from the United Nations Development Program and the International Labor Organization in the design and compilation of labor statistics.

## **Public finance**

5. **Steps have been taken to improve fiscal data.** The Controller Accountant General Department (CAGD) currently compiles monthly budget implementation reports, and the data are available within six weeks, although some factors undermine their reliability. There are, for example, discrepancies in the data reported by the CAGD and the BOG. Above-the-line data from the CAGD are narrower in coverage than below-the-line BOG data. The lack of comprehensive and timely reconciliation of monthly treasury data with bank accounts undermines data reliability. To address these shortcomings, the government has formed a committee to define the nature of “broad” and “narrow” government; moved to a system of immediate booking for “direct debits” and more frequent reporting of government account balances; and is implementing a new automated Budget and Public Expenditure Management System (BPEMS). The BPEMS covers ministries, departments, and agencies. However, the economic classification is not sufficiently detailed for data to be compiled in accordance with the requirements of *GFSM 2001*. In June 2006 a STA mission proposed classification of transactions in line with international guidelines.

6. **There are also problems of data comprehensiveness.** The CAGD and the BOG have been missing a substantial part of central government spending, such as donor flows disbursed directly to ministries and those arising from internally generated funds. They have also had difficulties in accounting for expenses paid by extrabudgetary funds. The operations of special funds, such as the Social Security and National Insurance Trust (SSNIT), the Ghana Education Trust Fund (GETF) and the District Assemblies Common Fund (DACF), are not yet covered in the fiscal accounts. Although the majority of local government expenses are directly met from budgetary accounts, the own revenue of local governments, all spending of these revenues, and transactions financed from the DACF are not yet covered. Extending the coverage of fiscal data to general government is strongly encouraged. A new system for compiling more comprehensive data by the CAGD has been introduced. In addition, the Commitment Control System has been operating for a full year, and a report for fiscal year 2005 was generated in January 2006. The GDDS project for Anglophone Africa has assigned a short-term consultant to advice on coverage and other issues related to the implementation of the new Government Finance Statistics Manual.

7. **Central government fiscal developments are primarily monitored from below-the-line BOG data.** As no comprehensive audited accounts have been published in the last few years, above-the-line fiscal aggregates are monitored by a combination of cash-flow data from the BOG and identifiable components of revenue and expenditure provided by the Ministry of Finance and Economic Planning (MOFEP) and the CAGD. The BOG produces revenue, debt service, and domestic financing data. The MOFEP Aid and Debt Management Unit provides external debt data and information on foreign project loan and grant disbursements. The CAGD provides data on noninterest recurrent expenditure and domestically financed capital expenditures. The compilation of a full set of integrated accounts that record stocks and flows for all the subsectors of the general government, in

accordance with *GFSM 2001* guidelines, could improve and harmonize the fiscal accounts in Ghana.

**8. Comprehensive solutions to some of the data problems may have to await full implementation of the new BPEMS system and incorporation of Fund technical advice.**

Various missions from FAD have suggested short-term, temporary solutions to alleviate current data quality problems. A long-term advisor from FAD has been working on public expenditure and debt management issues in the Ministry of Finance since August 2001. A joint Bank-Fund mission in 2004 assessed progress on monitoring poverty-related spending through the Heavily Indebted Poor Countries (HIPC) Assessments and Actions Plans; a Fiscal Transparency Report on Observance of Standards and Codes (ROSC) was undertaken in July 2004; and STA provided further technical assistance in March 2005.

**Monetary statistics and international reserves**

**9. Monetary and international reserve data were significantly revised in early 2002.**

A July 2002 STA mission confirmed that the bridge table used to automatically generate data on central bank monetary variables and international reserves from BOG's financial accounts is complete and reliable. In light of changes in the structure of government accounts at the BOG that were associated with the introduction of BPEMS, in mid-2003 BOG staff developed a more detailed automated bridge table for government accounts to facilitate reconciliation and tracking of the budget. The BOG currently reports monthly data with a lag of four to six weeks.

10. The mission also detected shortcomings in the quality of data submitted by commercial banks, especially in the treatment of foreign-currency-denominated assets and liabilities, and in the reporting of government securities. To resolve these issues, the mission helped draft a new report form for commercial banks, which was adopted beginning with data published for July 2003. BOG reports data from the commercial banks with a lag of eight to ten weeks.

**11. A January-February 2004 STA mission initiated the adoption of the standardized report forms (SRFs) for reporting monetary data to the Fund.** In 2005, BOG started to report monetary data using the SRF. An April 2007 STA mission is assisting the authorities in the finalization of the SRF reporting, expansion of the coverage of depository corporations to include discount houses, the building society, rural banks and credit unions, and in launching the collection and compilation of financial statistics with a view to compile a comprehensive financial corporation survey.

**Debt statistics**

**12. The responsibility for external debt recording and payment is divided among three agencies.** The MOFEP, through its Aid and Debt Management Unit (ADMU), maintains the external debt database. It is responsible for recording debt-payment obligations, issuing payment requests, and tracking HIPC debt relief. The CAGD confirms the legality of the payment and authorizes the release of public funds. It is responsible for accounting for debt payments and rendering reports to parliament. The BOG as the payment

agent for the government verifies payments made to ADMU and CAGD.

13. An FAD technical assistance mission in 2001 concluded that **the three institutions needed to improve the transparency and accountability of external debt management**. The authorities should (i) develop a single computerized database that is available to all three institutions; (ii) formalize procedures used for settling debt payments (including obtaining debt notification from donors, delegating signing authorities of officials within the relevant organizations, and creating registers tracing the movement of the documents required to effect external debt payment); and (iii) improve the analytical content and timeliness of data, which are not currently reported at regular intervals.

14. To enable systematic comparison of the budget, **the balance of payments, and the BOG cash-flow data**, the authorities should clearly identify the government subsectors for which data are reported and prepare a clear classification of financing, outstanding debt, and guarantees issued.

### **Trade and balance of payments statistics**

15. Since 1982 the BOG Research Department has had primary responsibility for the compilation and presentation of the annual and quarterly balance of payments statistics. The main data sources are the Customs Excise and Preventive Service (CEPS), administrative data (government ministries and departments within BOG), commercial banks, and the GSS. In addition, the BOG carries out simple financial surveys on other corporate entities that are involved in transactions with nonresidents. Data are compiled based on the *Balance of Payments Manual, Fifth Edition (BPM5)*.

16. **Currently, the GSS is not publishing timely monthly trade statistics, although the data are available from the CEPS.** The staff has recommended that the GSS collaborate with the CEPS to process customs data within six weeks and with the Ministry of Trade and Industry (MOT) and the BOG to identify and reduce discrepancies in trade statistics and to ensure that imports into bonded warehouses are not double-counted. Data collection procedures of the CEPS need to be improved, and there is also room for improving trade volume data collected by the CEPS through customs invoices, which would help the GSS to extract meaningful import and export unit values.

17. **Fund staff has recommended that the GSS produce export unit values for major export commodities, such as gold and cocoa.** A high coverage of the country's export bundle can be obtained from just three major exports—cocoa, gold, and unwrought aluminum. In contrast, deflation of imports is likely to require an iterative procedure to strike a balance between coverage of the index and its stability, owing to the heterogeneity of the basket.

18. **The BOG continues to implement the recommendations of a TA mission on balance of payments statistics in 2000**, including surveys of key establishments. (A survey of shipping companies was introduced in 2004, but the companies at that time were unable to submit the required data.) Collaboration among the government agencies responsible for data collection, moreover, has improved. A new immigration form to capture data on travel

statistics, in line with the Tourism Satellite Account designed by an inter-institutional committee, was introduced in March 2005. The survey on private capital flows carried out in 2000 was published, and the BOG intends to implement a second phase of the capital flow project. Ghana is also benefiting from a GDDS/DFID project being implemented by STA on strengthening capacity for balance of payments and international investment position statistics, of which monitoring capital flows is a key component. During February/March 2007, three officials attended the first workshop under the GDDS/DFID project which focused on design and scope of an annual survey of cross-border financial flows and stocks.

**TABLE OF COMMON INDICATORS REQUIRED FOR SURVEILLANCE**  
(As of April 24, 2006)

	Date of latest observation	Date received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Frequency of publication <sup>6</sup>
Exchange rates	February 28, 2007	March 3, 2007	D	W	D
International reserve assets and reserve liabilities of the monetary authorities <sup>1</sup>	January 2007	March 2007	M	M	Q
Reserve/base money	January 2007	March 2007	W	M	Q
Broad money	January 2007	March 2007	M	M	Q
Central bank balance sheet	January 2007	March 2007	M	M	Q
Consolidated balance sheet of the banking system	January 2007	March 2007	M	M	Q
Interest rates <sup>2</sup>	February 28, 2007	March 3, 2007	W	W	W
Consumer price index	February 2007	March 2007	M	M	M
Revenue, expenditure, balance and composition of financing <sup>3</sup> – general government <sup>4</sup>	NA	NA	NA	NA	NA
Revenue, expenditure, balance and composition of financing <sup>3</sup> – central government	December 2006	February 2007	M	M	I
Stocks of central government and central government-guaranteed debt <sup>5</sup>	December 2006	February 2007	M	M	I
External current account balance	December 2006	February 2007	A	A	A
Exports and imports of goods and services	December 2006	April 2007	A	A	I
GDP/GNP	2005	August 2006	A	A	I
Gross external debt	December 2006	February 2007	M	I	A

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup>Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup>Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup>The general government consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.

<sup>5</sup>Including currency and maturity composition.

<sup>6</sup>Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA)

**APPENDIX V. GHANA—TAX SYSTEM**  
**Ghana: Summary of Tax System, 2006**

Tax	Nature of Tax	Exemptions and Deductions	Rates
1. Taxes on income and profits			
1.1. Tax on companies			
1.11. Internal Revenue Act, 2000 (Act 592) as amended. Internal Revenue Regulations 2001 (LI 1675) and amendments	<p>Domestic and foreign companies operating in Ghana are taxed on certain income accruing in, derived from, brought into, or received in the country. Taxable income includes net profits and interest, royalties, and rent income of companies formed exclusively for real estate development but does not include dividends from other companies, which are taxed at 10%. For domestic subsidiaries of nonresident companies, a further floor for net profits is that the subsidiary's share of the consolidated group profits should at least be equal to the subsidiary's share of group turnover.</p>	<p>Exemptions include the income from cocoa farming, income of other agricultural companies during their first five years of operation, income of waste processing companies during their first seven years of operation, and the income of some public corporation and bodies. Deductions are allowed for expenditures incurred in the production of income, including interest and rent. Losses incurred in farming are offset and can be carried forward for the five years after the year in which the loss was incurred. Until 2002 this provision was restricted to farming, mining, and businesses that manufacture mainly for export. In the 2006 budget, agroprocessing, tourism and ICT (software) operators were also added. Since 2006 venture capital financing companies that meet the eligibility requirement in Act 680 have a five-year tax holiday on corporate income; dividends</p>	<p>In addition to the basic rate of 25%, the following rates also apply:  hotel industry: 25%;  companies listed on the Ghana Stock Exchange: 25 % (22% for the first three years of listing after January 2004)  nontraditional exports: 8%;  rural banks: 8%;  and income of financial institutions from loans to farming enterprises or leasing companies: 20%.  Since 2004 the following rates apply to agricultural processing companies: companies located in Accra and Tema; 20%; in regional capitals other than Tamale, Bolgatanga, and Wa: 10%.  All other locations: 0%.</p>

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
		earned, and capital gains. They are also allowed to carry forward losses on disposal of shares that occur during the five-year holiday for another five years.	
<b><i>Capital allowances on classes of depreciable assets</i></b>			
	Computers and data handling equipment:	40%	
	Transport equipment:	30%	Valuation of road vehicles for this purpose is limited to C250 million
	Manufacturing plant & machinery:	30%	
	Long-term crop planting costs:	30%	
	Mining (exploration and capital expenses):	80%/50%	<ul style="list-style-type: none"> <li>a) 80% of the cost base of assets in the year of investment</li> <li>b) 5 % of asset value is added to the value written down in the preceding period. and</li> </ul>
	a) costs of exploration, development, and production rights		
	b) building and structures used for (a)		
	c) Plant and machinery used in mining and petroleum		



## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
		operations	depreciated at 50%
		Railroad, shipping, aircraft, utility, office furniture and equipment and any other asset not included in any of the other classes: 20% Buildings: 10% Intangible assets: cost base/useful life	
		Since 1995, manufacturing companies located outside Accra receive the following rebates: Accra-Tema: 0; all other regional capitals: 25% of tax liability, all other places: 50% of tax liability. Location incentives do not apply to a company's income from nontraditional exports. It is applied to the 25% rate.	
1.2 Taxes on individuals			
1.21	Income tax: Internal Revenue Act, 2000 (Act. 592) as amended Internal Revenue Regulations 2001 (LI 1675) and amendments.	<p>This tax is payable, subject to the deductions and exemptions noted, on income received by, derived from, brought into, or accruing to persons in Ghana.</p> <p>In addition to wages and salaries, income includes profits, interest receipts, dividends (which are taxed at the source</p>	
		Exemptions include: <ul style="list-style-type: none"> <li>a) income derived from cocoa production;</li> <li>b) income derived from farming for an initial period of three to ten years;</li> <li>c) interest paid by resident financial institutions; and</li> <li>d) pensions and retirement</li> </ul>	

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
	<p>at 10%, final tax), royalties, pensions, rental income (which may be taxed at a 10% final tax), and payments in kind (other than dental and medical costs).</p> <p>Standard assessments, now known as quarterly, monthly, of daily advance tax payments, are applied to certain categories of small business owners and self-employed professionals in the course of determining their actual tax liability. A tax stamp system has been introduced for those in the lower-income brackets</p>	<p>benefits.</p> <p>The income derived from a wide variety of charitable, educational, religious, and research institutions is also exempt.</p>	
		<p>Deductions include a married person's allowance of C300,000 for those with two or more dependent children), social security contributions (not exceeding 17.5% of income), Contributions to a long-term savings scheme (not exceeding 17.5% of income) and life insurance premiums (not exceeding 10% of the sum assured, or 10% of income). A deduction of C240,000 per dependent child attending any recognized registered educational institution is provided for up to three children. Relief of 25% of income from any business or employment is provided to</p>	<p><u>Taxable income</u></p> <p><u>Chargeable income</u></p> <p>First C2,400,000: 0%</p> <p>Next C2,400,000: 5%</p> <p>Next C12,000,000: 10%</p> <p>Next C79,200,000: 17.5%</p> <p>Over C96,000,000: 25%</p>
			<p><u>Income of Resident Individual from Employment</u></p> <p>Up to minimum wage: 0%</p> <p>Excess of 5% above</p>

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
1.22 Capital gains taxes Internal Revenue Act, 2000 (Act 592) as amended	This tax is levied on realized capital gains from the sale of buildings, businesses, and business assets, including goodwill, land, stocks and shares, and other assets identified by the authorities. Realized capital gains are computed as the price received from the asset less the purchase price and allowable deductions. For nonresidents only gains on assets in Ghana are chargeable, but for residents it covers gains from assets wherever situated.	<p>disabled persons; persons over 60 engaged in either business or employment are granted relief amounting to C300,000. A relief of C500,000 is granted for training if it is to update the professional, technical or vocational skill of the person.</p> <p>Other deductions include 30 percent of rental income, as well as rates and mortgage interest on the property. Persons who also have mortgages may have the interest deducted from their incomes</p> <p>In addition to deducting the original purchase price of the asset from the realized sum, deductions are allowed for the cost of improvements and alterations. Capital gains arising during a merger, amalgamation, or reorganization of companies are exempt. Capital gains arising out of disposal of securities of companies listed on the Ghana Stock Exchange are exempt for the first 20 years of the life of the Exchange. Other gains not chargeable are those on</p>	<p>minimum wage: 2.5%</p> <p>This applies where Rent Income is aggregated with other income.</p> <p>Tax payable on the assessed capital gain is computed at a flat rate of 10%.</p> <p>Any gain up to C500,000 is exempt.</p>

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
2. Social security contributions			
2.1 Social Security Decree, 1973 (N.R.C.D. 127).	All establishments with five or more employees are required to contribute to the Social Security and National Insurance Trust Fund. Contributions are based upon each employee's earnings, with contributions made by both employer and employee. Employee contributions are withheld at source. Other employees and self-employed persons may enroll on a voluntary basis.	agricultural land situated in Ghana, trading stock, or a Class 1, 2, 3, or 4 depreciable assets.  Enterprises with fewer than five employees are exempt.	<i>Contribution as percent of employee's basic pay:</i>  Employer: 12.5% Employee: 5.0%
3 Selective alien employment tax	Repealed in 1994.		
4. Taxes on property			
4.1 Death and gift taxes			

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates						
4.11 Gift tax Internal Revenue Act, 2000 (Act 592).	This tax is levied on the recipient of gifts of land, buildings, securities, businesses, business assets, or money according to a graduated rate that increases with the total open market value of gifts received within any 12-month period.	Asset transfers under a will are exempt, as are gifts between spouses and between a parent and child, and other relatives. Gifts to religious bodies and for charitable or educational purposes are also exempt. Allowable deductions include gifts received up to C500,000 in value in any 12-month period, provided that the total value of gifts received in the last five years does not exceed C500,000 in value. Where the five-year total exceeds C500,000, tax is payable on the balance received in the latest year.	Tax is payable according to a scale that increases with the value of gifts received.  <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;"><i>Value of gifts</i></td> <td style="text-align: right;"><i>Rate of tax (percent)</i></td> </tr> <tr> <td style="text-align: right;">0–C500,000:</td> <td style="text-align: right;">0%</td> </tr> <tr> <td style="text-align: right;">C500,000 or more:</td> <td style="text-align: right;">0%</td> </tr> </table>	<i>Value of gifts</i>	<i>Rate of tax (percent)</i>	0–C500,000:	0%	C500,000 or more:	0%
<i>Value of gifts</i>	<i>Rate of tax (percent)</i>								
0–C500,000:	0%								
C500,000 or more:	0%								
5. Taxes on goods and services									
5.1 Value-added tax									
5.11 Value Added Tax (VAT) Act, 1998 (Act. 546), as amended (Acts 595, 579, 629, 639 and 671), with repeal of Customs, Excise, and Preventive Service (Management)	Levied on value added, using the invoice-credit method: VAT is levied on domestic sales and imports, with deductions for VAT paid on inputs to production of taxable goods.	Zero-rated: exports of taxable goods and services; goods shipped as stores on vessels and aircraft leaving Ghana; locally produced textbooks and exercise books; and	12.5%.						

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
<p>(Amendment no. 2) Act 1995 (Act 500) and Service Tax Act, 1995 (No. 501) as amended.</p>	<p>Input tax credits carried forward for three months after which, at the taxpayer's option, they can be refunded for exporters.</p> <p>Threshold of ₵100 million per year for retailers only.</p>	<p>locally manufactured agricultural machinery, implements or tools</p> <p>Exemptions: animal, agricultural and agrifood products in their natural state from Ghana and other ECOWAS member countries (e.g., rice, millet, cassava, yam, guinea corn, plantains, vegetables, fruits, nuts, coffee, cocoa, shea butter, maize, sorghum, and meat). Also exempt are agricultural and fishing inputs specified in the law; industrial and mining equipment; newspapers and books (not paper used in producing these items); petroleum, diesel fuel, and kerosene; medical, dental, and hospital services; other than veterinary services; essential drugs and specified active ingredients for essential drugs, educational and training services approved by the Ministry of Education; and fully assembled computers imported or procured locally by educational establishments that are approved by the Minister for Education; domestic use of electricity; and compact fluorescent lamps, water supply (excluding bottled, sachet,</p>	

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
		and distilled water); transportation services; rental of property; construction services; financial services, such as insurance; issue transfer, receipt of, and money dealing; provision of credit but excluding professional advice; salt and mosquito nets; and musical instruments.	
		This is subject to the same rules and procedures as VAT.	
5.2 National health insurance levy			
5.3 Excise taxes			
5.31 Tobacco Customs and Excise Tariff, 1973; Cigarettes (Special Tax) Decree, 1976 (S.M.C.D. 40); Cigarettes Special Tax (Amendment) Decree, 1977 (S.M.C.D. 111); Cigarettes (Special Tax Law), 1983 (P.N.D.C.L. 73); Budget 1985-98. Customs and	Ad valorem excise duties are applied to all tobacco products.	None.	Tobacco products are taxed at 140% of ex-factory price and the VAT rate of 12.5%.

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
Excise (Duties and other taxes) (Amendment, 2000; Act 578).			
5.32 Spirits and beer Customs and Excise Tariff, 1973; Beer (Special Tax) Decree, 1975 (N.R.C.D. 342); Beer and Stout (Special Tax) (Amendment) Decree, 1977 (S.M.C.D. 110); 1983 (P.N.D.C.L. 72); Budget 1985-96. Customs and Excise (Duties and other taxes) (Amendment, 2000: Act 578).	Ad valorem excise duties are applied to alcoholic beverages.	None.	Ad valorem rates of excise duty are applied to: Mineral/aerated water: 20% beer: 50% spirits: 25% malt: 5% akpeteshi: 20%
5.33 Petroleum products Budget 2005. Customs and Excise (Petroleum Taxes and Petroleum-related Levies) Act 2005, Act 685.	In 2006 specific excise duties were reintroduced on petroleum products, but earmarked levies are still collected.	None.	All alcoholic beverages are also subject to the VAT rate of 12.5%.  Specific excise duty reintroduced on ex-refinery price of petroleum products Specific levies are charged for the road fund (C600 per liter on premium gasoline and gas oil), the stock fund (C30 per liter for premium gasoline, gas oil, kerosene ATK and RFO), the exploration fund (C10) and the energy fund C5) per liter for premium gasoline, gas



## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
6. Taxes on international trade			
6.1 Taxes on imports			
6.11 Customs duties	Duties are levied on most imported goods, generally as ad valorem taxes on the c.i.f. value, except for some petroleum oils under AS code 2710 that have specific rates.	Exemptions are granted for special purposes. The beneficiaries of the exemptions include (this is not an exhaustive list) imports of the Volta Aluminum Company Ltd. (VALCO), Volta River Authority, diplomats, and beneficiaries of donations for health and education purposes, as well as plant, machinery, and equipment used in mining.	Ghana maintains a common tariff, based on the Harmonized System of Customs Classification. There are four ad valorem rates: 0%, 5%, 10%, and 20%.
Customs and Excise Tariff, 1973 (L.I. 838); Customs and Excise Tariff (Amendment) Regulations, 1976 (L.I. 1080); Customs and Excise Tariff (Amendment) Regulations, 1977 (L.I. 1286); Customs and Excise Tariff (Amendment) (No.2) Regulations, 1983 (L.I. 1291); Customs and Excise Tariff (Amendment) Regulations 1984 (L.I. 1309); Minerals and Mining Law, 1986 (PNDCL, No. 156) CEPS Management Law; 1993 (PNDCL, No. 330); GIPC Act, 1994 (Act No. 478);		Other exempted goods are: <ul style="list-style-type: none"> <li>a) items imported for exhibition at trade fairs;</li> <li>b) advertising materials;</li> <li>c) aircraft parts;</li> <li>d) passengers' baggage and effects not for resale;</li> <li>e) jute bags imported by COCOBOD;</li> <li>f) agrochemicals; and</li> <li>g) foodstuffs of West African</li> </ul>	oil, kerosene, ATK, and RFO). A social impact mitigating levy of C442.56 is charged per liter of premium petrol.
			A 1% processing fee is applied to goods that are statutorily exempt from import duty (except goods imported by VALCO, VRA, diplomatic missions, the British Council, the head of state, and technical schemes). All zero-rated goods not for education; health, and agriculture sectors are also liable to a 1% processing fee.

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
Budgets 1985-96, Budget 2001.		<p>origin.</p> <p>Some items that are duty-free are:</p> <ul style="list-style-type: none"> <li>a) agricultural machinery and tractors;</li> <li>b) banknotes and coins;</li> <li>c) crude oil;</li> <li>d) educational material;</li> <li>e) newsprint;</li> <li>f) postage stamps;</li> <li>g) veterinary drugs;</li> <li>h) cash registers;</li> <li>i) compact fluorescent bulbs; and</li> <li>j) commercial buses with seating capacity of 30 or more</li> </ul>	Penalties ranging from 2.5% to 50% are imposed on imported vehicles over 10 years old.
6.12 Customs and Excise Tariff, 2000 (Act 574), as amended by the Customs and Excise Tariff, 2001 (Act 594).	A special import tax of 20% was introduced in 2000 on 36 products. In 2001, about 32 were still subject to the tax but the rate was reduced to 10%. The tax was abolished by Act 631.	None	
6.13 Export Development and Investment Fund Act, 2000 (No. 582).	Export development and investment fund levy. ECOWAS Community Levy on imports originating from non-ECOWAS countries.	Petroleum products	0.5% of c.i.f. value
6.2 Export taxes			
6.21 Cocoa export tax	A tax is levied on the f.o.b. price received	None	The cocoa export tax rate is

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates						
<p>All laws related to taxes on international trade have been consolidated into the Customs, Excise and Preventive Service (Management) Law, Part III; and Customs and Excise (duty rates and taxes) Law, 1991 (P.N.D.C 262); Budget 1992-01. Customs and Excise (Duties and other taxes) (Amendment) 2000, Act 578; 2001 budget.</p>	<p>by the Ghana Cocoa Marketing Board for all cocoa exported from Ghana.</p>		<p>determined by the Minister of Finance. Usually, 100% of all proceeds from cocoa exports after paying producer costs and COCOBOD's marketing and other costs are transferred to the central budget.</p>						
<p>6.22 Budget 2005</p>	<p>Destination Inspection fee. Tax introduced in 2001 budget on curils, logs (squared and round), and lumber. The tax on curils was taken off by Act 686</p>	<p>None</p>	<p>A processing fee of 1% of c.i.f. value is charged on goods re-exported from bonded warehouses 1% of c.i.f. value. 0% of f.o.b. value on lumber and curils 20% on logs (round or square)</p>						
<p>7. Other taxes</p>									
<p>7.1 Stamp duties Stamp Duty Act, 2005 (Act 689) Repealed all earlier stamp duty legislation</p>	<p>Ad valorem or specific rates of tax are levied on a range of legal documents and instruments, including bills of exchange, promissory notes, bills of lading, agreements, conveyances, extracts from registers, and mortgages.</p>	<p>Exemptions include instruments transferring ships, transactions where the government would be liable for the tax, and transfer of company shares to a Ghanaian citizen.</p>	<p>Duties are both specific and ad valorem, varying with the particular instrument. Examples of rates are:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Category</th> <th style="text-align: left;">Rate</th> </tr> </thead> <tbody> <tr> <td>Mineral lease Agreement</td> <td>¢250,000</td> </tr> <tr> <td>Mortgages</td> <td>Between 0.25% and</td> </tr> </tbody> </table>	Category	Rate	Mineral lease Agreement	¢250,000	Mortgages	Between 0.25% and
Category	Rate								
Mineral lease Agreement	¢250,000								
Mortgages	Between 0.25% and								

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
7.2 Other taxes not elsewhere classified			0.5% of the amount
7.21 Taxes on minerals and mining	The Minerals and Mining Law makes taxable any holder of a mining lease. Tax is also payable on the carry-forward cash balance of an individual involved in mining operations. There are no tax holidays. Tax jurisdiction under S.M.C.D. 5 makes persons involved in the industry taxable on income accruing in, derived from, brought into, and received in Ghana for resident companies subject to deductions and exemptions noted.	Exemptions include: a) exemption of staff from payment of income tax relating to furnished accommodation at the mine site; b) personal remittance quota for expatriate personnel free from any tax imposed by any enactment for the transfer of external currency out of Ghana; and c) exemption from the selective alien employment tax under the Selective Alien Employment Tax Decree (N.R.C.D. 201)	Mining operations: 25% Rate of royalty: 3–12%, depending on profitability and certain operating costs.
7.22 Airport Tax Act, 1963, as amended 2001 (Act. 596).	Payable by every passenger departing from an airport.	None	Outside Ghana: US\$50 Inside Ghana: C10,000
7.23 Petroleum Income Tax Law 1987 (P.N.D.C.L. 188).	This law covers all persons carrying on petroleum operations and is payable on income from the sale of petroleum less deductions	Deductions allowed: a) rent; b) interest paid on loans; c) repairs of premises used for the business; d) bad and doubtful debts; e) contributions to a pension	Petroleum companies: 25%* (unless provision is made in a particular petroleum agreement making alternative arrangements for paying the tax at a different

## Ghana: Summary of Tax System, 2006

Tax	Nature of Tax	Exemptions and Deductions	Rates
		<p>fund approved by the Commissioner; where such contributions exceed 25% of the employee's remuneration, only a 25% deduction is allowed; and</p> <p>f) losses incurred during a previous year of accounting, with the deduction being a sum equal to or less than the amount of the loss.</p>	<p>rate, or another tax altogether.)</p>
	<p>An additional profit tax is chargeable on the carry-forward cash balance of a year of assessment. The qualifying expenditure governing the determination of capital allowance under this law is deemed to have been incurred from January 1 to December 31, 1984, at a value to be determined by the Ministry of Finance and Economic Planning. The Secretary for Finance and Economic Planning has responsibility for fixing the rate of return for the operation.</p>	None	<p>25%</p> <p>Current recommended rate of return: 17.5%</p>

Source: Ghanaian authorities.

\* 2006 budget statement



INTERNATIONAL MONETARY FUND

*Public Information Notice*EXTERNAL  
RELATIONS  
DEPARTMENT

Public Information Notice (PIN) No. 07/64  
FOR IMMEDIATE RELEASE  
June 4, 2007

International Monetary Fund  
700 19<sup>th</sup> Street, NW  
Washington, D.C. 20431 USA

## **IMF Executive Board Concludes 2007 Article IV Consultation with Ghana**

On May 18, 2007, the Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation with Ghana.<sup>1</sup>

### **Background**

The Ghanaian economy has performed well in recent years with real GDP growing at its fastest pace since the early 1990s. In 2006, real GDP growth reached 6.2 percent, driven by agriculture (an exceptionally good cocoa harvest), mining, construction, and services, and in response to the improved business environment. Large remittance inflows fueled both consumption and private investment in housing. The economy has thus far proved reasonably resilient to the energy shortages that began in September 2006, caused by shortfalls in power supply and surging demand. Inflation declined to 10.5 percent at end-2006, and dipped below 10 percent at end-March 2007. Falling oil prices in the second half of the year helped reduce inflation, but this was partially offset by strong demand pressures from large public sector wage increases and a nominal effective depreciation of the currency. After years of sustained consolidation, the fiscal deficit (including grants) widened to 7.7 percent of GDP in 2006, more than 2.5 percentage points higher than in the mid-year supplementary budget. This outcome reflected shortfalls in revenue from import-related taxes and significant overruns in both wages and subsidies and transfers to state-owned enterprises in the energy sector. Public sector wage overruns stemmed from large wage increases in the health sector in the first half of the year, aimed at retaining skilled labor, which led to demands for additional wage increases in the rest of the

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<sup>1</sup> Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board. At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities.

public sector later in the year. Higher subsidies and transfers to the energy sector reflected the suspension of pass-through of utility price increases to end users after May 2006. The higher deficit was financed by nonbank borrowing, in part by issuing local currency (cedi) bonds. As a result, the trend decline in the ratio of domestic debt to GDP—the authorities' fiscal anchor—was reversed.

Ghana continued to accumulate international reserves in 2006, despite a widening of the external current account deficit. A significant improvement in the trade deficit as a share of GDP, helped by terms-of-trade gains and strong export growth, was more than offset by a decline in project grants. But strong capital inflows helped raise gross international reserves to slightly over 3 months of imports. Thanks to massive debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI) and good macroeconomic policies, Ghana's external debt dropped to just 22 percent in 2006 from about 120 percent of GDP in 2000.

Progress was made with some structural reforms, though others have been delayed. Public Financial Management (PFM) has been strengthened through improvements in fiscal reporting, treasury reform, and deployment of the new computerized payroll management system. The monthly reviews of petroleum product pricing introduced in April 2006 are proceeding smoothly. On the other hand, progress in public and civil service sector reforms has been slow, although it is now being stepped-up. Tariff increases for electricity and water, which should have been put into effect in May 2006, were gazetted in November but not passed on to consumers. Special energy tariffs for mines and Volta Aluminum Company (VALCO), the aluminum smelter, contributed to below-cost recovery prices for the Volta River Authority (VRA), the main stateowned energy producer. VALCO has recently been closed and as part of the authorities' fiscal package to address the 2006 fiscal slippage, the utility regulation system is being reinstated beginning in May 2007.

### **Executive Board Assessment**

Executive Directors commended the Ghanaian authorities for their continued implementation of sound economic policies and structural reforms, which have contributed to strong economic growth—the highest since the early 1990s—sizable disinflation, and a vibrant and resilient private sector. This favorable policy setting now provides Ghana with a unique opportunity to achieve the Millennium Development Goals, provided the expectations of rapidly rising income are managed skillfully. This will require the authorities to advance their strategy to accelerate growth prudently, while ensuring that macroeconomic stability and debt sustainability are preserved. Directors underscored the importance of selecting projects that would ease energy supply bottlenecks, given the associated risks to the positive outlook.

Directors supported the package of policy measures put in place by the authorities to address the fiscal slippages that developed in 2006, and a few Directors felt that there might even be scope for a stronger fiscal effort. Directors stressed that timely implementation of the package will be critical. In particular, the authorities' plans to reinstate the utility tariff regulation system with a commitment to full cost recovery and to accelerate divestiture will be key to easing future burdens on the budget. It will also be important to follow through on the commitment to

streamlining the wage-setting process and speeding up civil service reform. Directors supported the authorities' plans to introduce a fiscal responsibility law and their consideration of shifting to a total public debt-to-GDP ratio as fiscal anchor.

Directors welcomed the recent decline in inflation to single digits. Continued close monitoring of possible price pressures along with implementation of the planned fiscal measures will be important going forward. Directors commended the central bank's progress in building capacity for inflation targeting, and encouraged the continued strengthening of the environment for effective inflation targeting. This would involve perseverance with ongoing financial sector reforms, which should enhance the monetary policy transmission mechanism, and the gradual easing of foreign exchange controls, which—as financial sector development deepens—would enhance the operation of the foreign exchange market and support greater exchange rate flexibility over time. A few Directors noted that further enhancing the central bank's communications strategy will also be important.

Directors welcomed the soundness of Ghana's banking system and the authorities' record on compliance with the recommendations of the 2003 Financial Sector Assessment Program update. They underscored that rapid financial deepening, while important to support private sector-led investment and growth, requires continued supervisory vigilance and enhancement of the regulatory framework.

Directors welcomed the authorities' focus on structural reforms critical for higher growth. Public expenditure tracking surveys and the new value-for-money unit to vet public investment projects should help deliver public services more efficiently. Directors supported plans to scale up private sector participation in infrastructure projects through public-private partnerships, which should be underpinned by strong legal and management frameworks.

Directors noted that absent the scaling up of donor assistance in the near future, Ghana has decided to access the international capital market to finance prudently selected infrastructure projects needed for achieving its growth and poverty reduction goals. While recognizing that this strategy could yield a successful outcome, Directors stressed that it will involve challenges for maintaining debt sustainability, and welcomed the authorities' assurance that debt sustainability will remain at the center of their macroeconomic framework. The joint Fund-Bank debt sustainability analysis indicates that the risks to Ghana's external debt distress are moderate—albeit closer to the lower risk category—but the strong economic growth on which this outcome depends will require sustained solid policy performance. Directors urged the authorities to continue to explore avenues for concessional borrowing, and to exercise caution as they implement their borrowing strategy, making sure that any drawings on nonconcessional terms are gradual, and supported by solid institutional capacity for project selection and effective debt management. They also stressed the importance of linking the financing strategy to the medium-term expenditure framework, continuing efforts to free up resources through efficiency gains, and reallocating resources towards their most productive uses.



Directors considered that the ex-post assessment (EPA) provides a balanced analysis of Ghana's program engagement with the Fund since the mid 1990s. They highlighted the role played by the Fund, along with other donors, in helping Ghana to achieve macroeconomic stability and more rapid growth. Directors supported the EPA's message that Ghana's success is largely embedded in the strengthening of Ghana's institutions allowing for effective ownership of the reforms. Directors considered that the Fund should continue to support Ghana's efforts to strengthen the institutions and implement structural reforms crucial for maintaining macroeconomic stability and achieving its development goals. In this regard, they welcomed the consideration being given by the authorities to modalities for future engagement with the Fund, possibly in the context of a Policy Support Instrument.

**Public Information Notices (PINs)** form part of the IMF's efforts to promote transparency of the IMF's views and analysis of economic developments and policies. With the consent of the country (or countries) concerned, PINs are issued after Executive Board discussions of Article IV consultations with member countries, of its surveillance of developments at the regional level, of post-program monitoring, and of ex post assessments of member countries with longer-term program engagements. PINs are also issued after Executive Board discussions of general policy matters, unless otherwise decided by the Executive Board in a particular case.

## Ghana: Selected Economic and Financial Indicators, 2003–07

	2003	2004	2005	2006	2007
				Est.	Proj.
(Annual percentage change, unless otherwise specified)					
<b>National accounts and prices</b>					
Real GDP	5.2	5.6	5.9	6.2	6.3
Real GDP per capita	2.6	3.0	3.2	3.6	3.7
GDP deflator	28.6	14.4	15.0	14.6	11.2
Consumer price index (annual average)	26.7	12.6	15.1	10.9	9.4
Consumer price index (end of period)	23.6	11.8	14.8	10.5	9.0
<b>External sector</b>					
Exports, f.o.b. (percentage change, in U.S. dollars)	20.1	12.7	0.7	31.3	8.1
Imports, f.o.b. (percentage change, in U.S. dollars)	20.1	31.9	24.4	22.0	17.9
Export volume	-6.8	14.5	-0.9	14.9	-0.1
Import volume	6.9	13.8	14.1	11.9	19.2
Terms of trade	14.8	-15.1	-6.9	4.8	9.4
Nominal effective exchange rate (end of period)	-15.5	-8.7	7.1	-8.3	...
Real effective exchange rate (end of period)	2.4	-0.5	19.9	-1.1	...
<b>Money and credit</b>					
Net domestic assets <sup>1</sup>	7.2	1.0	7.0	16.0	16.0
Credit to the private sector <sup>1</sup>	16.4	10.0	23.1	25.8	24.2
Broad money (excluding foreign currency deposits)	40.9	26.4	13.7	39.4	23.9
Velocity (GDP/average broad money)	4.7	4.3	4.3	3.6	3.4
Prime rate (Bank of Ghana; percent; end of period)	25.7	19.1	15.5	12.5	...
(Percent of GDP, unless otherwise specified)					
<b>Government operations</b>					
Total revenue	20.8	23.8	23.8	21.6	22.2
Grants	4.7	6.4	5.2	5.2	5.1
Total expenditure	28.8	33.3	30.7	33.8	33.6
Overall balance (including grants) <sup>2</sup>	-4.6	-3.7	-2.3	-7.7	-6.8
Overall balance (including grants)	-4.4	-3.6	-3.0	-7.5	-6.8
Domestic primary balance	2.3	0.7	3.4	-4.8	-3.2
Net domestic financing	0.6	0.1	-1.7	4.9	-0.9
Total government debt	118.8	93.4	77.1	42.4	39.6
Domestic debt (gross) <sup>3</sup>	19.8	20.7	17.9	20.0	16.0
External debt	99.0	72.7	59.2	22.3	23.6
<b>External sector</b>					
Current account balance (including official transfers)	1.7	-2.7	-7.0	-8.2	-8.6
Current account balance (excluding official transfers)	-3.5	-8.8	-12.3	-11.2	-11.9
NPV of external debt outstanding	71.5	35.2	19.9	17.5	19.0
(Percent of exports of goods and services)	175.7	89.6	55.1	45.9	53.6
Gross international reserves (millions of U.S. dollars)	1,427	1,816	1,951	2,325	2,568
(Months of imports of goods and services)	3.2	3.3	2.9	3.1	3.0
Total donor support (millions of U.S. dollars)	681	837	971	894	1,039
(Percent of GDP)	8.9	9.4	9.1	6.9	6.9
<b>Memorandum items:</b>					
Nominal GDP (billions of cedis)	66,158	79,888	97,261	118,404	140,075
(Millions of U.S. dollars)	7,624	8,872	10,720	12,894	...

Sources: Data provided by Ghanaian authorities, and IMF staff estimates and projections.

<sup>1</sup> Percent of broad money at the beginning of the period.

<sup>2</sup> Below-the-line.

<sup>3</sup> Gross debt including all outstanding government obligations, including previously excluded items: noninterest-bearing perpetual Bank of Ghana revaluation stocks, and bonds issued in 2004-06 for recapitalization of BoG and TOR.

**Statement by Abbas Mirakhor, Executive Director for Ghana  
May 18, 2007**

1. The candid and concise staff report reflects well the open and frank discussions with the authorities who appreciate the significant value added in this consultation. The constructive and collaborative efforts of the authorities and staff of the IMF/WB have resulted in a report that acknowledges the achievements of the authorities and recognizes the historic opportunity of the present stage of the evolution of Ghana's economy. It appropriately identifies the challenges, realistically assesses the resource constraints, and pragmatically maps out policy responses to accelerate growth and meet the Millennium Development Goals (MDGs) while preserving macroeconomic stability and debt sustainability. The authorities express appreciation for the high-quality policy dialogue, and the recent technical assistance from MCM, including a mission to advise them on access to the international capital markets. They also extend their gratitude for continued support of management and the Executive Board.
2. Ghana's achievements include a marked increase in per capita GDP; significant reduction in poverty; sizable disinflation; reduced economic vulnerabilities; and strengthened institutions that have enhanced governance and democracy and fostered socio-political harmony and stability. Ghana has benefited from IMF financial and technical support which has been instrumental in this progress. This performance, along with strengthened business environment, has boosted confidence and earned higher rating for Ghana as well as recognition for rapid progress in the *Ease of Doing Business Index*. The authorities are committed to sustaining this strong performance to accelerate progress toward achieving the MDGs.
3. Economic performance improved further in 2006, with strong growth, decline in inflation, and further accumulation of reserves. The fiscal deficit, however, increased as a result of revenue shortfall and expenditure overruns. The latter, to a large extent, is the result of one-off expenditures. A severe energy crisis due to region-wide drought affecting hydropower generation has meant higher subsidies to the energy and water sectors as well as spending on critical investments in these sectors. Public sector wages also increased, most of which went to the critical health and education sectors, where Ghana faces major manpower shortage. Some of these expenditures were associated with the 50<sup>th</sup> Independence Anniversary celebration and the leadership role of Ghana on the continent, including hosting of the upcoming African Union Conference. Other one-off expenditures were in respect to purchase of equipment for the security agencies and spending on the National Identification program. The authorities, in consultation with staff, have designed a package of measures to reduce the deficit.

4. The staff report recognizes, perceptively, that the most important challenges ahead are to accelerate growth and achieve the MDGs against the backdrop of unlikely scaling up of concessional financial assistance, while maintaining macroeconomic stability and debt sustainability. To ensure macroeconomic stability, measures are being taken to reduce the fiscal deficit in 2007 and over the medium term. On the expenditure side, spending on nonessential investments is to be curtailed along with subsidies and transfers with the adoption of a system of cost-recovery energy and utility tariffs, which is being implemented. The public sector wage-setting process is to be streamlined, linking real wage increases to productivity increases. Civil service reform will attempt to rightsize the service while promoting efficiency and improve remuneration. Additional revenue is expected from strengthening tax administration, broadening the base, including by reducing the scope of exemptions, and intensified collection of arrears. Progress in implementation of PFM is expected, including in fiscal reporting, treasury reform, and deployment of the new automated payroll management system. The authorities see merit in shifting to total public debt/GDP as the new fiscal anchor, in view of the fact that the traditional line between ‘domestic’ and ‘external’ debt is blurred, to focus on overall debt sustainability. A fiscal responsibility law is under discussion, building on the 2003 Financial Administration Act, to underpin fiscal discipline and anchor expectations. To preserve debt sustainability, the authorities are planning a debt management framework consistent with the best international practice, hopefully, with the assistance of their development partners.

5. Monetary policy will continue focusing on its primary objective of targeting inflation. Recognizing the detrimental effect of exchange rate instability, monetary policy began in earnest in 2001 to target inflation and shift the focus of the Government and the public away from exchange rate fluctuations to inflation. The documents before the Board reflect well the effective success of this strategy. Considerable effort has been devoted to developing the infrastructure for adoption of an inflation-targeting (IT) framework, with much appreciated technical assistance from the Bank of England. Some of the institutional infrastructure and conditions for IT are already in place, while progress is being made on others. The staff report appropriately refers to the present monetary regime as “IT lite,” suggesting that “there seems to be a secondary policy objective for the exchange rate in support of the inflation target.” It is worth noting that according to the findings of a number of studies on IT, choice of secondary policy objectives, including exchange rate, is not inconsistent with “IT lite” regimes. While the authorities appreciate the acknowledgement that the exchange rate regime of Ghana does not serve as a monetary anchor, they do not agree with the assessment that the exchange rate is “heavily” managed. In their view, neither the fact of exchange rate stability nor the statutory responsibility for market intervention logically constitute *prima facie* evidence of intervention beyond that necessary for smoothing purposes.

6. As the staff report suggests, the financial system is sound, with adequate capitalization, liquidity and high profitability. Nonperforming loans are at a fairly low level and loan provisioning is adequate. The Bank of Ghana is in full compliance with recommendations of the 2003 FSAP update. The authorities will continue to promote competition, efficiency, and deepening in the financial sector. Supervision will be reinforced and banks will be encouraged to strengthen their risk management practices. Domestic capital market development remains a prime goal to promote alternative sources of financing.

7. The authorities are committed to building on the progress in structural reforms to strengthen further the productive potential of the economy and position it well to achieve the accelerated growth projected over the medium term. In the energy sector, additional generation capacity is being installed to address the ongoing power crisis and mitigate its potential effect on economic activity. Subsidies that were provided to the energy and utilities sectors in the face of the ongoing crisis will be curtailed as cost-recovery tariffs are being reinstated while measures are implemented to improve efficiency of services. The authorities will continue to improve the business environment and strengthen private sector development. In this regard, the divestiture process will be accelerated, particularly in the oil and telecommunications sectors. Active private sector participation in major infrastructure projects will be encouraged through public-private partnerships. The regulatory burden will be reduced and protection of private property and investments will be improved. Strengthening good governance further remains a priority of the Government and the relevant institutions will be given the necessary support to carry out their respective mandates effectively.

8. The medium-term outlook remains positive, with strong growth projected, and inflation expected to decline to low single digits. The overall fiscal deficit will stabilize slightly below 6 percent of GDP and, along with prudent debt policy, contribute to a reduction in total public debt to about 40 percent of GDP. Progress toward the MDGs is continuing. The poverty goal is within reach, but more progress is needed in the health, water, and sanitation sectors, where additional resource availability and enhanced spending efficiencies would be required. As the joint IMF-World Bank DSA confirms, Ghana's debt is sustainable and the risk of distress is moderate to low. The authorities appreciate the recognition and the acknowledgement that scaling up of concessional assistance is no longer reliable to anchor infrastructure investments urgently needed to remove supply-side bottlenecks. Therefore, access to minimal level of nonconcessional financing is imperative. Such levels of resort to external saving to carry out critical investments will not jeopardize the debt profile to the extent that these investments are expected to induce active supply response, have high returns, and enhance growth. The authorities recognize that supportive macroeconomic and reform policies, together with judicious borrowing policy, are critical to long-term debt sustainability. Decisions regarding

further liberalization of the capital account and the foreign exchange market will be made in consideration of the associated risks and the need to ensure orderly foreign currency flows.

9. The authorities recognize and value the perceptible paradigm shift in surveillance toward key macroeconomic and structural policy issues and their interlinkages as demonstrated in this Article IV consultation. Its value added has served to strengthen Ghana/IMF relations. The authorities will maintain a close relationship with the IMF to continue to benefit from its sound policy advice and advocacy for international assistance to support Ghana's developmental efforts. They have taken note of staff's suggestion for a follow-up formal engagement. The candid policy discussions and close collaboration with staff have produced the fundamental building blocks of a solid framework that has crystallized their vision of a home-grown program that—anchored by strong macroeconomic policies and structural reform—can mobilize additional financial resources from a domestic financial sector that is to be well developed as well as from the international capital markets. An important anchor of such a program will be the establishment of a cutting-edge debt management framework to assist in maintaining debt sustainability. In short, the core building block of the program envisioned by the authorities includes orderly and prudent access to the international capital market, sound development of a domestic financial market, and a debt management framework of best-international-practice quality. The authorities intend to manage expectations prudently in order to maintain macroeconomic stability and support to the reform process, especially during this pre-election period. The authorities consider the IMF as an important partner in their effort to achieve the full potential of the historic opportunity to accelerate growth and reduce poverty at a faster pace than has been possible thus far. The authorities, once more, register their appreciation for the strong support from Ghana's development partners in the form of financial and technical assistance and debt relief. They continue to count on this support, which remains critical for Ghana to remain on track to achieve the MDGs and middle-income status by 2015.