INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/110

GHANA

April 2020

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

In the context of the Request for Disbursement Under the Rapid Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on April 13, 2020, following discussions that ended on March 31, 2020, with the officials of Ghana on economic developments and policies underpinning the disbursement under the IMF's Rapid Credit Facility. Based on information available at the time of these discussions, the staff report was completed on April 6, 2020.
- A **Statement by the Executive Director** for Ghana.

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

Copies of this report are available to the public from
International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund

Washington, D.C.

PRESS RELEASE

PR 20/153

IMF Executive Board approves a US$1 billion disbursement to Ghana to address the COVID-19 Pandemic

FOR IMMEDIATE RELEASE

- On April 13, 2020, the IMF Executive Board approved the disbursement of US$1 billion to be drawn under the Rapid Credit Facility.
- The COVID-19 pandemic is already impacting Ghana severely. Growth is slowing down, financial conditions have tightened, and the exchange rate is under pressure.
- The authorities have timely and proactively responded to contain the spread of the COVID-19 pandemic in Ghana and support affected households and firms.

Washington, DC – April 13, 2020. The Executive Board of the International Monetary Fund (IMF) today approved the disbursement of SDR 738 million (about US$1 billion) to be drawn under the Rapid Credit Facility (RCF). The disbursement will help address the urgent fiscal and balance of payments needs that Ghana is facing, improve confidence, and catalyze support from other development partners.

The COVID-19 pandemic is already impacting Ghana severely. Growth is slowing down, financial conditions have tightened, and the exchange rate is under pressure. This has resulted in large government and external financing needs. The authorities have timely and proactively responded to contain the spread of the COVID-19 pandemic in Ghana and support affected households and firms.

The IMF continues to monitor Ghana's situation closely and stands ready to provide policy advice and further support as needed.

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

"The COVID-19 pandemic is impacting Ghana severely. Growth is projected to slow down, financial conditions have tightened, and the exchange rate is under pressure. The budget deficit is projected to widen this year given expected lower government revenues and higher spending needs related to the pandemic. The Fund's emergency financial assistance under the Rapid Credit Facility will help address the country's urgent financing needs, improve confidence, and catalyze support from other international partners.

"The authorities' response has been timely, targeted, and proactive, focused on increasing health and social spending to support affected households and firms. The Central Bank has recently taken steps to ensure adequate liquidity, preserve financial stability, and mitigate the economic impact of the pandemic, while allowing for exchange rate flexibility to preserve external buffers.

“The uncertain dynamics of the pandemic creates significant risks to the macroeconomic outlook. Ghana continues to be classified at high risk of debt distress. The authorities remain committed to policies consistent with strong growth, rapid poverty reduction, and macroeconomic stability over the medium-term.

“Additional support from other development partners will be required and critical to close the remaining external financing gap and ease budget constraints.”

Table 1. Ghana: Selected Economic and Financial Indicators, 2018-25

	2018 Est.	2019 Prel.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
	(Annual percentage change; unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	6.3	6.1	1.5	5.9	3.3	7.1	4.4	4.3
Non-oil GDP	6.5	5.2	1.8	5.8	4.4	4.8	4.8	4.8
Oil and gas GDP	3.6	17.0	-2.1	6.1	-9.0	38.4	0.0	-1.3
Real GDP (nonoil)	6.5	5.2	1.8	5.8	4.4	4.8	4.8	4.8
Real GDP per capita	4.1	4.0	-0.5	4.2	0.8	4.5	1.7	1.7
GDP deflator	10.2	8.8	9.3	8.3	7.3	6.4	6.5	6.4
Consumer price index (annual average)[1]	9.8	7.2	9.7	8.5	7.8	6.8	6.1	6.0
Consumer price index (end of period)[1]	9.4	7.9	9.9	8.2	7.4	6.2	6.0	6.0
	(Percent of GDP)							
Gross capital formation	14.9	16.2	12.3	15.5	16.6	17.8	19.1	20.7
Government	1.5	1.8	2.2	1.8	1.7	1.8	2.0	2.4
Private	13.4	14.4	10.2	13.8	14.9	16.1	17.2	18.3
National savings	11.7	14.4	7.0	10.4	11.4	13.3	15.6	17.7
Government	-5.5	-5.6	-7.9	-3.8	-3.9	-3.7	-3.6	-3.1
Private[2]	17.2	20.0	14.9	14.2	15.3	17.1	19.1	20.8
Foreign savings	-3.1	-2.7	-4.5	-3.0	-3.3	-3.2	-2.7	-2.9
Central government budget (cash basis)								
Revenue	14.5	14.3	13.5	15.1	15.1	15.1	15.2	15.2
Expenditure	21.5	21.8	23.0	20.1	20.1	20.1	20.2	20.3
o/w financial and energy sector related costs	3.3	2.7	3.1	1.0	1.0	1.0	1.0	0.9
Overall balance[3]	-7.0	-7.5	-9.5	-5.0	-5.0	-5.0	-5.0	-5.0
Overall balance excluding financial and energy sector related costs[3]	-3.7	-4.7	-6.4	-4.0	-4.1	-4.0	-3.9	-4.1
Primary balance[3]	-1.4	-1.8	-4.1	0.0	0.5	0.1	-0.1	-0.4
Primary balance excluding financial and energy sector related costs[3]	1.9	0.9	-1.0	1.0	1.5	1.1	0.9	0.5
Central government debt (gross)	59.0	63.2	68.7	67.2	66.2	65.1	64.1	63.2
Domestic debt[4]	30.1	30.8	30.1	32.8	31.8	32.3	34.8	37.6
External debt	28.9	32.4	38.6	34.4	34.4	32.8	29.3	25.6
	(Annual percentage change; unless otherwise indicated)							
Money and credit								
Credit to the private sector (commercial banks)	11.2	18.3	4.7	13.7	14.8	14.9	15.7	16.0
Broad money (M2+)	15.4	21.6	10.4	15.5	12.5	14.8	20.3	19.0
Velocity (GDP/M2+, end of period)	3.9	3.7	3.8	3.8	3.8	3.8	3.8	3.8
Base money	0.2	33.6	1.9	18.5	14.4	16.9	24.1	22.1
Bank lending rate (weighted average, percent)	26.9	…	…	…	…	…	…	…
Policy rate (in percent, end of period)	17.0	…	…	…	…	…	…	…
	(Percent of GDP)							
External sector								
Current account balance	-3.1	-2.7	-4.5	-3.0	-3.3	-3.2	-2.7	-2.9
Gross international reserves (millions of US$)	5,317	6,634	5,310	5,538	5,612	5,614	5,986	6,031
in months of prospective imports of goods and services	2.6	3.4	2.7	2.7	2.7	2.6	2.7	2.6
Net international reserves (millions of US$)	3,906	5,247	4,011	4,353	4,553	4,683	5,222	5,544
in months of prospective imports of goods and services	1.9	2.7	2.1	2.1	2.2	2.2	2.4	2.4
Total donor support (millions of US$)	612	826	514	579	1,110	663	677	482
in percent of GDP	0.9	1.2	0.8	0.9	1.6	0.9	0.8	0.6
Memorandum items:								
Nominal GDP (millions of GHc)	300,596	347,187	385,251	441,791	489,735	558,161	620,390	688,076
National Currency per U.S. Dollar (period average)	4.6	5.2	…	…	…	…	…	…
GDP per capita (US$)	2,217	2,229	2,085	2,121	2,192	2,319	2,398	2,494
Central Government Debt excluding ESLA bond	56.6	61.1	66.8	65.5	64.7	63.8	62.9	62.1

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

[1] The CPI was rebased in September 2019. The historical figures reflect assumptions by IMF staff, and will be revised once an official historical linked series is available.
[2] Including public enterprises.
[3] Excludes discrepancy.
[4] Includes Energy Sector Levy Act bond.

For information on the emergency financing requests approved by the IMF Executive Board, please see a link to the IMF Lending Tracker:
https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker

For upcoming discussions on the emergency financing requests, please see a link to the calendar of the IMF Executive Board meetings: https://www.imf.org/external/NP/SEC/bc/eng/index.aspx

INTERNATIONAL MONETARY FUND

GHANA

REQUEST FOR DISBURSEMENT UNDER THE RAPID CREDIT FACILITY

April 6, 2020

Context. The impact of the COVID-19 pandemic on the Ghanaian economy will be severe. The economic shock initially materialized through trade disruptions with China, the decline in commodity prices, and tightening of financial conditions, even before the first confirmed case on March 12. The authorities' policy response to the pandemic has been timely and proactive, focusing on public health preparedness measures, partial lockdowns, and a targeted economic relief package. The pandemic and ensuing containment and behavioral responses are dampening domestic growth, affecting revenue mobilization, and putting significant pressures on foreign exchange reserves.

Request for Fund support. The authorities are seeking financial assistance under the Rapid Credit Facility (RCF) to address the budgetary and external financing gaps arising from the economic impact and mitigation efforts of the COVID-19 pandemic. They are also requesting that this RCF be disbursed as direct budget support. The authorities are seeking additional financing from multilateral and bilateral donors to cover the remaining financing needs.

Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 738 million (100 percent of quota). Given the large fiscal financing gap, staff also supports the request that the disbursement be made in the form of budget support.

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

An IMF team consisting of Messrs. Sdralevich (head), Touna Mama (Resident Representative), Agou, Lima, Ms. Banoni (all AFR), Said (SPR), and Ralyea (FAD) held discussions with Ghanaian authorities by video and telephone conferences led by Minister of Finance Ken Ofori-Atta, Bank of Ghana Governor Addison, and other senior government officials on March 27-31. Mr. Mojarrad (Executive Director) and Mr. Osei-Yeboah (Advisor, ED's office) participated in the policy discussions.

CONTENTS

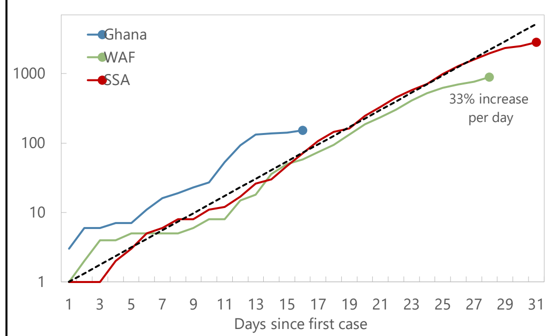
ANNEX

APPENDIX

CONTEXT

1. **The spread of COVID-19 is still limited in Ghana, but the risk of a large outbreak is rising.** (Text Figure). In response to the unfolding pandemic, the authorities have announced: (i) a US$100 million allocation earmarked to health spending; (ii) a partial lockdown, sweeping social-distancing measures and travel restrictions; (iii) a $166 million Coronavirus Alleviation Program (CAP) to support the economy; (iv) a financing strategy to mitigate the economic fallout that combines drawdowns on oil funds and exceptional financing from the Fund and the World Bank; and (v) an interest rate cut plus liquidity injection in the banking system.

Cumulative number of confirmed COVID-19 cases
(log scale, as of March 30, 2020)



Source: Johns Hopkins Coronavirus Resource Center and IMF calculations.

IMPACT OF THE COVID-19 PANDEMIC AND MEDIUM-TERM OUTLOOK

Ghana: Key Macroeconomic Indicators, 2018-21

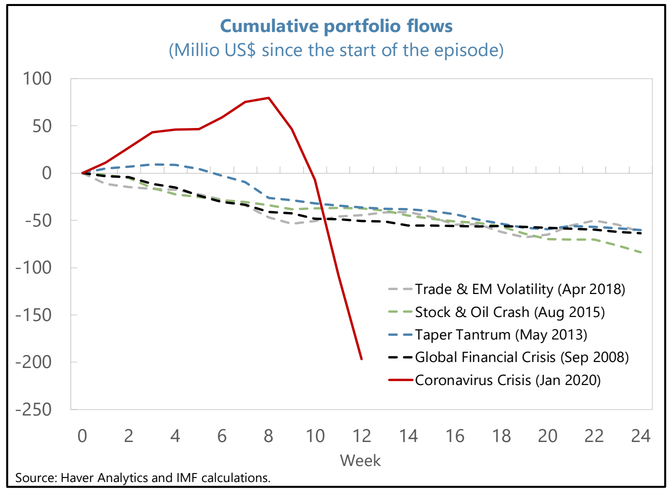
	2018	2019	2020		2021	
	Est.	Prel.	2019 AIV	Proj.	2019 AIV	Proj.
	(annual percentage change, unless otherwise indicated)					
GDP at constant prices	6.3	6.1	5.8	1.5	4.0	5.9
Consumer price index (annual average)	9.8	7.2	7.6	9.7	7.3	8.5
Overall fiscal balance (in percent of GDP)	-7.0	-7.5	-6.4	-9.5	-5.4	-5.0
Overall balance excluding financial and energy sector related costs (in percent of GDP)	-3.7	-4.7	-4.9	-6.4	-4.4	-4.0
Central government debt (gross, in percent of GDP)	59.0	63.2	63.3	68.7	63.1	67.2
Domestic debt	30.1	30.8	30.1	30.1	31.0	32.8
External debt	28.9	32.4	33.2	38.6	32.1	34.4
Current account balance (in percent of GDP)	-3.1	-2.7	-3.6	-4.5	-3.6	-3.0
Gross international reserves (millions of US$)	5,317	6,634	5,015	5,310	5,066	5,538
in months of prospective imports of goods and services	2.6	3.4	2.3	2.7	2.3	2.7

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

A. Impact

2. **Macroeconomic and financing conditions were favorable before the COVID-19 pandemic shock.** The authorities achieved broad macroeconomic stabilization, high growth, and inflation close to the midpoint of the Bank of Ghana (BOG) target band (Text Table). Despite risks, the outlook remained positive, as reflected in strong investor interest in the February Eurobond issuance of US$3 billion. At the beginning of the year, the Cedi appreciated strongly, driven by offshore inflows and rating agencies upgrades. As a result, external buffers improved, with gross international reserves (excluding oil funds) reaching US$8.3 billion or about 4 months of imports by end-February.

3. However, the economic environment has deteriorated rapidly in recent weeks:

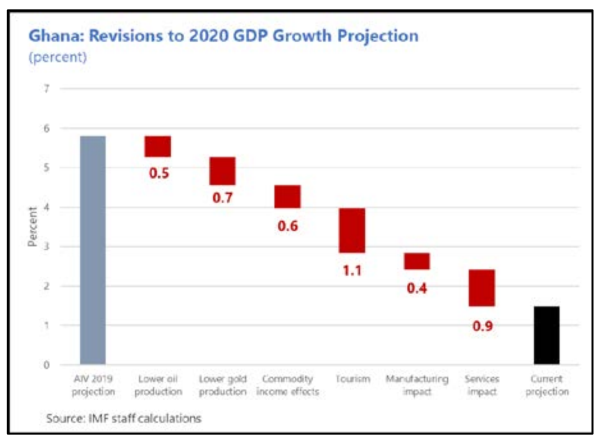


- **Commodity prices** for Ghana's three main exports have been volatile. Oil prices have more than halved since early January. Cocoa prices rose earlier in the year due to concerns about global supply but have since dropped about 10 percent year-to-date. Prices of gold—Ghana's largest export—have increased strongly due to the flight to safety.

- **Financing conditions** have tightened, with Eurobond spreads peaking at 1,355 basis points in late March—a four-year high. However, yields on domestic debt have so far remained broadly stable.

- The **Cedi** began depreciating in late February, due to the global risk-off sentiment, capital outflows, and reduced export revenues, and by late March had erased its gains for the year.

4. External factors, the domestic outbreak, and government containment measures are expected to affect the macro outlook for 2020:



- **Growth** is projected to fall to 1.5 percent, compared to December 2019 Art. IV projection of 5.8 percent, driven by lower oil production, weak global aggregate demand, global supply chain disruptions, and a steep decline in international travel, trade and retail and hospitality services (Text Figure). Containment measures, including the partial lockdown, and voluntary social distancing are expected to temporarily disrupt service and manufacturing activities. Mining production is also likely to be affected, but to a lesser degree given the higher gold prices over the forecast horizon and the restart of operations at the Obuasi mine.

- **Inflation** is expected to rise but remain below the upper band of the central bank target, as pressures from global supply chain disruptions and depreciation are partially offset by lower fuel and food prices.

- **The current account deficit** is projected to widen to 4.5 percent of GDP because of the expected decline in Ghana's oil exports by more than US$2 billion, mainly due to the fall in oil prices, and lower tourism revenues and remittances. Higher gold prices and lower profit repatriations and intra-company payments will hedge some of the negative impact. Imports are expected to decline due to lower domestic demand and global supply disruptions.

- **Gross international reserves** are projected to decline to 2.7 months of imports by end-year assuming exceptional financial support of about US$1.3 billion by the IMF and other IFIs.

- **The government deficit** is projected to reach 9.5 percent of GDP, or 6.4 percent of GDP in the government measure excluding energy and financial sector costs. Compared to the 2019 Article IV baseline, revenues are expected to be lower by 2.2 percent of GDP, because of lower oil revenue and weaker tax collections from the growth slowdown, including because of expected lower tax compliance. COVID-19 spending is expected to amount to 0.4 percent of GDP, composed of higher health and social expenditures (0.2 percent of GDP), and the CAP fiscal stimulus package (0.2 percent of GDP). Additional depositor compensation (1.3 percent of GDP) in the context of financial sector restructuring (unrelated to COVID) is mostly financed through a 5-year zero-coupon bullet bond, only increasing net financing needs by 0.3 percentage points of GDP.

Ghana. 2020 Financing needs and sources

Percent of GDP	2019 AIV	RCF
	percent of GDP	
Gross financing needs	16.1	22.2
Interest payment	6.1	5.4
External	1.6	1.7
Domestic	4.5	3.6
Fiscal deficit	6.4	9.5
Amortization	9.2	10.6
External	2.2	3.3
Domestic	7.0	7.3
Market	6.8	7.1
Non marketable	0.2	0.2
Cash buffers	0.0	0.0
ESLA	0.5	0.5
IPPs Fund	0.0	1.6
Financing before exceptional contribution	16.1	18.1
Program (Energy DPO)	0.3	0.0
Project	2.0	1.6
Eurobond	2.8	4.7
Domestic	10.6	10.9
Non Marketable (ESLA)	0.5	0.5
Other domestic	-0.1	0.9
Bond for depositor repayment	0.0	1.0
Gold royalties monetization	0.3	0.0
Exceptional financing		2.1
IMF		1.6
World Bank (Emergency DPO)		0.4
Remaining gap		2.0
Financing		2.0
Stabilization Funds		0.3
Additional financing to raise in the domestic market		1.7
Nominal GDP (GHc million)	398,538	385,251

Source: IMF staff

- **Gross government financing needs** are expected to be higher by 6.1 percentage points of GDP relative to the 2019 Article IV baseline.

B. Medium-Term Outlook and Risks

5. **Medium-term prospects remain favorable.** The medium-term outlook is unchanged from the 2019 Article IV consultation. The increase in government deficit is expected to be temporary, as most spending increase would be one-off (including for financial sector restructuring) and revenues should return to trend once growth rebounds next year, in line with a projected recovery in global growth and commodity prices. Similarly, the increase in debt does not affect the DSA risk rating, currently at high risk of debt distress, given that debt service indicators are affected only marginally (Annex I). The outlook continues to be predicated on continued market access once global financial conditions normalize.

6. **However, risks are to the downside.** Should these risks materialize simultaneously, it could prove difficult to define a feasible fiscal adjustment to stabilize the debt ratio and contain rollover risks. This underscores the importance of a sound approach to policies in each of these areas, as discussed in the next sections.

- **A more extensive and prolonged domestic COVID-19 outbreak** would have severe human consequences and lead to a steep economic contraction in 2020 and lower recovery in 2021. Food insecurity would rise with disrupted trade and markets, and poverty would worsen. Globally, a slower-than-expected recovery could lead to further declines in oil and cocoa prices and a reversal of gold price increases.
- **Rollover risks** may be exacerbated by the higher financing needs in 2020, worsening investor confidence, and recent monetary policy easing (Figure 1). Non-resident investors hold about one-quarter of domestic government debt.
- **Existing and new contingent liabilities could materialize.** Energy sector costs could increase if the authorities do not implement their Energy Sector Reform Program. Financial sector clean-up costs may also increase, both because of existing risks—recapitalization of a troubled state-owned bank and fragilities in the non-bank sector—and potential new challenges, including an increase in non-performing loans due to the growth slowdown.

ADDRESSING THE IMPACT OF THE PANDEMIC

A. Leveraging Fiscal Policy to Fight the Pandemic

7. **The authorities have been proactive in tackling the COVID-19 shock and stand ready to scale their health response (Box 1).** The authorities are committed to ramp up measures in public health depending on the evolution of the pandemic.

8. **On March 30, the authorities announced the CAP to support affected households and firms.** The program, which is being developed, consists in a stimulus package worth GHc 1 billion (US$166 million) for the promotion of selected industries (e.g., pharmaceutical sector supplying COVID-19 drugs and equipment), the support of SMEs and employment, and the creation of guarantees and first-loss instruments. Moreover, the tax filing deadline was extended from April to June. In line with staff recommendations, the fiscal measures in the CAP and other interventions are timely, targeted to support the most affected households and firms, and temporary to allow the fiscal stance to improve as the economy recovers. The authorities stand ready to introduce further health and economic measures in line with the evolution of the pandemic. Staff proposed further measures such as an expansion of targeted relief and support for SMEs, vulnerable households, and informal sector, scaling up of cash transfer programs, further prioritization of health spending, and clearance of existing arrears and avoidance of new ones to alleviate cash flow constraints.

Box 1. Health Policy Response to the COVID-19 Pandemic

- **The COVID-19 outbreak is still relatively limited in Ghana.** As of April 5, there were 214 confirmed cases and five deaths.

- **The authorities have taken early steps to enhance Ghana's preparedness.** Ghana was among 13 African countries identified as top priority by WHO for being at risk of a COVID-19 outbreak. COVID-19 testing was established initially at the Noguchi Memorial Institute for Medical Research (NMIMR) in Accra, with support from the WHO, CDC and US Naval Medical Research Unit 3 (NAMRU-3) and then extended to the Kumasi Centre for Collaborative Research (KCCR), with support from the Bernard Nocht Institute. The government has focused on distributing personal protective equipment (PPE), coordination activities, and health declaration forms. The WHO, the World Bank, DFID, and other partners are supporting the government's efforts.

- **The President committed US$100 million to support preparedness and response funded by the World Bank.** The initial preparedness budget was set at US$6.5 million, with US$2.8 million already spent. In addition, the government, in collaboration with development partners, is considering directing existing and new funding to finance the health response.

- **The government has adopted sweeping social distancing measures and travel restrictions.** On March 16, the government decreed: (i) suspension of all public gatherings exceeding 25 for four weeks; (ii) closure of all universities and schools until further notice; (iii) mandatory 14-day self-quarantine for Ghanaian resident who has been to a country with at least 200 confirmed cases of COVID-19 within the last 14 days; and (iv) no testing without symptoms, except for close contacts. On March 23, Ghana closed its borders to travellers and on March 30 introduced a partial lockdown centered around major urban areas.

9. The government is creating fiscal space to accommodate COVID-19 related spending. The fiscal response is constrained by Ghana's limited fiscal space. The government therefore plans cutting spending in goods and services, transfers, and capital investment (also reflecting the lower absorption capacity of the economy due to the pandemic), for a total of at least GHc 1.1 billion (0.3 percent of GDP). Also, the government has agreed with investors to postpone interest payment on non-marketable domestic bonds held by public institutions to fund the financial sector clean-up for about GHc 1.2 billion (0.3 percent of GDP). The government stands ready to take additional measures, including further cuts to non-priority expenditures, if needed.

10. The Ministry of Finance is exploring additional sources to close the financing gap. Besides the disbursement under the RCF of about US$1 billion, which would support the budget, the authorities are discussing exceptional financing from the World Bank in the order of US$300 million and have requested additional financing from the African Development Bank. They intend drawing on the Oil Stabilization fund for a total amount of about US$218 million in accordance with the provisions of the Petroleum Revenue Management Act and have proposed to Parliament to amend the law to grant access to the Heritage Fund of US$591 million. Should no further donor funding materialize, they plan to raise the remaining US$1.1 billion on the domestic debt market. The authorities will also continue exploring opportunities for liability management operations in the domestic market to manage the profile of financing needs.

11. The authorities will work within their public financial management framework to anchor the fiscal response to the shock. The government is considering suspending the fiscal rule in accordance with the Fiscal Responsibility Act, 2018 which allows for rule suspension for a public health epidemic or an unanticipated severe economic shock. The Act also stipulates that government present to Parliament, within 30 days of suspending the fiscal rule, plans to restore public finances after the emergency. COVID-19- related funds should be channeled through the budget following the strict application of budgetary procedures and controls, including audits.

B. Using Monetary and Exchange Rate Policies to Dampen the Shocks

12. The central bank is taking bold steps to mitigate the impact of the COVID-19 shock. On March 18, the Monetary Policy Committee (MPC) cut its key policy rate by 150 basis points to 14.5 percent, the first change since January 2019. The MPC also announced several measures to mitigate the impact of the pandemic shock, including lower reserve and capital requirements, revised provisioning and classification rules for specific loan categories, and steps to facilitate and lower the cost of mobile payments (Box 2). The committee also signaled it would continue to monitor the economic impact of COVID-19 and decide on additional measures if necessary.

Ghana. Fiscal impact of COVID-19

	In millions of GHc
Projected revenue loss (1)	8,662
Percent of GDP	*2.2*
Oil revenue	5,600
Non-oil revenue	3,062
Fiscal response (2)	1,600
Percent of GDP	*0.4*
Health related expenditures	600
Coronavirus Alleviation Program [1]	1,000
Adjustment measures (3)	2,645
Percent of GDP	*0.7*
Cuts in goods and services	748
Cuts in capital expenditures	499
Cuts in transfer of oil revenue to GNPC	198
Postponement of 2020 interest on non-marketable bonds to 2022	1,200
Net impact= (3)-(1)-(2)	-7,617
Percent of GDP	*-1.9*

1/ The program includes i) a support to affected firms including tourism and hospitality firms, ii) delays in bill payment for affected firms and households, iii) a support to SMEs involved in the production of materials against the COVID-19, iv) a support to local pharmaceutical industries involved in the production of medication against COVID-19, and v) a partnership with telecommunication firms to provide internet data at cheaper price to households including students.

Box 2. Measures Announced at the March 18 MPC Meeting

- Lower the policy rate by 150 basis points to 14.5 percent.
- Lower the primary reserve requirement from 10 to 8 percent to provide liquidity to banks.
- Lower the Capital Conservation Buffer from 3 to 1.5 percent to boost bank lending.
- Change provisioning requirements for some loans from 10 to 5 percent.
- Reclassify as "Current" loans whose repayments that are past due for Microfinance Institutions for up to 30 days, similar to what is already done for other SDIs.
- Increase mobile money transaction and wallet limits, waive fees for small transactions, and easier registration for basic mobile money accounts.

13. The pandemic represents a combined demand and supply shock that requires close coordination of monetary, exchange rate and macroprudential policies. The BOG remains committed to maintaining a prudent monetary policy stance to anchor inflation around the target band and mitigate pressures from capital outflows. While there is some room to manage excessive volatility to avoid disorderly market conditions, the BOG intends to preserve external buffers and continue to allow for exchange rate flexibility if pressures persist.

C. Addressing Challenges to Financial Stability

14. Banking sector performance and liquidity has improved following the recent cleanup. However, vulnerabilities remain, including a still relatively high share of non-performing loans, recapitalization needs of a large state-owned bank, and cross-sectoral exposures deriving from the mixed performance of non-bank institutions. In this context, the BOG could consider exceptional measures to address the impact of the crisis, such as temporarily lowering capital conservation buffers to zero percent, while avoiding further revisions to loan classification and provisioning standards.

15. The BOG has scaled up liquidity support to the banking sector. The BOG has taken steps to prevent banks from declaring or paying dividends for 2019 using the additional liquidity released by the MPC measures, and extended the deadline for banks and payment service providers to meet higher minimum capital requirements from June to December 2020. Staff suggested that, if needed, the BOG could consider stepping up open market operations and further cutting reserve requirements, and providing Emergency Liquidity Assistance (ELA) within the BOG's collateral framework, possibly allowing collateral normally not accepted for monetary policy operations. In extreme conditions, liquidity support could also be provided to non-banks. However, such support should be targeted, temporary, driven by financial stability considerations, and should also be backstopped by the government.

16. The authorities' response is being complemented by actions taken by commercial banks. Banks have committed to lowering interest rates on credit to the private sector by about 2 percent, on average, and have created a GHc 3 billion credit facility for key industries, including pharmaceuticals, hospitality, services and manufacturing. In addition, they have agreed to a 6-month moratorium on principal payments in the airline and hospitality industries, and to review credit to other industries on a case-by-case basis.

FUND SUPPORT AND CAPACITY TO REPAY

17. The impact of the pandemic creates an urgent balance of payments need and the authorities are requesting a disbursement under the RCF equivalent to 100 percent of quota (SDR 738 million or about US$1 billion). The authorities are also requesting that this financing be made available in its entirety as budget support.[1] The disbursement will help address the urgent fiscal needs, which directly contribute to the balance of payments gap, and provide additional foreign exchange to avoid a sharp drop in international reserves. The urgent balance of payments need triggered by the COVID-19 pandemic is caused primarily by sudden exogenous shocks and is expected to resolve within the next 12 months without major policy adjustments.[2]

18. Ghana's capacity to repay is adequate. Including the proposed disbursement under the RCF, the total amount of outstanding credit from the Fund would amount to SDR 1.512 billion (205 percent of quota and 39.2 percent of gross international reserves). While repayments to the Fund are projected to rise over the medium-term, peaking at SDR 238.9 million in 2026, they would still remain at 1.1 percent of exports and 5.2 percent of foreign exchange reserves. Ghana's track record of servicing debts to the Fund, improvement in macroeconomic stability, and commitment to fiscal discipline over the medium-term suggest that repayment risks are contained.

19. Exceptional financing from the IMF and other multilateral institutions would not change Ghana's risk of debt distress rating (Annex I). Government debt is expected to rise from 63.2 percent of GDP at end-2019 to 68.7 percent of GDP at end-2020, driven by a wider fiscal deficit and lower GDP, but the medium-term debt path remains largely similar to the 2019 Article IV DSA. Liquidity indicators, particularly debt service to revenue ratios, follow a similar trajectory with a 15 percentage points increase in 2020 and slower normalization over the medium term, suggesting higher liquidity risk. As outlined above, the outlook is subject to significant risks.

20. Under the IMF's safeguards policy, the RCF disbursement envisages an update of the previous assessment, which was completed in April 2015. The latest Safeguards Monitoring Report (March 2018) concluded that the BOG made some progress in addressing the recommendations of the 2015 safeguards assessment, including continuation of quality external audits, improved disclosures in its financial statements, and established procedures to monitor credit

[1] Given that the financing under the RCF will be used in its entirety to provide budget support, the Ministry of Finance and the Bank of Ghana are finalizing a Memorandum of Understanding on their respective roles and responsibilities for servicing financial obligations to the Fund.

[2] Ghana is assessed as not having prospective market access, in light of disruptions to global financial flows. On that basis, Ghana does not qualify as a presumed blender and may access PRGT resources exclusively.

to government. However, several of the 2018 recommendations are still outstanding. The BOG's legal framework has not been strengthened to prohibit monetary financing of the government and safeguard the BOG's autonomy, even though the prohibition is for the moment ensured by the MOU between MOF and BOG that expires at the end of this year.

STAFF APPRAISAL

21. The COVID-19 pandemic is already having a strong impact on Ghana's economy. Growth is projected to slow down, financial conditions have tightened, and the exchange rate is coming under pressure. Exports and tax revenue will be lower than expected just a few months ago, leading to the emergence of large external and fiscal financing gaps.

22. The authorities are acting proactively to contain the spread of COVID-19 and mitigate its economic impact. Following the first cases of COVID-19, the government committed funding for additional health expenditures and launched the Coronavirus Alleviation Program to support the most affected households and firms. If the crisis deepens, the government may need to scale up its response, ensuring that support measures remain timely, temporary, and targeted so as to safeguard fairness and public finances.

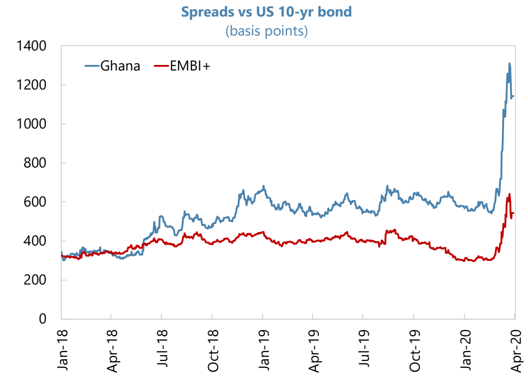
23. The Bank of Ghana has taken steps to ensure adequate domestic liquidity and mitigate the economic impact of the pandemic. Addressing the pandemic shock requires a multi-pronged approach combining monetary, exchange rate and macroprudential policies, in addition to acting as a lender of last resort. It will be important to keep measures temporary and targeted, and to preserve exchange rate flexibility and external buffers.

24. The crisis amplifies existing risks. The situation is rapidly evolving, and economic assessment and projections as well as policy decisions are affected by unprecedented uncertainty regarding the evolution of the pandemic both in Ghana and globally, and its economic effects. It is important for the authorities to implement their plans rigorously and stand ready to introduce additional measures, if necessary, while preserving macroeconomic stability.

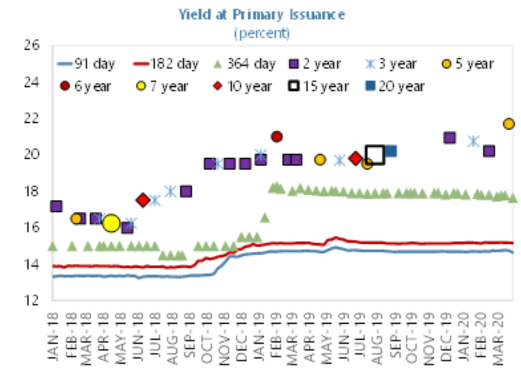
25. Staff supports the authorities' request for a disbursement under the Rapid Credit Facility in the amount of SDR 738 million (100 percent of quota). Given the large fiscal financing gap, staff also supports the request that the disbursement be made directly in the form of budget support. The disbursement under the RCF would allow to close the fiscal financing gap together with other expected exceptional financing from other multilateral institutions, savings from government expenditure switching and cuts, withdrawals from the oil fund, and additional domestic debt issuances.

Figure 1. External and Domestic Debt Developments

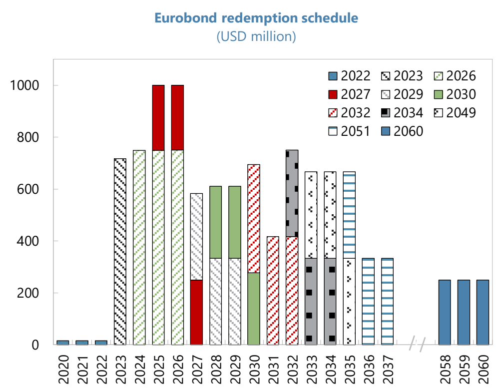
Sovereign spreads have spiked like in other frontier markets, reflecting a common global financial shock…



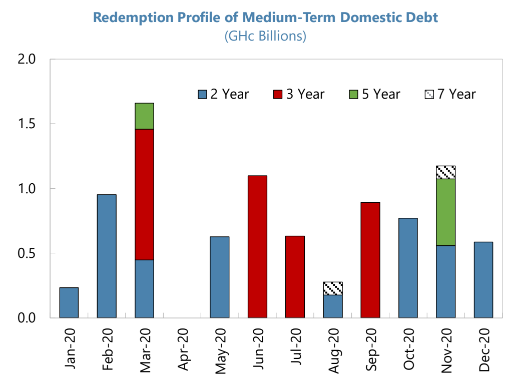
…but domestic debt yields remain stable for now.



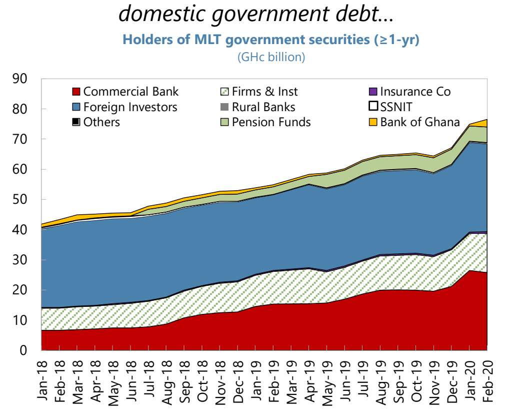
External borrowing only presents a risk after 2023…



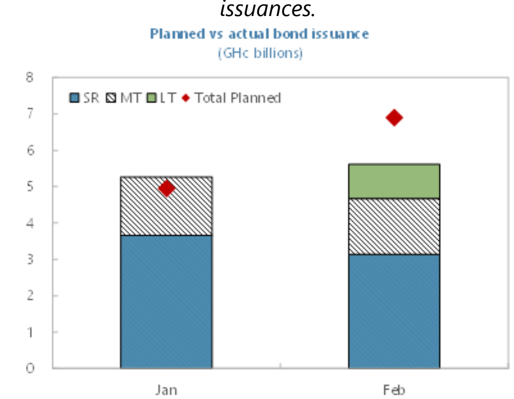
…but the domestic debt redemption profile must be carefully managed in 2020…



…with foreign investors holding roughly one quarter of domestic government debt…



…and actual issuances recently falling behind planned issuances.



Source: Bloomberg L.P., Central Securities Depository, Ghanaian authorities and IMF calculations.

Table 1. Ghana: Selected Economic Indicators, 2018–25

	2018 Est.	2019 Prel.	2020 Proj.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
	(Annual percentage change; unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	6.3	6.1	1.5	5.9	3.3	7.1	4.4	4.3
Non-oil GDP	6.5	5.2	1.8	5.8	4.4	4.8	4.8	4.8
Oil and gas GDP	3.6	17.0	-2.1	6.1	-9.0	38.4	0.0	-1.3
Real GDP (nonoil)	6.5	5.2	1.8	5.8	4.4	4.8	4.8	4.8
Real GDP per capita	4.1	4.0	-0.5	4.2	0.8	4.5	1.7	1.7
GDP deflator	10.2	8.8	9.3	8.3	7.3	6.4	6.5	6.4
Consumer price index (annual average)[1]	9.8	7.2	9.7	8.5	7.8	6.8	6.1	6.0
Consumer price index (end of period)[1]	9.4	7.9	9.9	8.2	7.4	6.2	6.0	6.0
	(Percent of GDP)							
Gross capital formation	14.9	16.2	12.3	15.5	16.6	17.8	19.1	20.7
Government	1.5	1.8	2.2	1.8	1.7	1.8	2.0	2.4
Private	13.4	14.4	10.2	13.8	14.9	16.1	17.2	18.3
National savings	11.7	14.4	7.0	10.4	11.4	13.3	15.6	17.7
Government	-5.5	-5.6	-7.9	-3.8	-3.9	-3.7	-3.6	-3.1
Private[2]	17.2	20.0	14.9	14.2	15.3	17.1	19.1	20.8
Foreign savings	-3.1	-2.7	-4.5	-3.0	-3.3	-3.2	-2.7	-2.9
Central government budget (cash basis)								
Revenue	14.5	14.3	13.5	15.1	15.1	15.1	15.2	15.2
Expenditure	21.5	21.8	23.0	20.1	20.1	20.1	20.2	20.3
o/w financial and energy sector related costs	3.3	2.7	3.1	1.0	1.0	1.0	1.0	0.9
Overall balance[3]	-7.0	-7.5	-9.5	-5.0	-5.0	-5.0	-5.0	-5.0
Overall balance excluding financial and energy sector related costs[3]	-3.7	-4.7	-6.4	-4.0	-4.1	-4.0	-3.9	-4.1
Primary balance[3]	-1.4	-1.8	-4.1	0.0	0.5	0.1	-0.1	-0.4
Primary balance excluding financial and energy sector related costs[3]	1.9	0.9	-1.0	1.0	1.5	1.1	0.9	0.5
Central government debt (gross)	59.0	63.2	68.7	67.2	66.2	65.1	64.1	63.2
Domestic debt[4]	30.1	30.8	30.1	32.8	31.8	32.3	34.8	37.6
External debt	28.9	32.4	38.6	34.4	34.4	32.8	29.3	25.6
	(Annual percentage change; unless otherwise indicated)							
Money and credit								
Credit to the private sector (commercial banks)	11.2	18.3	4.7	13.7	14.8	14.9	15.7	16.0
Broad money (M2+)	15.4	21.6	10.4	15.5	12.5	14.8	20.3	19.0
Velocity (GDP/M2+, end of period)	3.9	3.7	3.8	3.8	3.8	3.8	3.8	3.8
Base money	0.2	33.6	1.9	18.5	14.4	16.9	24.1	22.1
Bank lending rate (weighted average, percent)	26.9	...	...	...	...	...	...	...
Policy rate (in percent, end of period)	17.0	...	...	...	...	...	...	...
	(Percent of GDP)							
External sector								
Current account balance	-3.1	-2.7	-4.5	-3.0	-3.3	-3.2	-2.7	-2.9
Gross international reserves (millions of US$)	5,317	6,634	5,310	5,538	5,612	5,614	5,986	6,031
in months of prospective imports of goods and services	2.6	3.4	2.7	2.7	2.7	2.6	2.7	2.6
Net international reserves (millions of US$)	3,906	5,247	4,011	4,353	4,553	4,683	5,222	5,544
in months of prospective imports of goods and services	1.9	2.7	2.1	2.1	2.2	2.2	2.4	2.4
Total donor support (millions of US$)	612	826	514	579	1,110	663	677	482
in percent of GDP	0.9	1.2	0.8	0.9	1.6	0.9	0.8	0.6
Memorandum items:								
Nominal GDP (millions of GHc)	300,596	347,187	385,251	441,791	489,735	558,161	620,390	688,076
National Currency per U.S. Dollar (period average)	4.6	5.2	...	...	...	...	...	...
GDP per capita (US$)	2,217	2,229	2,085	2,121	2,192	2,319	2,398	2,494
Central Government Debt excluding ESLA bond	56.6	61.1	66.8	65.5	64.7	63.8	62.9	62.1

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

[1] The CPI was rebased in September 2019. The historical figures reflect assumptions by IMF staff, and will be revised once an official historical linked series is available.

[2] Including public enterprises.

[3] Excludes discrepancy.

[4] Includes Energy Sector Levy Act bond.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2018–21
(GFS 2001, Cash basis, Percent of GDP)

	2018 Prel.	2019 Prel.	2020 Proj.	2021 Proj.
	(In percent of GDP, unless otherwise specified)			
Revenue[1]	14.5	14.3	13.5	15.1
Taxes	12.9	12.8	11.9	13.2
Direct taxes	6.1	6.5	5.8	6.8
Indirect taxes	4.7	4.7	4.5	4.9
Trade taxes	2.0	1.5	1.5	1.6
Other tax revenues	0.1	0.0	0.0	0.0
Other revenue	1.3	1.3	1.3	1.5
Grants	0.3	0.3	0.4	0.3
Expenditure	21.5	21.8	23.0	20.1
Expense	20.0	20.0	20.8	18.1
Compensation of employees	6.5	6.3	6.8	6.9
Wages and salaries	5.7	5.6	5.8	5.9
Deferred wage payments	0.0	0.0	0.0	0.0
Social contributions	0.8	0.7	1.0	1.0
Purchases of goods and services	1.7	1.8	2.0	1.6
Interest	5.6	5.7	5.4	5.0
Domestic	4.5	4.4	3.6	3.4
Foreign	1.1	1.3	1.7	1.6
Subsidies	0.0	1.0	1.3	1.0
Social transfers	0.1	0.0	0.1	0.1
Grants to other government units	2.5	3.3	3.2	3.4
Other expenses [2]	3.5	1.9	2.1	0.1
o/w: financial sector related costs	3.3	1.7	1.8	0.0
Net acquisition of nonfinancial assets	1.5	1.8	2.2	2.0
Domestic financed	0.6	0.7	0.8	0.5
Foreign financed	0.9	1.0	1.4	1.5
Overall balance	-7.0	-7.5	-9.5	-5.0
Overall balance excluding financial and energy sector related costs	-3.7	-4.7	-6.4	-4.0
Discrepancy	0.0	0.0	0.0	0.0
Net financial transactions	-7.0	-7.5	-9.5	-5.0
Net acquisition of financial assets	-3.6	0.1	0.1	0.0
Currency and deposits	-4.0	0.0	0.0	0.0
Loans [3]	0.8	…	…	…
Net incurrence of liabilities	3.4	7.6	9.6	5.0
Domestic	3.8	3.9	3.6	3.5
Nonbanks	2.4	2.9	2.7	2.6
Unidentified financing	0.0	0.0	1.7	0.0
Foreign	-0.3	3.8	5.5	1.5
Exceptional financing (IMF, WB)	0.0	0.0	2.1	0.0
Memorandum items:				
Oil revenue	1.5	1.2	0.5	1.3
Proceeds from Energy Sector Levies Act (ESLA)	0.6	0.5	0.5	0.4
Revenue excl. oil, grants, and ESLA (percent of non-oil GDP)	12.6	12.9	12.5	13.4
Primary balance (excl. discrepancy)	-1.4	-1.8	-4.1	0.0
Primary balance excluding financial sector related costs	1.9	0.9	-1.0	1.0
Nominal GDP (millions of GHc)	300,596	347,187	385,251	441,791

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

[1] Revenues in staff's presentation differ from those of the authorities as staff reports revenues net of retentions of the revenue agency.

[2] Payments of cash arrears and promissory notes to statutory funds.

[3] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2018–21
(GFS 2001, Cash basis, Millions of GHc)

	2018 Est.	2019 Prel.	2020 Proj.	2021 Proj.
	(In millions of GHc)			
Revenue[1]	43,523	49,767	52,190	66,761
Taxes	38,859	44,417	45,832	58,437
Direct taxes	18,347	22,598	22,369	29,848
Indirect taxes	14,167	16,320	17,325	21,612
Trade taxes	5,967	5,346	5,962	6,977
Other tax revenues	377	153	176	201
Other revenue	3,838	4,364	4,940	6,631
Grants	827	986	1,418	1,492
Expenditure	64,480	75,707	88,784	88,847
Expense	60,049	69,555	80,175	79,818
Compensation of employees	19,612	22,033	26,021	30,471
Wages and salaries	17,213	19,521	22,330	26,066
Deferred wages	0	0	0	0
Social contributions	2,399	2,512	3,691	4,405
Purchases of goods and services	5,128	6,170	7,637	7,137
Interest	16,788	19,756	20,651	21,996
Domestic	13,460	15,157	14,027	15,122
Foreign	3,328	4,599	6,624	6,874
Subsidies	125	3,417	4,900	4,586
Social transfers	166	126	339	387
Grants to other government units	7,617	11,424	12,437	15,006
Other expenses[2]	10,614	6,630	8,190	235
Net acquisition of nonfinancial assets	4,431	6,152	8,609	9,030
Domestic financed	1,683	2,529	3,111	2,209
Foreign financed	2,748	3,623	5,498	6,821
Additional measures	0	0	0	0
Net lending / borrowing (overall balance)	-20,957	-25,940	-36,594	-22,087
Overall balance excluding financial and energy sector related costs	-11,155	-16,623	-24,628	-17,467
Discrepancy	0	0	0	0
Net financial transactions	-20,957	-25,940	-36,594	-22,087
Net acquisition of financial assets	-10,676	443	446	78
Currency and deposits	-12,050	0	0	-79
Shares and other equity	-1,112	443	446	156
Loans[3]	2,487			
Net incurrence of liabilities	10,281	26,383	37,040	22,164
Domestic	11,295	13,526	14,012	15,509
Nonbanks	7,342	10,145	10,509	11,632
Additional domestic market issuance	0	0	6,485	0
Foreign	-1,014	13,078	21,026	6,655
Exceptional financing (IMF, WB)	0	0	7,987	0
Memorandum items:				
Oil revenue	4,475	4,194	2,046	5,916
Proceeds from Energy Sector Levies Act (ESLA)	1,817	1,755	1,755	1,858
Revenue excl. oil, grants, and ESLA	36,404	42,832	46,971	57,495
Primary balance (excl. discrepancy)	-4,169	-6,184	-15,943	-91
Primary balance excluding financial and energy sector related costs	5,633	3,133	-4,043	4,495
Nominal GDP	300,596	347,187	385,251	441,791

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

[1] Revenues in this presentation differs from the authorities' as staff reports revenues net of retentions of the revenue agency.

[2] Payments of cash arrears and promissory notes to statutory funds.

[3] Includes onlending to SoEs using the proceeds from issuance of the Energy Sector Levy Act bond.

Table 3. Ghana: Monetary Survey, 2018–21

	2018 Est.	2019 Prel.	2020 Proj.	2021 Proj.
	(In millions of GHc, unless otherwise indicated)			
I. Monetary Survey (Central Bank and Commercial Banks)				
Net foreign assets	14,037	20,594	17,615	14,290
Net domestic assets	62,344	72,316	84,963	104,197
Domestic claims	78,256	91,081	100,857	112,030
Net claims on central government	27,552	34,215	39,090	42,717
Claims on other sectors	50,704	56,866	61,767	69,313
Claims on public non-financial corporations	9,903	8,951	11,154	11,627
Claims on private sector	40,475	47,725	50,244	57,110
Other	326	190	368	576
Other items (net)	-12,955	-18,764	-15,894	-7,833
Money and quasi-money (M3)	76,380	92,910	102,577	118,487
Broad money (M2)	60,255	69,908	76,107	90,163
Foreign exchange deposits	16,126	23,002	26,471	28,324
II. Central Bank				
Net foreign assets	12,763	19,923	16,827	13,464
Net domestic assets	8,738	8,798	12,445	21,214
Net domestic claims	13,766	15,046	18,693	27,462
Claims on other depository corporations	-1,465	1,988	5,029	13,090
Net claims on central government	10,209	8,469	8,469	8,469
Claims on central government (BOG)	17,152	16,575	16,575	16,575
Liabilities to central government (BOG)	6,943	8,106	8,106	8,106
Claims on other sectors[1]	5,023	4,589	5,195	5,903
Other items (net)[2]	-5,028	-6,248	-6,248	-6,248
Base money[3]	21,501	28,721	29,272	34,678
Currency in circulation (net of cash in vaults)	11,941	14,336	17,662	21,836
Currency in banks (cash in vault)	1,623	1,934	1,991	2,162
Bank deposits at BOG[3]	5,389	6,313	6,193	9,483
Liabilities to other sectors	2,549	2,645	2,645	2,645
III. Commercial Banks				
Net foreign assets	1,274	670	787	826
Net domestic assets	61,112	76,963	83,357	95,055
Net domestic claims	79,261	89,764	96,158	107,856
Net claims on central bank (net of below two lines)	15,742	10,038	7,092	8,324
Claims on central bank	16,237	11,741	8,965	10,198
Liabilities to central bank	495	1,703	1,874	1,874
Net claims on central government (ODCs)	17,343	25,746	30,621	34,248
Net claims on public non-financial corporations	8,088	7,792	9,995	10,468
Claims on private sector	37,593	44,485	46,576	52,942
Other items (net)	-18,149	-12,801	-12,801	-12,801
Memorandum items:	(Annual percentage change)			
Base money	0.2	33.6	1.9	18.5
M2	15.7	16.0	8.9	18.5
M2+[4]	15.4	21.6	10.4	15.5
Credit to the private sector (commercial banks)	11.2	18.3	4.7	13.7
M2-to-GDP ratio (in percent)	20.0	20.1	19.8	20.4
M2-to-Non-Oil GDP ratio (in percent)	20.8	21.0	20.2	21.0
Base money multiplier (M2/base money)	2.8	2.4	2.6	2.6
Credit to the private sector (commercial banks, in percent of GDP)	12.5	12.8	12.1	12.0

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

[1] Include public enterprises and local governments.

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

[3] Excludes foreign currency deposits.

[4] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2018–21

	2018 Est.	2019 Prel.	2020 Proj.	2021 Proj.
	(In millions of U.S. dollars)			
Current account	-2,044	-1,835	-2,858	-2,012
Trade balance	1,809	2,282	2,226	2,753
Exports, f.o.b.	14,943	15,634	13,798	15,044
Imports, f.o.b	-13,134	-13,352	-11,572	-12,291
Of which: oil imports	-2,581	-2,360	-1,168	-1,314
Services (net)	-2,514	-3,569	-3,710	-2,823
Income (net)	-3,922	-3,954	-3,487	-4,098
Of which: interest on public debt	-1,404	-1,487	-1,723	-1,426
Transfers	2,583	3,406	2,113	2,155
Official transfers	19	18	0	0
Other transfers	2,564	3,388	2,113	2,155
Capital and financial account	1,501	3,108	291	2,355
Capital account	258	189	186	149
Financial account	1,243	2,918	105	2,206
Foreign direct investment (net)	2,908	3,292	2,498	3,318
Portfolio investment (net)	929	2,299	1,180	1,674
Other investment (net)	-2,594	-2,673	-3,573	-2,787
Medium and long term (net)	-2,753	-3,135	-3,806	-2,929
Short-term (net)	159	462	233	143
Errors and omissions	-128	-40	0	0
Overall balance	-671	1,233	-2,567	343
Financing	671	-1,233	2,567	-343
Changes in net reserves (-, incr.)[1]	671	-1,233	1,237	-343
of which: Use of Fund credit (net)	401	330	-88	-115
Residual gap	0	0	-1,331	0
Exceptional financing	0	0	1,331	0
o/w: IMF RCF			1,013	
o/w: World Bank			300	
Memorandum items:	(Percent of GDP, unless otherwise indicated)			
Current account	-3.1	-2.7	-4.5	-3.0
Trade balance	2.8	3.4	3.5	4.1
Official transfers	0.0	0.0	0.0	0.0
Capital and financial account	2.3	4.6	0.5	3.5
Foreign direct investment (net)	4.4	4.9	3.9	5.0
Overall balance	-1.0	1.8	-4.0	0.5
Gross foreign assets[2]				
Millions of U.S. dollars	7,025	8,422	7,133	7,404
Months of imports	3.4	4.3	3.7	3.6
Gross international reserves[3]				
Millions of U.S. dollars	5,317	6,634	5,310	5,538
Months of imports	2.6	3.4	2.7	2.7
Net international reserves				
Millions of U.S. dollars	3,906	5,247	4,011	4,353
Months of imports	1.9	2.7	2.1	2.1

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

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

[2] Includes foreign encumbered assets and oil funds.

[3] Excludes foreign encumbered assets and oil funds.

Table 5. Ghana: External Financing Requirements and Sources, 2018–20

(Millions of U.S. Dollars, unless otherwise indicated)

	2018	2019	2020
I. Total financing requirements	-4,870	-6,878	-6,179
Current account balance (excl. official transfers)	-2,063	-1,745	-2,858
o/w: Exports	14,943	15,634	13,798
Imports	-13,134	-13,352	-11,572
Debt amortization[1]	-935	-1,149	-1,286
Private financing (net)	-2,305	-3,029	-3,592
Short-term (net)[2]	259	362	233
Gross reserves accumulation	174	-1,317	1,325
II. Total available financing	4,553	6,717	4,848
Project grants	258	189	186
Disbursement from external creditors	611	1,017	1,020
Foreign direct investment (net)	2,908	3,292	2,498
Portfolio investment (net)	929	2,299	1,180
Oil Funds (net)	-153	-80	-36
III. Financing gap	-317	-161	-1,331
IV. Expected sources of financing	129	18	318
Other IFIs (WB, AfDB)	0	0	300
Other program support	129	18	18
of which: Program grants	19	18	18
of which: Bilateral program loans	110	0	0
V. Residual gap	-188	-144	-1,013
Exceptional Financing of which			
IMF	188	117	1,013
Memorandum items:			
Gross international reserves			
Millions of U.S. Dollars	5,317	6,634	5,310
Months of imports	2.6	3.4	2.7
Net international reserves			
Millions of US dollars	3,906	5,247	4,011
Months of imports	1.9	2.7	2.1
Current account balance (in percent of GDP)	-3.1	-2.6	-4.4
Nominal GDP (USD million)	65,518	67,240	64,183
Oil prices (USD / bbl)			

Sources: Ghanaian authorities and IMF staff estimates and projections.

[1] Including repayments to IMF.

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

Table 6. Ghana: Indicators of Capacity to the Repay the IMF, 2020–33

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Fund obligations based on existing credit (in millions of SDRs)														
Principal	52.2	83.2	90.3	93.0	119.6	124.5	91.3	66.4	39.9	13.3	0.0	0.0	0.0	0.0
Charges and interest	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund obligations based on existing and prospective credit (in millions of SDRs)														
Principal	52.2	83.2	90.3	93.0	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0
Charges and interest	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total obligations based on existing and prospective credit														
In millions of SDRs	52.6	83.4	90.4	93.2	119.7	198.5	239.1	214.2	187.6	161.1	74.0	0.2	0.2	0.2
In millions of US$	72.2	114.9	125.1	129.3	166.8	277.4	334.1	299.3	262.2	225.0	103.4	0.3	0.3	0.3
In percent of gross international reserves	1.4	2.1	2.2	2.3	2.8	4.6	5.2	4.0	2.9	2.0	0.8	0.0	0.0	0.0
In percent of exports of goods and services	0.3	0.5	0.5	0.5	0.6	1.0	1.1	1.0	0.8	0.7	0.3	0.0	0.0	0.0
In percent of debt service[1]	1.8	3.7	3.8	3.7	4.7	6.0	7.0	7.7	7.1	6.0	2.5	0.0	0.0	0.0
In percent of GDP	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.3	0.3	0.2	0.1	0.0	0.0	0.0
In percent of quota	7.1	11.3	12.3	12.6	16.2	26.9	32.4	29.0	25.4	21.8	10.0	0.0	0.0	0.0
Outstanding Fund credit														
In millions of SDRs	1459.4	1376.2	1286.0	1193.0	1073.4	875.1	636.2	422.1	234.7	73.8	0.0	0.0	0.0	0.0
In millions of US$	2006.2	1899.1	1781.5	1658.6	1497.6	1224.2	889.9	590.5	328.3	103.2	0.0	0.0	0.0	0.0
In percent of gross international reserves	37.8	34.3	31.7	29.5	25.0	20.2	13.9	8.0	3.6	0.9	0.0	0.0	0.0	0.0
In percent of exports of goods and services	9.0	8.0	7.3	6.2	5.4	4.3	3.0	1.9	1.1	0.3	0.0	0.0	0.0	0.0
In percent of debt service[1]	50.2	61.7	54.7	47.8	42.0	26.3	18.6	15.2	8.9	2.8	0.0	0.0	0.0	0.0
In percent of GDP	3.1	2.9	2.5	2.2	1.9	1.4	1.0	0.6	0.3	0.1	0.0	0.0	0.0	0.0
In percent of quota	197.8	186.5	174.3	161.7	145.4	118.6	86.2	57.2	31.8	10.0	0.0	0.0	0.0	0.0
Net use of Fund credit (in millions of SDRs)	673.9	-83.2	-90.3	-93.0	-119.6	-198.3	-238.9	-214.0	-187.5	-160.9	-73.8	0.0	0.0	0.0
Disbursements	738.0	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
Repayments	64.1	83.2	90.3	93.0	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0
Memorandum items:														
Nominal GDP (in millions of US$)	64,183	66,361	70,316	76,300	80,900	86,320	92,158	98,223	104,566	111,496	119,006	127,011	135,649	144,873
Exports of goods and services (in millions of US$)	22,363	23,741	24,558	26,736	27,613	28,401	29,299	30,881	31,217	31,850	32,709	33,446	34,032	35,162
Gross international reserves (in millions of US$)	5,312	5,543	5,621	5,626	6,002	6,050	6,399	7,418	9,034	11,451	13,152	15,122	17,019	19,478
Debt service (in millions of US$)	3,995	3,079	3,257	3,470	3,563	4,655	4,795	3,896	3,688	3,721	4,113	3,758	3,844	3,023
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repayments.

Annex I. Public and External Sector Debt Sustainability Analysis

Approved By: Marcelo Estevão (IDA) and Mark Flanagan (IMF)

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

External and overall debt are at high risk of debt distress but remain sustainable. The shocks from COVID-19 epidemic (collapse of oil prices, decline in trade, and lower non-commodity growth) are expected to deepen current account and fiscal deficits over the medium term resulting in a higher debt path compared to the November 2019 DSA.

1. The end of exceptional spending items (COVID-19-related spending, financial sector restructuring) and the government's commitment to the fiscal rule underpin the downward path of debt from 2022. Ghana enters the crisis relatively well prepared. External buffers have been strengthened with better-than-expected outturn in 2019 due to higher gold export receipts and remittances, and a $3bn Eurobond issue in early 2020. Contingent risks have been alleviated thanks to progress on the financial sector clean-up and the launch of the energy sector reform program. Gold prices (Ghana's main export) boosted by the global flight to safety and the pre-sale of most of 2020 cocoa harvest mitigate the impact of the shock this year.

2. The standard stress tests have been augmented to reflect a possible scenario with a stronger outbreak and protracted national lock-down. The growth shock has been increased to two standard deviations and exchange rate depreciation has been increased to 40 percent. Under these extreme shocks, debt still remains sustainable. Debt-service indicators are not on an explosive path. Furthermore, the DSA shocks likely exaggerate the impact on these indicators over the medium-long run given that, once the COVID emergency is solved and the elections are over, stressors such as risk premia, low commodity prices, and weak domestic revenues would improve significantly. The inclusion of the contingent liability stress test at 5 percent of GDP should also be adequate to cover additional financial sector costs from the impact of COVID-19.

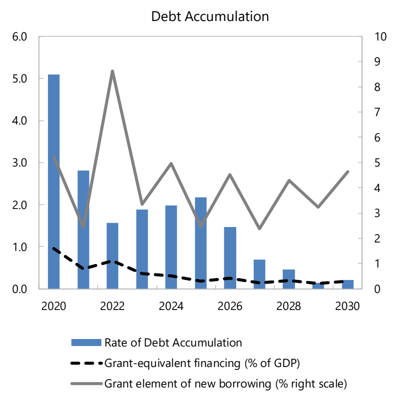
3. Nevertheless, even under the baseline, risks to the outlook remain important. Risks depend primarily on the depth and duration of the COVID-19 and oil price shock. Fiscal costs including pandemic response and measures to support economic activity could exceed those envisioned in the baseline and extend into 2021. A deeper global slowdown could have a greater impact on oil prices, private transfers and investment and further weaken the exchange rate. A more prolonged crisis could create additional liquidity risks into 2021. Stress tests show that, of these risks, exchange rate depreciation, export and commodity prices shocks are associated might have the greatest impact on debt sustainability.

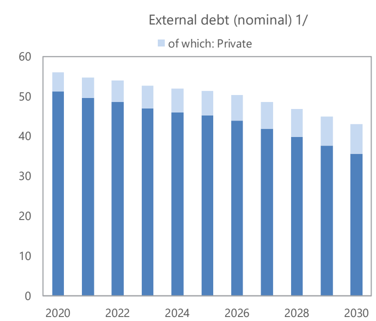
Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2017-2040

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	**43.8**	**45.4**	**47.0**	**56.0**	**54.7**	**53.9**	**52.6**	**51.9**	**51.4**	**43.1**	**35.4**	**35.3**	**50.4**
of which: public and publicly guaranteed (PPG)	**39.8**	**41.1**	**42.4**	**51.2**	**49.6**	**48.6**	**47.0**	**46.0**	**45.2**	**35.5**	**25.4**	**31.4**	**44.2**
Change in external debt	1.9	1.6	1.6	9.0	-1.3	-0.8	-1.4	-0.7	-0.5	-1.8	1.4		
Identified net debt-creating flows	**-5.5**	**-6.2**	**-4.2**	**-0.2**	**-5.1**	**-3.5**	**-5.4**	**-4.4**	**-4.2**	**-4.3**	**-2.9**	**-2.3**	**-4.2**
Non-interest current account deficit	**1.3**	**0.8**	**0.3**	**1.7**	**-0.3**	**-0.2**	**-0.1**	**-0.6**	**-0.3**	**-1.1**	**-0.5**	**4.3**	**-0.4**
Deficit in balance of goods and services	3.1	1.1	1.9	2.3	0.1	0.4	-1.2	-1.7	-1.5	-0.4	1.3	**6.7**	**-0.6**
Exports	34.6	34.4	34.5	34.1	35.2	34.3	34.4	33.5	32.3	27.0	18.4		
Imports	37.7	35.4	36.4	36.4	35.3	34.7	33.3	31.8	30.8	26.6	19.8		
Net current transfers (negative = inflow)	-4.2	-3.9	-5.1	-3.3	-3.2	-3.1	-2.9	-2.8	-2.7	-2.2	-1.4	**-4.2**	**-2.7**
of which: official	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	2.4	3.7	3.5	2.7	2.9	2.5	4.0	4.0	3.9	1.5	-0.5	**1.9**	**2.9**
Net FDI (negative = inflow)	**-5.5**	**-4.4**	**-4.9**	**-3.9**	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-5.0**	**-4.0**	**-3.0**	**-5.6**	**-4.8**
Endogenous debt dynamics 2/	**-1.3**	**-2.5**	**0.3**	**2.0**	**0.1**	**1.8**	**-0.2**	**1.1**	**1.1**	**0.8**	**0.6**		
Contribution from nominal interest rate	2.1	2.3	2.4	2.8	3.3	3.5	3.3	3.3	3.2	2.6	2.1		
Contribution from real GDP growth	-3.2	-2.5	-2.7	-0.7	-3.2	-1.7	-3.6	-2.2	-2.1	-1.8	-1.5		
Contribution from price and exchange rate changes	-0.2	-2.4	0.6	...	...	...	...	...	...	...	...		
Residual 3/	**7.4**	**7.8**	**5.8**	**9.2**	**3.9**	**2.7**	**4.0**	**3.7**	**3.7**	**2.5**	**4.3**	**4.4**	**3.8**
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	**...**	**...**	**35.7**	**42.7**	**44.0**	**43.0**	**41.4**	**40.9**	**40.4**	**31.6**	**23.0**		
PV of PPG external debt-to-exports ratio	**...**	**...**	**103.5**	**125.4**	**125.1**	**125.4**	**120.2**	**121.9**	**124.9**	**117.2**	**124.7**		
PPG debt service-to-exports ratio	**4.8**	**5.0**	**14.3**	**19.4**	**15.3**	**15.9**	**14.7**	**14.5**	**15.8**	**18.8**	**19.1**		
PPG debt service-to-revenue ratio	**12.4**	**12.0**	**35.0**	**50.2**	**36.5**	**36.9**	**34.0**	**32.3**	**33.5**	**30.9**	**20.7**		
Gross external financing need (Million of U.S. dollars)	-965.0	-590.3	977.2	3602.4	893.2	1102.1	976.7	610.1	1122.1	2177.6	5734.9		
Key macroeconomic assumptions													
Real GDP growth (in percent)	8.1	6.3	6.1	1.5	5.9	3.3	7.1	4.4	4.3	4.3	4.7	**6.7**	**4.2**
GDP deflator in US dollar terms (change in percent)	-0.8	4.5	-3.3	-5.9	-2.3	2.5	1.3	1.6	2.3	2.3	2.1	**0.8**	**1.1**
Effective interest rate (percent) 4/	5.4	5.9	5.5	5.6	6.1	6.7	6.7	6.6	6.6	6.2	6.5	**4.3**	**6.4**
Growth of exports of G&S (US dollar terms, in percent)	17.0	10.2	10.2	-5.6	6.8	3.3	8.9	3.3	2.8	2.7	4.2	**13.6**	**3.1**
Growth of imports of G&S (US dollar terms, in percent)	8.4	4.3	5.3	-4.5	0.3	4.3	3.9	1.4	3.5	3.6	4.9	**9.2**	**2.4**
Grant element of new public sector borrowing (in percent)	...	...	...	5.2	2.4	8.6	3.3	5.0	2.5	4.6	0.0	**...**	**4.2**
Government revenues (excluding grants, in percent of GDP)	13.3	14.2	14.1	13.2	14.8	14.8	14.9	15.1	15.2	16.4	17.0	**12.9**	**15.2**
Aid flows (in Million of US dollars) 5/	352.7	180.3	191.0	394.9	446.3	930.5	462.4	535.7	341.3	567.2	2.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	1.0	0.5	0.7	0.4	0.3	0.2	0.2	0.0	**...**	**0.4**
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	8.3	8.0	13.7	7.7	7.0	3.9	5.1	0.0	**...**	**6.5**
Nominal GDP (Million of US dollars)	58,978	65,518	67,240	64,183	66,361	70,316	76,300	80,900	86,320	119,006	230,456		
Nominal dollar GDP growth	7.3	11.1	2.6	-4.5	3.4	6.0	8.5	6.0	6.7	6.7	6.9	**7.7**	**5.4**
Memorandum items:													
PV of external debt 7/	...	...	40.2	47.5	49.1	48.4	47.0	46.8	46.5	39.1	33.0		
In percent of exports	...	...	116.7	139.5	139.6	141.0	136.5	139.5	144.0	145.2	178.9		
Total external debt service-to-exports ratio	7.5	8.0	17.5	22.9	18.9	19.7	18.7	18.8	20.4	25.6	32.4		
PV of PPG external debt (in Million of US dollars)			23982.4	27,403.65	29204.7	30246.6	31571.0	33078.4	34841.3	37588.4	53007.1		
(PVt-PVt-1)/GDPt-1 (in percent)				5.1	2.8	1.6	1.9	2.0	2.2	0.2	3.1		
Non-interest current account deficit that stabilizes debt ratio	-0.6	-0.8	-1.3	-7.3	1.0	0.6	1.2	0.1	0.2	0.7	-1.9		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

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

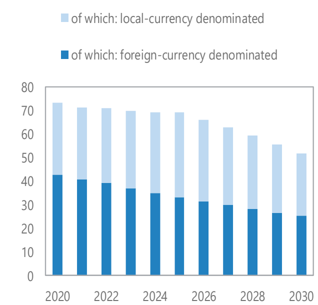
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017-2040

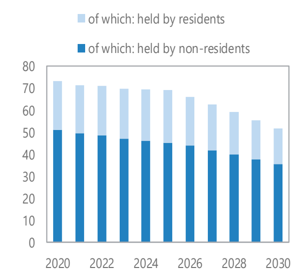
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	57.6	62.5	63.5	73.3	71.2	71.0	69.6	69.3	69.0	51.7	30.7	48.5	65.3
of which: external debt	39.8	41.1	42.4	51.2	49.6	48.6	47.0	46.0	45.2	35.5	25.4	31.4	44.2
Change in public sector debt	0.0	4.9	1.0	9.8	-2.1	-0.2	-1.4	-0.3	-0.2	-3.7	1.9		
Identified debt-creating flows	-2.6	0.7	2.9	8.5	-1.4	0.7	-0.5	0.4	0.5	-3.1	2.0	-0.4	-0.5
Primary deficit	-0.5	1.4	1.8	4.1	0.0	-0.5	-0.1	0.1	0.4	-2.8	2.2	2.1	-0.8
Revenue and grants	13.9	14.5	14.3	13.5	15.1	15.1	15.1	15.2	15.2	16.4	17.0	13.7	15.4
of which: grants	0.6	0.3	0.3	0.4	0.3	0.3	0.2	0.1	0.1	0.0	0.0		
Primary (noninterest) expenditure	13.4	15.9	16.1	17.7	15.1	14.6	15.0	15.3	15.6	13.6	19.2	15.8	14.6
Automatic debt dynamics	-2.0	-0.1	1.2	4.3	-1.4	1.2	-0.4	0.3	0.1	-0.3	-0.2		
Contribution from interest rate/growth differential	-1.1	-0.5	-1.2	1.3	-0.8	1.5	-1.0	0.5	0.2	-0.2	-0.2		
of which: contribution from average real interest rate	3.2	2.8	2.4	2.2	3.3	3.8	3.8	3.4	3.1	2.1	1.1		
of which: contribution from real GDP growth	-4.3	-3.4	-3.6	-0.9	-4.1	-2.3	-4.7	-2.9	-2.8	-2.3	-1.3		
Contribution from real exchange rate depreciation	-0.9	0.4	2.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Privatization receipts (negative)	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	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		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	2.5	4.1	-1.9	4.3	-1.3	-1.2	-0.4	-0.9	-0.8	-0.6	-0.1	3.5	-0.4
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	59.3	68.3	66.6	66.4	65.2	65.0	65.0	48.4	28.8		
PV of public debt-to-revenue and grants ratio	...	...	413.6	504.3	440.8	440.9	432.1	428.3	426.1	295.3	169.4		
Debt service-to-revenue and grants ratio 3/	100.8	68.4	91.7	106.8	79.4	72.7	79.8	81.2	76.1	61.2	33.0		
Gross financing need 4/	13.5	10.8	14.9	18.6	12.0	10.5	12.0	12.4	12.0	7.2	7.8		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	8.1	6.3	6.1	1.5	5.9	3.3	7.1	4.4	4.3	4.3	4.7	6.7	4.2
Average nominal interest rate on external debt (in percent)	5.8	6.1	5.8	6.1	6.8	7.1	7.0	7.0	6.9	6.6	7.2	4.4	6.7
Average real interest rate on domestic debt (in percent)	8.8	7.1	4.1	1.3	4.5	6.3	6.6	5.3	4.3	3.3	2.3	7.6	4.2
Real exchange rate depreciation (in percent, + indicates depreciation)	-2.9	1.5	7.3	...	...	...	...	...	...	...	...	2.5	...
Inflation rate (GDP deflator, in percent)	10.4	10.2	8.8	9.3	8.3	7.3	6.4	6.5	6.4	6.3	6.1	14.1	7.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-5.4	25.8	7.8	11.4	-9.4	-0.3	10.2	6.1	6.8	5.6	6.5	8.7	2.9
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-0.5	-3.5	0.8	-5.6	2.1	-0.3	1.3	0.4	0.6	0.9	0.3	-1.1	0.3
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.

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

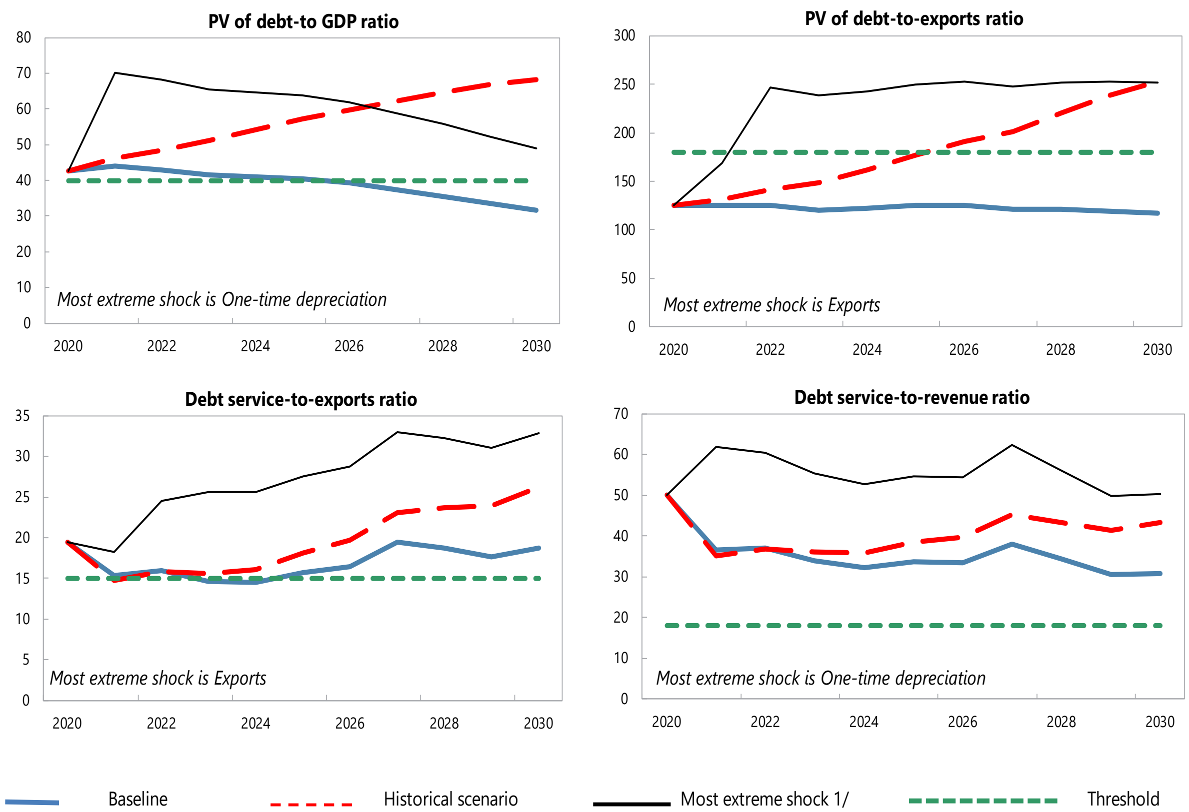
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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

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

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

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2020-2030



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

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

Borrowing Assumptions for Stress Tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	8.5%	7.5%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	12	20
Avg. grace period	6	17

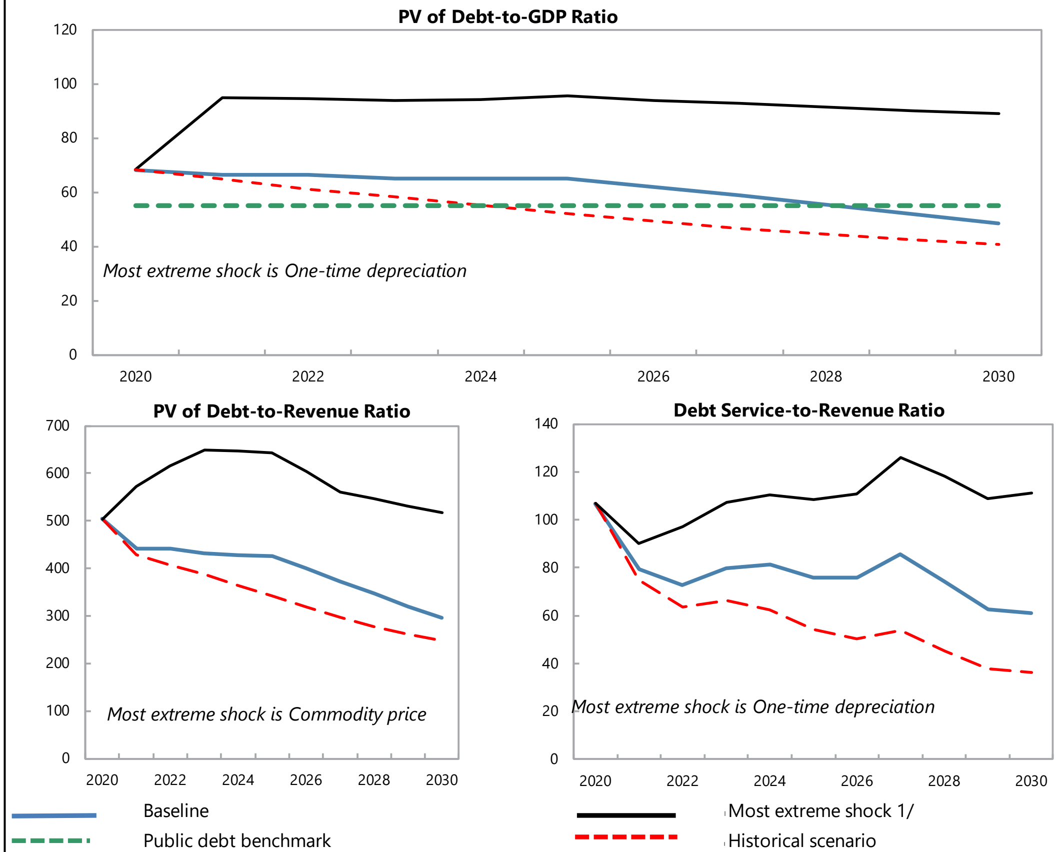
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2020-2030



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	44%	44%
Domestic medium and long-term	36%	36%
Domestic short-term	20%	20%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	8.5%	8.0%
Avg. maturity (incl. grace period)	12	20
Avg. grace period	6	17
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.1%	4.0%
Avg. maturity (incl. grace period)	5	7
Avg. grace period	4	6
Domestic short-term debt		
Avg. real interest rate	1.4%	2.0%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020-2030

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**43**	**44**	**43**	**41**	**41**	**40**	39	37	36	33	32
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**43**	**46**	**48**	**51**	**54**	**57**	**60**	**62**	**64**	**67**	**68**
B. Bound Tests											
B1. Real GDP growth	**43**	**47**	**49**	**47**	**47**	**46**	**45**	**43**	**41**	38	36
B2. Primary balance	**43**	**46**	**49**	**48**	**47**	**47**	**46**	**44**	**42**	**41**	39
B3. Exports	**43**	**50**	**59**	**57**	**57**	**56**	**55**	**53**	**51**	**49**	**47**
B4. Other flows 3/	**43**	**46**	**46**	**44**	**44**	**43**	**42**	**40**	39	37	35
B5. Depreciation	**43**	**70**	**68**	**66**	**65**	**64**	**62**	**59**	**56**	**52**	**49**
B6. Combination of B1-B5	**43**	**49**	**51**	**49**	**49**	**48**	**47**	**45**	**43**	**41**	39
C. Tailored Tests											
C1. Combined contingent liabilities	**43**	**48**	**48**	**47**	**46**	**46**	**45**	**43**	**42**	**40**	38
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**43**	**45**	**45**	**44**	**45**	**44**	**43**	**42**	40	38	36
C4. Market Financing	**43**	**49**	**48**	**47**	**46**	**46**	**44**	**42**	40	37	35
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	125	125	125	120	122	125	126	121	121	120	117
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	125	131	141	148	162	177	**191**	**201**	**220**	**238**	**253**
B. Bound Tests											
B1. Real GDP growth	125	125	125	120	122	125	126	121	121	120	117
B2. Primary balance	125	130	143	139	141	145	146	142	145	145	145
B3. Exports	125	169	**247**	**238**	**243**	**250**	**253**	**247**	**252**	**252**	**252**
B4. Other flows 3/	125	130	135	129	131	134	135	131	132	131	129
B5. Depreciation	125	118	117	112	114	117	117	112	112	110	107
B6. Combination of B1-B5	125	145	138	158	161	165	167	162	164	162	161
C. Tailored Tests											
C1. Combined contingent liabilities	125	137	140	135	138	142	143	139	143	144	143
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	125	126	130	128	132	137	139	135	135	134	132
C4. Market Financing	125	125	126	121	123	126	127	122	121	119	116
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**19**	**15**	**16**	15	15	**16**	**17**	**19**	**19**	**18**	**19**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**19**	15	**16**	**16**	**16**	**18**	**20**	**23**	**24**	**24**	**26**
B. Bound Tests											
B1. Real GDP growth	**19**	**15**	**16**	15	15	**16**	**17**	**19**	**19**	**18**	**19**
B2. Primary balance	**19**	**15**	**16**	**16**	**16**	**17**	**18**	**21**	**20**	**19**	**21**
B3. Exports	**19**	**18**	**24**	**26**	**26**	**28**	**29**	**33**	**32**	**31**	**33**
B4. Other flows 3/	**19**	**15**	**16**	**15**	**15**	**16**	**17**	**20**	**19**	**18**	**20**
B5. Depreciation	**19**	**15**	**15**	14	14	**15**	**16**	**19**	**18**	**17**	**18**
B6. Combination of B1-B5	**19**	**17**	**20**	**19**	**19**	**20**	**21**	**25**	**24**	**23**	**24**
C. Tailored Tests											
C1. Combined contingent liabilities	**19**	**15**	**17**	**16**	**16**	**17**	**18**	**21**	**20**	**19**	**21**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**19**	**15**	**16**	**15**	**16**	**17**	**18**	**21**	**20**	**19**	**21**
C4. Market Financing	**19**	**15**	**16**	**15**	**15**	**19**	**21**	**22**	**19**	**17**	**18**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**50**	**36**	**37**	**34**	**32**	**34**	**33**	**38**	**34**	**31**	**31**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**50**	**35**	**37**	**36**	**36**	**39**	**40**	**45**	**43**	**41**	**43**
B. Bound Tests											
B1. Real GDP growth	**50**	**39**	**42**	**39**	**37**	**39**	**38**	**44**	**39**	**35**	**35**
B2. Primary balance	**50**	**36**	**38**	**37**	**36**	**37**	**36**	**41**	**37**	**34**	**34**
B3. Exports	**50**	**36**	**40**	**41**	**40**	**41**	**41**	**45**	**41**	**37**	**38**
B4. Other flows 3/	**50**	**36**	**38**	**35**	**34**	**35**	**35**	**39**	**36**	**32**	**32**
B5. Depreciation	**50**	**62**	**60**	**55**	**53**	**55**	**54**	**62**	**56**	**50**	**50**
B6. Combination of B1-B5	**50**	**38**	**42**	**39**	**37**	**39**	**38**	**43**	**39**	**35**	**36**
C. Tailored Tests											
C1. Combined contingent liabilities	**50**	**36**	**39**	**36**	**35**	**36**	**36**	**41**	**37**	**34**	**34**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**50**	**45**	**47**	**44**	**40**	**40**	**38**	**42**	**38**	**34**	**34**
C4. Market Financing	**50**	**36**	**38**	**35**	**34**	**41**	**42**	**42**	**36**	**29**	**29**
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

3/ Includes official and private transfers and FDI.

Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt , 2020-2030

	in percent										
	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	PV of Debt-to-GDP Ratio										
Baseline	**68**	**67**	**66**	**65**	**65**	**65**	**62**	**59**	**56**	52	48
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**68**	**65**	**61**	**58**	**55**	52	49	47	44	42	41
B. Bound Tests											
B1. Real GDP growth	**68**	**72**	**79**	**80**	**82**	**84**	**83**	**82**	**81**	**79**	**78**
B2. Primary balance	**68**	**70**	**77**	**75**	**75**	**75**	**72**	**69**	**66**	**62**	**59**
B3. Exports	**68**	**72**	**83**	**81**	**81**	**81**	**78**	**75**	**72**	**68**	**65**
B4. Other flows 3/	**68**	**68**	**70**	**68**	**68**	**68**	**65**	**62**	**59**	**55**	52
B5. Depreciation	**68**	**95**	**95**	**94**	**94**	**95**	**94**	**93**	**91**	**90**	**89**
B6. Combination of B1-B5	**68**	**72**	**78**	**77**	**78**	**80**	**78**	**76**	**74**	**71**	**69**
C. Tailored Tests											
C1. Combined contingent liabilities	**68**	**76**	**76**	**74**	**74**	**74**	**71**	**68**	**65**	**62**	**58**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**68**	**71**	**76**	**81**	**85**	**90**	**90**	**89**	**88**	**86**	**85**
C4. Market Financing	**68**	**67**	**66**	**65**	**65**	**65**	**62**	**59**	**56**	52	48
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	504	441	441	432	428	426	400	373	347	320	295
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	504	429	407	388	365	343	319	296	278	261	248
B. Bound Tests											
B1. Real GDP growth	504	477	524	529	539	552	536	519	505	488	475
B2. Primary balance	504	466	509	499	494	492	465	437	412	385	360
B3. Exports	504	479	550	540	535	532	504	475	448	419	394
B4. Other flows 3/	504	451	462	453	449	447	420	393	367	339	314
B5. Depreciation	504	627	628	621	621	626	606	586	571	555	543
B6. Combination of B1-B5	504	475	514	513	517	523	502	481	461	440	422
C. Tailored Tests											
C1. Combined contingent liabilities	504	503	502	493	488	487	460	432	407	380	356
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	504	573	616	649	648	644	604	561	547	531	518
C4. Market Financing	504	441	442	434	431	429	403	374	347	319	293
	Debt Service-to-Revenue Ratio										
Baseline	107	79	73	80	81	76	76	85	74	63	61
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	107	75	63	66	62	54	50	54	45	38	36
B. Bound Tests											
B1. Real GDP growth	107	85	85	96	100	95	96	109	99	88	89
B2. Primary balance	107	79	80	92	89	83	83	92	85	76	71
B3. Exports	107	79	75	87	89	83	83	93	81	69	68
B4. Other flows 3/	107	79	73	81	83	77	77	87	76	64	63
B5. Depreciation	107	90	97	107	110	109	111	126	118	109	111
B6. Combination of B1-B5	107	82	80	94	95	90	90	101	90	82	80
C. Tailored Tests											
C1. Combined contingent liabilities	107	79	89	88	88	82	82	92	90	73	69
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	107	98	99	114	115	107	103	109	102	94	94
C4. Market Financing	107	79	73	81	82	83	84	90	76	61	60

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

Appendix I. Letter of Intent

Accra, April 6, 2020

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund (IMF)
Washington, D.C. 20431

Dear Ms. Georgieva,

1. The Government of Ghana hereby requests approval of financial support from the IMF under the Rapid Credit Facility (RCF), in an amount of SDR 738 million (100 percent of Ghana's quota), to mitigate the adverse impact of the COVID-19 pandemic on the Ghanaian economy. We also request that the full amount of this disbursement be made available immediately upon approval by the IMF Executive Board, and that the disbursement be made to the Ministry of Finance's account at the Bank of Ghana (BoG) to provide immediate budget support.

2. In April 2019, Ghana successfully completed a four-year ECF arrangement through which significant progress towards macroeconomic stability was achieved, with strong growth, single-digit inflation, lower government deficits, and an improved external position. The government has made great strides in implementing the "Ghana Beyond Aid" reform agenda to consolidate reforms and deliver a resilient, inclusive and diversified economy that provides opportunities, jobs, and prosperity for all Ghanaians.

3. However, the COVID-19 pandemic spreading rapidly across the world is placing all economies under severe stress and Ghana is no exception. The pandemic has potential to cause large human suffering and loss of life in Ghana, especially among the most vulnerable, and is already having a significant and widespread economic impact. These effects are already being felt through lower commodity prices, particularly oil and gas; sharp declines in tourism, trade and foreign investment; and supply chain disruptions affecting manufacturing, retail and pharmaceuticals. To contain the spread of the pandemic in Ghana, the Government has taken decisive measures including introducing a partial lockdown of the Greater Accra and Kumasi Metropolitan area, closure of schools and universities, and public gatherings of churches, mosques, and entertainment facilities. This will undoubtedly exert additional strain on public finances and amplify the economic disruption. Our preliminary assessment suggests that GDP growth will slow down to 1.5 percent this year, compared to the 6.8 percent we envisaged just a few months ago in the 2020 Budget.

4. As a result, our external position is expected to worsen. The current account deficit is projected to widen to 4.5 percent of GDP, reflecting lower exports (particularly oil and cocoa) and higher emergency imports, including of medical goods and equipment to fight the pandemic. Remittances and foreign direct investment are projected to fall substantially. Despite a strong start of

the year, pressure on the exchange rate has increased in recent weeks due to global uncertainty. While part of the shock will be absorbed through a combination of exchange rate adjustment and international reserve erosion, we still expect an external financing gap of at least US$1.3 billion.

5. The COVID-19 crisis is also having a substantial impact on the budget. Lower growth and the sharp decline in oil prices is affecting tax revenues, which are projected to fall short of target by 2.2 percent of GDP. The estimated cost of our pandemic emergency response plan, including additional health and social spending and the Coronavirus Alleviation Program ("COVID-19 Alleviation Programme" or "CAP") to deliver a fiscal stimulus targeted at the most affected sectors, is at least US$260 million (0.4 percent of GDP) in 2020. These factors will push the government deficit (excluding energy and financial sector costs) to 6.6 percent of GDP in 2020 (6.4 percent of GDP in Fund staff's projections), compared to the 4.7 percent of GDP targeted by the 2020 Budget. Over the medium-term, the government of Ghana remains fully committed to the transformation agenda of "Ghana Beyond Aid." The Government will pursue policies consistent with rapid economic transformation and shared prosperity consistent with the SDGs. This will result in strong growth, rapid poverty reduction, debt sustainability and sustainable macroeconomic stability, whiles maintaining a strong commitment to fiscal discipline and rectitude in line with the 2018 Fiscal Responsibility Act.

6. We estimate that the government will require an additional US$2.6 billion (4.1 percent of GDP) in 2020 to close the fiscal financing gap resulting from the shock. This will be achieved through a combination of additional financial support from multilateral and bilateral partners, as well as financing from domestic sources, and withdrawing US$219 million from the Ghana Stabilization Fund. We have approached development partners and so far we have received commitments from the World Bank (including US$300 million in emergency financing) and the African Development Bank (initial US$15 million) to help address the COVID-19 emergency situation confronting the nation. We are developing a contingency plan should the need emerge to further scale up COVID-19-related government spending (including financial sector support measures to help shore up economic activities), financed by spending adjustment, cuts to non-priority expenditures, and additional exceptional funding from our partners.

7. The Bank of Ghana is committed to maintaining a prudent monetary policy stance to maintain inflation expectations anchored around the target band and mitigate any pressures for increased capital outflows. As a preemptive measure in view of the slowdown of economic activity, the Monetary Policy Committee, cut its key policy rate by 150 basis points on March 18. The Bank of Ghana also might temporarily increase FX sales to avoid excessive volatility and contain temporary pressures on inflation, while maintaining adequate external buffers. In addition, the Bank of Ghana stands ready to provide liquidity support to the banking sector, as market conditions may require.

8. The requested RCF disbursement will rapidly help close the immediate balance of payments and fiscal financing need resulting from the COVID-19 shock and fund the CAP. Moreover, a Fund disbursement under the RCF will help catalyze support from development partners and buttress international and domestic investors' confidence in Ghana's sound economic fundamentals.

9. Our capacity to repay the Fund remains strong. Including the disbursement under the RCF, our repayments to the Fund will increase over the medium-term, but repayment ratios to GDP and exports of goods and services will remain manageable, peaking at 0.4 percent and 1.2 percent in 2026, respectively. We will continue meeting on a timely basis our financial obligations to the IMF. Moreover, our external and public debt sustainability indicators will not change significantly because of the additional financing to cope with the current crisis.

10. The Government of Ghana is convinced that the policies and measures set forth herein are adequate to address the immediate needs resulting from the COVID-19 pandemic. However, the Government is committed to take any additional measures that prove necessary to that end. The government undertakes not to introduce measures or policies that would compound Ghana's balance of payments difficulties, to provide the IMF with any information required to monitor the implementation of measures, and to not impose new or intensify existing restrictions on the making of payments and transfers for international transactions, trade restrictions for balance-of payments purposes, or multiple currency practices, or to enter into bilateral payments agreements which are inconsistent with Article VIII of the IMF's Articles of Agreement. Moreover, the Bank of Ghana is committed to undergo a safeguards assessment update by the IMF as envisaged under the Fund's Safeguards Policy. The Ministry of Finance and the Bank of Ghana are finalizing a Memorandum of Understanding on their respective roles and responsibilities for servicing financial obligations to the Fund.

11. In line with our commitment to transparency in government operations, we agree to the publication of all the documents submitted to the Executive Board in relation to this request.

Sincerely yours,

/s/	/s/
Kenneth Ofori-Atta Minister for Finance	Ernest Kwamina Yedu Addison Governor, Bank of Ghana

Statement by Mr. Jafar Mojarrad, Executive Director for Ghana and Mr. Kwasi Osei Yeboah, Advisor to the Executive Director

April 13, 2020

On behalf of our Ghanaian authorities, we would like to express our gratitude to the Board, Management, and staff for the timely response to their request for a disbursement under the Rapid Credit Facility (RCF) to mitigate the health and economic impacts of the Covid-19 pandemic shock. Disbursement under the RCF will be instrumental in supporting the government-initiated policy response under the Coronavirus Alleviation Programme (CAP) aimed at containing the spread of the pandemic, improving the health system, and alleviating the economic costs of the shock.

The Ghanaian authorities have made important progress in the area of macroeconomic stability and resilience with strong growth, single-digit inflation, lower deficits, and improved external position following the successful completion of the ECF arrangement. The government was progressing in implementing the “Ghana beyond Aid” transformational agenda to deliver a resilient, inclusive, and diversified economy to provide opportunities, jobs, and prosperity to all Ghanaians.

The COVID-19 Shock

With the Covid-19 rapidly spreading across the world, Ghana is at high risk of a large outbreak and the authorities are taking decisive steps to limit its spread, including through full lockdown of major cities effective March 30, 2020. In addition, there is national closure of schools at all levels and ban of all public gatherings in churches, mosques, and entertainment facilities. In addition to its humanitarian impact and the added health care cost, the pandemic is already exerting substantial economic strain on public finances and amplifying economic disruption, which will worsen as the crisis persist. Growth is slowing and it is projected to decline to 1.5 percent of GDP as a result of commodity price volatility, drop in tourism, trade disruptions, and dwindling foreign investments. Also, government has postponed financing operations amid limited access to the international capital market while domestic debt is problematic as local banks are recovering from the recent financial sector clean-up. With presidential and parliamentary elections scheduled for December 2020, the political climate may complicate efforts to avert human suffering if urgent mitigation measures are not deployed.

Fiscal Response to COVID-19

The government remain fully committed to maintaining macroeconomic stability and will pursue medium-term policies consistent with fiscal consolidation and safeguarding priority spending to create jobs and alleviate poverty. Notwithstanding, short-term fiscal adjustments are urgently required to avoid economic collapse as a result of the pandemic. In the context of the extreme uncertainty surrounding the evolution of the pandemic, authorities' fiscal response will push government deficit (excluding energy and financial sector costs) to 6.6 percent of GDP (staff estimates 6.4 percent), which will necessitate activating the exogenous shock clause in the fiscal rule till there is normalcy. Already, revenue is experiencing a sharp decline and initial projections point to a shortfall of 2.2 percent of GDP for end 2020, resulting from lower oil prices and general economic contraction in many sectors. The pandemic response plan will also impose additional health and social spending on the budget to deliver fiscal stimulus at targeted sectors amounting to 0.4 percent of GDP.

Government Financing Needs

Due to the shock, the government will require an additional US$2.6 billion (4.1 percent of GDP) in 2020 to close the fiscal financing gap. A combination of additional financing support from multilateral and bilateral partners will be used, as well as financing from domestic sources, which includes withdrawal from the Ghana Stabilization Fund (US$218 million). The authorities have approached development partners and have received encouraging commitments from the World Bank (about US$300 million) and the African Development Bank (US$15 million) to help address the Covid-19 emergency. The authorities are also developing a contingency plan should the need arise to further scale up Covid-19-related government spending (including financial sector support measures to help shore up economic activities), financed by spending adjustment, cuts to non-priority expenditures, and additional exceptional funding from our partners.

Monetary Policy

Our authorities are mindful of improved coordination between monetary and fiscal policies to keep aggregate demand afloat, while containing potential inflationary pressures stemming from supply disruptions. To that end, the Bank of Ghana is committed to maintaining a prudent but flexible monetary policy stance to anchor inflation expectations around the target band and use its policy toolkit to mitigate any pressures from increased capital outflows. As a preemptive measure and in view of the slowdown of economic activity, the Monetary Policy Committee, cut its key policy rate by 150 basis points on March 18. The Bank of Ghana also might temporarily increase FX sales to avoid excessive volatility and contain temporary pressures on inflation and stands ready to provide liquidity support to the banking sector, as market conditions may require.

Conclusion

While Ghana’s own emergency efforts were rapid and garnered widespread public support, the sizeable financing gap necessitates an urgent need for external assistance, particularly from the Fund. In that regard, Executive Directors’ approval for disbursement under the RCF will be a welcome boost to the authorities’ efforts and will help in averting a humanitarian disaster.