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SECOND REVIEW UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA AND FINANCING ASSURANCES REVIEW—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

In the context of the Second Review under the Extended Credit Facility, Request for Modification of Performance Criteria and Financing Assurances Review, 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 June 28, 2024, following discussions that ended on April 12, 2024, with the officials of Ghana on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on June 14, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- A **Supplementary Information** prepared by the IMF staff.
- 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.

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PRESS RELEASE

PR24/241

IMF Executive Board Completes the Second Review under the Extended Credit Facility Arrangement with Ghana

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the second review of Ghana's 36-month Extended Credit Facility Arrangement. This allows for the immediate disbursement of SDR 269.1 million (about US$360 million).
- Ghana's performance under the program has been generally strong. All quantitative performance criteria for the second review and almost all indicative targets were met. Good progress is being made on the debt restructuring, and key structural reforms are advancing.
- The authorities' reform efforts are paying off. Growth has proven more resilient than expected, inflation has declined rapidly from its 2022 highs, and the fiscal and external positions have improved significantly.

Washington, DC – June 28, 2024: The Executive Board of the International Monetary Fund (IMF) completed today the second review of the US$3 billion, 36-month Extended Credit Facility (ECF) Arrangement, which was approved by the Board in May 2023. Completion of the second ECF review allows for an immediate disbursement of SDR 269.1 million (about US$360 million), bringing Ghana's total disbursements under the arrangement to about US$1.6 billion.

Ghana's economic reform program is delivering on its objectives. Following acute economic and financial pressures in 2022, the Fund-supported program has provided a credible anchor for the government to adjust macroeconomic policies and implement reforms to restore macroeconomic stability and debt sustainability, while laying the foundations for higher and more inclusive growth. These efforts are paying off, with growth proving more resilient than initially expected, inflation declining at a faster pace, and the fiscal and external positions improving. The medium-term outlook remains favorable but subject to downside risks—including those related to the upcoming general elections.

Ghana's performance under the IMF-supported program has been generally strong. All quantitative performance criteria for the second review and almost all indicative targets were met. Good progress has also been made on the key structural reform milestones, despite some delays.

The Ghanaian authorities have also continued to make progress on their comprehensive debt restructuring. On June 11, 2024, the authorities reached agreement with Ghana's Official Creditor Committee (OCC) under the G20's Common Framework on a Memorandum of Understanding (MoU) formalizing the agreement in principle on a debt treatment, which was reached in January 2024. This agreement on a debt treatment, consistent with program parameters, provided the financing assurances necessary for the second review under the ECF Arrangement to be completed. The authorities have also recently reached agreement in principle with representatives of Eurobond holders on a restructuring consistent with program parameters, subject to confirmation on comparability of treatment.

Ghana’s primary fiscal balance improved by over 4 percent of GDP last year. Looking ahead, the authorities are committed to further advancing fiscal consolidation, including to achieve primary fiscal surpluses of ½ percent of GDP this year and 1½ percent of GDP in 2025. These efforts are underpinned by reforms to bolster revenue mobilization and streamline non-priority expenditures, while expanding social protection programs to mitigate the impact of fiscal adjustment on the most vulnerable. The authorities are also taking steps to strengthen tax administration, expenditure controls and management of arrears, fiscal rules and institutions, and SOEs management—including in the energy and cocoa sectors.

The Bank of Ghana (BoG) has maintained a prudent monetary policy stance to sustain a rapid reduction in inflation and has taken steps to rebuild international reserves. The BoG has also appropriately strengthened measures to preserve financial sector stability—including by ensuring implementation of banks’ recapitalization plans—while the Ministry of Finance has started recapitalizing state-owned banks consistent with available resources.

Ambitious structural reforms to help create an environment more conducive to private sector investment, and to enhance governance and transparency are gaining prominence and will be key to boosting the economy’s potential and underpin sustainable job creation.

Looking ahead, sustaining macroeconomic policy adjustment and reforms is essential to fully and durably restore macroeconomic stability and debt sustainability—especially during the upcoming electoral period—while fostering a sustainable increase in economic growth and poverty reduction.

Following the Executive Board discussion on Ghana, Deputy Managing Director Kenji Okamura issued the following statement:

”Ghana’s performance under its ECF-supported reform program has been generally strong. The authorities’ strategy aimed at restoring macroeconomic stability and reducing debt vulnerabilities is paying off, with clear signs of stabilization emerging. Going forward, perseverance in macroeconomic policy adjustment and reforms is essential to fully restore macroeconomic stability and debt sustainability, while fostering a sustainable increase in economic growth and poverty reduction.

Ghana has made progress adjusting its fiscal position. Looking ahead, attaining the fiscal objectives under the Fund-supported program requires further mobilizing domestic revenue, streamlining public spending—including related to externally-funded expenditures, and finalizing Ghana’s comprehensive debt restructuring. The authorities’ strong debt restructuring efforts are paying off with the reaching of agreement on a Memorandum of Understanding with the Official Creditor Committee and an Agreement in Principle with bondholders. Resolve in keeping the domestic revenue mobilization agenda on track and tightening expenditure commitment controls is critical to avoid policy slippages ahead of the December 2024 general elections. These efforts should be supported by continued progress in improving tax administration, strengthening expenditure control and management of arrears, enhancing fiscal rules and institutions, and improving SOEs management. Bolstering targeted social protection programs is needed to cushion the vulnerable from the impact of fiscal adjustment.

The authorities took decisive steps to contain inflation and rebuild foreign reserve buffers. Going forward, maintaining an appropriately tight monetary stance, and enhancing exchange rate flexibility are of the essence, along with timely implementation of Fund’s advice on safeguards.

The authorities have taken appropriate actions to ensure implementation of banks’ recapitalization plans and start recapitalizing state-owned banks. Sustaining these efforts, together with a cost-effective resolution of legacy issues, are essential to ringfence financial sector stability going forward.

Greater focus on reforms aimed at private sector development is needed to foster inclusive growth and poverty reduction. In this regard, a key step is to ensure that the policy interventions underpinning Ghana's National Development Policy Framework are recalibrated to reflect the socio-economic impact of the shocks that occurred after the COVID-19 pandemic."

Ghana: Selected Economic and Financial Indicators, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)										
National accounts and prices											
GDP at constant prices	3.8	2.3	2.9	2.8	3.1	4.4	4.4	4.9	5.0	5.0	5.0
Non-extractive GDP	3.1	2.5	3.0	2.3	3.0	4.4	4.4	5.0	5.0	5.0	5.0
Extractive GDP	8.9	0.4	2.5	6.2	3.9	4.2	3.8	4.3	4.4	4.7	5.0
Real GDP per capita	1.6	-0.3	0.4	0.2	0.6	1.8	1.8	2.3	2.4	2.4	2.4
GDP deflator	28.2	36.3	33.1	20.2	17.5	10.9	11.1	7.9	7.9	7.6	7.5
Consumer price index (end of period)	54.1	27.6	23.2	15.0	15.0	8.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	40.2	39.2	22.3	19.5	11.5	11.5	8.0	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)										
Central government budget											
Revenue	15.7	15.7	16.0	16.7	16.9	17.3	17.4	18.0	18.0	18.0	18.0
Expenditure (commitment basis) [1]	27.5	20.4	19.6	21.7	21.6	21.6	21.1	21.1	20.8	20.8	21.1
Overall balance (commitment basis) [1]	-11.8	-4.6	-3.6	-5.0	-4.7	-4.3	-3.7	-3.1	-2.8	-2.8	-3.1
Primary balance (commitment basis)	-4.3	-0.5	-0.3	0.5	0.5	1.5	1.5	1.5	1.5	1.5	1.3
Non-oil primary balance (commitment basis)	-6.3	-1.8	-1.8	-0.8	-1.0	0.0	0.1	0.2	0.3	0.2	-0.1
Public debt (gross)	92.7	86.1	82.9	83.6	82.5	80.9	79.5	76.1	72.5	69.3	66.9
Domestic debt	49.7	37.0	38.6	33.7	34.2	31.8	31.0	29.7	27.4	25.6	25.5
External debt	43.0	49.1	44.3	49.9	48.3	49.1	48.5	46.4	45.1	43.7	41.5
	(annual percentage change, unless otherwise indicated)										
Money and credit											
Credit to the private sector (commercial banks)	31.8	12.6	10.7	22.0	22.0	13.0	13.0	14.9	15.0	15.0	15.0
Broad money (M2+)	32.9	22.8	38.7	17.4	17.4	16.9	16.9	16.0	16.0	16.0	16.0
Velocity (GDP/M2+, end of period)	3.4	3.8	3.4	4.0	3.5	4.0	3.4	3.4	3.3	3.2	3.1
Base money	57.3	6.0	29.2	17.4	7.5	12.1	12.0	13.6	11.5	13.8	13.8
Policy rate (in percent, end of period)	27.0	...	30.0	...	...	...	...	...	...	...	...
	(US$ million, unless otherwise indicated)										
External sector											
Current account balance (percent of GDP)	-2.3	-1.7	-1.4	-1.9	-2.5	-2.2	-2.0	-2.0	-2.2	-2.2	-2.1
BOP financing gap [2]	-...	4,216	3,364	3,312	3,098	3,910	3,647	1,769	1,565	1,116	318
IMF	...	1,200	600	720	1,320	720	720	360	0	0	0
World Bank	...	330	27	620	679	350	428	374	0	0	0
AfDB	...	59	60	44	44	0	0	0	0	0	0
Arrears to commercial external creditors	...	0	1,841	0	0	0	0	0	0	0	0
Arrears to official bilateral creditors	...	0	836	0	0	0	0	0	0	0	0
Exceptional financing to cover residual financing gap [3]	-...	2,627	0	1,928	1,055	2,840	2,499	1,035	1,565	1,116	318
Gross international reserves (program) [4]	1,454	2,388	3,661	3,852	5,116	5,501	6,851	7,604	9,165	10,911	12,043
in months of prospective imports	0.7	1.1	1.7	1.7	2.2	2.3	2.8	3.0	3.5	4.0	4.2
Memorandum items:											
Nominal GDP (millions of GHc)	614,336	850,656	841,633	1,050,978	1,020,180	1,216,854	1,183,394	1,339,842	1,518,046	1,715,739	1,937,351
Population Growth Rate (percentage)	2.2	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6

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

[1] First review interest expenditure projections corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[2] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[3] For the first review, to be covered by external debt restructuring; for updated projections, to be covered by the external commercial debt restructuring.

[4] Excludes oil funds, encumbered assets, and pledged assets.

INTERNATIONAL MONETARY FUND

GHANA

June 14, 2024

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW

EXECUTIVE SUMMARY

Context. Policy adjustment and reforms under the program are delivering on their objectives, with clear signs of stabilization emerging. Good progress is being made on the debt restructuring. With the December 2024 general elections approaching and considering past episodes of election-driven policy slippages, the authorities have reiterated their strong commitment to the policies and reforms under the program.

Program status. The IMF's Executive Board approved in May 2023 a 36-month arrangement under the Extended Credit Facility in the amount of 303.8 percent of quota (SDR 2.2419 billion, or about US$3 billion). On completion of the second review, Ghana would have access to an additional SDR 269.1 million, about US$360 million, bringing total disbursements since program approval to about US$1.56 billion.

Program performance has been generally strong. All end-December performance criteria (PCs) and all indicative targets (ITs)—but the one on accumulation of payables—were met. The end-March IT on the accumulation of net international reserves was missed given the difficulties in the cocoa sector and frontloaded energy sector payments, while the end-March ITs on non-oil revenue and social spending were missed due to temporary factors. Four out of six structural benchmarks (SBs) through end-May 2024 were met. The end-March 2024 SB on the design and launch of a plan to address NIB's solvency challenges was implemented with a delay. More time was needed to discuss with Fund staff the amendments to the Bank of Ghana Act (end-May 2024 SB). The authorities are requesting a several changes to PCs and the TMU.

Outlook and risks. The macroeconomic outlook remains positive but subject to significant downside risks. These mainly stem from a deterioration of the external environment, delays in the implementation of the authorities' comprehensive debt restructuring, and policy and reform slippages ahead of the end-2024 general elections.

Second review discussions focused on i) advancing fiscal consolidation, while protecting the vulnerable, ii) maintaining a tight monetary policy and promoting a flexible exchange rate to bring inflation back to single digits and rebuild foreign reserves, iii) reforming policy frameworks and institutions to entrench macroeconomic stability and debt sustainability; iv) preserving financial stability in the wake of the domestic debt restructuring; v) strengthening governance and transparency and vi) bolstering private sector-led and inclusive growth.

Approved By
Annalisa Fedelino and Guillaume Chabert

Discussions took place in Accra during April 2-12, 2024. The mission team met with Minister of Finance Mohammed Amin Adam, Governor of the Bank of Ghana Ernest Addison, and other senior officials. It also engaged with the representatives from various government agencies, banks, and development partners. The mission team comprised Mr. Roudet (Head), Mr. Crispolti, Mr. Nolin, Mr. Sode, and Ms. Wiriadinata (all AFR), Ms. Baum (SPR) and Ms. Yang (FAD), and Mr. Kogan (MCM). The mission was assisted by Mr. Medina (resident representative) and Mr. Ahinakwah (local economist). Mr. Akosah (OED) participated in key policy meetings. Ms. Molosiwa and Ms. Ndome-Yandun assisted with the preparation of this report.

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CONTEXT

1. **Ghana's economic reform program is delivering on its objectives.** Following acute economic and financial pressures in 2022, the Extended Credit Facility (ECF) arrangement approved in May 2023 has provided a credible framework for the government to adjust macroeconomic policies and implement reforms aimed at restoring macroeconomic stability and debt sustainability, addressing longstanding vulnerabilities, and laying the foundations for higher and more inclusive growth. The government is also making progress on its comprehensive debt restructuring. These efforts are paying off, with growth proving more resilient than initially envisaged, inflation declining at a faster pace, and the fiscal and external positions improving.

2. **Notwithstanding the remarkable progress thus far, some challenges remain.** Fully and durably restoring macroeconomic stability will require continued efforts to mobilize higher domestic revenue, control government spending, further reduce inflation, and rebuild international reserves. More progress is also needed towards tackling financial sector legacy issues and improving foreign exchange market operations. Notwithstanding the steps taken under the program to bolster social protection, the latest World Bank Macro Poverty Outlook finds that poverty—measured with the international poverty line of US$2.15 a day—will peak at 33 percent by 2025 from 27 percent in 2022 owing to erosion of real income for those at the bottom of the distribution. As macroeconomic stability becomes more entrenched, efforts to create an environment more conducive to private investment and growth and to tackle poverty challenges should accelerate.

3. **With the December 2024 general elections approaching, the government reaffirmed its strong commitment to the program.** Against the backdrop of recurrent fiscal slippages during past electoral cycles and a more polarized political and social dialogue, various stakeholders have expressed concerns about the authorities' ability to maintain the reform momentum. Following a cabinet reshuffle in February 2024, government officials have on several occasions stated publicly their strong commitment to the program. While the government suspended the implementation of VAT on residential electricity early this year due to political and social resistance, alternative measures were introduced to offset the revenue loss (see below). Parliament recently approved a law that would restrict LGBTQ+ rights and could, if enacted, affect Ghana's engagement with development partners. The law is being challenged in court.

RECENT ECONOMIC DEVELOPMENTS

4. **Ghana's economy has proven resilient** (Text Figure 1 and Table 1). Economic growth for 2022 was revised up from 3.1 to 3.8 percent, and preliminary data for 2023 point to a real GDP growth of 2.9 percent, above the 2.3 percent envisaged at the time of the 1st ECF review. The 2023 outturn reflected robust activity in the tertiary and agriculture sectors (5.5 and 4.5 percent, respectively), which was only partially offset by a contraction in the construction sector (-9.9 percent) and a slowdown in oil production. Notwithstanding a difficult cocoa season and an increase in the

frequency of power outages over the past few months, recent short-term confidence indicators have also been consistent with a gradual recovery in economic activity so far this year.[1]

5. Inflation has declined at a faster pace than envisaged under the program. At end-December 2023, it fell to 23.2 percent year-on-year thanks to a restrictive monetary policy stance, a stronger-than-expected currency, and a good agricultural harvest season. Since then, inflation has remained stable at 23.1 percent in May 2024.

6. The external sector improved noticeably in 2023. Provisional end-2023 data indicate that the current account deficit improved to 1.4 percent of GDP at end-2023 (2.3 percent in 2022). This mainly reflected lower interest payments due to the external debt standstill and higher remittances, which more than compensated a noticeable reduction in goods exports on a poor cocoa harvest and lower crude oil production. Despite delays in IMF and World Bank (WB) disbursements (which occurred in early 2024), gross international reserves significantly outperformed expectations, reaching US$3.7 billion (1.6 months of imports) at end-2023, compared to an original estimate of US$2.4 billion (1.1 months of imports). The main driver of this accumulation was the Bank of Ghana's (BoG) large gold purchases, accounting for about US$1.5 of the US$2.2 billion total reserves increase in 2023.[2] Additional factors included delayed outflows due to lower-than-expected payments to independent power producers (IPPs) and a slower unwinding of borrowed reserves. After a period of muted volatility and moderate depreciation against the U.S. dollar in 2023Q4 and 2024Q1, the cedi's depreciation has accelerated more recently.[3]

7. Fiscal consolidation is broadly on track notwithstanding further payables accumulation (Text Table 1, Table 2a-2b). The 2023 primary balance deficit (commitment basis) was lower than programmed, at 0.3 percent of GDP (0.5 percent at the 1st review). This overperformance reflected slightly higher oil and non-oil revenues, and lower domestically financed investment —which broadly offset a higher-than-expected energy sector shortfall. However, the authorities accumulated payables on a net basis (mainly in the energy sector) due to a tight cashflow situation following delays in the disbursements from multilateral partners and pending negotiations with IPPs on legacy debt and Purchasing Power Agreements (PPAs).

[1] Ghana's cocoa market has been rocked by a (largely but not only) climate-related shortfall in production this year, amidst record spot prices. The power outages were caused by the continued financing challenges in the energy sector.

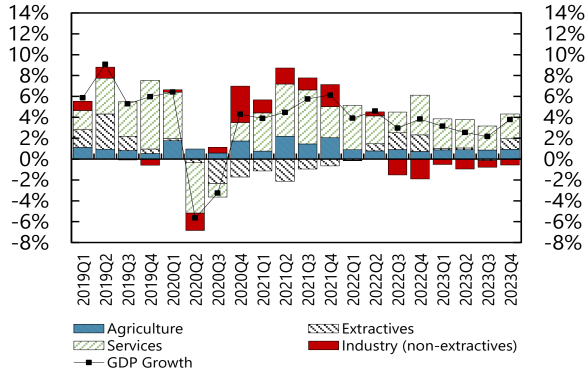
[2] BoG buys domestically produced gold in local currency under various programs (gold-for-oil, gold-for-reserves, gold purchase programs). As a result, Ghana's international investment position improves but the BoP does not reflect the improvement unless the gold is sold/exchanged on international markets (and thus recorded as export).

[3] A limit of US$10,000 withdrawal per trip and per annual transfer without documentation—a capital flow management measure (CFM)—is still enforced. Removal of this CFM would align with the IMF's Institutional View on CFMs.

Text Figure 1. Recent Economic Developments

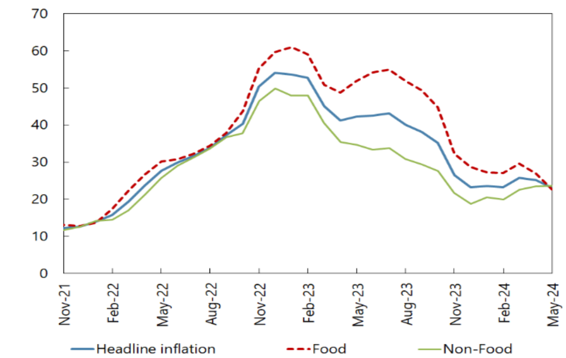
Quarterly Real GDP Growth

(Year on year)



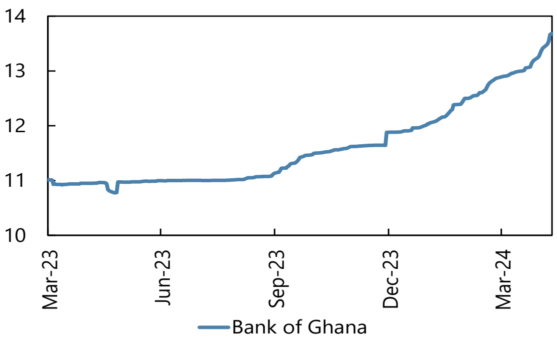
Year on Year Inflation

(In percent)



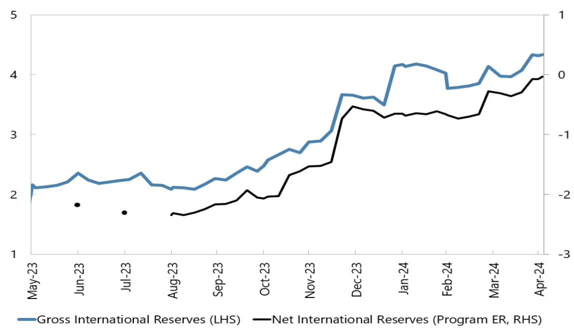
Official Exchange Rate

(GHS per USD)

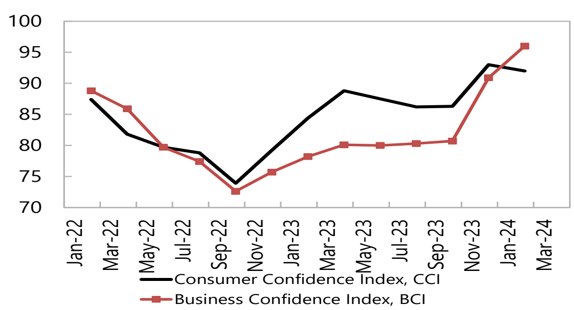


Gross and Net International Reserves

(USD billion)

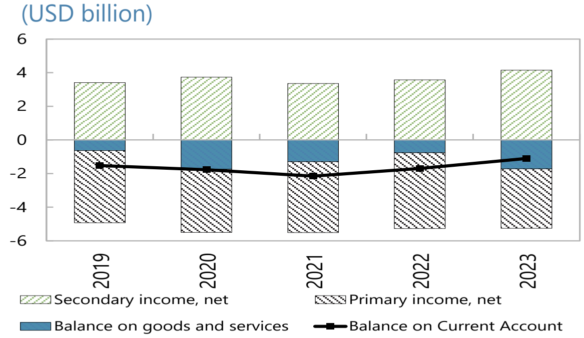


Consumer and Business Confidence Index



Current Account Balance

(USD billion)



Sources: Ghanaian authorities, Bloomberg L.P., and IMF staff calculations.
Notes: NIR are evaluated at program exchange rates as defined in the Technical Memorandum of Understanding.

Overall, the consolidation effort (on commitment basis) reached 4 percentage points of GDP last year, driven by large across-the-board expenditure adjustment and buoyant non-oil revenue (which offset the decline in oil revenue). Preliminary non-oil revenue data through end-March 2024 suggest that collection is running slightly below targets, mainly reflecting the suspension of the VAT on electricity and temporary disruptions in online tax payment services due to a country-wide internet outage in March.

Text Table 1. Selected Fiscal Indicators

(Percent of GDP)

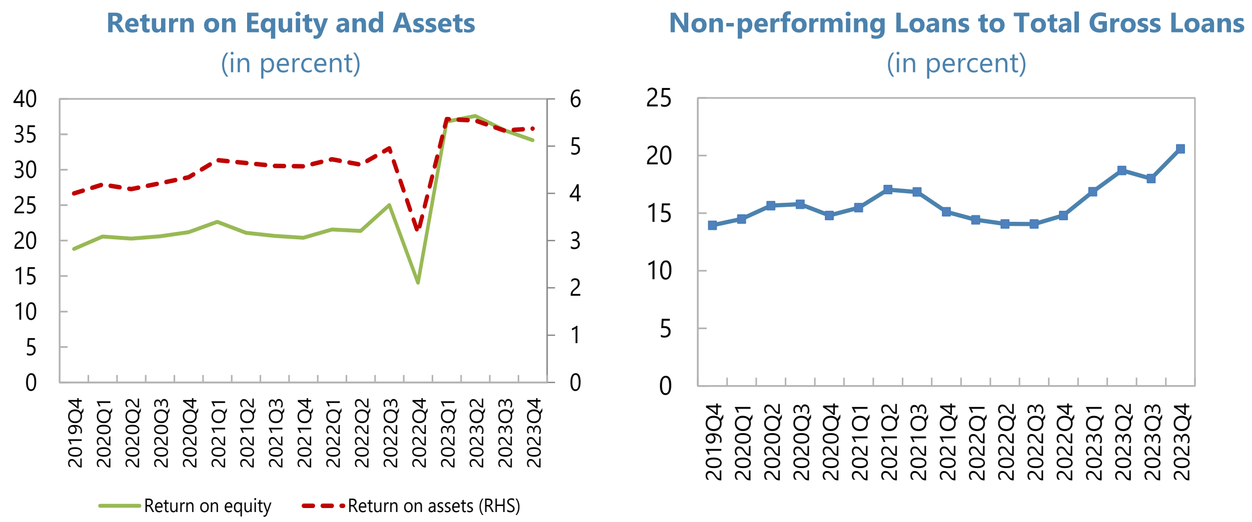
	2022	2023	
	Outturn	SR First Review	Outturn
Total Revenues	**15.7**	**15.7**	**16.0**
Grants	0.2	0.3	0.3
Oil Revenues	2.0	1.3	1.5
Non- oil Revenues	13.6	14.1	14.2
Primary Expenditures	**20.1**	**16.2**	**16.3**
Compensation of Employees	6.4	6.0	6.0
Goods and Services	2.0	1.0	1.0
Grants to Other Gov. Units	4.7	4.0	4.1
Energy Sector Transfer	2.2	1.9	2.4
Capital Expenditures	3.9	3.3	2.5
Domestically financed	1.9	2.1	1.1
Foreign financed	2.0	1.2	1.4
Others	0.0	0.1	0.1
Other Expenditures	0.6	0.0	0.2
Primary balance (commitment basis)	**-4.3**	**-0.5**	**-0.3**
Memorandum items:			
Net payable accumulation	*1.1*	*0.0*	*0.5*
Non-energy		*0.0*	*-0.7*
Energy		*0.0*	*1.1*
Non-oil primary balance	*-6.3*	*-1.8*	*-1.8*
Highly-targeted social spending (GSFP, NHIS, LEAP, and Capitation Grant)	*0.44*	*0.48*	*0.49*

Sources: Ghanaian authorities.

8. Financial sector stability has been maintained, but credit growth has declined amidst an increase in non-performing loans. Despite facing capital shortfalls due to the implementation of the domestic debt exchange (DDE), bank balance sheets improved quickly in 2023, benefiting from high profitability and capital injections. The government of Ghana has begun the recapitalization of state-owned banks, injecting GHS4.6 billion via the Ghana Financial Stability Fund (GFSF) through April 2024. Banks posted robust profits last year—amidst rapid deposit growth (43 percent y-o-y in nominal terms at end-2023) and higher interest margins—given their large holdings of T-bills and open-market-operations bills. However, the nominal growth rate in private sector credit was well below inflation, at 11 percent in 2023. In addition, the nonperforming loans (NPLs) ratio further increased to 20.6 percent (from 14.8 percent in December 2022; Text Figure 2).

9. Ghana remains in debt distress, and debt is assessed as unsustainable. Pending completion of the debt restructuring, the attached Debt Sustainability Analysis (DSA) continues to show large and protracted breaches to the standard thresholds. Following the debt service suspension announced in December 2022 and while discussions with creditors are ongoing, the government has accumulated arrears to official bilateral and private external creditors. The authorities have remained current on the newly exchanged domestic debt and multilateral debt. Given the impact of the DDE on demand for medium- and long-term government securities, the authorities had to satisfy their 2023 domestic financing needs by issuing large amounts of T-bills. This was done at nominal interest rates slightly above inflation.

Text Figure 2. Financial Soundness Indicators



Source: International Financial Statistics, IMF.

PROGRAM PERFORMANCE

10. Program performance has been generally strong. All end-December 2023 performance criteria (PCs) and indicative targets (ITs), but one, were met (MEFP, Table 1). The IT on zero net accumulation of payables was missed owing to the accumulation of energy sector payables. The accumulation of net international reserves (NIR) outperformed the end-December adjusted PC target by over US$1.8 billion. While the end-March 2024 NIR IT was missed by about US$300 million given the difficulties in the cocoa sector and upfront payments related to the negotiations with IPPs, the BoG is on track to meet the end-June 2024 PC. The end-March 2024 IT on non-oil revenue was also missed by 0.4 percent of GDP mainly due to the temporary factors mentioned above, while the end-March IT on social spending was missed by less than 0.1 percent of GDP due to delays in releasing budgeted resources. These factors are not expected to negatively affect performance against the end-June targets. The end-March CPI inflation figure was below the lower outer band of the monetary policy consultation clause, as disinflation was faster than expected. The Article VIII-related continuous PCs were met (see ¶38).

11. The authorities have also made progress in implementing their structural reform agenda. Four out of six structural benchmarks (SBs) due through end-May 2024 were met (MEFP, Table 2). The end-March 2024 SB on the design and launch of a plan to address NIB's solvency challenges was implemented with a small delay. The plan, which envisages to recapitalize and strengthen the bank through governance and risk management reforms, has been adopted by cabinet in May and the first recapitalization tranche has been disbursed. The authorities needed more time to engage with the Fund on the amendments to the BoG Act (end-May 2024 SB); they expect the action to be implemented in the next few weeks. While the first audit of Electricity Company of Ghana's (ECG) account was completed and the report published in a timely manner, the auditor issued a qualified opinion due to lack of access to information. The authorities committed to ensuring that the next quarterly audit will include an unqualified opinion. Progress is being made towards the implementation of the two end-June 2024 SBs, respectively, on a risk assessment report of and exit strategy from the gold-for-oil program and on the cleaning up of the taxpayer register and ledgers.

MACROECONOMIC OUTLOOK AND RISKS

12. The macroeconomic outlook remains positive. Notwithstanding headwinds from the continued fiscal consolidation, real GDP growth is set to pick up to 3.1 percent this year (revised up from 2.8 percent to reflect the resilience of the economy) and to gradually increase to its potential level of about 5 percent over the medium term. Inflation is projected to reach 15 percent by the end of the year and to return within the BoG's target band (8±2 percent) by end-2025. Continued progress in fiscal consolidation and the completion of the debt restructuring would ensure that Ghana's public debt is firmly on a sustainable trajectory. Following the agreement with external creditors on the debt treatment under the G20 Common Framework, the current account deficit is now set to stabilize at 2.2 percent of GDP by 2026, while international reserves would reach 3 months of imports coverage.

13. Nevertheless, the outlook remains subject to significant downside risks (Annex III). On the external side, an intensification of regional conflicts, spillovers from the war in Ukraine, or commodity price volatility would negatively impact Ghana through higher imported inflation and risk aversion. If protracted, shutdowns at cocoa processing factories could affect exports and growth prospects. Setbacks in the implementation of the authorities' comprehensive debt restructuring could delay restoring debt sustainability and weaken confidence. On the domestic side, policy slippages ahead of the end-2024 general elections would undermine macroeconomic stability, deteriorate the debt dynamics and complicate discussions with Ghana's external creditors. Heightened exchange rate volatility could complicate achievement of inflation objectives. Slow progress in the implementation of the revised Energy Sector Recovery Program (ESRP) would complicate the energy sector's financial situation and potentially result in an intensification of power outages with broader economic ramifications. Delays in recapitalizing banks could deteriorate financial sector stability. Exchange rate, credit, and liquidity risks further add to these vulnerabilities.

POLICY DISCUSSIONS

A. Continued Fiscal Consolidation to Restore Debt Sustainability

Discussions focused on policies to consolidate stabilization gains and restore debt sustainability. As the program advances, more weight is expected to be given to structural reforms to entrench fiscal discipline, improve the effectiveness of monetary policy and ensure greater exchange rate flexibility, *secure financial sector stability—including by tackling legacy issues, strengthen governance and transparency, and foster inclusive growth to sustain a durable reduction in poverty.*

14. The authorities remain strongly committed to restoring the sustainability of public finances through a multi-year consolidation effort (Text Table 2). The 2024 budget targets a primary balance surplus of 0.5 percent of GDP (commitment basis), underpinned by 0.9 percent of GDP in non-oil revenue measures. Thereafter, the authorities aim at bringing the surplus to 1.5 percent of GDP by 2025 (MEFP¶6). This is predicated on measures to (i) raise non-oil revenue permanently to at least 16.5 percent of GDP in 2026 by broadening the tax base and strengthening tax compliance—consistent with Ghana's Medium Term Revenue Strategy (MTRS); and (ii) contain primary expenditures, while making space for social and development spending to support a stronger and more inclusive growth.

Text Table 2. Decomposition of Fiscal Consolidation (on commitment basis)
(in percent of GDP)

	2023	2024	2025	2026	**Total**
Fiscal consolidation	**4.0**	**0.8**	**1.0**	**0.0**	**5.8**
(Change of primary balance)					
Total revenue and grants	0.3	0.9	0.5	0.7	**2.3**
of which					
Non-oil revenue	0.6	0.9	0.6	0.8	**2.9**
Oil revenue	-0.5	0.0	-0.1	-0.2	**-0.7**
Primary expenditure	-3.7	0.1	-0.5	0.7	**-3.5**
Memorandum item:					
Primary balance	-0.3	0.5	1.5	1.5	

Sources: Ghanaian authorities and IMF staff projections.

15. Despite some pressures, the authorities are taking strong actions to ensure observance of the 2024 fiscal targets (Text Table 3).

- On the revenue side, the implementation of VAT on residential electricity (expected yield 0.17 percent of GDP) was suspended due to strong social resistance. The authorities are committed to implementing this measure when the inflation dynamics are more conducive (MEFP¶8). In the meantime, following consultation with staff, the authorities introduced alternative measures to offset the revenue loss (¶20)—including in the areas of foreign income of Ghanaian residents, audits of large taxpayers, and property tax collection (MEFP¶9). The Ghana Revenue Authority (GRA) is also taking additional administrative measures to ensure that the revenue measures in the 2024 Budget deliver the expected yields (¶21).
- On the spending side, upward pressures are arising from the need to accommodate higher foreign-financed investment. First, the outstanding undisbursed amounts under external project facilities signed before the debt restructuring cut-off date (CoD; end-December 2022) are much larger than initially envisaged (¶34). Accordingly, the associated disbursements will be higher than initially envisaged and limited to US$250 million over 2024-25 to avoid undermining Ghana's debt dynamics (***new IT***).

Second, the authorities have asked for space to undertake a foreign-financed project to respond to a deterioration in the maritime security situation. To address these pressures, the authorities are reprioritizing and streamlining investment projects to remain within program projections. They are also closely engaging with their official bilateral partners to ensure that the phasing of post-CoD disbursements is consistent with the program.

Text Table 3. Fiscal Framework (2024)
(in percent of GDP)

	2024		
	Budget	SR First Review	Latest
Total Revenues	**16.8**	**16.7**	**16.9**
Grants	0.2	0.3	0.3
Oil Revenues	1.4	1.3	1.5
Non- oil Revenues	15.1	15.0	15.1
Primary Expenditures	**16.2**	**16.2**	**16.4**
Compensation of Employees	6.1	6.1	6.2
Goods and Services	1.1	1.1	1.1
Grants to Other Gov. Units	4.2	3.9	4.2
Energy Sector Transfer	2.0	1.7	1.6
Capital Expenditures	2.7	3.3	3.2
Domestically financed	1.7	2.7	2.3
Foreign financed	1.0	0.6	0.9
Others	0.1	0.1	0.1
Other Expenditures	0.0	0.0	0.0
Primary balance (commitment basis)	**0.5**	**0.5**	**0.5**
Memorandum items:			
Non-oil primary balance	*-0.89*	*-0.85*	*-1.01*
Highly-targeted social spending (GSFP, NHIS, LEAP, and Capitation Grant)	*0.53*	*0.53*	*0.55*

Sources: Ghanaian authorities and IMF staff projections.

16. The authorities stand ready to deploy contingency measures, if needed in case of slippages or revenue underperformance (MEFP¶10). These could include bringing forward the implementation of measures identified under Ghana's MTRS and/or reprioritizing spending execution, while protecting social spending at the time of the Mid-Year Budget Review or by adjusting quarterly allotments during the year.

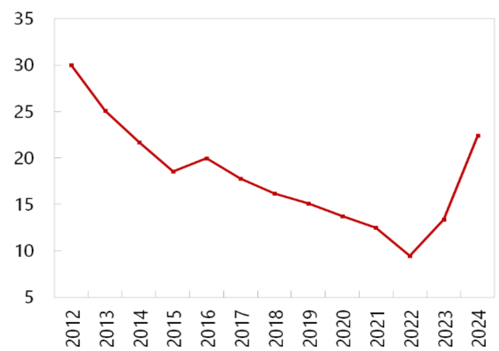
B. Social Impact, Spending, and Policies

17. Social protection programs have been strengthened to cushion the most vulnerable from the impact of the economic and policy adjustments (Text Figure 3). Over the past few years, high inflation and below-trend growth, along with acute financing constraints, resulted in delayed access to benefits, erosion of benefits' real value, and a buildup of arrears to suppliers. Against this backdrop, the authorities have taken measures to bolster the social protection programs in health, education, and social safety nets that are targeted to the most vulnerable. Following a significant increase in 2023, the 2024 budget raised the resources for such programs by 0.07 percentage points to 0.55 percent of GDP (***IT***). Specifically, the following policies were implemented: i) a doubling of the cash-transfer benefit under the Living Empowerment Against Poverty (LEAP) program and enactment of an automatic inflation indexation of the LEAP benefit; ii) a 25-percent increase in the meal benefit under the Ghana School Feeding Program (GSFP); iii) a 25-percent increase in the Capitation Grant benefit in favor of basic education; and iii) a 40-percent increase in the allocation to National Health Insurance Scheme (NHIS; MEFP¶12). This helped maintain the real value of these programs' benefits and, in the case of the NHIS, to clear medical claim arrears while improving the availability of essential medicines and child vaccines. Budget allocations for these programs are set to increase to 0.60 percent of GDP in 2025.

Text Figure 3. Developments in Social Spending

Real Value of LEAP Benefits Per-household

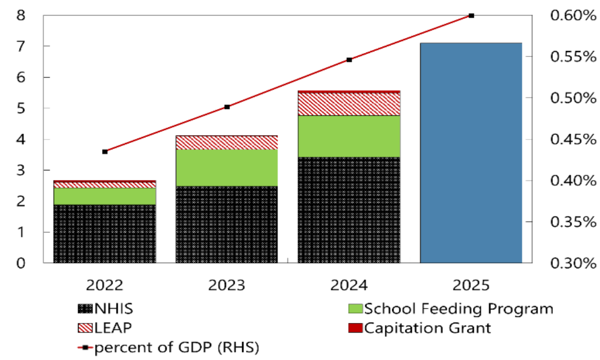
(Monthly benefit; constant 2012 GHS)



Sources: Ghanaian authorities, World Bank, and IMF staff estimates.

Highly targeted Social Protection Spending

(GHS billions)



Sources: Ghanaian authorities.
Note: 2022 and 2023 spending is actual. 2024 and 2025 spending is the social spending floor under the program.

18. Reforms to further expand the social protection programs and improve their operational efficiency are advancing with the support of the WB (MEFP¶13). Over the medium term, the authorities aim to: i) achieve significant operational efficiencies across all the programs by improving procurement processes, reducing administrative costs, leveraging digitalization, and enhancing audits; ii) increase the LEAP benefits to 20 percent of pre-transfer household consumption, while gradually expanding its coverage to reach both the extreme poor and the poor households; and iii) increase the GSFP meal benefit to cover 30 percent of children's daily calory need. In this context, the authorities are updating the current LEAP registry to strengthen targeting and subsequently expand the beneficiaries from 350,000 to 450,000 households by end-2024.

C. Structural Fiscal Reforms to Entrench Fiscal Discipline

19. Structural fiscal reforms are advancing despite some delays. Ghana's ambitious fiscal structural agenda aims to durably restore fiscal sustainability and build resilience by: i) permanently increasing revenue collection through base-broadening and compliance-enhancing measures; ii) rationalizing public spending by strengthening public financial management (PFM) systems—particularly in the areas of budget controls, spending efficiency and transparency, public investment management, and prevention of arrears accumulation; iii) modernizing the fiscal framework and institutions; iv) addressing deep-rooted vulnerabilities in the energy and cocoa sectors; and v) bolstering State-Owned Enterprises (SOEs) governance. Efforts in these areas are being closely coordinated with the WB.

Domestic Revenue Mobilization

20. The GRA is taking steps to enhance its collection of taxes on foreign-sourced income. Ghana has recently joined the Global Forum on Transparency and Exchange Information for Tax

Purposes.[4] Consistent with IMF TA, the GRA is seeking to enhance compliance by leveraging this new information source to undertake audits of large accounts. After a successful pilot, a scheme has also been launched to create incentives for voluntary disclosure of foreign-sourced income.

21. The GRA is also making efforts to ensure the revenue measures underpinning the 2024 budget deliver the expected yields (MEFP¶46). VAT enforcement on sales of residential accommodations is being strengthened by completing the VAT registration of large property developers, making VAT payment a prerequisite for registration of the property, and mandating VAT payments through the GRA's online portal. Efforts are also being made to collect monthly information on property sales from developers with a view to prevent tax evasion. In addition, the GRA has enhanced audits on large taxpayers (for PIT, CIT, and VAT), and will publish online quarterly compliance report data starting from end-June 2024. It will also roll out the e-VAT system to the large taxpayers by end-June 2024 and extend it to an additional 2,000 taxpayers by year-end.

22. The authorities are also redoubling efforts to improve the efficiency and effectiveness of revenue administration (MEFP¶48-49). After several delays, the procurement of the Integrated Tax Administration System (ITAS) was finalized in May 2024, with a view to complete its operationalization by end-December 2024 (***SB***). The GRA has also taken steps to clean the taxpayer register and ledgers (***end-June 2024 SB***) by identifying data quality requirements and developing a data governance framework to improve the data management policy and clarify ownership and management of IT projects.

23. Implementation of the MTRS has started (MEFP¶47). The MTRS adopted in September 2023 aims at increasing tax revenue significantly over 2024-27, by broadening the tax base, minimizing tax avoidance, and ensuring a progressive tax system while promoting equity and transparency. In 2024, consistent with this strategy, the authorities introduced measures to widen the tax net (e.g., elimination of VAT exemptions, taxation of digital economy) and enhance compliance and enforcement processes (e.g., simplified taxation scheme for small taxpayers). The Revenue Policy Division (RPD) of the Ministry of Finance (MoF) and the GRA are now preparing medium-term strategic plans to implement the strategy. The authorities plan to perform a mid-implementation review of the MTRS in 2025, with support from the Fund, to assess progress compared to the initial objectives (e.g., timeline, yield of the adopted reform) and identify timebound corrective actions, if needed.

24. The new fiscal regime framework for extractive industries is still being finalized. The draft Extractive Industry Fiscal Regime bill, which has benefitted from technical assistance (TA) from the Fund, is expected to promote a stable environment for investors and ensure a fair share of the revenues for Ghana. Following several delays, it is now expected to be submitted to Parliament by end-December 2024.

[4] The Forum is a multilateral framework initiated by the OECD for tax transparency and information sharing covering over 170 jurisdictions to prevent tax evasion.

Public Financial Management (PFM)

25. Progress is being made toward better controlling expenditures and improving their value for money. Specifically, the authorities have enhanced budget monitoring and strengthened cash management to ensure close alignment between spending commitments and available resources (MEFP¶35). An inventory of all ongoing and planned public investment projects was submitted to Cabinet in March 2024 (***SB***), with the expectation of being updated on a regular basis and used to rationalize the projects portfolio (MEFP¶37). In addition, work is undergoing to expand the coverage and functionality of the Ghana Integrated Financial Management Information System (GIFMIS; MEFP¶38 and ¶42) and streamline statutory funds consistent with the strategy approved by Cabinet in September 2023 (MEFP¶41; ***new end-June 2025 SB***). Continued efforts in increasing the coverage of GIFMIS will also help improving the timeliness and quality of fiscal reporting. However, progress has been slow in strengthening budget execution and reporting by broadening the coverage of the Treasury Single Account (TSA) and enhancing oversight of financial transactions (MEFP¶40).

26. The authorities are committed to addressing current weaknesses in public procurement (MEFP¶39). Most notably these include lack of transparency—as data on procurements are compiled with significant delays (most recent data cover 2020)—and weak governance, owing to the large share of procurements done outside the Ghana Electronic Procurement System (GHANEPS) and the extensive recourse to single source and restricted tendering (40 percent of total value of procurements in 2020). To enhance governance in public procurement, the authorities have rolled out GHANEPS to all Ministries, Departments and Agencies (MDAs) and Metropolitan, Municipal and Districts Assemblies (MMDAs), and plan to integrate it with GIFMIS to ensure that only projects/purchase orders that have approved budgets and allotments proceed to award contracts (***new end-December 2024 SB***). The authorities expect that this integration will foster an increase in the share of procurements (by value) registered in GHANEPS, with the goal of reaching 90 percent of total procurements by 2025Q4.

27. The MoF is taking steps to clear arrears consistent with the medium-term fiscal framework under the Fund-supported program (MEFP¶34). In line with the priorities set in Ghana's arrears clearance and prevention strategy, the authorities intend to prioritize clearance of payables to domestic suppliers in areas with the largest macroeconomic impact. Moreover, they will closely monitor the implementation of the strategy by systematically collecting information on the stock of payables and the payments made by MDAs per economic classification. To improve transparency and accountability, a separate budget line for MDAs will be added to reflect allocations for arrears clearance starting from the 2025 Budget.

Fiscal Framework and Institutions

28. The authorities see the reform of Ghana's fiscal framework and institutions as pivotal to entrench fiscal discipline. Their priorities in this area include: i) revamping Ghana's Fiscal Responsibility Framework by adopting a comprehensive fiscal and debt anchor and by defining appropriate escape clauses and correction mechanisms; and ii) empowering the Fiscal Advisory

Council to enhance oversight of and accountability for performance against the fiscal rule. Accordingly, the MoF will submit to Parliament amendments to the Fiscal Responsibility Act (2018) by end-October 2024 (***SB***). Fund TA is being provided to support the authorities in their endeavors.

Energy Sector

29. The implementation of the updated ESRP is advancing but with challenges (Text Figure 4; MEFP¶55).

- Following a small reduction in the electricity tariffs in 2024H1,[5] the Public Utilities Regulatory Commission (PURC) increased electricity tariffs by about 5 percent in June to reflect exchange rate and inflation developments. However, PURC's quarterly tariff pricing decisions continue to be subject to discretion, undermining the transparency of the tariff pricing mechanism and preventing tariffs from timely reflecting developments in the cost of energy. To address these pitfalls, the authorities have requested IMF and WB assistance in improving the transparency and methodology of the tariff formula by end-2024, while exploring options to reform energy subsidies.

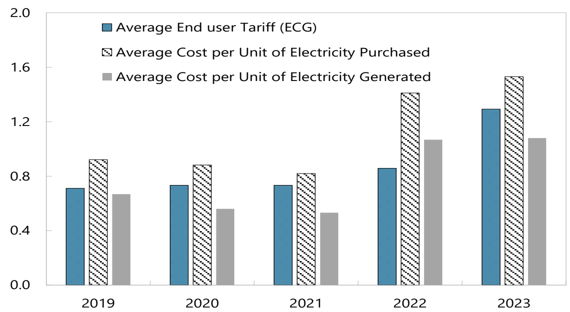
- Progress has also been made in renegotiating energy sector charges and legacy debt. The authorities indicated they had reached agreements in principle with some IPPs on reductions and deferrals of fixed capacity charges, discounts on legacy debt, and a favorable repayment plan to clear legacy arrears. Negotiations with the remaining IPPs are ongoing.

- The first quarterly audit of ECG's single account for the period July 2022-September 2023 was published (***end-February 2024 SB***). However, the auditor issued a qualified opinion and found significant discrepancies in ECG's financial allocations and operational practices, in contrast with the provisions under the Cash Waterfall Mechanism (CWM).[6] Cognizant of these challenges, the authorities are working with the WB to ensure that the next quarterly audit of ECG's accounts include an unqualified opinion.

[5] There was no change in the electricity tariff for residential consumers under lifeline (0-30 kWh) and in the 31-300 kWh band. The reduction of tariff for residential consumers of 301 kWh and above was about 6.6 percent and non-residential consumers of 301 kWh and above was 5 percent. Low voltage industrial tariff was reduced by 4.9 percent, and high voltage by 4.7 percent. At the same time, tariff bands were reduced to facilitate meter programming.
[6] The CWM was implemented in April 2020 as part of the ESRP to ensure fairness and transparency in distributing energy revenues among relevant electricity value chain stakeholders.

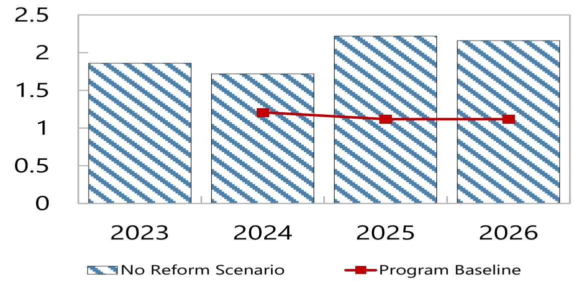
Text Figure 4. Energy Sector Developments

Tariff vs. Cost of Electricity
(GHS/kwh)



Source: Ghanaian Authorities
Notes: Cost of electricity purchased includes the costs beyond the generation cost such as transmission loss and collection lost.

Estimates of Energy Sector Shortfall
(USD billion)



Source: Ghanaian authorities and staff projections
Notes: Program baseline assumes implementation of quarterly and 2025 ad hoc tariff adjustments as well as some other ESRP reforms to reduce technical and commercial losses.

Cocoa Sector

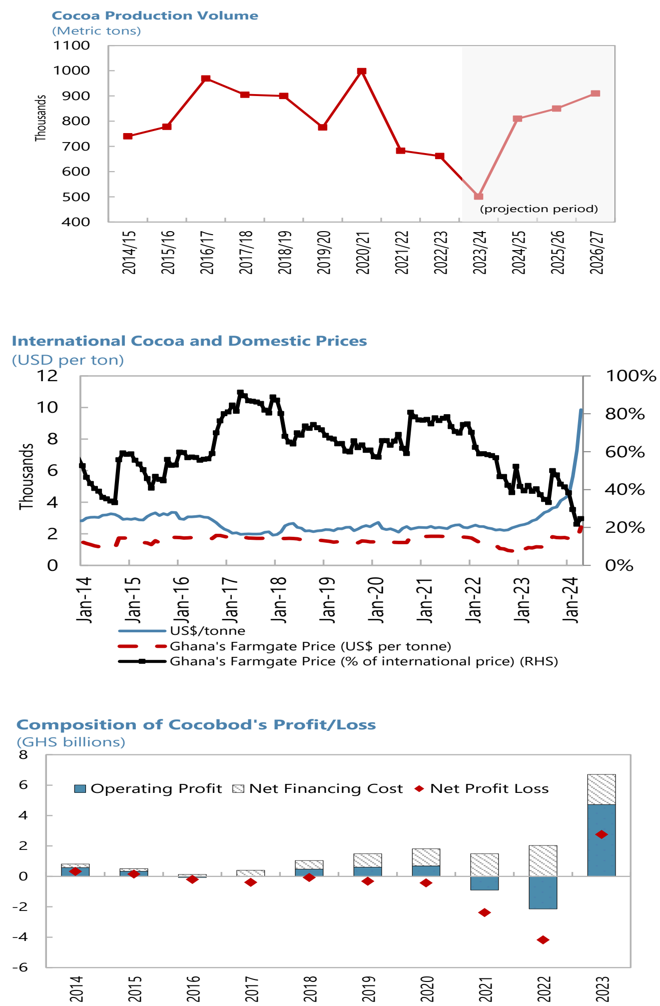
30. Although the Cocoa Board's (Cocobod) financial position improved in 2023, the current year is proving challenging (Text Figure 5). Faced with a significant shortfall in production and a large increase in spot market prices, and following a similar decision in Ivory Coast, the authorities increased the farmgate price of cocoa by 58 percent in April 2024 to prevent smuggling and support Ghana's cocoa market. To avoid that this decision leads to a cashflow deficit, Cocobod intends to increase the proportion of sales at the current high spot prices, while seeking additional spending rationalization.

31. Against this backdrop, full and timely implementation of Cocobod's turnaround strategy remains a priority (Text Figure 5). The strategy, which was approved by Cabinet and will be published by end-July 2024 (MEFP¶56-59), aims at restoring Cocobod's financial sustainability by i) strengthening financial oversight; ii) reviewing the producer pricing mechanism—to balance the need for a fair distribution of export proceeds to farmers and for covering Cocobod's financial and operational costs; iii) rationalizing costs—including staffing, industry, and financing costs based on a functional review of Cocobod's departments and subsidiaries; and iv) phasing out quasi-fiscal activities entailed by the financing of cocoa roads and fertilizer programs. Moreover, the MoF has enhanced its financial oversight capabilities by establishing a cocoa desk to regularly review Cocobod's financial position. In this context, the authorities have also requested Fund TA to develop an effective SOE oversight strategy.

D. Debt Management and Restructuring

32. The authorities have continued to make progress on their comprehensive debt restructuring (MEFP¶14-15). Their commitment to restore debt sustainability has been anchored by the objective of achieving a moderate risk of debt distress (as per the IMF-WB LIC-DSF) by 2028, which entails bringing five external and overall debt ratios below their respective thresholds. The government is also committed to seeking sufficient external debt service relief from the debt restructuring to ensure that Ghana's program is fully funded through 2026. Following the completion of the domestic debt restructuring last year, the government reached agreement with the Official Creditor Committee (OCC) on a Memorandum of Understanding (MoU) on June 11 2024, formalizing the agreement in principle (AIP) reached under the G20 Common Framework in early January. The MoU provides for a debt treatment consistent with program parameters and is expected to be signed by all parties in the coming weeks.

Text Figure 5. Cocoa Sector Developments



Sources: Ghanaian authorities and ICCO.
Notes: Ghana's farmgate price is computed as Cedi-denominated farmgate price in Ghana divided by monthly market exchange rate. Cocobod's 2023 figures are based on unaudited financial statements.

33. The authorities have also continued to make good faith efforts to reach an agreement with their external commercial creditors on comparable terms and consistent with program parameters. The government, their advisors, and a group of bondholders entered into a non-disclosure agreement (NDA) in March 2024 to work on potential debt restructuring scenarios. One scenario discussed during the NDA was sent to IMF staff for a formal assessment and did not meet the program parameters. At the end of the NDA period, the Ghanaian authorities reaffirmed their commitment to reach an agreement with commercial creditors that meets program parameters.

34. The authorities will carefully monitor the disbursements associated with bilateral and commercial projects signed before December 2022 (MEFP¶16). Undisbursed amounts under external bilateral and commercial facilities signed before the debt restructuring CoD have proven to be larger than anticipated—an initial estimate points to about US$3.8 billion for bilateral commitments alone. The authorities and the OCC agreed that the pace of project disbursements will be calibrated consistent with program parameters. Accordingly, the authorities will assess the maturity and socio-economic value of each project, their expected pace of disbursement, and the associated debt service profile. Based on this comprehensive assessment, they will lay out a prioritization strategy by rescaling, rephasing or cancelling projects (***new end-August 2024 SB***). A ***new IT*** will be set to monitor that total disbursements under these pre-CoD facilities do not exceed US$250 million annually over 2024-25 to ensure their consistency with program targets.

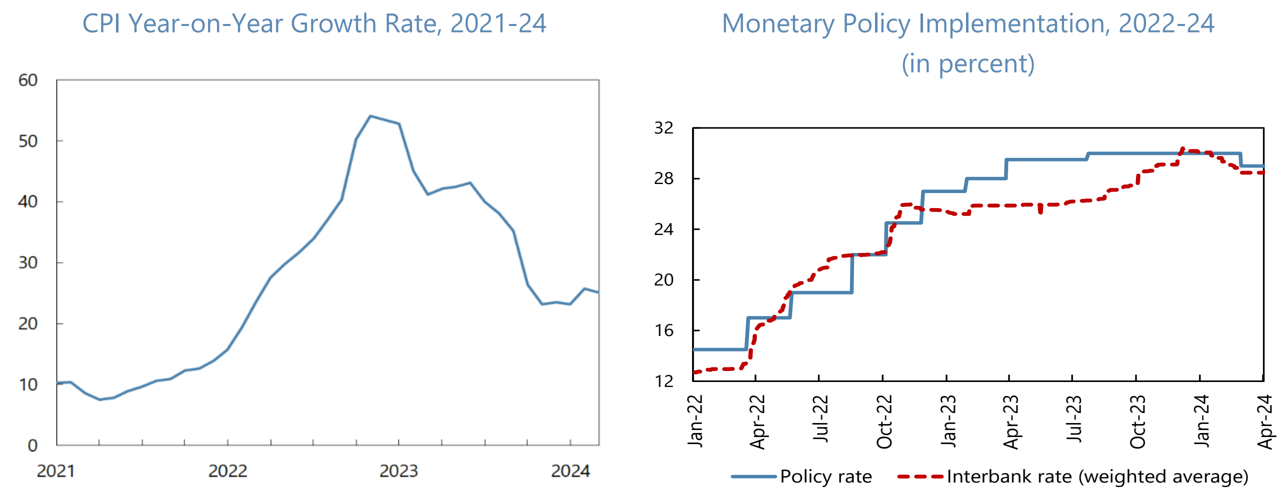
35. While ensuring sufficient domestic financing in the immediate, the MoF's debt management office is also working on strengthening its operations (MEFP¶17-18). Budget financing through T-bills is expected to continue this year. As the macroeconomic situation normalizes further and the external debt restructuring is completed, the authorities plan to develop a roadmap for a gradual resumption of bond issuances and to publish a medium-term debt management strategy together with an annual borrowing plan. In the meantime, the MoF is taking steps to increase its ability to monitor and manage post-CoD disbursements as well as debt issuance from SOEs and other public entities; to monitor and prevent collateralized debt issuance; to strictly limit borrowing on non-concessional terms; and to ensure timely debt payments.

E. Monetary and Exchange Rate Policy

36. The BoG has maintained an appropriately tight monetary policy stance. It responded to the rapid decrease in inflation by reducing its policy rate by 100 basis points to 29 percent in January, which left the real policy rate above its historical average. Last year, the BoG had stepped-up its monetary policy operations to absorb excess liquidity, allowing for alignment between policy rate and interbank rates (Text Figure 6). In March 2024, the BoG increased the cash reserve ratio (CRR) and introduced a tiering mechanism whereby banks with relatively low loan-to-deposit ratios face higher reserve requirements.[7] Given that—unlike BoG Bills—the CRR remains unremunerated, this increasingly shifts the cost of monetary policy implementation from the BoG to commercial banks, while providing the latter with incentives to divert liquidity from the government securities market towards credit to the private sector. The BoG will review these policies to ensure they deliver on their objectives (MEFP¶19) but do not impose undue costs on the financial sector nor lead to excessive risk taking.

[7] From April 1st, 2024, the CRR has been set depending on each bank's loan-to-deposit ratio. Above a 55 percent loan-to-deposit ratio, banks will face a 15 percent CRR (the prevailing ratio ex ante); between 40 and 55 percent, a CRR of 20 percent; and below 40 percent, a CRR of 25 percent. At the time of the decision, most banks would face the highest CRR.

Text Figure 6. Inflation and Monetary Policy Developments



Sources: Ghanaian authorities.

37. The BoG has yet to reform its FX market operations framework. In January-April 2024, gross FX interventions were mostly in line with the program's FXI budget and significantly below pre-program levels. The exchange rate depreciation in recent months points towards greater flexibility but has prompted the BoG to increase its FX interventions while still aiming at achieving its NIR targets. Further, limited progress has been made toward improving foreign exchange market operations. Against this backdrop and with the benefit of recently-provided IMF TA, the BoG reaffirmed its commitment to adopt an FXI policy and to work towards a framework where all central-bank FX transactions are conducted through auctions open to all banks, with allocations based solely on price and no limit imposed on bid prices (MEFP¶21-22).

38. The BoG is committed to removing all multiple currency practices. All MCPs maintained by Ghana under the previous policy (please see IMF Country Report No. 24/30, Informational Annex) are considered eliminated as of February 1, 2024, the date of the introduction of the Fund's new MCP policy. Since the new policy came into effect through May 28, 2024, impermissible spreads have been detected, thus giving rise to MCPs. These MCPs result from the same official actions that gave rise to MCPs under the previous policy, that is the use of the previous day's BoG reference for government transactions, for the conversion of foreign exchange proceeds from cocoa exports, and for purchases of inward remittance by commercial banks (plus or minus 100 basis points). Staff assesses that these MCPs may generate economic distortions and hamper FX market development because the total amounts affected are nonnegligible and the observed divergence of reference rates from the permissible range have at times reached close to 2.5 percent. The authorities consider the economic impact of the MCPs to be minimal, and are committed to eliminating them, including through reforms. To that effect, the BoG will implement a reference exchange rate calculation method in line with the IOSCO Principles of Financial Benchmarks by end-August 2024 (***new SB***). The authorities are not seeking approval of the existing MCPs. Modifications of MCPs due to these reforms will be carved out from the continuous PC.

39. More progress toward implementing the 2023 safeguards assessment's (SA) recommendations is needed (MEFP¶23). In May, the authorities prepared a first draft of amendments to the BoG Act. However, the submission to and approval by cabinet (***end-May 2024 SB***) has been delayed pending further consultation with Fund staff. The authorities expect the action to be implemented in the next few weeks. The BoG has mostly abstained from spending FX in the gold-for-oil (G4O) scheme since 2023Q3, and its staff is preparing a risk analysis of and exit strategy from the G4O with the view to present it to the BoG Board by end-June 2024 (***SB***). In addition, a number of other SA recommendations remain outstanding, and staff will continue to engage with the authorities on associated reforms.

40. Steps are also being taken to strengthen BoG's balance sheet. The BoG has continued to unwind costly swap and sell buy-back operations. Given that the BoG's balance sheet was adversely impacted by the DDE, the MoF and the BoG will prepare, by end-September 2024, an MoU to plan for gradual recapitalization (MEFP¶23) while respecting the fiscal commitments and debt targets under the program. To strengthen the recovery of its net equity over time, the BoG will also launch an external efficiency review and, in early 2025, adopt a strategy to streamline its operational costs.

F. Financial Sector Stability and AML/CFT

41. The BoG and the government are carrying out their strategy to rebuild banks' capital buffers in the wake of the DDE (MEFP¶25-27). Banks have submitted recapitalization plans consistent with program commitments, and some banks are ahead of schedule in their recapitalizations. Meanwhile, the BoG is adopting escalating punitive remedial and corrective measures against any banks that do not comply with the minimum recapitalization needed to ensure no negative CARs and to close one-third of the capital gaps per year (***end-March 2024 and new end-March 2025 SBs***). The BoG intends to lift the temporary regulatory forbearance measures it took in the wake of the DDE by 2027 and is committed to enforce the regulatory framework regarding NPLs, notably to make sure those are appropriately reported and provisioned. The government-funded part of the GFSF has already started recapitalizing state-owned banks with marketable government bonds. The WB operation that will fund the second part of the GFSF has been approved. The latter will target undercapitalized domestic banks, with funding conditional on prior capital injections by shareholders. The WB is also engaging with the authorities to ensure that the governance of the GFSF follows best practices.

42. The government is committed to addressing legacy issues and new challenges in Special Depository Institutions (SDIs) and the asset management sector in a comprehensive and cost-effective way (MEFP¶31). Considering the important role that the rural banking system plays in financial inclusion, the authorities have pledged to prioritize addressing the long-standing undercapitalization of this sector, as well as the DDE-related undercapitalization of ARB Apex Bank—which supports the rural banks. To ensure an efficient use of government resources, financial support for SDIs will be conditional on the regulators' assessment of their recapitalization plans and prospects for future viability. Needs for changes in operational strategies, governance, and risk management will be determined on a case-by-case basis, and existing regulations will be better enforced by the BoG. In 2025, the government will address the claims of investors of asset management firms with revoked licenses.[8] A burden-sharing approach will be employed to minimize fiscal costs and prevent moral hazard in the future.

43. The strategy to resolve NIB's financial and operational problems was approved by Cabinet in May 2024. This strategy envisages a series of capital injections by the government—with the first injection completed in May 2024—to address immediate liquidity needs and capital shortfalls. A special review of the bank's financial condition, asset quality, and business model will be performed by an international, independent, and reputable firm, with the terms of reference to be determined in collaboration with IMF staff (MEFP¶28; ***new end-July 2024 SB***). An overarching restructuring plan will be prepared, addressing among other things, necessary changes to the business model, risk management, and corporate governance (***new end-March 2025 SB***), ensuring that capital injections are used efficiently and that sustainability is restored.

44. The authorities have endeavored to address the recurring financial problems at state-owned banks (MEFP¶29). State-owned banks other than NIB are also facing financial difficulties, not just from the DDE but also from longer-standing problems in business models and risk management that have allowed the accumulation of high NPLs. The government will conduct a diagnostic review of such challenges—covering business models, governance, risk management, and legal framework—and devise a strategy to reform this sector (***end-April 2025 SB***). In the meantime, the strong measures adopted to address NIB's challenges will also serve as a guide to strengthen other key public banks.

45. The authorities remain committed to further improving the AML/CFT framework (MEFP¶61). Consistent with program commitments, they intend to bolster beneficial ownership (BO) transparency and build the capacity of all reporting entities in various AML/CFT related areas—including the implementation of Customer Due Diligence (CDD) requirements. The authorities will notably redouble efforts to address AML/CFT risks of Designated Non-Financial Businesses and Professions by increasing sensitization and capacity building actions with relevant stakeholders in priority sectors such as real estate, casinos, and dealers in precious metals and precious stones. In March 2024, the Financial Intelligence Center started a National Risk Assessment exercise to prepare for the third GIABA mutual evaluation that will begin in 2025.

G. Structural Reforms to Support Inclusive Growth

46. The authorities are implementing their strategy to boost inclusive and private sector-led growth with WB support (MEFP¶62). The key pillars of this strategy are improving private sector access to long-term financing, promoting Special Economic Zones, and deepening reforms to improve the business environment. The WB is currently providing support to operationalize the new Development Bank of Ghana, reduce minimum foreign capital requirements to attract foreign direct investment, and finalize the new policy for Special Economic Zones.

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[8] Staff's baseline assumes a total cost of financial sector restructuring of 2.6 percent of GDP (including costs associated with legacy issues).

47. Ghana's 2022–25 Medium-Term National Development Policy Framework (NDPF) fulfils the Poverty Reduction and Growth Strategy (PRGS) requirement (Annex II). The NDPF focuses on inclusive growth, human capital development, and poverty reduction and was developed through a participatory process. As assessed by the WB, the NDPF is a comprehensive and ambitious strategy for structural transformation to address infrastructure gaps, reduce poverty and inequality, foster inclusion, and improve education and health systems. However, the policies underpinning the NDPF would need to be recalibrated to reflect the deep socio-economic impact of the shocks that hit Ghana after the cabinet approval of the NDPF in 2022. The recalibration of the NDPF would benefit from higher selectivity and prioritization based on cost-benefit analysis, greater emphasis on productivity improvements in agriculture, and a further expansion of targeted support to the poor and economically insecure, consistent with the government's efforts under the Fund-supported program. The authorities are committed to revise their NDPF with support from development partners.

H. Governance

48. Ghana has introduced important legal reforms in recent years to strengthen its anticorruption and governance framework, but weaknesses remain (MEFP¶60). The Auditor General is preparing a follow up report of its audit of COVID-19 spending that will be published by end-June 2024. Moreover, the Attorney General has submitted to Cabinet a new Conduct of Public Officers Act to strengthen the asset declaration system. The authorities are also conducting an evaluation of the ten-year National Anticorruption Action Plan (NACAP) that started in 2014, while working on a new NACAP for the next 10 years. To support these efforts, the authorities requested a Governance and Corruption Diagnostic Assessment from the Fund. An inter-departmental IMF mission took place at the end of 2023 and the assessment report —which covers the anti-corruption framework, AML/CFT, fiscal governance, financial sector oversight, and the rule of law—will be shared with the authorities in the coming weeks. This diagnostic will help inform the design of additional governance-related reforms under the program.

PROGRAM FINANCING AND MODALITIES

49. Adequate financing assurances are in place (Text Table 4). The program is fully financed, with firm financing commitments in place for the next 12 months and good prospects for adequate financing for the remainder of the program. Disbursement plans from the WB and the African Development Bank (AfDB) have been confirmed. While the WB's emergency Financial Sector Support operation is expected to disburse more gradually and in a lower amount than originally planned, the energy Program-for-Results (PforR) operation will add an additional US$90 million to the program financing, keeping the overall official financing during the program period broadly unchanged.

50. Staff is assured that the ongoing debt restructuring will generate financing consistent with program parameters and will restore debt sustainability. The agreement between authorities and the OCC on a MoU which formalizes the AIP on the debt treatment reached in January 2024 satisfies the Fund's Lending into Official Arrears (LIOA) policy. Arrears to other official bilateral creditors are deemed away in application of the LIOA policy (Strand 1). Consistent with the Lending into Arrears policy, the authorities are making good faith efforts to reach a debt restructuring agreement with external private creditors on comparable terms and within program parameters, by maintaining a substantive dialogue with these creditors and seeking a collaborative process (see ¶32). Given the authorities' progress on the debt restructuring and efforts to reach an agreement with external commercial creditors consistent with program parameters, debt is assessed as sustainable on a forward-looking basis.

Text Table 4. Proposed Program Financing
(USD million)

	2023	2024	2025	2026	Total
Pre-restructuring Financing Gap[1]	**3,364**	**3,864**	**4,304**	**2,373**	**13,904**
Official Financing	**687**	**2,043**	**1,148**	**734**	**4,612**
IMF	600	1,320	720	360	3,000
World Bank[2]	27	679	428	374	1,508
African Development Bank	60	44	0	0	104
Exceptional financing - Debt service relief[3]	**2,677**	**1,821**	**3,156**	**1,639**	**9,293**
Official creditors - based on January AIP	836	766	657	604	2,863
Exceptional financing expected from commercial creditors	1,841	1,055	2,499	1,035	6,430

[1] Pre-restructuring financing gap before external debt treatment from bilateral and commercial creditors.
[2] Beyond the IDA20 period, IDA financing figures are based on assumptions; actual disbursements will depend on IDA replenishment volumes, country performance, and other operational factors. Delivery of DPFs will be dependent on an agreement with the government on a strong program of policy and institutional reforms, and adequacy of the macroeconomic policy framework. In addition, the World Bank is planning to disburse US$1.4 billion for project loans during 2023-26, already included in the baseline.
[3] Actual debt service arrears accumulated in 2023.

51. The following modifications to program conditionality are being proposed (MEFP Tables 1-3):

- *Modification of PCs and ITs for end-June through end-December 2024*. The primary balance PC and non-oil revenue IT will be modified to accommodate macroeconomic developments while maintaining the fiscal effort relative to GDP. The NIR targets at end-September and end-December 2024 will be modified to reflect the large reserve accumulation in 2023, the challenges in the cocoa sector, and the larger-than-anticipated and more front-loaded nature of energy sector payments this year. This relaxation effectively rebalances the authorities' reserve accumulation efforts over the duration of the program to make it smoother, while maintaining the target of 3 months of import coverage. The PC on the NPV of new contracted external debt through end-December 2024 will be modified to accommodate a maritime security-related loan.
- *New IT and NIR adjustor*. A new IT (ceiling) is established to ensure that the size and timing of post-CoD disbursements on pre-CoD project loans remain consistent with program parameters. For the NIR, going forward, a new asymmetric adjustor will be introduced to account for the external debt service from the restructuring of commercial creditors' claims.

- *New conditionality through 2025*. PCs and ITs until end-June 2025 will be established along with 9 new SBs for end-July 2024 through end-June 2025, focused on macro-critical reforms.

52. Enterprise risks associated with Ghana's ECF-supported arrangement are high but mitigated by strong program design, the authorities' high commitment, and financing assurances.

- Ghana is currently the largest Poverty Reduction and Growth Trust (PRGT) borrower. The country's capacity to repay the Fund is adequate but it is subject to substantial downside risks. This assessment assumes successful program and debt restructuring implementation predicated on achieving moderate risk of debt distress and restoring adequate market access. Under the baseline, which does not reflect external private debt restructuring, several capacity-to-repay indicators are consistently above the top quartile of past UCT-quality arrangements for PRGT programs (Figure 1). The stock of debt to the Fund as a share of GDP (based on the existing and prospective drawings) remains at elevated levels, peaking in 2025 at about 5 percent of GDP. Debt service obligations to the Fund will reach a peak of 9.0 percent of total debt service in 2030. Downside risks to Ghana's capacity to repay (CtR) stem from the high level of access driven primarily by large BOP needs, implementation of the complex Fund-supported program, and uncertainties surrounding the outcome of the debt restructuring operation until completed. These risks are mitigated by Ghana's strong track record of debt service to the Fund, the continued strong commitment and ownership of the program, and the financing assurances provided by creditors and development partners.[9] Not supporting a member facing deep macroeconomic challenges and strongly committed to its reform program would entail significant reputational risk for the Fund, with knock-on effects on support from other partners. This would also undermine prospects for external debt restructuring.

STAFF APPRAISAL

53. Ghana's economy has proven more resilient than expected. The authorities' policy and reform strategy aimed at restoring macroeconomic stability and addressing long standing vulnerabilities is bearing fruit, with clear signs of stabilization emerging. In 2023, the slowdown in real GDP growth was less pronounced than anticipated and accompanied by a faster-than-expected decline in inflation, a marked improvement of the fiscal position and the external sector, and a reduction in exchange rate volatility. The macroeconomic outlook remains positive, with the Fund-supported program providing an essential anchor to fully restore macroeconomic stability, reduce debt vulnerabilities, and sustain the nascent economic recovery. However, risks to the outlook remain firmly on the downside, especially with the 2024 general elections approaching.

54. Program performance has been generally strong, supporting good progress towards a comprehensive debt restructuring. All end-December 2023 quantitative performance criteria and

[9] Ghana's senior debt and debt to multilateral creditors represents only 29 percent of total external debt, one of the lowest levels among LICs.

all but one ITs were met. Progress was also made in implementing the structural reform agenda with four SBs met, one implemented with a small delay, and one unmet. Staff also commends the authorities for reaching an agreement on a debt treatment MoU with the OCC under the G20's Common Framework.

55. Looking ahead, perseverance in program implementation and further progress toward restructuring agreements with commercial creditors will be critical. Fully restoring macroeconomic stability and promoting an inclusive recovery requires sustained implementation of policy and reform commitments. Determination to keep the domestic revenue mobilization agenda on track and to tighten expenditure commitment controls ahead of the December 2024 general elections is of the essence to avoid policy slippages as experienced in past electoral cycles. Political will to deploy contingency revenue and expenditure measures as needed will also be instrumental. Similarly, continuing to engage with external commercial creditors to reach an agreement on a debt treatment consistent with program parameters is essential to restoring debt sustainability.

56. Against this backdrop, staff welcomes the authorities' commitment to maintaining the fiscal effort under the program. In 2024, this will require timely implementation of the revenue measures laid out by the government to offset the impact of the suspension of the VAT on electricity and to secure the expected yields of the revenue measures underpinning the 2024 Budget (0.9 percent of GDP). On the spending side, careful efforts to streamline current expenditures and reprioritize investment are paramount to addressing pressures from higher externally-funded spending within fiscal targets, while creating space to bolster targeted social protection programs and cushion the vulnerable from the impact of the fiscal adjustment.

57. Entrenching fiscal discipline will hinge on timely and sustained progress in implementing the structural fiscal reform agenda under the program. To this end, the authorities should redouble their efforts to implement comprehensive reforms aimed at enhancing revenue mobilization, consistent with the priorities identified under Ghana's MTRS, and improving public financial management—including by strengthening expenditure controls and public investment management, streamlining statutory funds, preventing arrears accumulation, enhancing fiscal rules and institutions, and strengthening governance and transparency in public procurement. In the energy sector, recent progress in addressing legacy debt is encouraging, but urgent action is needed to reduce the energy shortfall, improve the transparency of the tariff-setting mechanism, ensure that tariff decisions are rules-based and reflect timely developments in the cost of energy, and strengthen the governance and accountability in the sector. In the cocoa sector, steadfast implementation of Cocobod's turnaround strategy, recently approved by Cabinet, is also of the essence.

58. BoG's commitment to maintain a prudent monetary stance is welcome, but more progress is needed to address the Fund's safeguards assessment recommendations. A tight policy stance—supported by robust liquidity absorption operations—is warranted until inflation approaches the target band. Against the backdrop of the recent currency depreciation, the BoG should remain prudent to ensure a reduction in the still high and volatile inflation as well as a re-anchoring of inflation expectations. Continued progress in advancing Fund's advice on safeguards is also warranted. In particular, the adoption by Cabinet of the amendments to the BoG Act should remain a priority to strengthen central bank independence. The recapitalization of BoG should follow a cautious approach that considers fiscal space available under the program.

59. The BoG should continue rebuilding international reserves and accelerate reforms to its FX intervention framework. While commending the large outperformance of reserves accumulation in 2023, staff notes that it is partially the result of temporary factors and that, going forward, limiting FX interventions remains key to rebuilding external buffers. Staff encourages authorities to eliminate MCPs. Consistent with IMF TA recommendations, the BoG should adopt a formal internal FX intervention policy framework; implement all FX interventions through an open and price-based FX auction mechanism; and reform the cedi reference rate. These measures would better underpin exchange rate flexibility, and deepen the exchange rate market.

60. Continued progress in addressing financial sector's challenges is essential to ringfence financial sector stability. The BoG has appropriately escalated punitive remedial and/or corrective measures to ensure that banks implement their recapitalization plans, and the MoF has started to recapitalize state-owned banks. Continued progress on these fronts is of the essence. Given the rise of NPLs observed over the last year, it will also be crucial to ensure adequate reporting and provisioning of NPLs through enhanced supervision. Addressing problems at SDIs and NBFIS is important but should be done in a cost-effective way. Looking ahead, the authorities should ensure the timely and full implementation of the recently approved strategy to resolve NIB's financial and operational problems and use some of the lessons from NIB to address effectively long-term structural weaknesses in other state-owned banks, including through better enforcement of regulations and governance.

61. The government's intention to increasingly focus on structural reforms to foster inclusive growth and poverty reduction is appropriate. While short-term and sectoral initiatives could help alleviate the impact of the crisis on economic activity, continued efforts to create an environment more conducive to private sector development is key to enhance the economy's potential and underpin sustainable job creation. In this regard, the NDPF should be amended to ensure that Ghana's medium-term growth and poverty objectives reflect the socio-economic impact of the shocks occurred after the COVID-19 pandemic and are supported by policy interventions taking into account the change in circumstances. The ongoing Governance and Anticorruption Diagnostic will inform the next round of reforms in this area to address existing governance weaknesses.

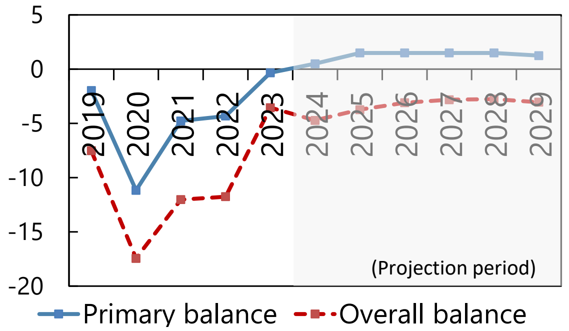
62. Given Ghana's generally strong performance, the commitments under the program, and the progress made in advancing the comprehensive debt restructuring, staff supports the completion of the second review under the ECF arrangement, the financing assurances review related to private sector creditors, and the request for modification of performance criteria.

Figure 1. Ghana: Fiscal Developments

Persistent high fiscal deficits, particularly during the Covid-19 pandemic and election year, had led to....

Overall and Primary Balance (Commitment basis)

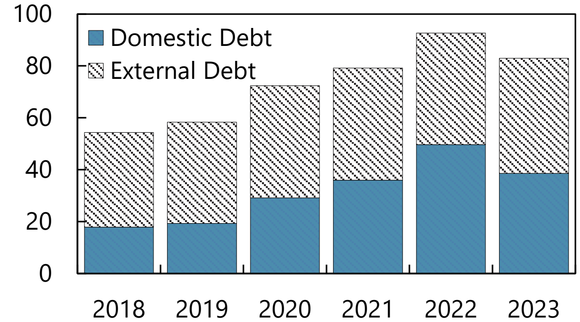
(Percent of GDP)



.... a rapid debt accumulation with debt-to-GDP ratio surging from 55 percent in 2018 to over 90 percent in 2022.

Gross Public Debt Stock

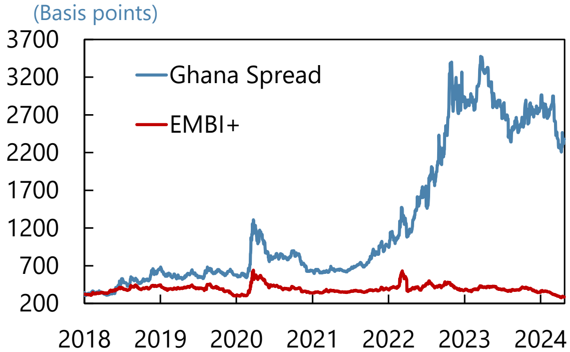
(Percent of GDP)



Efforts to restrain spending and raise revenue in 2021/22 were insufficient to restore market confidence.

Sovereign Spreads

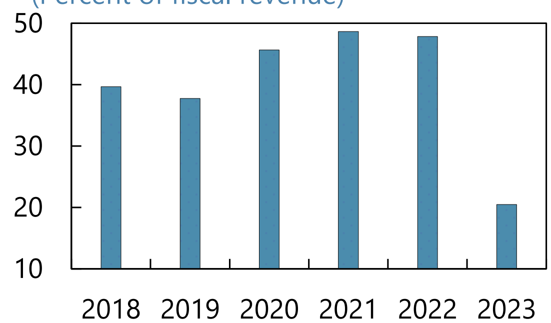
(Basis points)



Interest expense had consumed about half of government revenues, until the debt restructuring process began.

Interest Expense

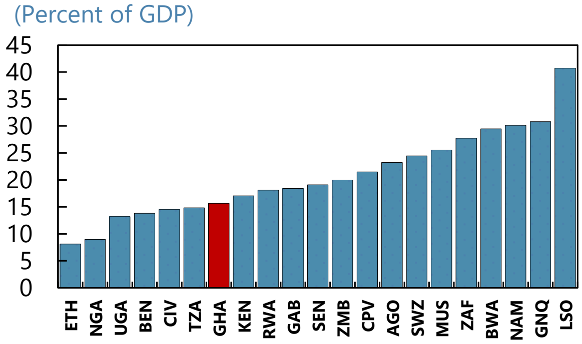
(Percent of fiscal revenue)



Given the relatively weak revenue mobilization, Ghana is now embarking a large, front-loaded revenue-led fiscal consolidation program.

Revenue (excluding grants), 2022

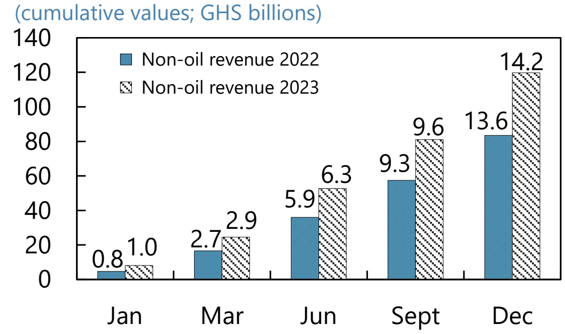
(Percent of GDP)



Domestic revenue mobilization efforts start to bear fruit. Non-oil revenue increased significantly in 2023, on track to reach the medium-term target.

Non-oil Revenue

(cumulative values; GHS billions)



Notes: Figures above the bars denote non-oil revenue in percent of GDP.

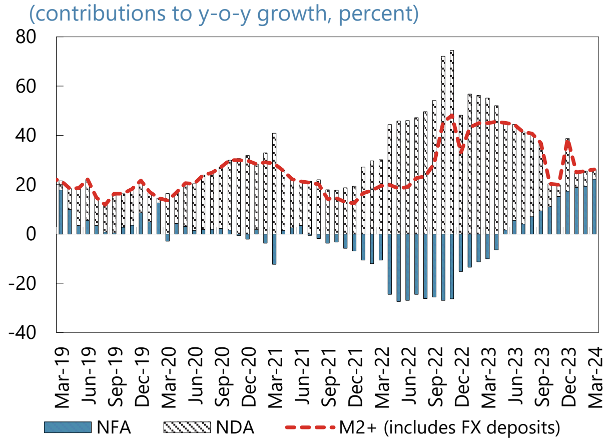
Sources: Ghanaian authorities, Bloomberg, World Economic Outlook, and IMF staff calculations and projections.

Figure 2. Ghana: Monetary and Financial Developments

NFA are starting to recover, and NDA growth is slowing down…

Broad Money

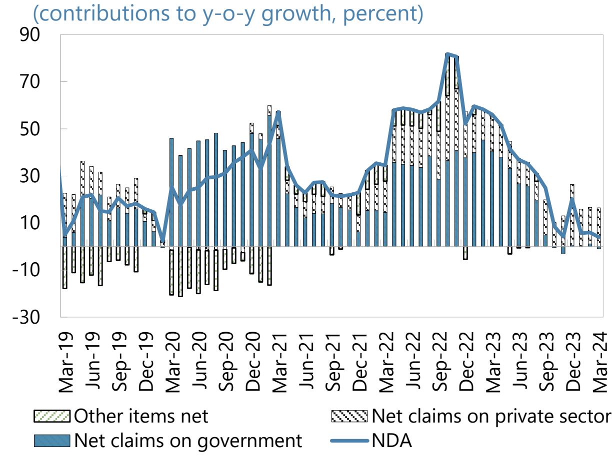
(contributions to y-o-y growth, percent)



…driven by lower financing of the government but also to the private sector

Net Domestic Assets

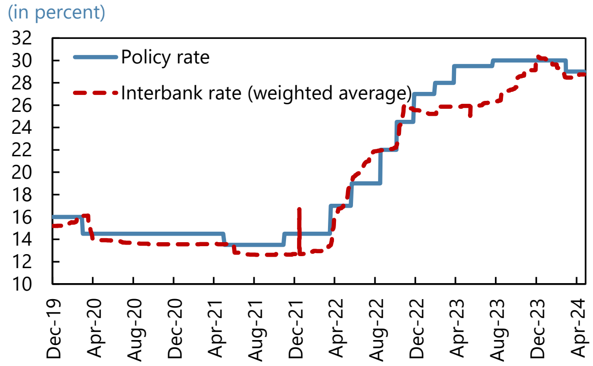
(contributions to y-o-y growth, percent)



Monetary policy has been significantly tightened by raising the policy rate…

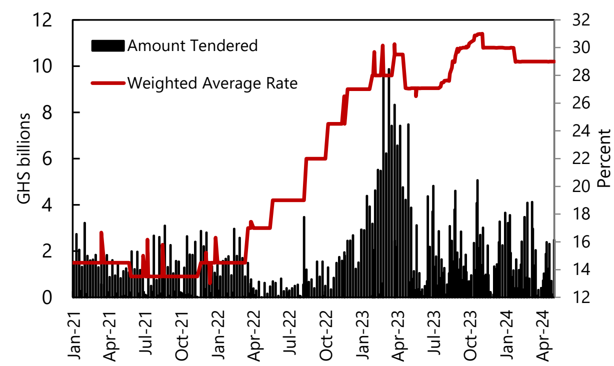
Monetary Policy Rate and Interbank Rate

(in percent)



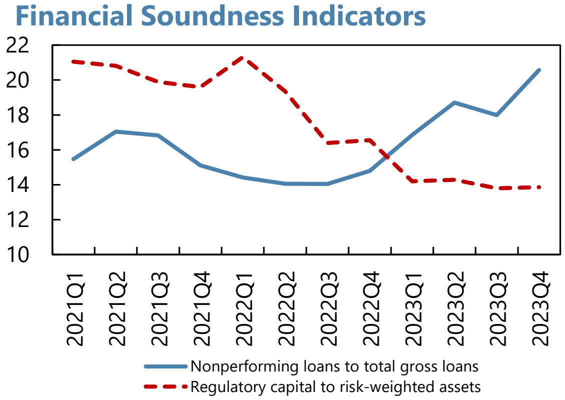
… and significant liquidity absorption by the BoG.

Open Market Operations



Average capitalization of the banking sector has decreased on the back of the DDEP and NPL are rising…

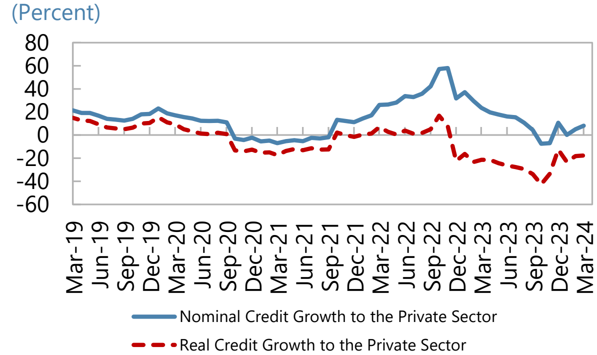
Financial Soundness Indicators



…Growth of credit to the private sector has decreased in nominal terms and is negative in real terms.

Credit to the Private Sector

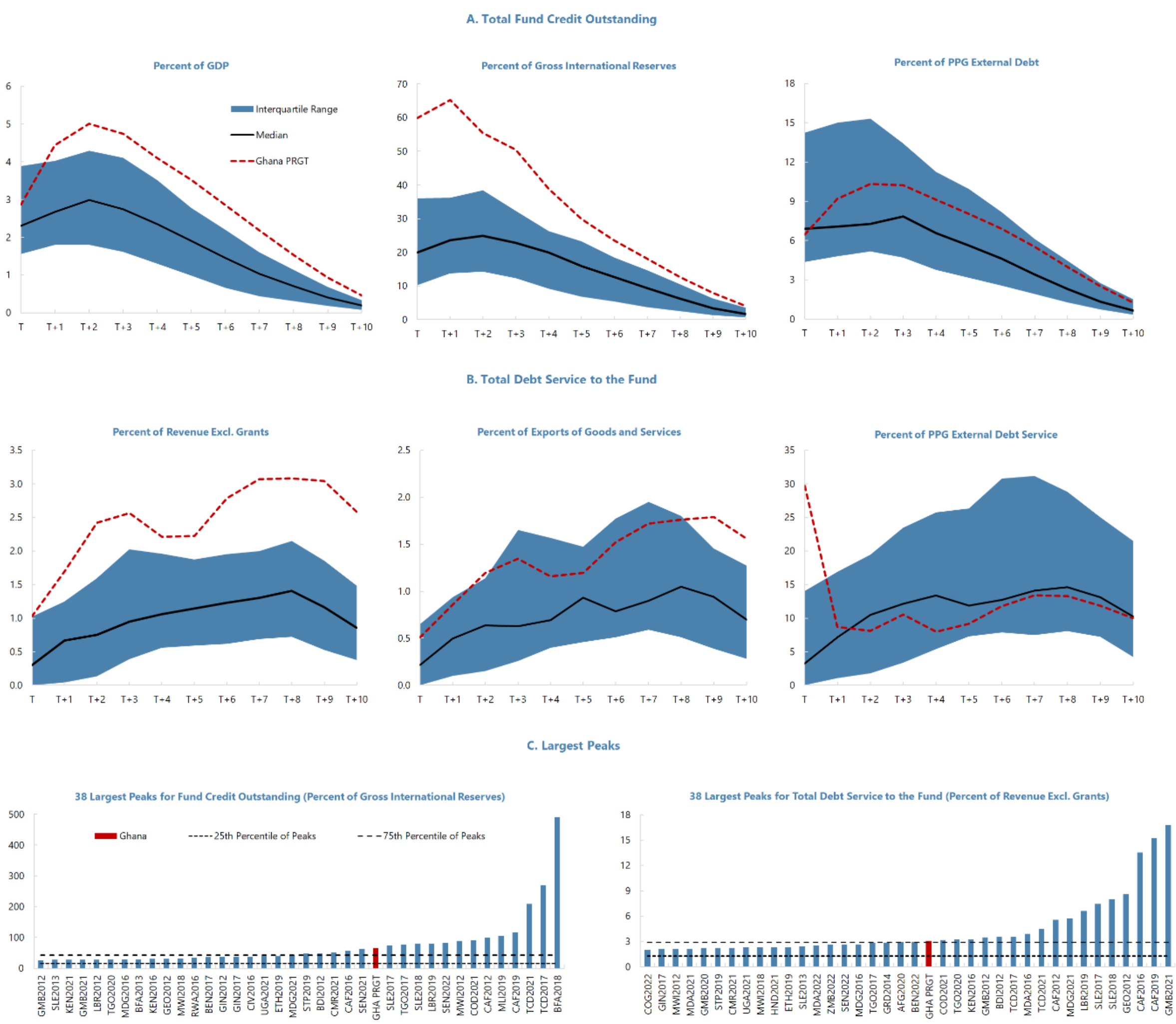
(Percent)



Sources: Ghanaian authorities and IMF staff calculations.

Figure 3. Ghana: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(in percent of the indicated variable)



Notes:
1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.
8) PPG debt service paid in year T is the debt service paid in 2023 given the debt suspension, while PPG debt service in subsequent years is the pre-restructuring debt service due.

Table 1. Ghana: Selected Economic and Financial Indicators, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)										
National accounts and prices											
GDP at constant prices	3.8	2.3	2.9	2.8	3.1	4.4	4.4	4.9	5.0	5.0	5.0
Non-extractive GDP	3.1	2.5	3.0	2.3	3.0	4.4	4.4	5.0	5.0	5.0	5.0
Extractive GDP	8.9	0.4	2.5	6.2	3.9	4.2	3.8	4.3	4.4	4.7	5.0
Real GDP per capita	1.6	-0.3	0.4	0.2	0.6	1.8	1.8	2.3	2.4	2.4	2.4
GDP deflator	28.2	36.3	33.1	20.2	17.5	10.9	11.1	7.9	7.9	7.6	7.5
Consumer price index (end of period)	54.1	27.6	23.2	15.0	15.0	8.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	40.2	39.2	22.3	19.5	11.5	11.5	8.0	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)										
Central government budget											
Revenue	15.7	15.7	16.0	16.7	16.9	17.3	17.4	18.0	18.0	18.0	18.0
Expenditure (commitment basis) [1]	27.5	20.4	19.6	21.7	21.6	21.6	21.1	21.1	20.8	20.8	21.1
Overall balance (commitment basis) [1]	-11.8	-4.6	-3.6	-5.0	-4.7	-4.3	-3.7	-3.1	-2.8	-2.8	-3.1
Primary balance (commitment basis)	-4.3	-0.5	-0.3	0.5	0.5	1.5	1.5	1.5	1.5	1.5	1.3
Non-oil primary balance (commitment basis)	-6.3	-1.8	-1.8	-0.8	-1.0	0.0	0.1	0.2	0.3	0.2	-0.1
Public debt (gross)	92.7	86.1	82.9	83.6	82.5	80.9	79.5	76.1	72.5	69.3	66.9
Domestic debt	49.7	37.0	38.6	33.7	34.2	31.8	31.0	29.7	27.4	25.6	25.5
External debt	43.0	49.1	44.3	49.9	48.3	49.1	48.5	46.4	45.1	43.7	41.5
	(annual percentage change, unless otherwise indicated)										
Money and credit											
Credit to the private sector (commercial banks)	31.8	12.6	10.7	22.0	22.0	13.0	13.0	14.9	15.0	15.0	15.0
Broad money (M2+)	32.9	22.8	38.7	17.4	17.4	16.9	16.9	16.0	16.0	16.0	16.0
Velocity (GDP/M2+, end of period)	3.4	3.8	3.4	4.0	3.5	4.0	3.4	3.4	3.3	3.2	3.1
Base money	57.3	6.0	29.2	17.4	7.5	12.1	12.0	13.6	11.5	13.8	13.8
Policy rate (in percent, end of period)	27.0	...	30.0	...	...	...	...	...	...	...	...
	(US$ million, unless otherwise indicated)										
External sector											
Current account balance (percent of GDP)	-2.3	-1.7	-1.4	-1.9	-2.5	-2.2	-2.0	-2.0	-2.2	-2.2	-2.1
BOP financing gap [2]	-...	4,216	3,364	3,312	3,098	3,910	3,647	1,769	1,565	1,116	318
IMF	...	1,200	600	720	1,320	720	720	360	0	0	0
World Bank	...	330	27	620	679	350	428	374	0	0	0
AfDB	...	59	60	44	44	0	0	0	0	0	0
Arrears to commercial external creditors	...	0	1,841	0	0	0	0	0	0	0	0
Arrears to official bilateral creditors	...	0	836	0	0	0	0	0	0	0	0
Exceptional financing to cover residual financing gap [3]	-...	2,627	0	1,928	1,055	2,840	2,499	1,035	1,565	1,116	318
Gross international reserves (program) [4]	1,454	2,388	3,661	3,852	5,116	5,501	6,851	7,604	9,165	10,911	12,043
in months of prospective imports	0.7	1.1	1.7	1.7	2.2	2.3	2.8	3.0	3.5	4.0	4.2
Memorandum items:											
Nominal GDP (millions of GHc)	614,336	850,656	841,633	1,050,978	1,020,180	1,216,854	1,183,394	1,339,842	1,518,046	1,715,739	1,937,351
Population Growth Rate (percentage)	2.2	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6

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

[1] First review interest expenditure projections corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[2] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[3] For the first review, to be covered by external debt restructuring; for updated projections, to be covered by the external commercial debt restructuring.

[4] Excludes oil funds, encumbered assets, and pledged assets.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2022–29[1]

(GFS 2001, Cash Basis, percent of GDP)

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**15.7**	**15.7**	**16.0**	**16.7**	**16.9**	**17.3**	**17.4**	**18.0**	**18.0**	**18.0**	**18.0**
Taxes	13.1	13.3	13.5	14.2	14.5	14.8	14.9	15.5	15.5	15.6	15.6
Direct taxes	6.3	6.1	6.7	6.3	6.9	6.4	6.5	6.4	6.3	6.4	6.4
Indirect taxes	5.3	5.4	5.2	6.2	5.8	6.7	6.4	7.1	7.1	7.1	7.1
Trade taxes	1.6	1.7	1.7	1.8	1.8	1.8	1.9	2.1	2.1	2.1	2.1
Social contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nontax revenue	2.4	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.1	2.1
Grants	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Expenditure	**27.5**	**20.4**	**19.6**	**21.7**	**21.6**	**21.6**	**21.1**	**21.1**	**20.8**	**20.8**	**21.1**
Expense	22.9	17.1	16.9	18.3	18.4	18.2	17.6	17.1	16.7	16.4	16.4
Compensation of employees	6.4	6.0	6.0	6.1	6.2	6.0	6.0	6.0	6.0	6.0	6.0
Purchases of goods and services	2.0	1.0	1.0	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2
Interest [1]	7.4	4.1	3.2	5.5	5.2	5.7	5.2	4.6	4.3	4.3	4.3
Domestic	5.5	2.1	3.1	3.4	3.5	3.6	3.5	2.9	2.7	2.6	2.7
Foreign	1.9	2.0	0.2	2.1	1.7	2.1	1.7	1.7	1.7	1.6	1.6
Subsidies and transfers	2.3	1.9	2.4	1.7	1.6	1.5	1.5	1.4	1.3	1.0	0.9
o/w transfers to energy producers	0.9	1.9	2.4	1.7	1.6	1.5	1.5	1.4	1.3	1.0	0.9
Social benefits[2]	0.0	0.1	0.1	0.1	0.1	0.3	0.3	0.5	0.5	0.5	0.5
Grants to other government units	4.7	4.0	4.1	3.9	4.2	3.6	3.4	3.4	3.4	3.4	3.4
Net acquisition of nonfinancial assets	3.9	3.3	2.5	3.3	3.2	3.4	3.5	4.0	4.1	4.4	4.7
Domestic financed	1.9	2.1	1.1	2.7	2.3	2.5	2.3	3.1	2.8	3.1	3.5
Foreign financed	2.0	1.2	1.4	0.6	0.9	0.9	1.2	0.9	1.3	1.3	1.2
Other expenditure	0.6	0.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (commitment basis)	-4.3	-0.5	-0.3	0.5	0.5	1.5	1.5	1.5	1.5	1.5	1.3
Overall balance (commitment basis) [1]	**-11.8**	**-4.6**	**-3.6**	**-5.0**	**-4.7**	**-4.3**	**-3.7**	**-3.1**	**-2.8**	**-2.8**	**-3.1**
Payables (net change) [3]	1.1	0.0	0.5	-1.1	-1.4	-1.0	-1.0	-0.9	-0.8	-0.7	0.0
Primary balance (cash basis)	-3.2	-0.5	0.1	-0.6	-0.9	0.4	0.5	0.6	0.7	0.8	1.2
Overall balance (cash basis) [1]	**-10.6**	**-4.6**	**-3.1**	**-6.1**	**-6.1**	**-5.3**	**-4.7**	**-4.0**	**-3.6**	**-3.5**	**-3.1**
Memorandum items:											
Public sector debt	92.7	86.1	82.9	83.6	82.5	80.9	79.5	76.1	72.5	69.3	66.9
Non-oil revenue (excl. Grants)	13.6	14.1	14.2	15.0	15.1	15.6	15.7	16.5	16.6	16.5	16.5
Oil revenue	2.0	1.3	1.5	1.3	1.5	1.4	1.4	1.3	1.2	1.3	1.4
Primary expenditure	20.1	16.2	16.3	16.2	16.4	15.8	15.9	16.5	16.5	16.5	16.8
Non-oil primary balance	-6.3	-1.8	-1.8	-0.8	-1.0	0.0	0.1	0.2	0.3	0.2	-0.1
Nominal GDP (GHS, million)	614,336.3	850,655.6	841,632.9	1,050,978.3	1,020,179.9	1,216,854.3	1,183,393.6	1,339,842.0	1,518,045.8	1,715,739.4	1,937,351.1

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

[1] First review interest expenditure projections corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[2] Comprises of government cash transfer program (LEAP) and subsidy for lifeline consumers of electricity

[3] Net payables of the energy and non-energy sectors.

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2022–29[1]

(GFS 2001, Commitment Basis, GHS millions)

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**96,651**	**133,815**	**134,672**	**175,162**	**172,549**	**210,202**	**205,588**	**241,715**	**272,815**	**309,519**	**349,498**
Taxes	80,622	113,017	113,972	149,318	147,569	179,670	175,895	208,296	235,254	267,678	302,252
Direct taxes	38,424	52,274	56,520	65,811	70,661	77,329	77,358	85,560	95,946	110,227	124,465
Indirect taxes	32,349	46,197	43,519	65,008	58,951	80,946	76,053	94,599	107,429	121,420	137,103
Trade taxes	9,848	14,546	13,933	18,499	17,957	21,395	22,484	28,137	31,879	36,031	40,684
Social contributions	350	664	635	920	893	1,018	990	1,121	1,270	1,435	1,621
Nontax revenue	14,561	17,683	17,646	21,809	21,170	26,765	26,029	29,305	32,947	36,685	41,423
Grants	1,119	2,452	2,420	3,115	2,917	2,750	2,675	2,994	3,344	3,721	4,202
Expenditure	**168,897**	**173,230**	**164,552**	**227,916**	**220,712**	**262,393**	**249,785**	**283,271**	**315,848**	**357,296**	**408,854**
Expense	140,814	145,583	141,866	192,802	188,142	221,339	207,830	229,343	254,124	281,920	317,700
Compensation of employees	39,434	51,304	50,808	63,683	63,683	73,147	71,135	80,540	91,083	102,944	116,241
Purchases of goods and services	12,556	8,579	8,446	11,561	11,065	13,385	13,017	16,078	18,217	20,589	23,248
Interest [1]	45,687	35,091	27,055	58,019	53,264	69,923	61,948	61,654	65,803	73,513	83,572
Domestic	33,881	17,886	25,674	35,942	35,782	44,126	41,342	39,150	40,480	45,316	52,492
Foreign	11,806	17,206	1,381	22,078	17,482	25,797	20,605	22,504	25,323	28,197	31,080
Subsidies and transfers	13,908	16,146	20,581	17,851	16,786	18,286	17,842	18,910	19,540	17,297	18,334
o/w transfers to energy producers	5,239	15,797	20,544	17,484	16,360	17,893	17,460	18,478	19,050	16,744	17,708
Social benefits[2]	94	545	429	951	845	3,227	3,138	6,233	7,590	8,579	9,687
Grants to other government units	29,135	33,917	34,547	40,737	42,498	43,371	40,749	45,929	51,892	58,998	66,618
Net acquisition of nonfinancial assets	24,189	27,648	21,085	35,114	32,570	41,054	41,955	53,928	61,723	75,376	91,153
Domestic financed	11,833	17,864	9,148	28,381	23,073	29,813	27,757	41,314	42,205	53,840	67,374
Foreign financed	12,355	9,784	11,937	6,732	9,498	11,241	14,198	12,614	19,518	21,536	23,780
Other expenditure	3,894	0	1,601	0	0	0	0	0	0	0	0
Primary balance (commitment basis)	-26,558	-4,324	-2,824	5,265	5,101	17,733	17,751	20,098	22,771	25,736	24,217
Overall balance (commitment basis) [1]	**-72,245**	**-39,415**	**-29,879**	**-52,755**	**-48,163**	**-52,191**	**-44,197**	**-41,556**	**-43,032**	**-47,776**	**-59,356**
Payables (net change) [3]	7,041	0	3,866	-11,613	-13,776	-12,311	-11,386	-11,704	-11,576	-11,902	-459
Primary balance (cash basis)	-19,517	-4,324	1,043	-6,349	-8,675	5,421	6,365	8,393	11,195	13,834	23,758
Overall balance (cash basis) [1]	**-65,204**	**-39,415**	**-26,013**	**-64,368**	**-61,939**	**-64,502**	**-55,582**	**-53,261**	**-54,608**	**-59,678**	**-59,814**
Memorandum items:											
Public sector debt	569,409	732,156	698,021	878,543	841,799	984,385	940,972	1,019,658	1,100,006	1,188,736	1,296,452
Non-oil revenue (excl. Grants)	83,496	120,343	119,701	157,894	154,210	190,274	185,854	221,596	251,317	283,446	318,976
Oil revenue	12,037	11,020	12,552	14,153	15,421	17,178	17,060	17,126	18,154	22,352	26,321
Primary expenditure	123,209	138,139	137,496	169,897	167,448	192,470	187,837	221,617	250,045	283,783	325,281
Non-oil primary balance	-38,595	-15,344	-15,376	-8,888	-10,320	554	691	2,972	4,617	3,384	-2,104
Nominal GDP (GHS, million)	614,336	850,656	841,633	1,050,978	1,020,180	1,216,854	1,183,394	1,339,842	1,518,046	1,715,739	1,937,351

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

[1] First review interest expenditure projections corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[2] Comprises of government cash transfer program (LEAP) and subsidy for lifeline consumers of electricity

[3] Net payables of the energy and non-energy sectors.

Table 2c. Ghana: Public Sector Gross Financing Needs and Sources, 2022–29
(in GHS billions)

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Gross financing needs (I)	**133.1**	**120.8**	**84.3**	**135.1**	**142.6**	**197.6**	**174.2**	**180.2**	**207.1**	**226.4**	**224.2**
Primary deficit (cash basis) [1,2]	19.5	3.9	-1.4	4.2	6.4	-10.2	-11.1	-12.2	-13.6	-16.0	-23.8
Financial sector strengthening	0.0	19.3	3.6	3.5	15.3	0.0	0.6	1.2	1.1	1.2	0.0
Debt service [3,4]	113.5	97.6	82.1	127.4	121.0	207.8	184.7	191.1	219.6	241.2	247.9
External	22.1	37.6	5.7	46.4	33.2	74.9	61.0	57.2	72.4	71.5	77.9
Domestic	91.4	59.9	76.4	81.0	87.8	132.9	123.7	133.9	147.2	169.7	170.0
Gross financing sources (II)	**133.1**	**73.8**	**76.7**	**88.7**	**99.0**	**135.1**	**115.5**	**149.2**	**176.9**	**203.2**	**218.7**
External	25.8	7.3	9.4	3.6	6.6	8.5	11.5	18.8	43.6	45.6	49.6
Multilateral	5.4	5.1	7.2	2.9	2.0	7.7	6.3	6.3	12.5	13.8	15.2
World Bank	4.7	4.5	7.0	2.2	1.4	6.9	5.5	5.5	11.7	12.9	14.2
Others	0.7	0.6	0.2	0.7	0.7	0.8	0.8	0.8	0.9	0.9	1.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	2.1	2.2	2.1	0.7	4.5	0.8	5.2	3.3	3.6	4.0	4.4
Paris Club	1.0	1.9	1.2	0.3	2.9	0.4	3.3	1.7	1.8	2.0	2.2
Non-Paris Club	1.1	0.3	0.9	0.3	1.7	0.4	2.0	1.7	1.8	2.0	2.2
Private sector	18.3	0.0	0.1	0.0	0.0	0.0	0.0	9.2	27.4	27.7	30.1
Eurobonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.5	18.5	19.6
Other commercials	18.3	0.0	0.1	0.0	0.0	0.0	0.0	9.2	9.9	9.3	10.5
Domestic	105.9	67.3	69.5	86.5	93.9	128.3	105.7	132.1	135.1	159.8	171.6
Bank of Ghana	49.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term debt	33.0	48.0	59.5	86.5	78.7	102.6	84.6	39.6	35.1	35.2	34.3
Medium term debt	23.5	0.0	6.4	0.0	0.0	25.7	21.1	92.5	100.0	124.6	137.2
Financial sector strengthening bond	0.0	19.3	3.6	0.0	15.1	0.0	0.0	0.0	0.0	0.0	0.0
Ghana Petroleum and Sinking Funds, net	1.4	-0.8	-2.1	-1.4	-1.5	-1.7	-1.7	-1.7	-1.8	-2.2	-2.5
Financing gap (I)-(II)	**0.0**	**47.0**	**7.6**	**46.4**	**43.7**	**62.6**	**58.7**	**30.9**	**30.2**	**23.2**	**5.5**
Exceptional financing	**0.0**	**17.7**	**7.6**	**19.3**	**27.7**	**17.1**	**17.9**	**12.1**	**0.0**	**0.0**	**0.0**
IMF	0.0	13.4	6.6	10.1	17.9	11.5	11.2	6.0	0.0	0.0	0.0
Other financial partners	0.0	4.3	1.0	9.3	9.8	5.6	6.7	6.2	0.0	0.0	0.0
Residual gap [5]	**0.0**	**29.2**	**0.0**	**27.0**	**16.0**	**45.5**	**40.7**	**18.8**	**30.2**	**23.2**	**5.5**
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: MOF, BOG, CSD and IMF staff calculations.

[1] Excludes AfDB budget support grants which are reflected under the exceptional financing.

[2] Includes Cocobod's net income used for debt service.

[3] Includes debt service by ESLA, Daakye and Cocobod excluding the trade facilities. Service on local currency debt held by non-residents is included in domestic.

[4] First review debt service projections corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[5] For the first review, residual gap to be covered by external debt restructuring through cash debt relief and savings on the interest bill on the relief amount that has to be borrowed in this pre-restructuring scenario; for updated projections, to be covered by the external commercial debt restructuring.

Table 3. Ghana: Monetary Survey, 2022–29
(in GHS millions)

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
I. Monetary Survey (Central Bank and Commercial Banks)											
Net foreign assets	-10,321	-36,294	21,038	-6,047	62,865	27,110	102,250	114,136	127,017	142,897	160,185
Net domestic assets	196,626	257,696	234,437	265,934	230,577	276,813	240,773	283,668	334,456	392,412	460,774
Net claims on central government	127,515	102,251	115,681	114,695	118,676	126,197	121,592	139,233	147,798	159,696	187,836
Claims on public non-financial corporations	14,967	6,473	14,081	1,340	25,645	207	39,077	41,088	52,858	69,201	81,680
Claims on private sector	76,150	85,064	77,616	94,492	92,935	103,884	102,124	114,648	131,402	150,686	172,860
Other items (net)	-22,006	63,908	27,059	55,407	-6,678	46,525	-22,020	-11,301	2,398	12,828	18,397
Money and quasi-money (M3)	180,267	221,403	250,020	259,886	293,443	303,923	343,023	397,804	461,473	535,309	620,958
Broad money (M2)	135,142	165,981	185,426	194,832	217,631	227,845	254,402	295,030	342,250	397,010	460,532
Foreign exchange deposits	45,124	55,421	64,593	65,055	75,812	76,078	88,621	102,774	119,223	138,299	160,427
II. Central Bank											
Net foreign assets[1]	-17,488	-55,489	3,349	-32,060	37,745	-5,584	70,541	76,335	82,539	91,099	100,372
Net domestic assets	85,591	127,655	84,639	116,770	56,877	100,519	35,459	44,085	51,677	61,597	73,414
Net claims on other depository corporations	-4,057	-2,767	-10,168	1,277	-2,069	1,131	-2,618	-2,411	-2,157	-1,854	-1,501
Net claims on central government	78,871	45,439	54,356	45,439	54,356	45,439	54,356	54,356	54,356	54,356	54,356
Claims on other sectors [2]	15,079	17,034	9,231	19,275	11,472	21,516	13,713	15,954	18,195	20,436	22,677
Other items (net) [3]	660	67,949	31,220	50,779	-6,882	32,434	-29,992	-23,814	-18,718	-11,341	-2,119
Base money [4]	68,104	72,166	87,988	84,709	94,622	94,935	106,001	120,420	134,216	152,696	173,786
III. Commercial Banks											
Net foreign assets	7,166	19,196	17,690	26,013	25,120	32,694	31,709	37,800	44,479	51,798	59,813
Net domestic assets	132,700	160,485	205,277	192,005	194,984	223,846	218,094	257,842	294,997	335,803	390,074
Net domestic claims	154,607	177,330	213,428	208,549	211,528	233,732	227,980	262,738	291,030	325,573	379,844
Net claims on central bank	42,209	42,236	75,093	43,758	53,358	45,019	54,693	55,974	57,432	59,050	61,004
Net claims on central government	48,644	56,813	61,325	69,256	64,320	80,759	67,236	84,877	93,442	105,340	133,480
Credit to public non-financial corporations	0	6,481	6,450	7,909	7,778	8,937	8,790	10,102	11,616	13,359	15,363
Credit to private sector	63,753	71,801	70,559	87,626	86,072	99,017	97,261	111,785	128,539	147,824	169,997
Other items (net)	-21,906	-16,845	-8,151	-16,544	-16,544	-9,886	-9,886	-4,896	3,967	10,230	10,230
Memorandum items:	(Annual percent change, unless otherwise indicated)										
Base money	57.3	6.0	29.2	17.4	7.5	12.1	12.0	13.6	11.5	13.8	13.8
M2	27.8	22.8	37.2	17.4	17.4	16.9	16.9	16.0	16.0	16.0	16.0
M3 [5]	32.9	22.8	38.7	17.4	17.4	16.9	16.9	16.0	16.0	16.0	16.0
Credit to private sector	31.8	12.6	10.7	22.0	22.0	13.0	13.0	14.9	15.0	15.0	15.0
M2 velocity	4.5	5.1	4.5	5.4	4.7	5.3	4.7	4.5	4.4	4.3	4.2
M3 velocity	3.4	3.8	3.4	4.0	3.5	4.0	3.4	3.4	3.3	3.2	3.1
Base money multiplier (M2/base money)	2.0	2.3	2.1	2.3	2.3	2.4	2.4	2.4	2.5	2.6	2.6
Credit to private sector (in percent of GDP)	10.4	8.4	8.4	8.3	8.4	8.1	8.2	8.3	8.5	8.6	8.8

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

[1] First review net foreign assets corresponded to a post domestic debt restructuring but pre-external debt restructuring scenario. Updated projections correspond to a post-domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario.

[2] Includes private sector, public enterprises and local government.

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

[4] Excludes foreign currency deposits.

[5] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2022-29

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of U.S. dollars)										
Current account	-1,695	-1,264	-1,097	-1,393	-1,865	-1,680	-1,502	-1,622	-1,867	-2,007	-2,128
Trade balance	2,699	2,732	1,691	3,280	2,144	3,763	3,092	3,219	3,932	4,345	4,665
Exports, f.o.b.	17,320	16,235	15,702	17,486	16,541	18,596	18,121	19,036	20,476	21,533	22,642
Imports, f.o.b	-14,621	-13,503	-14,010	-14,206	-14,397	-14,833	-15,029	-15,816	-16,544	-17,187	-17,977
Services (net)	-3,462	-3,500	-3,413	-3,733	-3,527	-4,339	-3,976	-4,208	-4,664	-5,141	-5,484
Income (net)	-4,505	-4,247	-3,524	-4,879	-4,523	-5,240	-4,779	-5,003	-5,724	-6,029	-6,367
Transfers	3,573	3,751	4,149	3,939	4,041	4,136	4,162	4,370	4,589	4,818	5,059
Capital and financial account	-2,264	-1,881	93	-296	-318	-317	-544	726	2,150	2,949	3,279
Capital account	142	161	129	179	172	172	171	181	191	201	215
Financial account	-2,406	-2,042	-35	-475	-490	-489	-715	545	1,959	2,748	3,064
Foreign direct investment (net)	1,473	1,159	1,308	1,861	1,558	2,292	1,725	2,072	2,499	2,767	2,960
Portfolio investment (net) [1]	-2,180	-162	2,487	-336	-343	-1,535	-1,537	-1,033	-433	-69	-102
Other investment (net)	-1,699	-3,038	-3,831	-2,000	-1,705	-1,246	-903	-494	-108	50	206
Medium and long term (net)	-867	-2,033	-2,812	-1,924	-1,640	-1,491	-1,409	-720	-336	-106	10
Short-term (net)	-832	-1,005	-1,019	-76	-65	245	506	226	228	156	196
Errors and omissions	361	0	-985	0	0	0	0	0	0	0	0
Overall balance	-3,599	-3,145	-1,988	-1,689	-2,183	-1,998	-2,045	-896	283	942	1,151
Financing	3,599	3,145	1,988	1,689	2,183	1,998	2,045	896	-283	-942	-1,151
Use of Fund credit (net)	-121	-124	-124	-159	-160	-264	-266	-320	-287	-312	-337
Increase in gross reserves from BoP flows (-)	3,720	-947	-1,252	-1,465	-755	-1,649	-1,336	-553	-1,561	-1,746	-1,132
Financing gap [2]	0	4,216	3,364	3,312	3,098	3,910	3,647	1,769	1,565	1,116	318
Memorandum items:	(Percent of GDP, unless otherwise indicated)										
Current account	-2.3	-1.7	-1.4	-1.9	-2.5	-2.2	-2.0	-2.0	-2.2	-2.2	-2.1
Capital and financial account	-3.1	-2.5	0.1	-0.4	-0.4	-0.4	-0.7	0.9	2.5	3.2	3.3
Foreign direct investment (net)	2.0	1.5	1.7	2.5	2.1	3.0	2.3	2.6	2.9	3.0	3.0
	(Millions of US dollars, unless otherwise indicated)										
If financing gap is closed:											
Gross international reserves (program) [3]	1,454	2,388	3,661	3,852	5,116	5,501	6,851	7,604	9,165	10,911	12,043
Months of imports	0.7	1.1	1.7	1.7	2.2	2.3	2.8	3.0	3.5	4.0	4.2

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

[1] Large 2022 and 2023 changes occurred due to a reclassification of the unwinding of collateralized assets of the BoG from errors and omissions to portfolio flows.

[2] Additional financing needed to gradually bring reserves to at least 3 months of imports by 2026.

[3] Excludes foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered assets and pledged assets. Includes reserves accumulated from domestic gold purchases under the "gold for reserve" program which is not accounted in the increase in gross reserves from BoP flows.

Table 5. Ghana: External Financing Needs and Sources, 2022–29

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

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	1st ECF Review	Prel.	1st ECF Review	Proj.	1st ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
I. Total Needs	**-316**	**5,588**	**3,936**	**5,058**	**4,550**	**6,525**	**5,546**	**4,409**	**6,219**	**6,186**	**5,778**
Current account deficit, excl. official transfers	1,695	1,264	1,097	1,393	1,865	1,680	1,502	1,622	1,867	2,007	2,128
PPG external debt amortization	1,587	1,721	162	1,590	1,011	2,820	2,332	1,812	2,504	2,121	2,182
Gross reserves accumulation	-3,720	947	1,252	1,465	755	1,649	1,336	553	1,561	1,746	1,132
Repayments to the Fund	121	125	124	161	160	267	266	320	287	312	337
Other capital flows [1]	0	1,531	1,301	449	759	109	111	103	0	0	0
II. Total Sources	**-316**	**1,372**	**572**	**1,746**	**1,452**	**2,615**	**1,899**	**2,640**	**4,654**	**5,070**	**5,460**
Grants	142	220	220	223	215	172	171	181	191	201	215
Private capital flows, net	-2,761	495	-400	1,264	751	1,912	990	1,321	1,971	2,405	2,708
Foreign direct investment, net	1,473	1,159	1,308	1,861	1,558	2,292	1,725	2,072	2,499	2,767	2,960
Other capital flows, net	-4,233	-664	-1,708	-597	-808	-380	-734	-752	-529	-362	-252
Loan disbursements	2,303	657	752	259	486	530	738	1,138	2,492	2,464	2,538
Multilateral	640	457	560	209	150	480	402	382	717	747	776
World Bank	555	407	510	159	100	430	352	332	667	697	726
Others	85	50	50	50	50	50	50	50	50	50	50
Bilateral	251	200	188	50	336	50	336	200	208	216	225
Paris Club	120	170	113	25	211	25	211	100	104	108	112
Non-Paris Club	131	30	75	25	125	25	125	100	104	108	112
Private sector	1,412	0	5	0	0	0	0	556	1,567	1,500	1,537
Eurobonds	0	0	0	0	0	0	0	0	1,000	1,000	1,000
Other commercial	1,412	0	5	0	0	0	0	556	567	500	537
III. Financing Gap (I-II)	**0.0**	**4,216**	**3,364**	**3,312**	**3,098**	**3,910**	**3,647**	**1,769**	**1,565**	**1,116**	**318**
IV. Expected Sources of Financing	**-...**	**4,216**	**3,364**	**3,312**	**3,098**	**3,910**	**3,647**	**1,769**	**1,565**	**1,116**	**318**
IMF	...	1,200	600	720	1,320	720	720	360	0	0	0
World Bank	...	330	27	620	679	350	428	374	0	0	0
AFDB	...	59	60	44	44	0	0	0	0	0	0
Arrears to commercial external creditors	...	0	1,841	0	0	0	0	0	0	0	0
Arrears to official bilateral creditors	...	0	836	0	0	0	0	0	0	0	0
Exceptional financing to cover residual financing gap [2]	-...	2,627	0	1,928	1,055	2,840	2,499	1,035	1,565	1,116	318
Memo Items											
Gross International Reserves [3]	1,454	2,388	3,661	3,852	5,116	5,501	6,851	7,604	9,165	10,911	12,043
In months of prospective imports of G&S	0.7	1.1	1.7	1.7	2.2	2.3	2.8	3.0	3.5	4.0	4.2
Financing Gap (percent of GDP)	0.0	5.5	4.4	4.4	4.1	5.1	4.8	2.2	1.8	1.2	0.3

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

[1] Includes amortization of BoG FX liabilities and government oil investment for the Petroleum and Stabilization Fund.

[2] For the first review, to be covered by external debt restructuring; for updated projections, to be covered by the external commercial debt restructuring.

[3] Excludes foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered assets and pledged assets. Includes reserves accumulated from domestic gold purchases under the "gold for reserve" program which is not accounted in the increase in gross reserves from BoP flows.

Table 6. Ghana: Financial Soundness Indicators
(At end of year and in percent)

	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Capital Adequacy									
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	20.9	19.8	19.6	16.6	13.9
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.1	17.9	17.7	14.9	11.0
Asset Quality									
Nonperforming loans net of loan-loss provision to capital	16.7	18.4	18.9	13.7	7.2	6.9	7.6	6.6	22.4
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8	15.1	14.8	20.6
Provisions to nonperforming loans	69.3	72.5	77.7	71.5	82.7	84.3	83.2	87.9	73.2
Profitability and Earnings									
Return on assets (after tax)	4.5	3.8	3.7	3.5	4.0	4.3	4.6	3.2	5.4
Return on equity (after tax)	21.7	17.7	18.6	16.6	18.8	21.2	20.4	14.1	34.2
Liquidity									
Liquid asset to total assets	48.4	53.7	56.0	58.6	59.3	63.0	64.7	61.7	69.9
Liquid asset to short-term liabilities	62.7	69.4	71.9	78.1	76.3	82.7	83.7	78.5	79.4

Source: Ghanaian authorities.

Table 7. Ghana: Indicators of Capacity to Repay the Fund, 2022-2036

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Fund obligations based on existing credit (in millions of SDRs)															
Principal	17	13	120	198	239	214	233	296	254	181	181	135	45	0	0
Charges and interest	3	11	43	43	43	43	43	43	43	43	43	43	43	43	43
Fund obligations based on existing and prospective credit (in millions of SDRs)															
Principal	17	13	120	198	239	214	233	323	389	422	448	403	286	133	27
Charges and interest	3	11	43	43	43	43	43	43	43	43	43	43	43	43	43
Total obligations based on existing and prospective credit															
In millions of SDRs	20	24	163	242	282	257	276	366	432	465	492	446	329	177	70
In millions of US$	26	32	216	321	376	343	369	491	579	623	659	598	441	237	94
In percent of gross international reserves	1.8	0.9	4.2	4.7	4.9	3.7	3.4	4.1	4.5	4.5	4.6	4.0	3.0	1.6	0.6
In percent of exports of goods and services	0.1	0.1	0.9	1.2	1.3	1.2	1.2	1.5	1.7	1.8	1.8	1.6	1.1	0.6	0.2
In percent of debt service [1]	0.6	2.2	6.0	6.2	7.6	5.9	6.5	8.2	9.1	9.0	8.2	6.9	4.7	2.6	1.0
In percent of GDP	0.0	0.0	0.3	0.4	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.3	0.2	0.1
In percent of quota	2.7	3.3	22.0	32.7	38.2	34.9	37.4	49.7	58.5	63.0	66.6	60.5	44.6	23.9	9.5
Outstanding Fund credit															
In millions of SDRs	1,286	1,644	2,514	2,851	2,878	2,664	2,431	2,108	1,719	1,298	849	446	160	27	0
In millions of US$	1,709	2,194	3,333	3,785	3,831	3,553	3,251	2,824	2,304	1,738	1,138	598	214	36	0
In percent of gross international reserves	117.5	59.9	65.2	55.3	50.4	38.8	29.8	23.5	18.0	12.6	7.9	4.0	1.5	0.2	0.0
In percent of exports of goods and services	6.7	9.0	13.2	14.1	13.7	12.0	10.5	8.8	6.8	4.9	3.1	1.6	0.5	0.1	0.0
In percent of debt service [1]	41.6	150.6	92.6	73.0	77.9	61.4	57.4	47.1	36.3	25.1	14.2	6.9	2.3	0.4	0.0
In percent of GDP	2.3	2.9	4.4	5.0	4.7	4.1	3.5	2.9	2.2	1.5	0.9	0.5	0.2	0.0	0.0
In percent of quota	174.3	222.8	340.7	386.3	390.0	361.0	329.5	285.7	233.0	175.8	115.1	60.4	21.7	3.6	0.0
Net use of Fund credit (in millions of SDRs)	-19.8	427.4	826.9	293.4	-16.3	-257.3	-275.9	-366.5	-432.0	-465.1	-491.7	-446.5	-329.3	-176.7	-69.9
Disbursements	0	451	990	535	266	0	0	0	0	0	0	0	0	0	0
Repayments	20	24	163	242	282	257	276	366	432	465	492	446	329	177	70
Memorandum items:															
Nominal GDP (in millions of US$)	73,956	76,402	75,307	75,761	81,054	86,817	92,778	99,054	106,123	113,733	121,726	130,150	139,170	148,829	159,171
Exports of goods and services (in millions of US$)	25,565	24,348	25,223	26,927	28,026	29,683	30,955	32,247	33,760	35,490	36,883	38,394	39,974	41,615	43,308
Gross international reserves (program, in millions of US$)	1,454	3,661	5,116	6,851	7,604	9,165	10,911	12,043	12,784	13,775	14,381	14,770	14,773	14,655	14,838
External debt service (in millions of US$)	4,111	1,456	3,598	5,187	4,917	5,785	5,661	5,998	6,338	6,923	8,027	8,682	9,376	9,205	8,936
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Includes prospective PRGF disbursements of SDR 387.45 million (105 percent of quota).

Table 8. Ghana: Access and Phasing Under the Arrangement, 2023-26

(Units as indicated)

Availability Date	Conditions[1]	Disbursements		
		Millions of SDRs	Millions of U.S. dollars	Percent of Quota[2]
May 17, 2023	Board approval of the Extended Credit Facility	451.4	600	61
November 1, 2023	Observance of end-June 2023 performance criteria, completion of first review	451.4	600	61
May 1, 2024	Observance of end-December 2023 performance criteria, completion of second review	269.1	360	36
November 1, 2024	Observance of end-June 2024 performance criteria, completion of third review	269.1	360	36
May 1, 2025	Observance of end-December 2024 performance criteria, completion of fourth review	267.5	360	36
October 31, 2025	Observance of end-June 2025 performance criteria, completion of fifth review	267.5	360	36
April 16, 2026	Observance of end-December 2025 performance criteria, completion of sixth review	265.9	360	36
Total		**2,241.9**	**3,000**	**304**
***Memorandum item*:**				
Ghana's quota		738		

Source: IMF.

[1] Observance of performance criteria includes both periodic and continuous performance criteria.

[2] Rounded values.

Annex I. Enhanced Safeguards for Ghana: Composition and Evolution of Debt

1. **Ghana's de facto senior debt plus other multilaterals is one of the lowest among LICs**. It accounts for 29.1 percent of total external debt, equivalent to 12.9 percent of GDP, leaving a significant buffer for restructurable junior debt. Ghana gained access to international capital markets in 2007 and implemented several reforms to attract foreign interest in domestic securities. This helped Ghana shift its borrowing from multilaterals to external and domestic bonds, resulting in a low ratio of senior debt. The IMF, World Bank and African Development Bank are the largest creditors with preferred status, holding US$7.5 billion altogether—about 95 percent of the outstanding senior debt at end-2022 (text table).

2. **Collateralized debt, entirely held by China, accounts for only 2 percent of external debt.** This corresponds to four loan agreements signed in 2007-18 that amount to US$655 million (0.9 percent of GDP) to finance infrastructure projects. These are collateralized against commodity production (cocoa, bauxite and oil) and electricity sales.

Ghana: Debt Composition

(in USD million, unless otherwise specified)

Creditor Profile	**2023**
Total Debt	58,785
External Debt	31,431
Multilateral Creditors	9,132
o/w IMF and WB	7,523
o/w ADB/AfDB/IADB	1,226
o/w Other Multilaterals	383
Bilateral Creditors	5,334
o/w Paris Club	3,475
o/w Non-Paris Club	1,859
Private Creditos	16,965
o/w Bonds (incl. nonresidents)	13,104
o/w Loans	3,861
Domestic debt	27,354
Memorandum items	
Collateralized debt	655
Nominal GDP (GHS million)	841,633
End of period exchange rate (GHS per USD)	11.9
Multilateral and collateralized debt	
Multilateral debt	9,132
Percent of external debt	29.1
Percent of GDP	12.9
o//w IMF and WB	7,523
Percent of external debt	23.9
Percent of GDP	10.6
o/w ADB/AfDB/IADB	1,226
Percent of external debt	3.9
Percent of GDP	1.7
o/w Other Multilaterals	383
Percent of external debt	1.2
Percent of GDP	0.5
Collateralized debt	655
Percent of external debt	2.1
Percent of GDP	0.9

Annex II. Ghana's Poverty Reduction and Growth Strategy

1. The Medium-Term National Development Policy Framework (NDPF) for 2022-25 constitutes the cornerstone of Ghana's Poverty Reduction and Growth Strategy. This document, which was approved in October 2021, is the 6th of a series of medium-term national development policy frameworks aiming at identifying a consistent set of policy objectives and strategies to guide governments' development plans and budgets towards Ghana's growth and poverty reduction goals. The NDPF is informed by Ghana's long-term national development policy framework for 2018-2057, (Ghana@100), which envisions a democratic, inclusive, self-reliant developed country by 2057.

2. The NDPF operationalize Article 36, Clause 1 of Ghana's 1992 constitution through a comprehensive strategy to maximize the welfare of the citizenry. The development of this document involved broad-based stakeholder participation, including the use of cross-sectoral planning groups (CSPGs) as mandated by the National Development Planning Commission Act, 1994 (Act 479). Public consultations were also conducted across the country, including engagement with parliament and the presidency, culminating in its approval by the Commission and presentation to Parliament.

3. The NDPF is focused on the medium-term objectives of addressing Ghana's infrastructure gap, alleviating poverty, and improving education and health systems. To attain these objectives, the NDPF is structured around six national goals with impact, effect, and outcome level indicators and annual quantitative targets. Priority areas of intervention include: i) fostering sustained and inclusive economic growth; ii) deepening digitization; iii) promoting science, technology, and innovation; iv) improving urbanization and infrastructure; v) reducing youth unemployment; vi) modernizing public health systems; vii) enhancing emergency preparedness—including to pandemics; and viii) addressing climate change challenges.

4. Ghana's socio-economic context has significantly changed since the formulation of the NDPF objectives. The NDPF was developed during the COVID-19 pandemic and does not capture the impact of recent shocks (e.g., high inflation, debt restructuring) that have severely affected Ghana's economy and standard of living, as well as the feasibility of the NDPF's objectives. Against this backdrop, while the authorities' recent endeavors to enhance social protection programs (e.g., LEAP, GSFP, NHIS) have somewhat helped the poor, poverty is expected to remain high and come down slowly only by 2026.

5. A recalibration of the NDPF is necessary to reflect the change in the current socio-economic circumstances and the imperative of securing macroeconomic stability. A recent assessment of the NDPF from the WB indicate that the framework needs to be amended to adequately reflect the current, more constrained fiscal space and the need for higher selectivity and prioritization of the proposed policies and strategies. In this regard, the authorities' focus should be on improving macroeconomic stability, supporting the poor and economically insecure, investing in agriculture, and promoting human capital.

6. The authorities are committed to revise their NDPF with support from development partners. To this end, they intend to engage with the WB to identify appropriate amendments of the framework, so as to tackle the socio-economic challenges stemming from recent shocks while ensuring a durable reduction in poverty going forward.

Annex III. Risk Assessment Matrix

Nature/Sources of Risk	Likelihood	Potential Impact	Policies to Mitigate Risks
		▪ **Conjunctural risks**	
Intensification of regional conflicts. Escalation or spread of the conflict in Gaza and Israel, Russia's war in Ukraine, and/or other regional conflicts or terrorism disrupt trade (e.g., energy, food, tourism, supply chains), remittances, FDI and financial flows, payment systems, and increase refugee flows.	***High***	***High***: Ghana may not be able to import needed goods, particularly food, and the cost of imports may surge. The uncertain environment and investor risk aversion may depress financial inflows, including FDI.	• Build external buffers under the program. • Implement structural reforms to support domestic production / import substitution /economic diversification. • Improve governance, business environment to attract investors.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts, export restrictions, and OPEC+ decisions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, cross-border spillovers, and social and economic instability.	***High***	***High***: Possible issues with essential commodity imports or their costs. A steep drop in commodity prices due to a global slowdown could weigh on exports and growth, raising social tensions in an already difficult economic situation.	• Improve governance, business environment to support domestic commodity production, processing (e.g., fuel refining), diversification. • Enhance social protection to shield the vulnerable from price / supply shocks.
Social discontent. High inflation, real income loss, spillovers from conflicts (including migration), worsening inequality, and disputed elections cause social unrest and detrimental populist policies. This exacerbates imbalances, slows growth, and leads to policy uncertainty and market repricing.	***Medium***	***High***: Social unrest in Ghana could slow down and/or delay reforms under the program.	• Take measures to strengthen governance and anti-corruption frameworks. • Implement orderly fiscal consolidation. • Strengthen social and financial safety nets.
Systemic financial instability. High interest rates and risk premia and asset repricing amid economic slowdowns and political uncertainty (e.g., from elections) trigger market dislocations, with cross-border spillovers and an adverse macro-financial feedback loop affecting weak banks and NBFIs.	***Medium***	***High***: Global factors exacerbate the impact of large domestic debt haircuts to banks holdings of sovereign claims on banks' capital adequacy and adversely affect their capacity to lend and dampen credit to the private sector and economic activity	• Strengthen financial safety nets and closely monitor bank and NBFIs liquidity as well as asset quality. • Design an adequate bank and NBFIs recapitalization strategy. • Encourage acquisition, mergers if needed.
		▪ **Domestic risks**	
Delays in debt restructuring negotiation and implementation	***Medium***	***High***: Delayed financing would risk further lowering FX reserves, excessive depreciation and therefore inflation, resulting in social instability	• Engage with creditors and provide needed data and information to mitigate the risk of undue delay to Board approval of program reviews
Domestic policy slippages (e.g., due to election (2024) pressures).	***High***	***High***: With debt sustainability in question and IFI financing delayed, a BOP financing gap would emerge, the exchange rate and FX reserves would come under pressure, inflation would rise. Deviations from the programmed revenue path would widen fiscal imbalances with ensuing implications for achievement of debt sustainability.	• Firm commitment to program implementation to ensure full fiscal and external adjustment, continued exceptional financing. Closely interact with development partners to ensure adequate BOP financing.

Annex IV. Capacity Development Activities

1. **The Fund's capacity development (CD) strategy for Ghana is aligned with the ECF-supported program's objectives.** Ghana continues to benefit from substantial Fund TA in several areas that are key for program implementation (Table 1). The IMF CD agenda has been provided in close collaboration with the Regional Technical Assistance Center for West Africa 2 located in Accra, as well as with other international partners, including the World Bank.

Table 1. Ghana: Identified Priorities for IMF Capacity-Development Activities

Area	Capacity Building Activity	Objective – Link to Program Priorities	Status
Tax policy	TA on tax diagnostics	Support the authorities' efforts to identify tax policy measures to increase domestic resource mobilization.	Completed in December 2022
Revenue administration	TA on core functions of GRA and MTRS	Strengthen revenue administration to increase tax compliance. Help the authorities prepare their MTRS implementation.	Continuous CD program
Public financial management	TA on arrears stock taking and preventive measures	Help the authorities undertake a stock take of payables and design a clearance strategy. Prevent the accumulation of new arrears.	Completed in June 2023
	TA on fiscal rule and fiscal council	Strengthen fiscal framework and institutions to underpin durable fiscal adjustment.	Expected in mid-2024
	TA on cash management	Improve cash management to reduce the risk of arrears buildup	Continuous CD program
	TA on public investment management	Improve the monitoring of capital expenditure and ensure rigorous selection process of public projects. PIMA and C-PIMA.	Expected in second half of 2024
	TA on PURC electricity tariff formula review	Reviewing PURC methodology for quarterly adjustment of electricity tariffs to reduce discretion and ensure that observed macroeconomic developments are fully and timely reflected in the tariff adjustment	Expected in second half of 2024
	TA on Financial Oversight of Cocobod	Strengthen the financial oversight of Cocobod	Expected in H2 2024
Monetary and exchange rate policy	TA on assessing BoG's balance sheet	Help the authorities assess the impact of the domestic debt restructuring. Develop strategy to ensure adequate capitalization and capacity to execute monetary policy operations.	Completed in May 2023
	TA on FX auction design	Support improvement of FX auction design to ensure a unified and flexible exchange rate and create conditions for FX market deepening.	Completed in December 2023
Governance	Governance and corruption diagnostic assessment	Bolster governance and strengthen anticorruption framework.	Ongoing, to be completed in mid-2024
Social protection	Energy subsidy and social protection	Review the current electricity tariff structure and devise a targeted subsidy mechanism for poor households	Completed in early 2024
Statistics	TA on BoP compilation and reserve template	Improve quality and timeliness of external sector statistics in line with the BPM6 and other relevant standards.	Expected to be partly completed by end of 2024

Appendix I. Letter of Intent

Accra, June 13, 2024

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, DC 20431
USA

Dear Madame Georgieva:

1. In the attached update to the Memoranda of Economic and Financial Policies (MEFP) from May 1, 2023, and December 18, 2023, we confirm our commitment to the policies, reforms, and objectives of our economic program, underpinned by the post-Covid-19 Program for Economic Growth (PC-PEG) and supported by an IMF arrangement under the Extended Credit Facility (ECF). We also describe the progress made since the first ECF review and further policy steps we endeavor to take toward meeting our objectives.

2. Over the past few months, implementation of our program has been strong. We have continued to make progress toward adjusting macroeconomic policies, restructuring our debt, and implementing wide-ranging reforms, supported under an Extended Credit Facility arrangement. We met all end-December 2023 quantitative performance criteria (QPCs) and all end-December indicative targets (ITs) but one. The IT on payables was missed due to delayed payment to IPPs. This reflected ongoing renegotiations of arrears and Power Purchase Agreement (PPAs) with IPPs and a tight cash flow situation—in turn prompted by delays in disbursements from development partners. Although the end-March 2024 IT on net accumulation of international reserves was missed, we remain confident that we will observe the end-June 2024 target. Non-oil revenue mobilization at end-March 2024 was also below target (IT) mainly reflecting the suspension of the VAT on electricity and temporary disruptions in online tax payment services due to country-wide internet outage, while the end-March IT on social spending was missed by a small amount due to delays in releasing budgeted resources. These factors are not expected to negatively affect performance against the end-June targets. The reduction in inflation at end-2023 exceeded expectations, triggering a Monetary Policy Consultation that was completed at the time of the first program review. All structural benchmarks due through end-May 2024 but two were met. We needed more time to develop a credible, comprehensive, and cost-effective plan to address National Investment Bank's (NIB) insolvency challenges, but the plan has now been approved by cabinet, and implementation has started with a first tranche of recapitalization disbursed in May. While the deadline to approve

amendments to the BoG Act (aimed at addressing recommendations by the IMF's safeguards assessment) was not observed, we now expect the Cabinet to approve them in the next few weeks. Following an agreement in principle (AIP) with our official creditors under the G20 Common Framework (January 2024) on terms consistent with program parameters and debt sustainability, we have also reached agreement with them on a Memorandum of Understanding that formilizes this AIP. We are also in "good faith" negotiations with other creditors to achieve debt relief consistent with program parameters and on comparable terms.

3. Based on the strength of the policies outlined in this letter and MEFP and considering our performance under the program, we request completion of the second review, completion of the financing assurances review, and a disbursement of SDR 269.1 million. We also request a modification of (i) the nominal fiscal objectives (primary balance QPC and non-oil revenue IT) through end-December 2024 to reflect macroeconomic developments having led to a lower nominal GDP projection, while keeping the fiscal effort relative to GDP as envisaged under the program; (ii) the NIR floor through end-December 2024 to account for higher payments to the energy sector and the difficulties in the cocoa sector; (iii) the NPV ceiling through end-December 2024 on new contracted or guaranteed external debt; (iv) the adjustor to the NIR QPCs to accommodate the changes in World Bank disbursement timelines (DPO and Ghana Financial Stability Fund); and (v) the QPC on new contracted external debt to allow for a new maritime security-related project, against the backdrop of no new borrowing last year. We also request (i) a new ceiling (IT) on total contracted but not yet disbursed external project loans signed before the OCC cut-off date (CoD) of end-December 2022 to ensure that the size and timing of future disbursements linked to these projects remain consistent with program parameters, and (ii) a new asymmetric adjustor to the net international reserves QPCs to reflect the uncertainty on the timing of the restructuring of external commercial debt on debt service flows. We are also requesting a change in the TMU to ensure modification of MCPs due to our FX policy reforms will be carved out from the continuous PC.

4. The program will continue to be monitored through semi-annual reviews, with quantitative performance criteria and indicative targets described in the attached MEFP and Technical Memorandum of Understanding (TMU). It also includes a series of structural benchmarks covering reform areas that are critical to achieve program objectives as well as continuous performance criteria related to exchange restrictions and multiple currency practices in the context of the Article VIII. The government is committed to providing the IMF with information on the implementation of the agreed measures and the execution of the program, as provided for in the attached TMU.

5. Should further measures be necessary, we will consult in advance with the IMF on their adoption, in accordance with applicable IMF policies. We are committed to working closely with IMF staff to ensure that the program is successful, and we will provide the IMF with the relevant information necessary for monitoring our progress.

6. Consistent with our commitment to transparency in Government operations, we agree to the publication of all the documents submitted to the IMF Executive Board in relation to this request.

Sincerely yours,

/s/	/s/
Dr. Mohammed Amin Adam (MP)	Dr. Ernest Kwamina Yedu Addison
Minister for Finance	Governor, Bank of Ghana

cc: Secretary to the President, Jubilee House, Accra

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

Attachment I. Memorandum of Economic and Financial Policies

This memorandum provides an overview of the progress achieved thus far under our program as well as updated information on our assessment of macroeconomic developments and prospects. It outlines the policies and reforms we will implement to achieve our objectives of fully restoring macroeconomic stability and debt sustainability and supporting economic growth.

PROGRAM PERFORMANCE, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. We have made progress in implementing our program policies and reforms and in advancing our comprehensive debt restructuring:

a. We brought the primary fiscal balance on a commitment basis from a deficit of 4.3 percent of GDP in 2022 to a deficit of 0.3 percent in 2023—an overperformance compared to the target of 0.5 percent of GDP. We are on track to further improve this balance to a surplus of 0.5 percent of GDP in 2024 through a combination of revenue measures and expenditure controls adopted in the context of the 2024 Budget.

b. We have successfully completed the domestic part of the debt restructuring in 2023 and have reached agreement with our official bilateral creditors on a Memorandum of Understanding (MoU) formalizing the terms of debt restructuring that are consistent with program parameters. We are also engaging our external commercial creditors in "good faith" negotiations with a view to striking a restructuring deal under comparable terms and consistent with program parameters.

c. Inflation has continued to decline broadly as envisaged under the program, creating room for the Bank of Ghana (BoG) to lower its policy rate by 100 basis points in January 2024. In March, BoG tightened liquidity by increasing the average cash reserve ratio (CRR) and introducing a tiered approach based on the loan-to-deposit ratio to incentivize credit to the private sector.

d. We have also advanced our wide-ranging reforms, including in the macro-critical areas of public financial management, revenue administration, and energy and cocoa sectors, and continued to take steps to maintain financial sector stability.

2. Performance under the IMF-supported Program has been relatively strong.

- All end-December 2023 quantitative performance criteria (QPCs) and continuous performance criteria were met (see Table 2). The reduction in inflation at end-2023 exceeded expectations, triggering a Monetary Policy Consultation that was completed at the time of the first program review. All but one of the end-December 2023 indicative targets (ITs) were also met. The indicative target of zero net accumulation of arrears was missed owing to ongoing renegotiations of arrears and Power Purchase Agreements (PPAs) with independent power producers (IPPs) and to a tight cash flow situation prompted by delays in disbursements from development partners.

- Although the IT on the change in net international reserves (NIR) was missed at end-March 2024, we are confident that we will meet the end-June QPC. The end-March 2024 IT on non-oil revenue was also missed reflecting the impact of the suspension of electricity VAT as well as delays in online tax payments due to a country-wide internet outage, while the end-March IT on social spending was missed due to delays in releasing budgeted resources. Inflation at end-March was below the lower external band of the MPCC.
- All the structural benchmarks due through end-May 2024 but two were met. The strategy to put NIB on a sounder financial footing was completed with a small delay (see below). The end-May 2024 SB on Cabinet approval of the amendments to the BoG's Act was also missed as we needed more time to engage with the Fund on the scope and operational implications of the proposed amendments. The first audit of ECG's account was completed and published in a timely manner but with a qualified opinion.

3. Policy and reform efforts have started yielding results, and signs of economic stabilization are emerging.

- Economic activity rebounded in 2023, with real GDP growth estimated at 2.9 percent, led by a resilient tertiary sector (growing at 5.5 percent) and agriculture (4.5 percent). However, this was partly offset by contraction in industry sector (-1.2 percent) on the back of sharp contraction in the construction sub-sector and, to a lesser extent, by the slowdown in extractive sectors, notably due to lower oil production). From an expenditure perspective, household consumption (7.8 percent growth) fueled the rebound, with low government consumption growth and contraction in investment—both public and private.
- Inflation has declined from a peak of 54.1 percent in December 2022 to 25.8 percent in March 2024. Inflation is expected to continue declining, given the continuation of restrictive monetary and fiscal policies.
- The external sector has improved. Preliminary data for end-2023 point to an improvement in the current account (-1.4 percent of GDP vs. -2.3 percent of GDP in 2022) on the back of strong income flows due to lower primary income outflows and higher remittances, while exports and imports contracted. Despite delays in disbursements from some of our key development partners, our gross international reserves (GIR) significantly outperformed initial projections reaching US$3.7 billion (1.7 months of prospective imports) at end-2023 compared to an estimate of US$2.4 billion (1.1 months of imports). This remarkable improvement reflected mainly an expansion of the gold purchases and to some extent delayed outflows due to lower payments to IPPs. However, external sector developments were less favorable in 2024Q1, owing to lower-than-expected proceeds from cocoa financing and higher energy sector payments.

4. Considering our strong reform drive, we expect growth to pick up starting next year with further significant progress toward restoring macroeconomic stability. We expect growth to pick up to 3.1 percent in 2024 (revised up from the 2.8 percent at the time of the first review) and to gradually increase towards its long-term potential of around 5 percent in subsequent years, as macroeconomic stability is fully restored, investment plans are implemented, and structural reforms boost confidence and productivity. Inflation is projected to reach 15 percent by end-2024 and will be brought down to the BoG's medium-term target of 8±2 percent by end-2025. The current account deficit is projected to hover around 2.2 percent of GDP over the medium term in a pre-external commercial debt restructuring scenario, supported by the fiscal consolidation, as well as improved competitiveness. This is expected to improve further, once our debt restructuring has been finalized. Reserve buffers will be gradually rebuilt to 3 months of import cover by the end of the program.

MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

5. Our program's overarching objectives remain to restore macroeconomic stability and debt sustainability, lay the foundations for strong and inclusive growth, and reduce poverty. Our Post-Covid-19 Program for Economic Growth (PC-PEG) and Medium-Term National Development Policy Framework (2022-25) are designed to address the challenges facing the economy, support structural reforms to promote efficiency and competitiveness, and improve the living conditions of our population. Their key components include (i) restoring public debt sustainability through a combination of a comprehensive debt restructuring and ambitious fiscal adjustment; (ii) strengthening social safety nets; (iii) more flexible exchange rate policies and appropriately tight monetary policy; and (iv) deep structural reforms to anchor economic stability and drive stronger and more inclusive growth while reducing poverty.

A. Fiscal Policy

6. We are pursuing an ambitious and lasting fiscal adjustment to support our goal of restoring debt sustainability. The fiscal consolidation strategy is driven by strong revenue-enhancing measures both in the short and medium-term as well as expenditure rationalization. The program objective remains achieving a primary surplus of 1.5 percent of GDP by 2025, to be maintained at least until 2028.

7. The 2024 Budget carries forward our consolidation efforts by targeting a primary surplus of 0.5 percent of GDP (commitment basis). This is predicated on the implementation of an ambitious package of non-oil revenues of about 0.9 percent of GDP and a stabilization of primary expenditures as a share of GDP. The main elements of the revenue package include removal of selected VAT exemptions, revision of various taxes on gambling, and introduction of green taxes, supported by efforts to enhance compliance by accelerating implementation of the E-VAT system, facilitating electronic payments, and enhancing oversight on large taxpayers. On the spending side, the budget aims at reallocating spending towards capital outlays and social protection programs to sustain stronger and more inclusive growth while cushioning the most vulnerable from the impact of the ongoing macroeconomic adjustment.

8. Our efforts, however, have faced headwinds. On the revenue side, the implementation of VAT on residential electricity sales faced strong resistance given the high inflationary environment and the ongoing efforts to bring electricity tariffs closer to cost recovery to address energy sector challenges. While still committed to implementing this measure when the inflation dynamics are more conducive, we have suspended it for now and introduced several alternative measures to safeguard our revenue mobilization target for 2024. On the spending side, disbursements from our external partners are likely to be larger than initially expected, with still US$ 3.8 billion of undisbursed amounts from prior external bilateral commitments alone. In addition, we need to carry out higher externally-funded spending to remedy a deterioration in the maritime security situation.

9. We remain strongly committed to achieving our 2024 fiscal objectives. To ensure that the suspension of the VAT on electricity does not jeopardize achievement of our revenue target, we: (i) have started to leverage the data available to us under the Global Forum on Transparency and Exchange of Information for Tax Purposes to encourage voluntary declaration on foreign source income of residents; (ii) are improving large taxpayers' compliance by strengthening audit; and (iii) are working with local government to revamp property rates and ensure enhanced collection for the consolidated fund. Moreover, we have taken additional administrative measures to ensure that the revenue measures underpinning the approved 2024 Budget deliver the expected revenue yields (¶46). On the spending side, given the pressures from higher externally-funded spending, we are reprioritizing and streamlining our domestically and foreign-financed projects to avoid compromising observance of primary balance and debt targets.

10. We stand ready to deploy contingency measures, if need be. On the revenue side, we could bring forward the implementation of some of the measures in our Medium-Term Revenue Strategy (MTRS). On the spending side, we stand ready to adjust MDAs' budget allocations at the time of the Mid-Year Budget Review if needed to address overspending and/or the materialization of risks posed by the energy sector shortfall. We would also adjust quarterly spending allotments if warranted based on cash forecasts and conditions in domestic debt market.

11. Fiscal adjustment beyond 2024 will continue to be underpinned by domestic revenue mobilization efforts. The government's objective is to enact measures that will permanently raise the non-oil revenue-to-GDP ratio by at least 0.6 percent in 2025 and 0.4 percent of GDP in 2026, with a view to achieving a non-oil revenue-to-GDP ratio of at least 16.5 percent by 2026. These measures will create fiscal space to further improve the primary balance and to allow for more growth-enhancing and social spending. Our MTRS, the implementation of which started in 2023, identifies reforms and measures to deliver on these objectives.

B. Social Protection

12. We have strengthened our social protection programs aimed at protecting the most vulnerable from the impact of difficult economic circumstances and policy adjustments. The approved 2024 Budget increased the resources for the highly targeted social protection programs by 0.07 percentage points to 0.55 percent of GDP. Specifically, we doubled (for the second year) the benefits under the Livelihood Empowerment Against Poverty (LEAP) cash transfer program and enacted an automatic inflation indexation of the LEAP benefit to preserve its real value. We increased the benefit under the Ghana School Feeding Program (GSFP) by 25 percent to help compensate for the high food inflation experienced in the last two years. In the health sector, we increased the allocation for the National Health Insurance Scheme (NHIS) by more than 40 percent to gradually clear the backlog of medical claim arrears and provide more resources for the accrued medical claims, essential medicines, and vaccines. This effort is helping bring back child vaccination rates to pre-crisis levels. To support basic education, we increased the allocation to the Capitation Grant by 25 percent. We are committed to accelerate the execution of these programs to ensure achievement of the 2024 social spending objectives under the program.

13. Looking ahead, we are undertaking reforms to further expand our social protection programs, while improving their operational efficiency. In 2025, we aim to increase spending on these social protection programs to 0.6 percent of GDP. We will increase the LEAP benefits through the indexation mechanism to preserve their real value and, following the ongoing cleaning of the LEAP registry, expand LEAP coverage to 450,000 households (from 350,000 in 2023). We will increase the meal benefits under the GSFP while continuing to improve the procurement process to reduce the overhead cost. We will increase the allocation to NHIS and to the Capitation Grant while continuing to enhance operational efficiency and benefit quality. Over the medium-term, our goals remain to: i) gradually expand the LEAP coverage to reach the extreme poor and poor households and increase the benefits to 20 percent of pre-transfer household consumption, ii) increase the GSFP meal benefit to cover 30 percent of children’s daily calory need, and iii) achieve significant operational efficiencies in the NHIS through measures including reducing administrative cost, digitalization, and enhanced medical audits. We will ensure the statutory fund reform will protect these highly-targeted national health insurance programs.

C. Public Debt Management Strategy

14. We remain committed to completing our comprehensive public debt restructuring to restore public debt sustainability. The restructuring has been anchored by our objective of restoring a moderate risk of debt distress (as per the IMF-WB LIC-DSF) by 2028, which entails bringing five external and overall debt ratios below their respective thresholds. In particular, we aim at reducing the ratio of the net present value of public debt to GDP to 55 percent and the ratio of external debt service to revenues to 18 percent. The debt service relief from the external debt restructuring will also help ensure our program is fully funded through 2026.

15. Following completion of our domestic debt restructuring last year, we are making good progress on our external debt restructuring. We have reached agreement with our Official Creditors Committee (OCC) under the G20 Common Framework on a Memorandum of Understanding (MoU) that formalizes the terms of our bilateral debt restructuring. We expect the MoU to be signed in the next few weeks. We are continuing to make “good-faith” efforts to reach a collaborative agreement with our external commercial creditors on comparable terms and consistent with program parameters. In combination with other program policies, the debt service relief laid out in the MoU with the OCC and credibly achievable through our engagement with the commercial creditors is sufficient to reduce all the LIC-DSF debt ratios below their thresholds (starting in 2028) and close the program’s external financing gap.

16. We will ensure that external project disbursements in the coming years remain in line with program parameters. Undisbursed amounts under external bilateral facilities signed before the debt restructuring cut-off date are larger than expected, making it more difficult to achieve our debt targets. A ***new indicative target*** will be set to monitor total undisbursed project loans contracted with external official bilateral and commercial creditors pre-OCC cut-off date (December 2022). We will put in place a monthly intra-government monitoring mechanism to ensure disbursements are in line with this limit. As laid out in the MoU with the OCC, we will coordinate this effort with our bilateral creditors. In addition, we need to create room for the external loan needed to finance our new maritime security-related spending. Against this backdrop, while continuing to impose a limit on the present value of newly contracted external debt to further support restoring debt sustainability, we request modification of the related performance criterion to accommodate higher borrowing (in an amount of US$172 million) for security-related spending. Moreover, we will prepare a comprehensive assessment of potential future disbursements from bilateral and commercial partners for projects signed before December 2022 and a prioritization plan (***new end-August 2024 structural benchmark***). Building on our centralized inventory of all ongoing and planned public investment projects (see below), we will notably assess the remaining undisbursed amounts, the maturity of the projects, the expected pace of disbursement and the associated debt service generated. Based on this comprehensive assessment, we will implement a prioritization strategy to ensure that the pace of future disbursements (including disbursements from newly contracted debt) is compatible with program parameters and debt sustainability.

17. Debt management in the near term will focus on ensuring sufficient domestic financing before focusing on structural market improvements over the medium-term. Our immediate priority remains to ensure sufficient issuance of T-bills to finance the government deficit. At the same time, we will develop a roadmap for the gradual resumption of bond issuances in the coming years. We will carefully manage domestic bond issuances to prioritize successful execution, favoring private placements. Any placement with non-residents would need to consider managing the potential volatility associated with capital flows and be compatible with the program parameters. Once domestic market access is more firmly established, primary issuance will switch to competitive auctions. We will also increase our surveillance of debt issuance by SOEs and other public entities, strictly limit and monitor collateralized debt issuance, strictly limit borrowing on non-concessional terms, and ensure that debt payments are made on time. Once our external debt restructuring is completed, we will develop and publish a medium-term debt management strategy and an annual borrowing and recovery plan.

18. We will improve debt transparency and accountability to enhance debt management effectiveness and efficiency. To this end, the current securities operation infrastructure used by the Debt Management Office (CD-RMS) will be completely upgraded to a modern system by end-2024. The implementation strategy will seek to integrate all state institutions involved in the process of contracting and servicing of public debt with the aim of digitalizing the process to increase the pace of debt service processing, improve the accuracy of debt recording and accounting, and improve debt transparency among relevant state institutions. This system will enhance debt analysis and promote greater efficiency in public debt management. As a key immediate priority to ensure stronger program monitoring, we will strengthen monitoring of borrowing and contingent liabilities stemming from operations of key SOEs such as COCOBOD, ECG, VRA, GWCL, TOR, GNPC, GNGC, and BOST as well as any collateralized debt issuance.

D. Monetary and Exchange Rate Policy

19. We will maintain a sufficiently tight monetary policy stance until inflation is on a firmly declining path. Our monetary policy aims to bring inflation back to the Bank of Ghana's medium-term objective of 8 ±2 percent. Our policy decisions will continue to be data-dependent to ensure a fast-paced and orderly disinflation path towards the inflation target; the BoG stands ready to adjust the policy stance to ensure inflation evolves as envisaged under our ***monetary policy consultation clause (TMU Section II)***. We are committed to continue absorbing excess liquidity and making sure our policy rate is fully transmitted to the market. In doing so, we will review the increased reliance on reserve requirements and the new tiering framework to ensure they deliver on their objectives. We are seeking to enhance our inflation targeting framework through improvements in our Forecast and Policy Analysis System (FPAS), macroeconomic data collection including BoG inflation expectations survey, analytical capacity, and central-bank monetary policy communication.

20. We will rebuild official international reserves to at least 3 months of import cover by the end of the program. As the difficulties affecting the cocoa sector hamper our ability to accumulate reserves and that payments to IPPs are larger than previously expected, coupled with the uncertainty about the timing of the debt restructuring, we are also requesting a modification of the QPC to add an asymmetric adjustor on debt service on instruments arising from the restructuring of bondholders' and commercial creditor's claims. Given this reserve accumulation target and the headwinds, we will adhere to a gross FX intervention budget.

21. We are committed to enhancing the management of foreign reserves and of FX interventions. To reduce expenses linked to costly borrowed reserves, BoG is committed to ensuring that the swap/sell buy-back will be unwound. We will continue to ensure that gold purchases from domestic producers are done at market prices, minimize risks to the BoG's financial position, and actively manage the portfolio risks arising from gold's share of total reserves. The BoG has conducted a thorough risk assessment of its Gold-for-Oil (G4O) program—a detailed analysis covering financial, operational, and legal aspects—as well as an exit strategy, in consultation with Fund staff. These are to be presented to the BoG Board by end-June 2024 (***structural benchmark***). To improve the governance of FX interventions, the BoG Board will adopt, by October 2024, an internal FX intervention policy document specifying measurable objectives, instruments, transparency and governance arrangements based on discretion under constraint approach.

22. We are committed to greater exchange rate flexibility to rebuild reserves and enhance resilience to shocks. We will take any necessary actions and reforms to ensure a unified foreign exchange market and flexible exchange rate arrangement. We will not introduce policies that create or intensify exchange rate restrictions or multiple currency practices. We will work towards a framework where all central-bank FX transactions will be conducted through auctions open to all banks, with allocations based solely on price, with no additional conditions, fees or guidance. Based on the IMF technical assistance mission recommendations, we will adopt a FX reference rate computation method that could help mitigate the risks of multiple currency practices ***(proposed end-August 2024 SB***).

23. We are implementing the recommendations of the 2023 IMF safeguards assessment. We need more time to engage with IMF Staff in preparing amendments to the Bank of Ghana Act of 2002 (Act 612) to strengthen the BoG's autonomy (**end-May 2024 SB**). We expect to finalize the discussion and submit the amendments for approval by Cabinet in the coming weeks. The BoG Board will review and approve the new investment policy and guidelines in line with the new strategic asset allocation framework by end-September 2024.

24. We are preparing for the recapitalization of the BoG. The BoG's balance sheet was adversely impacted by the DDEP. By end-September 2024, the Ministry of Finance and the BoG will prepare an MoU to ensure that the BoG is gradually recapitalized. We will work to ensure that this is done within the fiscal commitments and debt targets under the program. To strengthen the recovery of our net equity over time, and based on an external efficiency review, the BoG will adopt in 2025Q1 a strategy to streamline its operational costs.

E. Financial Sector

25. Following the domestic debt exchange, we are monitoring banks' progress toward implementing their recapitalization plans as approved by the BoG. Through these plans, banks with capital shortfalls pledged to recapitalize by at least one-third of the capital required annually for each of the three years ending in 2025 to reach a 13 percent Capital Adequacy Ratio (CAR), without regulatory forbearance. Banks with significant capital shortfalls aimed to have a more front-loaded recapitalization path to ensure that, in any case, all banks had a positive CAR by end-2023. We have asked banks to update the plans while addressing previous weaknesses. We have also taken remedial and/or corrective measures against banks that are not in compliance with these plans (***end-March 2024 structural benchmark***). We will continue to adopt new measures proportional to the severity of any breach, against any bank that has not complied with the two-thirds recapitalization and the non-negative CAR requirements as of end-December 2024 (***new end-March 2025 structural benchmark***).

26. We have operationalized the Ghana Financial Stability Fund (GFSF) to provide additional support to the financial sector. The GFSF has used government bonds to start recapitalizing some domestic banks. We will frontload any necessary recapitalizations of state-owned banks, which will be underpinned by credible plans to ensure future viability. Meanwhile, the World Bank is finalizing its financial support, which will target undercapitalized banks and provide funding conditional on prior injections by shareholders. In general, government solvency support will be designed to minimize costs and moral hazard, incentivize private capital injections, foster structural reforms improving governance, risk management, operational efficiency, and sustainability, and allow for an orderly, early government exit.

27. BoG is incentivizing early recapitalization and most banks are ahead of schedule. Banks that fall behind schedule will be placed by the BoG on strict enhanced supervision with special reporting requirements on liquidity and solvency conditions. Meanwhile, BoG has suspended the payment of dividends for all banks until further notice. Banks with capital shortfalls will also be restricted from excessive risk-taking and from making certain capital expenditures. BoG stands ready to deploy other components of its Prompt Corrective Action (PCA) framework if it becomes necessary to help promote safety and soundness of the sector. Consistent with the PCA framework, restrictions or prohibitions on banks will be reviewed and/or lifted in line with improvements in banks' capital positions and in their ability to manage risk.

28. We have designed and started to implement a credible, comprehensive, and cost-effective strategy for addressing NIB's financial and operational challenges (***end March-2024 structural benchmark*****).** Our strategy to recapitalize NIB includes the following elements. First, the recapitalization will be sufficient to reduce immediate risks from capital/liquidity regulatory shortfalls, and at a minimum, bring NIB's CAR to positive territory by end-September 2024. Second, a special review will be performed by an international, independent and reputable firm with experience in this type of exercise. The special review will include a diagnostic review of the bank's financial condition, asset quality, and business model. The terms of reference, prepared in collaboration with IMF staff, will be completed by end-July 2024 (***new end-July 2024 structural benchmark***), and the examination will be completed by end-2024. Third, a forward-looking overarching restructuring plan for NIB will be prepared (***new end-March 2025 structural benchmark***), which will address any identified, necessary changes to the business model, additional resource needs, residual recapitalization requirements, and specific steps to enhance corporate governance and risk management. The final tranche of the recapitalization would occur in 2025, after all these steps are completed.

29. Recurring problems at state-owned banks will be addressed to reduce future needs for government recapitalization. We will conduct a diagnostic of structural challenges in state-owned banks (covering business models, governance, risk management, and legal framework) and develop a strategy to address them (***end-April 2025 structural benchmark***). In the meantime, strong measures adopted to address NIB's challenges will also serve as a guide to help ADB, by linking recapitalization to inspection, governance reform, business model rationalization, and better risk management. The BoG aims to offload its share ownership in ADB to the government.

30. Regulatory forbearance introduced in response to the domestic debt exchange will be lifted as soon as possible. Forbearance on the recognition of debt exchange losses in CAR computations will be lifted by one-third each year from January 2023 through end-2025. A schedule for lifting other temporary forbearances that were offered to the banking sector to facilitate the DDE, including those lowering minimum capital adequacy ratios (CAR), will be implemented. We are closely monitoring any unintended consequences of these forbearance measures and will adjust them as needed to mitigate undue effects.

31. We will implement a comprehensive and cost-effective strategy to address legacy and new challenges in SDIs and the asset management sector, with government financial support

as needed to mitigate risks to financial stability. The allocation of the government's scarce financial resources and regulatory attention will consider the capital required, the number of Ghanaians affected, and moral hazard risks in the future. For example, addressing long-standing undercapitalization of rural banks, as well as DDEP-related capital gaps at ARB Apex Bank, will be prioritized considering the important role that rural banks play in financial inclusion. Financial support for these and other deposit-taking institutions like savings and loans and MFIs would be predicated on the regulators' assessment of their recapitalization plans as to the prospects for future viability. Modification of operational strategies, corrective actions to prevent the accumulation of further losses, and improvements in governance and risk-management, as determined on a case-by-case basis, as well as better enforcement of existing regulations by BoG, will ensure an efficient use of government funds. In addition, in 2025, we will address risks to financial stability from asset management firms. Any payouts by the government will be made through a burden-sharing approach with stakeholders to minimize fiscal costs.

32. We will complete ongoing reforms to enhance financial sector stability and support credit to the private sector. These include: (i) reviewing and monitoring off-balance sheet items; (ii) completing the roll out of Basel II and III capital, liquidity, and supervisory review reforms, (iii) building and implementing strategies to improve operational efficiency, business models, competitiveness of state-owned banks and NBFIs; and (iv) strengthening our nascent deposit insurance scheme. Our goal is to create conditions for private sector growth. In this context, to prevent crowding out of credit to the private sector, we will consider further measures to reduce the nexus between the sovereign and financial institutions.

F. Structural Fiscal Reforms

33. We are prioritizing a set of structural fiscal reforms to entrench fiscal discipline, ease budget rigidities, and bolster transparency. These reforms have been designed together with Fund/WB staff and draw on the comprehensive strategies we have announced in the areas of public financial management, medium-term revenue mobilization, energy sector recovery, and rationalization of statutory funds.

Public Financial Management

Prevention of Arrears' Build-Up

34. We will continue to implement our Arrears Clearance and Prevention Strategy. Consistent with the priorities set out in the strategy, annual arrears clearances will be consistent with the medium-term budget framework under our IMF-supported program, and we will prioritize arears with the largest macroeconomic impact. Starting from the 2025 Budget, we will include a separate budget line for MDAs to reflect allocations for arrears clearance. In addition, we will closely monitor the implementation of our strategy by systematically collecting information on the stock of payables and the payments made by MDAs per economic classification.

35. We are strengthening cash management to ensure that spending is consistent with cash availability and market conditions. We have strictly aligned quarterly allotments with the 3-month cash forecasts and tightened the use of allotments as a control on GIFMIS rather than the budget. We are closely monitoring budget execution and requiring that MDAs revise their cash plans on a quarterly basis to reflect the allotments received and remaining requirements. We are also enhancing coordination among the Budget division, Treasury and Debt Management divisions (TDMD) and Controller and Accountant General's Division (CAGD) to improve cash and treasury management.

36. We are improving compliance to PFM Act and Regulation by strengthening the enforcement of sanctions—including penalties—for entities committing spending above their quarterly allotments; establishing a compliance desk at the Ministry of Finance which will verify infractions and liaise with the Attorney-General to initiate administrative or legal actions; and rolling out a compliance training for public officials.

Public Investment Management and Spending Controls

37. We submitted to Cabinet a centralized inventory of all ongoing and planned public investment projects in March 2024 (*structural benchmark*). The report identifies: i) the nature and age of all ongoing projects; ii) project start and completion dates and estimates of completion rate; iii) source of financing, financing resources spent to date, and additional financing required; iv) list of priority planned and ongoing projects and the required multi-year budget allocation (showing annual funding requirement); and v) list of non-priority projects and proposed treatment (suspend them temporarily or permanently). This inventory will be regularly updated, and the public investment plan linked to the medium-term expenditure ceiling will become a part of annual budget documents.

38. We will enable the functionality of "Blanket Purchase Agreement" in GIFMIS to fully capture multi-year commitments of public contracts consistent with MTEF ceilings. The CAGD/MOF will ensure that the GoG projects are fully captured in the GIFMIS platform under the blanket purchase agreement. The MoF has issued a circular to make the use of this functionality mandatory for all multi-year contracts by end-September 2024 (***structural benchmark***).

39. We have rolled out GHANEPS to all MDAs and MMDAs to enhance transparency and governance of public procurement. To ensure that GHANEPS is used actively for all procurements (currently only 21 percent of entities use it), we have completed training of staff in all MDAs and MMDAs. We will integrate GHANEPS with GIFMIS to ensure that only MDAs' projects/purchase orders that have approved budgets and allotments proceed to award contracts by end-December 2024 (***new structural benchmark***). This integration is expected to increase the proportion of procurement (by value) registered in GHANEPS to 50 percent of total procurement in 2025Q2 with the aim to reach 90 percent of total in 2025Q4. This will enable timely collection of information on the nature of procurements (i.e., competitive, restricted, single source) and facilitate monitoring. Transparency of procurement will be further strengthened by publishing the 2023 annual report by end-November 2024 and facilitating access to beneficial ownership (BO) information of companies awarded contracts by providing a direct link between GHANEPS and the ORC website. Our strategy to reduce the share of non-competitive procurement (measured in value) will be updated based on the findings of this report.

40. All MDAs, MMDAs and IGFs accounts in BOG and commercial banks will be integrated to the TSA by end-March 2026. To this end, we have tightly integrated GIFMIS with the Hyperion and the bank clearing (EFT, SWIFT and GHIPSS) systems to ensure real time data exchange. We will conduct a review of the functions and integrity of the 9,138 accounts of all spending units with the view to reduce the number of accounts**.** We will bring onboard 549 additional MDA and MMDA spending unit accounts into GIFMIS, during May 2024 through end-March 2025 (***structural benchmark***). Looking ahead, we will roll out the automatic bank reconciliation (ABR) functionality for all GIFMIS-linked accounts by end-December 2025 with a view to completing the ongoing TSA reforms by the end of the IMF-supported program.

Rationalizing Earmarked Funds

41. We remain committed to streamlining statutory funds. In September 2023, Cabinet approved a strategy providing recommendations on measures to improve operational efficiency of each statutory fund and determine which fund should be retained or be absorbed within the line ministry. The strategy was developed after a study by an external consultant who thoroughly evaluated all the 16 funds gauging their usefulness, efficiency, and value for money. We will submit necessary amendments to existing legislation to merge the funds identified as redundant in our streamlining strategy with their line ministries by end-June 2025 (**new structural benchmark**). To this end, we have started designing a communication plan to systematically disseminate approved changes to all required stakeholders, build momentum and secure key stakeholder buy-in.

42. We will also enhance the transparency and accountability of the operations of earmarked funds. After having deployed GIFIMIS infrastructure to over 288 IGF-reliant institutions in 2023, we will broaden the extension of GIFMIS coverage to all spending units and enforce its use by enhancing oversight on financial transactions and periodically reviewing system usage by NHIF, GETFund, Road Fund, District Assemblies Common Fund and IGF-reliant institutions. We will also establish a mechanism to ensure that earmarked funds do not engage in collateralization of their receivables. All earmarked funds will be required to submit their audited financial statements consistent with PFM regulation requirements, work toward clearing their audit backlog, and implement recent recommendations.

Fiscal Framework and Institutions

43. We are taking steps to reform our fiscal framework and institutions to sustainably strengthen fiscal discipline. We intend to revamp our fiscal rule by adding a debt anchor with broad coverage to control extra-budgetary spending as well as a set of operational rules (e.g., primary balance or expenditures). Consistent with international best practices, we will clearly define escape clauses and circumstances for their activation as well as appropriate correction mechanisms. To strengthen the credibility of our fiscal rule and macro-fiscal projections, we will reform the existing Fiscal Advisory Council. The Council will assess the realism of the Budget macro-fiscal projections and evaluate fiscal performance against the fiscal rule. The Council will be provided with strong operational independence and adequate resources along with timely and comprehensive information to effectively fulfill its mandate. We will submit to the Parliament draft amendments to our Fiscal Responsibility Act (2018) (**end-October 2024 structural benchmark**). In preparing this reform, we will benefit from IMF TA and consultations with internal stakeholders**.**

44. We are finalizing a new fiscal regime framework for extractive industries with support from the Fund. We have prepared a draft of Extractive Industry Fiscal Regime bill which is currently undergoing internal review. The new regime—coherent with the Amended Fiscal Responsibility Law—would help us raise sufficient revenue and provide adequate incentives to invest at reasonable cost to both the government and taxpayers, while improving transparency and governance in the sector. We are going through the internal review of the draft Extractive Industry Fiscal Regime Act and expect to submit the bill by end-December 2024 to Parliament.

45. We will publish our fiscal strategy document and fiscal risk statements consistent with the PFM Regulation and international best practice.

Revenue Administration and Tax Policy

46. We are taking steps to ensure that the revenue measures underpinning the approved 2024 budget deliver the expected yield. Specifically, we have: i) strengthened VAT enforcement on residential accommodations by completing the VAT registration of large property developers, making VAT payment a prerequisite for registration of the property, mandating VAT payments through the GRA online portal; ii) started collecting information on property sales from developers on a monthly basis to prevent tax evasion; iii) enhanced audits on large taxpayers of PIT, CIT, and VAT; and iv) will publish quarterly compliance report data in the GRA website from June 2024. Furthermore, after launching the e-Commerce portal in March 2023 for business on the digital space, we are now rolling out the e-VAT project and have started collecting and analyzing data from e-platform to increase potential revenues. We expect to rollout the e-VAT system to the large taxpayers by end-June 2024 and another 2000 taxpayers by end-December 2024.

47. Over the medium-term, our policy, administrative and legal reforms will be geared to significantly enhance revenue mobilization. These reforms are outlined in our cabinet-approved Medium Term Revenue Strategy (MTRS). The medium-term revenue goals are to broaden the tax base, minimize tax avoidance, and ensure a progressive tax system. We are committed to using the MTRS as a tool to promote equity and transparency, provide tax certainty and predictability for businesses and individuals in the short to medium-term. We will perform by mid-2025 a mid-implementation review of the MTRS with support from the Fund to assess progress compared to objectives—including timeline, yield of the adopted reform, achievement of MTRS objectives—and identify timebound corrective actions, if need be.

48. We are on track to complete the project of cleaning GRA's taxpayer register and submit to the MoF the report by end-June 2024 (***structural benchmark***). In this project, (i) duplication of Taxpayer Identification Numbers (TIN) will be eliminated (ii) a separate active taxpayer list will be identified from the pool of registered individuals/entities, (iii) individuals with no payment or filing obligation will be eliminated from the list of registered PIT taxpayers who are not required by law to be registered as PIT taxpayers. We have developed data quality requirements and data governance framework to ensure the accuracy, integrity and comprehensiveness of the data. Going forward, data quality will be managed and reviewed under the governance framework. With assistance of IMF TA, we are also re-engineering businesses processes for taxpayer registration to ensure that the taxpayer register and ledgers are up to date and accurate, in line with the data governance framework. The cleaning of taxpayer register will be completed before the data is migrated to the newly procured Integrated Tax Administration System (ITAS).

49. We are determined to revamp our ITAS. We are finalizing the ITAS procurement process and data migration from all existing portals to ITAS by end-June. We will put in place the necessary governance structure (comprising of project steering committee, project manager and project team) and the required transformation and communication effort to guide seamless implementation of ITAS. We have developed the training plan and reviewed the compatibility of the current organizational structure and regulatory framework with the new system. Operationalization of the new system will take a step-by-step approach, running a pilot program and adding modules and functionality gradually while running tests along the way. We will finalize full operationalization of major modules (registration, returns filing and payments) for major tax types in the system (and processes needed to be completed prior to that) by end-December 2024 (***structural benchmark***).

Public Spending Efficiency and Transparency

50. We will review our public spending portfolio to identify efficiency gains and make it fully reflective of our development and social challenges and priorities. A part of this effort will be supported by a comprehensive public expenditure review undertaken with the World Bank and expected to be finalized by end-June 2025. By end-June 2025, we will complete a functional review of selected MDAs that will guide us in calibrating public sector wages to better balance burden sharing, productivity, and ability to pay. The efficiency gains thus achieved will help create fiscal space for key development, social and climate-related priorities.

51. We will recalibrate the expenditure portfolio of MDAs responsible for social spending. The key objective is to shift the composition of spending by these MDAs towards targeted and well-designed interventions. In addition to functional review of relevant MDAs, we will carry out a comprehensive assessment of public sector wages, including in education and health sectors. In the education sector, we will review and rationalize the Free Senior High School (SHS) program. We will continue our support to tertiary education, take targeted measures to improve foundational learning (e.g., increasing capitation grants) and introduce reforms with the help of development partners to improve overall learning outcomes. In the health sector, we will enhance effectiveness of National Health Insurance Scheme (NHIS) by increasing its coverage, reducing the administrative cost, ensuring timely transfers from the consolidated fund, and reviewing the package of benefits and the tariff structure.

52. We remain committed to streamlining our wage bill. In this regard, we intend to integrate the HRMIS system with GIFMIS and the Payroll system by end-December 2025 so as to strengthen controls on "ghost names", promotions, hiring and payroll costs.

53. We will initiate the review of all government flagship programs and publish a rationalization strategy by end-December 2024. The decision for rationalization will depend on the assessment of efficiency, effectiveness, and value for money for each program. For social programs, we will rationalize and align the spending envelope with SDG targets.

Fiscal Reporting

54. We are committed to improving the timeliness of CAGD Quarterly Financial Statements. We will start quarterly submission of budget performance by MDAs by end-June 2024, making use of the quarterly CAGD cash reports for fiscal analysis and expediting the rollout of GIFMIS to all MDAs. We will also ensure SOEs start submitting their financial reports to CAGD.

Energy Sector Measures

55. We are taking actions to reduce the energy sector shortfall, improve transparency in ECG collections and payments, and promote competition in the energy market. These include:

- Continuing to implement quarterly tariff adjustments to reflect transmission of changes in exchange rate, inflation, fuel prices, and generation mix to electricity tariffs.
- Publishing technical notes to explain and justify quarterly tariff decisions to promote transparency within 30 days of the decision announcement.
- Prioritizing IPP payments under the revised cash waterfall mechanism and ensuring a monthly fixed payment to IPPs for energy purchase.
- We have published on the PURC's website the first quarterly audit report of ECG's single account for Jul-Sep 2023 in February 2024 (**structural benchmark**), but the report was accompanied by a qualified opinion. This report highlights audit findings for the collection of revenues from ECG customers and disbursements to IPPs, SOEs and fuel suppliers under the cash waterfall mechanism, but also raises issues with access to information during the audit. We will continue to conduct quarterly audits of ECG's single account and sub accounts and take corrective actions to address the auditors' findings and ensure that the next audit for October-December 2023 provides an unqualified opinion.
- Publishing by PURC monthly data on collections by ECG (with a 2-month lag), and disbursements to IPPs and SOEs under the CWM after verifications from individual entities.
- Agreements on fixed monthly payment to clear legacy arrears have been reached with several IPPs and negotiation with others are in progress.
- Amending the relevant legislation to mandate the distribution licensees to procure new power generation or entering into new power purchase agreements (PPAs) only through competitive tendering.

- Merging all the tariff sub-accounts of ECG into a single account to be used for collections and disbursements.
- Developing and operationalizing a framework in consultation with the Fund staff to guide the granting of energy sector subsidies by December 2024. The framework will also cover a mechanism to insulate vulnerable population fully or partially from large tariff increases.
- Reviewing PURC methodology for quarterly adjustment of electricity tariffs with support from the IMF and the World Bank to reduce discretion and ensure that observed macroeconomic developments are fully and timely reflected in the tariff adjustment. To ensure gradual settlement of inter SOE energy sector debt, we will conduct a sector-wide audit of the finances of the SOEs that will identify options to reduce costs and settle outstanding debt, while avoiding implications for the government budget by end-December 2024.

Measures to Improve Cocobod's Viability

56. We will publish the Cocobod turnaround strategy that was approved by cabinet by end July 2024. As set out in this strategy, we will make necessary amendments in the Cocobod Act (1984) to adopt a framework for setting producer purchase prices to ensure sufficient revenues for farmers but also guarantee a revenue stream sufficient to recover Cocobod's operational and financial costs by end-2024. This framework will be finalized in consultation with the Fund and Bank staff and will require provision of complete cashflow projections of the Board for the medium term. At the current juncture, we are committed to ensuring that the minimum and maximum producer purchase prices for the 2024 and 2025 seasons would be set at 60-70 percent of the FOB international price (inclusive of LID). This range will be reviewed every two years. We will initiate a functional review of all departments and subsidiaries of the Board by an external consultant to identify the scope for cost cutting and implement the identified cost rationalization measures.

57. We are rationalizing Cocobod's quasi fiscal spending on cocoa roads, fertilizer, and pesticides programs. In the case of cocoa roads, we have reviewed all existing contracts and have rationalized them based on their completion status, performance and termination costs with the objective to streamline the value of the outstanding contract from GHS21 billion to GHS6 billion. No new contract of coco road construction will be awarded. To make these reforms sustainable, we will amend Ghana Cocobod Act to prevent the Board from engaging in any activity related to construction and repair/ maintenance of roads.

58. Cocobod is taking steps to ensure that the recent increase of the farmgate price of cocoa (by 58 percent) mid-way through the season will not lead to a cash flow deficit. These steps include increasing the proportion of spot sales at the current high market prices and pursuing additional spending rationalization efforts.

59. In addition to these efforts, we are strengthening the Ministry of Finance's financial oversight, including by establishing a cocoa desk at the MoF to limit risks that Cocobod would still post deficits, Funding plans will be reviewed regularly and associated with contingency planning exercises. Should these risks materialize, we will ensure that Cocobod scales down spending further to ensure a balanced financial position. Consistent with the program design, Cocobod will refrain from mobilizing any non-concessional funding and/or any collateralized funding—except for its annual syndicated loan.

G. Governance and Anticorruption

60. We will continue to strengthen organizational and legal arrangements for addressing vulnerability to corruption and enhancing accountability and integrity:

- We have requested IMF technical assistance to conduct a Governance and Corruption Diagnostic Assessment. This assessment is ongoing and covers the following areas: anti-corruption, rule of law (property rights and contract enforcement), fiscal governance, public financial management, revenue administration, AML/CFT and financial sector regulation. We are committed to publishing the Diagnostic Assessment report when finalized.
- We will undertake in 2024, with the support of United Nations Office on Drugs and Crime (UNODC), an evaluation of the ten-year National Anticorruption Action Plan (NACAP) that started in 2014. This evaluation as well as the IMF Governance Diagnostic Assessment will inform the update of the NACAP that we will finalize in early 2025.
- We have prepared a draft new Conduct of Public Officers Act that seeks to address current weaknesses in the asset declaration system. The new Act will notably introduce provisions that ensure public officers submit their declaration in time and that an effective verification system is in place. The draft Act will be approved by Cabinet in the next few weeks.
- We continue to implement recommendations from the Auditor General's report on the audit of Covid-19 spending, The AG office is verifying the reported progress with individual ministries and is in the process of preparing its independent implementation report. Once verified, these reports will be made public by end-June 2024.

61. Building on the recent reforms which have culminated in Ghana's exit from the FATF grey list, Ghana will continue to make further progress in strengthening its AML/CFT framework. The following, among others, are some of the measures being implemented:

- To prepare for the GIABA Third Round Mutual Evaluation planned for 2025, we have started a National Risk Assessment to update and enhance the understating of our ML/TF/PF risks which will inform the development and implementation of appropriate mitigating measures.
- The Financial Intelligence Center (FIC) will continue to engage, sensitize, train and build the capacity of all reporting entities in various AML/CFT related areas – including Customer Due Diligence (CDD), risk assessment, current trends and typologies – and to collaborate with all sectoral supervisors for the enforcement of targeted financial sanctions.
- We will notably step up our efforts to ensure preventive measures are implemented for the Designated Non-Financial Businesses and Professions, by increasing our sensitization and capacity building actions with relevant stakeholders in priority sectors such as real estate, casinos and dealers in precious metals and precious stones.

- The transparency of Beneficial Ownership (BO) of legal entities operating in Ghana, including the implementation of the recent updates from March 2022 to FATF's R.24, will also be further strengthened. By end-December 2024, we will significantly improve the disclosure of BO by all legal entities which predate the Companies Act, 2019 (Act 992). It is important to emphasize that, the Companies Act, 2019 (Act 992) mandates BO disclosure prior to company incorporation. Starting in 2025, we will systematically apply proportionate and dissuasive sanctions to legal entities that fail to comply with this requirement. We will also take measures to provide and facilitate access to the BO register to all competent authorities and accountable institutions. Though competent authorities and accountable institutions have access to the BO register upon request, a new system to facilitate and enhance timely access to the BO register is currently under development and is expected to go live by end of 2024.

H. Growth

62. We are developing a set of coherent and focused policies to boost private investment and growth. The policies will support private sector development and inclusion and will focus on:

- *Improving the business environment:* We will deepen the cross-cutting Business Regulatory Reform (BRR) program to simplify business regulations. By end-December 2024, the process of new business registration through the Company Registration system will be fully digitalized. We will fully operationalize the construction permitting portal by end-December 2024 to further streamline the construction permitting process. By end-2024, with the support of the World Bank, we will approve and implement the Regulations of the Private Public Partnership Act and of the Corporate Insolvency and Restructuring Act.

- *Attracting FDI:* To strengthen Ghana's FDI attractiveness, amendments to the Ghana Investment Promotion Centre (GIPC) Act to substantially reduce minimum foreign capital requirements will be resubmitted to Parliament by June 2024. By end-2024 we will roll out an e-visa system for all visitors. By end-2024, GIPC will introduce an investors grievance mechanism to address concerns and challenges encountered by investors in the conduct of their government-related business. We will review our local content requirement (LCRs) laws to ensure they do not deter foreign investors and consider replacing them with provisions on Responsible Business Conduct (RBC). By end-2025, with the support of the World Bank, we will enact a new Investment Law that seeks to make the legal framework for investors more binding, robust and predictable.

- *Export competitiveness and integration into global value chains:* We will focus on measures to improve our integration into global value chains by reducing trade barriers and through the implementation of the African Continental Free Trade Area (AfCFTA). We will also ensure that Ghana is compliant to its obligations under the ECOWAS Common External Tariff (CET) regarding exemption of duties for goods traded under the ECOWAS Trade Liberalization Scheme (ETLS) to spur industrialization and inclusive trade. This includes ensuring a smooth migration from the current Harmonized System (HS) 2017 to HS 2022 to avoid unwarranted rejection at the border by customs authority of approved and eligible enterprises. By end-December 2024, we expect to build full capacity to enable Ghanaian businesses and other economic operators to leverage the implementation of AfCFTA Agreement; this requires (i) strengthening the national institutional and implementation structures and committee; (ii) equipping the National Coordinating Office (NCO); (iii) recruiting qualified technical staff; and (iv) installing a robust database as information repository for access to trade information. We will accelerate our efforts to facilitate trade, notably through the modernization of the Tema Port to reduce clearance times, revise the transshipment regime, invest in infrastructure that facilitate shipping through containers, the simplification and harmonization of import and export procedures and the establishment of special economic zones to facilitate exports. By end-2024, we will update our 2005 Trade Policy, to include current developments and agreements in regional and global trade including trade in services, digital trade and climate change – Trade and Sustainability Development (TSD). The reforms will be crystalized into a five-year Trade Sector Support Programme to guide implementation actions and the delivery of results.

- *Upskilling our workforce:* We will continue to strengthen our education and skills training system through improved teaching practices (differentiated learning approach), in-service training and supervision of teachers and schools, provision of differentiated learning materials, and national assessment of learners to inform areas of student learning and teaching requiring further strengthening. We will make the Free Senior High School program more efficient and strengthen uptake by the poorest households, and provide support for out-of-school children to access formal education and skills training. We will also strengthen existing skills training programs by expanding access to technical vocational education and training, apprenticeship programs, by strengthening digital, STEM and job-related skills training, and by systematically collaborating with the private sector to identify critical skills gaps. We will continue promoting entrepreneurship through initiatives such as the YouStart Programme, which will create jobs and enable youth to harness local opportunities.

- *Streamlining sectoral and industrial policies:* We will assess our different sectoral policy initiatives with a view to making our support to specific industries or businesses more efficient. We have reoriented and launched the Planting for Food and Jobs program (PfJ 2.0) to rationalize fertilizers subsidies, improve land access and strengthen support for land development. We have expanded the Economic Enclave Projects to develop medium to large scale agricultural production and agro-processing activities. By the end of the second quarter 2024, Cabinet will approve a new *Industrial Parks and Special Economic Zones Policy*, and a new Special Economic Zones Act will be adopted, along with related regulations. The sustainable long-term financing of the "one-district, one-factory" program will be addressed to boost value-addition, trade and private sector investment across critical value chains and to among others, limit the exposure of banks to further

NPL increase related to some of the manufacturing projects provided short-term funds for long-term capital investment. Strategic Industries supported to anchor Ghana's industrialization drive including, the Auto Assembly and Auto Components Manufacturing, Textiles and Garments Manufacturing and Pharmaceutical Manufacturing will be actively supported to accelerate growth-oriented investment expansion and the development of local supply chains.

- *Improving access to finance*: Improving private sector access to finance will primarily come from applying a sound supervision framework to financial institutions, restoring capital buffers in institutions affected by the debt restructuring, ensuring a stable inflation environment that allows lower interest rates and maintaining a strict fiscal discipline to limit the crowding out of private sector financing. With the support of the World Bank, the European Investment Bank and the KfW, we have operationalized the Development Bank Ghana to provide wholesale long-term funding to financial institutions to on-lend to creditworthy enterprises in agribusiness, manufacturing, and high value services. We will implement new credit reporting regulations to improve the quality of our credit infrastructure, including by expanding the sources of data used by credit bureaus, leveraging the new biometric ID system and enhancing data submissions rules, quality requirements, and data protection. Given the contribution of SMEs to economic growth, the government will work to address their financing challenges by operationalizing the *SME Growth and Opportunity Fund*.

- *Encouraging digitalization*. We will further expand broadband mobile coverage by improving enabling policies such as active infrastructure sharing and applying tech-neutrality in spectrum bands. We will improve basic digital skills in school and fill the gap of advanced digital skills through tertiary education, bootcamps and technical and vocational training. We will expedite the implementation of government digital initiatives such as the National ID, digital address systems, land records digitization, Ghana. Gov and consolidate them into a single stop shop for users.

PROGRAM MONITORING AND OTHER

63. The program will continue to be monitored on a semi-annual basis, through quantitative performance criteria, continuous performance criteria related to the Article VIII, a monetary policy consultation clause, indicative targets, and structural benchmarks**.** The phasing of access under the arrangement and the review schedule are set out in Table 1 of the memorandum that accompanied program request. A Memorandum of Understanding between the government and the BoG has been established to set their respective responsibilities for servicing financial obligations to the Fund. The quantitative performance criteria and indicative targets through end-June 2025 are set out in Table 2. The structural benchmarks are described in Table 3.

64. We will continue to make progress in strengthening our statistics and bolstering our communication strategy to build support for our reform program (see previous MEFPs). On the latter, we are launching a regular newsletter and will be launching a regular forum to explain policies and reforms under the program to relevant stakeholders.

Table 1. Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2023–2025

	2023								2024									2025	
	September			December					March			June		September		December		March	June
	Indicative Targets			Performance Criteria					Indicative Targets			Performance Criteria		Indicative Targets	Indicative Targets	Performance Criteria		Indicative Targets	Performance Criteria
	Prog. Request	Adjusted	Outturn	Prog. Request	First review	Adjusted	Outturn	Status	First review	Adjusted	Outturn	First review	Proposed	First review	Proposed	First review	Proposed	Proposed	Proposed
Performance Criteria																			
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	270.7	270.7	867	655	988.2	688.2	2,508	**Met**	413.4	563.4	255.0	463.8	463.8	948.2	500	1,588.6	908	300	550
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (millions of cedis) [2]	0.0	0.0	-110	0	0.0	0.0	-117.7	**Met**	0	0	-130	0	0	0	0	0	0	0	0
Present value of newly contracted or guaranteed external debt by the central government and public entities, cumulative ceiling (millions of U.S. dollars) [3]	66.2	66.2	0	66	66.2	66.2	0.0	**Met**	84.7			84.7	231.5	84.7	231.5	84.7	231.5	50.0	50.0
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-5,756.4	-7,663.7	-4,656	-4,607	-4,323.5	-6,050.5	-2,472.5	**Met**	-2,250.6			-2,520.6	-2,379.0	1,122.9	1,154.8	5,264.7	5,100.9	10.0	2,386.7
Non-accumulation of external debt payments arrears by the central government and the Bank of Ghana, continuous ceiling (millions of U.S. dollars) [5]	0.0	0.0	0	0	0.0	0.0	0.0	**Met**	0	0	0	0	0	0	0	0	0	0	0
Newly contracted collateralized debt by the central government and public entities, continuous cumulative ceiling (millions of U.S. dollars)	0.0	0.0	0	0	0.0	0.0	0.0	**Met**	0	0	0	0	0	0	0	0	0	0	0
Monetary Policy Consultation Clause																			
Twelve-month consumer price inflation (percent)																			
Outer band (upper limit)	45.6	45.6		33.4	33.4	33.4			35.7			29.0		24.0		19.0		16.5	12.0
Inner band (upper limit)	43.6	43.6		31.4	31.4	31.4			33.7			27.0		22.0		17.0		14.5	10.0
Central target rate	**40.6**	**40.6**	**38.1**	**29.4**	**29.4**	**29.4**	**23.2**	**Not Met**	**31.7**	**31.7**	**25.8**	**25.0**		**20.0**		**15.0**		**12.5**	**8.0**
Inner band (lower limit)	37.6	37.6		27.4	27.4	27.4			29.7			23.0		18.0		13.0		10.5	6.0
Outer band (lower limit)	35.6	35.6		25.4	25.4	25.4			27.7			21.0		16.0		11.0		8.5	4.0
Indicative Targets																			
Non-oil public revenue, cumulative floor (millions of cedis) [3]	79,871.0	79,871.0	77,410	116,365	114,186	114,186	115,040	**Met**	30,992	30,992	27,011	61,976	61,180	103,711	102,420	150,330	148,458	36,974	76,325
Social spending, cumulative floor (millions of cedis) [3]	3,051.0	3,051.0	2,849.9	4,068	4,068	4,068	4,116	**Met**	1,393	1,393	689	2,786	2,786	4,179	4,179	5,572	5,572	1,775	3,373
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis) [3]	0	0.0	4,693.8	0	0	0	984	**Not Met**	0	0	n.a.	0	0	0	0	0	0	0	0
Total contracted but not yet disbursed external commercial and official project loans pre OCC cut-off date, continuous cumulative ceiling (millions of U.S. dollars) [6]												…	250	…	250	…	250	250	250

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

1 Evaluated at program exchange rates as defined in the Technical Memorandum of Understanding (TMU), differently from the figures in Table 1 of the Staff Report. Cumulative change since January 1.
2 Cumulative change since the beginning of the program
3 Cumulative from January 1.
4 Includes net change of payables of the central government reported in GIFMIS.
5 Accumulation of new arrears since previous test date.
6 OCC cut-off date (CoD) is the 31st of December, 2022.

Table 2. Ghana: Proposed Structural Conditionality Under the Extended Credit Facility, 2023–25

Structural Benchmarks	Objective	Date	Status
• **Expand GIFMIS infrastructure to 265 IGF-reliant institutions with all the available functionalities**	*Strengthen budget execution, commitment control and reporting*	End-December 2023	**Met**
• **Publish on PURC's website the final report of the first quarterly audit of ECG's single account.** This report will highlight audit findings for the collection of revenues from ECG customers and disbursements to IPPs, SOEs and fuel suppliers under the cash waterfall mechanism.	*Enhance energy sector transparency and facilitate estimation of energy related revenues and shortfall*	End-February 2024	**Met**
• **BoG escalates punitive remedial and/or corrective measures against any bank that has not complied with the one-third recapitalization and the non-negative CAR requirements in 2023,** computed in a way that includes a reasonable estimate of expected government debt restructurings and NPL increases through 2023.	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-March 2024	**Met**
• **BoG and MoF design and begin the implementation of a credible, comprehensive, and cost-effective plan that seeks to address NIB's solvency challenges by end-2024.**	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-March 2024	**Not met, implement with delay**
• **The authorities develop and submit to cabinet a centralized inventory of all ongoing and planned public investment projects. For each project, the inventory will include information on:** (i) Nature and age of all ongoing projects; (iii) Project start and completion dates and estimate of project completion (%) (iv) Source of financing (domestic vs external), financing resources spent to date, and additional financing required (iv) List of priority planned and ongoing projects and the required multi-year budget allocation (showing annual funding requirement) (v) List of non-priority projects and the proposed treatment (suspend them temporarily or permanently)	*Strengthen budget credibility, exercising commitment control, and prevent accumulation of spending arrears*	End-March 2024	**Met**
• **Cabinet approves amendments to the BoG Act aimed at addressing the recommendations by the IMF's safeguard assessment to strengthen BoG's autonomy.** These amendments will have been developed in consultation with IMF staff.	*Strengthen BoG independence and reduce the risk of fiscal dominance*	End-May 2024	**Not Met**
• **Present to the BoG Board a risk assessment report of the gold-for-oil program and an exit strategy from the program, prepared in consultation with IMF Staff.**	*Reduce operational, legal and governance risks of BoG*	End-June 2024	
• **The GRA shares with the MoF the final report of the project of cleaning taxpayer register and ledgers. The project's objective is to ensure:** (i) Duplication of taxpayer identification numbers (TIN) will be eliminated (ii) The registry will be able to separate active taxpayer list (iii) Elimination of individuals with no payment or filing obligations from the list of registered PIT taxpayers	*Provision of accurate indicators for performance of revenue administration*	End-June 2024	
• **Enable "Blanket Purchase Agreement" to fully capture multi-year commitments / contracts in GIFMIS, in line with the MTEF ceilings. The MoF issues a circular to make the use of this functionality mandatory for all multi-year contracts.**	*Strengthen spending controls and prevent arrears' accumulation*	End-September 2024	
• **Submit to parliament draft amendments to the Fiscal Responsibility Act (2018). The amendments, prepared in collaboration with Fund staff, will focus on the following:** (i) Design of new fiscal rules. (ii) A revised framework for the Fiscal Advisory Council ensuring its independence. The mandate of the Council will be laid out in consultation with the Fund Staff.	*Enhance budget credibility and underpin lasting fiscal discipline*	End-October 2024	
• **Operationalize the Integrated Tax Administration System by completing:** (i) procurement of the system, (ii) data migration from other portals (including E-VAT and GITMIS), (iii) Appraisal of current situation and verification of requirements (data checks) (iv) Implementation of the functionality of VAT (v) Implementation of the functionality of CIT (vi) Implementation of the functionality of PIT	*Fundamentally and sustainably improve tax administration*	Reset to end-December 2024	
• **BoG to finalize the terms of reference (ToR) for a special review of NIB to be performed by an international, independent and reputable firm with experience in this type of exercise**. The special inspection would be completed by end-2024.	*Address NIB insolvency challenges*	End-July 2024	
• **Adopt a revised BOG reference rate setting methodology** to make the rate more robust and representative of the wholesale FX market.	*Strengthen the foreign exchange market*	End-August 2024	
• **Complete diagnostic of the cost-effectiveness projects related to post-CoD disbursements on pre-CoD bilateral loans and finalize a strategy** to prioritize their implementation with a view to ensure that related disbursements are consistent with program parameters	*Ensure debt sustainability and improve public investment management*	End-August 2024	
• **Fully integrate GHANEPS with GIFMIS** to ensure that only MDAs' projects/purchase orders that have approved budgets and allotments can obtain procurement approvals to award contracts	*Strengthen PFM procedures by reducing vulnerability to corruption*	End-December 2024	
• **Following the special review, BoG and government to prepare a forward-looking overarching restructuring plan for NIB, including identifying resource needs and/or any residual recapitalization that may be needed**. The restructuring plan would specify any necessary changes to the business model and would lay out the planned cost structure rationalization (including branches and staff), specific steps to enhance the corporate governance (including independence of the Board) and risk management frameworks, as well as necessary supervisory measures to be imposed until all of that is addressed.	*Address weaknesses in NIB*	End-March 2025	
• **BoG implements remedial and/or corrective measures, proportional to the duration and magnitude of the breach**, against any bank that has not complied with the two-thirds recapitalization and the non-negative CAR requirements by end-December 2024	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-March 2025	
• **MoF to bring onboard 549 MDAs and MMDAs spending unit accounts into GIFMIS, during May 2024-end-March 2025**	*Strengthen PFM systems and cashflow management*	End-March 2025	
• **BoG and government to design a strategy, based on a diagnostic assessment, to ensure that all state-owned banks adopt sound governance principles**, business models and risk management systems, including appropriate changes to the regulatory framework if deemed necessary, to support viability and sustainability following recapitalization.	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-April 2025	
• **Adopt the necessary legislations to implement the government's strategy to streamline statutory funds (end-September 2023 SB), including by merging with their line ministries the statutory funds** identified as redundant.	*Strengthen spending controls and prevent arrears' accumulation*	End-June 2025	

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding (TMU) sets out the understandings regarding the definitions of the performance criteria (PCs), indicative targets (ITs), and consultation clauses that will be applied under the Extended Credit Facility, as specified in the authorities' Letter of Intent (LoI) and Memorandum of Economic and Financial Policies (MEFP) of June 13 and their attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

2. The exchange rates for the purpose of the program are specified in the Table below. The gold price for the purpose of the program is US$ 1,826.92 per ounce (as per Bloomberg data as of February 2023).

Ghana: Program Exchange Rates
(Rates as of February 28, 2023)

	Cedi per currency unit	US Dollars per currency unit
US Dollar	11.01	1.00
GB Pound	13.32	1.21
Euro	11.68	1.06
SDR	14.63	1.33
Japanese yen	0.080	0.0073
Chinese yuan	1.582	0.1437
Australian dollar	1.636	0.1486
Swiss franc	11.69	1.06
South African rand	0.601	0.055

Source: Bank of Ghana, Bloomberg, and IMF

QUANTITATIVE PERFORMANCE CRITERIA

Definition

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

Continuous Performance Criteria

4. In addition to the performance criteria listed in Table 1 of the MEFP, the arrangement will include the performance criterion standard to all Fund arrangements, namely:

   i. no imposition or intensification of restrictions on the making of payments and transfers for current international transactions;

ii. no introduction or modification of multiple currency practices;

iii. no conclusion of bilateral payments agreements that are inconsistent with Article VIII of the IMF Articles of Arrangement;

iv. no imposition or intensification of import restrictions for balance of payments reasons.

These performance criteria will be monitored continuously. The revision of the BoG reference rate methodology (**end-August 2024 SB**) and the introduction of competitive price-based FX spot auctions (MEFP¶38), being conducted in consultation with IMF staff, would not constitute modification of multiple currency practices (MCPs).

A. Net International Reserves of the Bank of Ghana, Floor (Millions of U.S. Dollars)

Definition

5. Net International reserves (NIR) of the Bank of Ghana for program monitoring purposes[10] are defined as reserve assets minus short-term foreign-currency liabilities and liabilities to the Fund. All values not in U.S. dollars are to be converted to U.S. dollars using the program exchange rates and gold price defined in paragraph 2.

- Reserve assets (RA) are readily available claims on nonresidents denominated in foreign convertible currencies. RA include Bank of Ghana holdings of monetary gold, SDRs, foreign currency cash, foreign currency securities, deposit abroad, and the country's reserve position at the Fund. Excluded from reserve assets are any assets that are pledged, collateralized, or otherwise encumbered, claims on residents, precious metals other than gold, assets in nonconvertible currencies, and illiquid assets. Encumbered assets include Ghana Petroleum Heritage and Stabilization Fund and Bank of Ghana deposits with Ghana International Bank London.

- Short-term foreign-currency liabilities include Bank of Ghana contractual foreign-currency obligations to residents and nonresidents scheduled to come due during the 12 months ahead. They comprise of Deposits of International Institutions, Liabilities to International Commercial Banks, FX Swaps with non-resident and resident banks, foreign currency deposits held at the BoG. Liabilities with an asset counterpart that is encumbered (which are excluded as well from the asset side) are excluded from short term foreign-currency liabilities.

- The liabilities to the Fund include all outstanding use of IMF credit, including IMF budget support for the MoF. The liabilities to the Fund exclude SDR allocations.

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

Adjustors

6. The NIR floors will be adjusted upward for any excess of budget grants, loans, and foreign exchange received in the context of the sales of 5G spectrum licenses, relative to the program baseline, except where this financing is used to repay outstanding domestic arrears at a more rapid pace than programmed. The NIR floors will be adjusted downward for any shortfall in budget grants and loans relative to the program baseline. Budget grants and loans assumptions of the program NIR target are specified in the Table below.

Ghana: Expected Budget Grants and Loans, 2023-2025

Cumulative from the beginning of the year, USD millions

Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
389	150	379	692	723	174	347

7. The floors on NIR will be adjusted upwards by the full amount of the debt service payments on commercial claims in the restructuring perimeter below the amounts in the program baseline.

Ghana: Expected Debt Service Payments on Commercial Claims in the Restructuring Perimeter, 2024-2025

Cumulative from the beginning of the year, USD millions

Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
0	694	694	302	302

B. Bank of Ghana Claims on the Central Government and Public Entities, Cumulative Ceiling (Billions of Cedis)

Definition

8. Outstanding gross credit to central government (as defined in paragraph 3) and public entities – (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST) – by the Bank of Ghana for program monitoring purposes is defined as the change in the total amount, measured from the start of the program and net of the stock adjustment from the debt operation (e.g. capitalization of interest payment), of (i) all BoG loans and advances to central government and public entities, (ii) all central government and public entities overdrafts, (iii) the face value for all outstanding Government of Ghana treasury bills, notes

and bonds purchased by BoG in the primary and the secondary market. For purposes of this TMU the stock of gross credit to central government and public entities by Bank of Ghana includes all called guarantees given by Bank of Ghana for all operations between the central government or public entities and a third party. For the purposes of this TMU, the stock of gross credit to central government does not include (i) BoG holdings of Government of Ghana T-bills as collateral from commercial banks (ii) BoG reversible market transactions involving Government of Ghana securities, and (iii) BoG loans to the central government from the on-lending IMF resources through the SDR allocations and PRGT loans.

C. Present Value (PV) of Newly Contracted or Guaranteed External Debt by the Central Government and Public Entities, Cumulative Ceiling (Millions of U.S. Dollars)

Definition

9. External debt is defined on a residency basis. The definition of "debt" is set out in paragraph 8 (a) of the 2014 Guidelines on Public Debt Conditionality in Fund Arrangements (Executive Board's Decision No.15688-(14/107). The definition also refers to commitments contracted or guaranteed for which value has not been received. The definition of debt is as follows:

> (a) For the purpose of these guidelines, the term "debt" will be understood to mean a current, i.e., not contingent, liability, created under a contractual arrangement through the provision of value in the form of financial and nonfinancial assets (including currency) or services, and which requires the obligor to make one or more payments in the form of assets (including currency) or services, at some future point(s) in time; these payments will discharge the principal and/or interest liabilities incurred under the contract. Debts can take a number of forms, the primary ones being as follows:
>
> > (i) loans, i.e., advances of money to the obligor by the lender made on the basis of an undertaking that the obligor will repay the funds in the future (including deposits, bonds, debentures, commercial loans and buyers' credits) and temporary exchanges of assets that are equivalent to fully collateralized loans under which the obligor is required to repay the funds, and usually pay interest, by repurchasing the collateral from the buyer in the future (such as repurchase agreements and official swap arrangements);
> >
> > (ii) suppliers' credits, i.e., contracts where the supplier permits the obligor to defer payments until sometime after the date on which the goods are delivered or services are provided; and
> >
> > (iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to

the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

10. This performance criterion (ceiling) applies to the cumulative PV of new external debt, contracted or guaranteed by the central government and the following public entities: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye. PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod, excluding the annual syndicated trade financing facility (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST). The ceiling applies to debt and commitments contracted or guaranteed for which value has not yet been received, including private debt for which official guarantees have been extended.

11. For program purposes, a debt is considered to be contracted when all conditions for its entry into effect have been met in accordance with the terms of the contract and as provided in the national legislation. Contracting of credit lines (which can be drawn at any time and entered into effect) with no predetermined disbursement schedules or with multiple disbursements will be also considered as contracting of debt.

12. For the purpose of this performance criterion, the ceiling on the cumulative PV of new contracted or guaranteed external debt excludes: (i) loans and bonds stemming from the restructuring or rescheduling or refinancing of external debt; (ii) renewal of an existing suppliers' credit; (iii) rollover of a credit line; (iv) short-term debt including suppliers' credit and credit lines with a maturity of less than 6 months for public entities mentioned in ¶10 (v) debt contracted from the IMF, World Bank and AfDB; and (vi) Government of Ghana securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by non-residents.

13. A 'guaranteed debt' is an explicit promise by the central government and public entities to pay or service a third-party obligation (involving payments in cash or in kind).

14. The present value (PV) of debt at the time of its signing date of an underlying loan agreement is calculated by discounting the future stream of payments of debt service due on this debt. The discount rate used for this purpose is the unified discount rate of 5 percent set forth in Executive Board Decision No. 15248-(13/97).

15. A debt is considered concessional if it has at least a grant element of 35 percent. The grant element of a debt is the difference between the PV debt and its nominal value, expressed as a percentage of the nominal value of the debt. For debts with a grant element equal to or below zero, the PV will be set equal to the nominal value of the debt.

16. For loans carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the loan would be calculated using the program reference rate plus the fixed spread (in basis points) specified in the loan contract. The program reference rate for the three-month U.S. Secured Overnight Financing Rate (SOFR) is 2.97 percent and will remain fixed for the duration of the program. The spread of three-month JPY Tokyo Interbank Offered Rate (TIBOR) over three-month USD SOFR is -300 basis points. The spread of three-month U.K. Sterling Overnight Index Average (SONIA) over three-month USD SOFR is equal to 50 basis points. For interest rates on currencies other than Euro, JPY, and GBP, the spread over three-month USD SOFR is 0 basis points.[11] Where the variable rate is linked to a benchmark interest rate other than the three-month USD SOFR, a spread reflecting the difference between the benchmark rate and the three-month USD SOFR (rounded to the nearest 50 bps) will be added.

Reporting. For the purposes of this performance criterion, which will be monitored continuously, the MOF will immediately report to the IMF staff details of any new external loans before being contracted or guarantees before being issued by the central government and public entities mentioned in ¶10. Moreover, the MOF should provide, *on a monthly basis and within 30 days from the end of each month*, detailed data on all new concessional and non-concessional external debt (as defined in ¶15) contracted or guaranteed by the central government and public entities mentioned in ¶10. The information should include (i) amounts contracted or guaranteed; (ii) currencies; and (iii) terms and conditions, including interest rates, maturities, grace periods, payments per year, commissions and fees, and collaterals.

Adjustors

17. The PV of newly contracted or guaranteed external debt by the central government and public entities will be adjusted upward for excesses in contracted concessional project loans, relative to the following baseline:

Ghana: Present Value of Contracted Concessional Project Loans, 2023-2025

Cumulative from the beginning of the year, USD millions

Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
0	0	0	0	0	0	0

[11] The program reference rate and spreads are based on the "average projected rate" for the three-month USD SOFR over the following 10 years from the Fall 2022 World Economic Outlook (WEO).

D. Primary Fiscal Balance of the Central Government, Commitment Basis, Cumulative Floor (Millions of Cedis)

Definition

18. The program's primary fiscal balance is cumulative from the beginning of the fiscal year and is measured as the difference between the primary balance on cash basis from the financing side and of the net change in the stock of payables ("outstanding payments") of the central government reported in GIFMIS, including payables of statutory/earmarked funds (SFs) defined as outstanding payments from the consolidated funds to the SFs. Starting in 2024, for the four SFs who have started using GIFMIS for budget execution (Road Fund, NHIF, GETFund and DACF), payables are computed as any outstanding payments of these funds to their suppliers, contractors, service providers, and other counterparts. For the remaining SFs, their payables represent outstanding payments from the consolidated fund to these SFs. A positive net change in the stock of payables means more payables are built up than cleared over the period considered (so the primary balance on a cash basis is stronger than the primary balance on a commitment basis). The program's fiscal primary balance excludes the financial sector cost, defined as government support to strengthen the financial sector as envisaged under the program.

19. The primary balance on cash basis is measured as the sum of net financial transactions of the central government (as defined in ¶3)—comprising the sum of net foreign borrowing (as defined in ¶20), net domestic financing (defined in ¶21 below), receipts from net divestitures and net drawing out of oil funds, minus domestic and external interest payments. It excludes financing for the financial sector recapitalization.

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

21. Net domestic financing of central government is defined as the change in government deposits plus domestic debt issuance proceeds, minus domestic debt amortization due.

Adjustors

22. The primary balance floor for March 2024-June 2025 will be adjusted for excesses and shortfalls in disbursed concessional project loans, relative to the program assumptions. The primary balance floor will be adjusted downward (upward) for the full amount of any excess (shortfall) in concessional project loans relative to the following baseline:

Ghana: Expected Concessional Project Loans Disbursement, 2023-2025
Cumulative from the beginning of the year, USD millions

Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25
272.4	82.6	165.1	254.9	359.0	92.5	184.9

23. The primary balance floor will be adjusted upward by the full amount of non-tax revenue proceeds stemming from the sale of 5G Spectrum licenses.

E. Non-Accumulation of External Debt Payments Arrears by the Central Government and the Bank of Ghana, Continuous Ceiling (Millions of U.S. Dollars)

Definition

24. For the purpose of the ceiling on the accumulation of external debt service payment arrears, external payment arrears will accrue when payments such as interest or amortization on debts of the government (as defined in ¶8) to non-residents are not made within the terms of the contract, taking into account all applicable grace periods. The definition excludes arrears relating to debt subject to renegotiation (dispute or ongoing renegotiation) or rescheduling. This performance criterion will be monitored on a continuous basis.

F. Newly Contracted Collateralized Debt by the Central Government and the Public Entities, Cumulative Zero Ceiling

Definition

25. Collateralized debt is any contracted or guaranteed debt that gives the creditor the rights over an asset or revenue stream that would allow it, if the borrower (as defined in paragraph 25) defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt.

26. The performance criterion (ceiling) applies to debt contracted or guaranteed by the central government and the following public entities: (i) Tema Oil Refinery; (ii) Ghana National Petroleum Company; (iii) Ghana National Gas Company; (iv) Volta River Authority; and (v) Electricity Company of Ghana; (vi) Ghana Grid Company Ltd (GRIDCO); (vii) Ghana Water Company Limited; (viii) Ghana Infrastructure Investment Fund (GIIF); and (ix) Daakye. PLC, (x) Energy Sector Levy Act (ESLA). PLC, (xi) Asanti Gold Corporation; (xii) Cocobod, excluding the annual syndicated trade financing facility (xiii) Ghana Integrated Aluminium Development Corporation (GIADEC) and (xiv) Bulk Oil Storage and Transportation (BOST).

MONETARY POLICY CONSULTATION CLAUSE

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

28. Central bank Foreign Exchange Intervention (FXI) is defined as the total of BoG FX sales to commercial banks in (i) the spot market (ii) the regular FX auction, (iii) and the special FX auction including for fuel distributors.

INDICATIVE TARGETS

G. Non-Oil Public Revenue, Cumulative Floor (Millions of Cedis)

Definition

29. The central government's total non-oil revenue includes total tax revenue—all revenue collected by the GRA, whether they result from past, current, or future obligations such as Direct Taxes (taxes on income and property), Indirect Taxes (excises, VAT, National Health Insurance Levy (NHIL), GETFund Levy, Covid-19 Health Levy, E-Levy, and Communication Service Tax (CST)), and Trade Taxes— and total non-tax revenue—including IGFs retention, Fees and Charges, Dividend/interest and profits from oil and others, Surface rental from oil/PHF interest, property rate collection and yield from capping policy— and excludes grants, oil revenue as defined in ¶30, social security contributions and ESLA proceeds. Total non-oil revenue is recorded on a cash basis.

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

Adjustors

31. Total non-oil revenue floor will be adjusted upward for the full amount of the non-tax revenue proceeds of the sale of 5G Spectrum licenses.

H. Ceiling on the Disbursement of Total Committed but not yet Disbursed External Bilateral and Commercial Project Loans pre-end-December 2022 (Millions in USD)

Definition

32. The ceiling applies to the total contracted but not yet disbursed project loans to the central government from official external and commercial creditors. The ceiling includes disbursements resulting from undisbursed projects contracted before the OCC cut-off date. External debt is defined as in paragraph 9 above.

Reporting

33. Detailed data on the total amount of contracted but not yet disbursed external project loans of bilateral creditors pre-OCC cut-off date will be provided on a quarterly basis, within 30 days from the end of each quarter, including amounts, currencies, creditors, and project names.

I. Social Spending, Cumulative Floor (Millions of Cedis)

Definition

34. The expenditure floor on poverty-reducing social programs of the central government will include the disbursement of the National Health Insurance Fund used to pay for medical claims, essential medicine, and vaccines, and the budget release from the central government to the respective line ministries for the purpose of the Ghana School Feeding Program, the Livelihood Empowerment Against Poverty Program, and the Capitation Grant. The measured expenditure on the above social programs will exclude all donor-supported expenditure.

J. Net Change in the Stock of Payables of the Central Government and of Payables to IPPs, Ceiling (Millions of Cedis)

Definition

35. Stock of payables is the sum of two components. First, the stock of payables of the central government reported by CAGD at the end of each quarter. CAGD payables report will cover the stock of payables of all MDAs—including MDA's unreleased claims—and the consolidated stock of payables of all statutory funds and of selected IGFs (National Pension and Regulatory Authority, National Petroleum Authority, National Communication Authority, Gaming Commission, Securities and Exchange Commission). Second, the stock of energy sector payables. For the purpose of program monitoring in 2024, the energy sector payables comprise of energy-sector-related outstanding payments of the ECG and GNPC (including those to be paid by the MoF) to power generators (both IPPs and energy State Owned Enterprises) and fuel suppliers. Payables

denominated in US$ will be assessed at the end of period exchange rate computed as the average daily exchange rate in the last month of the period.

PROVISION OF DATA TO THE FUND

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

37. The authorities will share any prospective debt agreements relevant for the program monitoring (see Section C, E, and F or quantitative performance criteria) with Fund staff before they are submitted to cabinet and before they are contracted.

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

Item	Periodicity
Fiscal data (to be provided by the MoF)	
Central budget operations for revenues, expenditures and financing.	Monthly, within six weeks of the end of each month
The stock and quarterly flows of buildup/clearance of GIFMIS payables ("outstanding payments") along with the list of all entities reporting.	Quarterly, within six weeks of the end of each quarter
The stock of payables of the central government including consolidated payables of all statutory funds prepared by CAGD along with the list of all entities reporting.	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of unreleased claims as defined in para 28	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of payables to Independent Power Producers (IPPs)	Quarterly, within six weeks of the end of each quarter
Updated list of (prioritized) projects to be financed by non-concessional loans and concessional loans.	Monthly, within six weeks of the end of each month.
Cash flow of the central government and cash flow projections.	Monthly, within six weeks of the end of each month
Monetary data (to be provided by the BoG)	
Detailed balance sheet of the monetary authorities including the usual monetary bridge data.	Monthly, within four weeks of the end of each month.
Monetary survey detailing the consolidated balance sheet of commercial banks.	Monthly, within six weeks of the end of each month.
Summary position of central government and public entities committed and uncommitted accounts at BoG, and total financing from BoG, including the details of BoG financing to the central government and public entities: central government and public entities overdrafts, central government local-currency and FX deposits, SDR on lent, etc.	Monthly, within four weeks of the end of each month. (continued)
Composition of banking system and nonbanking system net claims on central government.	Monthly, within four weeks of the end of each month.

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

Item	Periodicity
Debt registry showing structure and holders of domestic government debt, at face value and at discount. Similar table showing holders of treasury bills for open market operations.	Monthly, within four weeks of the end of each month.
Itemized overview of outstanding liquidity support, granted to financial institutions, at the aggregate level and at the institution level (i.e., by bank, by pension fund, by investment fund, by insurance firm, etc.).	Monthly, within four weeks from the end of each month.
Inflation expectation survey data.	Bi-monthly, within four weeks after the survey is collected.
Detailed monthly inflation data including BoG's various measures of core inflations, imported vs. locally produced good inflation, tradable and non-tradable good inflation.	Monthly, within four weeks from the end of each month.
Monthly business and consumer confidence indices.	Monthly, within four weeks from the end of each month.
Financial market data (to be provided by the BoG)	
Weekly gross international reserves and net international reserves.	Weekly, within a week of the end of each week.
Stock of BoG FX swaps, FX loans, and encumbered assets. For the encumbered assets used as collaterals, please provide the corresponding loans/ derivatives.	Weekly, within a week of the end of each week.
Principal and interest payment of BoG swaps, FX loans, and encumbered assets.	Weekly, within a week of the end of each week.
Monthly BoG FX Cash Flow Projection. Please update the realized monthly cash flow and the projection, if any.	Monthly, within a week of the end of each week.
Daily computations for the BoG local-currency interbank market rate, including all transactions used to derive it.	Weekly, within a week of the end of each week.
Daily computations for the BoG reference exchange rate, including all transactions used to derive it.	Weekly, within a week of the end of each week.

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

Item	Periodicity
Daily BOG FX sales, including the direct sales to government and government entities, the bilateral market support through the interbank market, and through FX auctions. Please provide the amount and the exchange rate of each transaction.	Weekly, within a week of the end of each week.
Bank-to-bank and BOG-and-bank FX transactions in the interbank market. Please provide the transaction amount and the exchange rate of each transaction.	Weekly, within a week of the end of each week.
Bi-weekly FX auction results. Please provide the amount and rate of the submitted bids, the amount and rate of the accepted bids. Please provide the banks or the sector (if known) of the firms winning the bids.	Monthly within two weeks of the end of each month.
Banking Sector and Non-bank Financial Instructions data (to be provided by the BoG)	
Financial sector indicators at the aggregate and bank level data. The data should include Net Open FX position and FX liquidity position at bank-by-bank level data.	Monthly, within four weeks from the end of each month.
Dividend payment by banks.	Quarterly, within four weeks form the end of each quarter.
Balance of payments data (to be provided by the BoG)	
Monthly oil, gas, and gold productions at the aggregate and by mine/ field level.	Monthly, within four weeks from the end of each month.
Monthly cocoa production and exports.	Monthly, within four weeks from the end of each month.
Monthly fuel imports.	Monthly, within four weeks from the end of each month.
Monthly imports of fertilizer, and essential and non-essential foods	Monthly, within four weeks from the end of each month.

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

Item	Periodicity
Monthly services, credit and debit	Monthly, within four weeks from the end of each month.
Export and import data on value, volume, and unit values, by major categories and other major balance of payments variables.	Quarterly, with a maximum lag of two months.
External and Domestic Debt Data (to be provided by MoF)	
Total debt stock of the central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt by creditor: loan-by-loan database for external debt and by tenor for domestic debt.	Monthly, within four weeks from the end of each month.
Total debt service due and debt service paid by creditor. Perimeter is central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt.	Monthly, within four weeks from the end of each month.
Information on the concessionality of all new external loans contracted by the central government, Daakye, ESLA, GIADEC, or with a central government guarantee.	Monthly, within four weeks from the end of each month.
Short-term liabilities to nonresidents (maturity in one year or less), including overdraft positions and debt owed or guaranteed by the government or the BoG. Data on the BoG short-term liabilities to nonresident commercial banks on accounts 1201 plus 301 plus Crown Agent).	Monthly, within four weeks from the end of each month.
Detailed information (including amounts, currencies, creditors, and project names) on total contracted but not yet disbursed external project loans of official bilateral and commercial creditors pre-OCC cut-off date.	Quarterly, within 30 days from the end of each quarter.

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

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

INTERNATIONAL MONETARY FUND

GHANA

June 14, 2024

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—DEBT SUSTAINABILITY ANALYSIS

Approved By
Abebe Adugna Dadi and Manuela Francisco (IDA) and Annalisa Fedelino (IMF)

The Debt Sustainability Analysis (DSA) was prepared by the staffs of the International Monetary Fund and the International Development Association, in consultation with the authorities.

Ghana: Joint Bank-Fund Debt Sustainability Analysis [1, 2]	
Risk of external debt distress	*In debt distress*
Overall risk of debt distress	*In debt distress*
Granularity in the risk rating	*Unsustainable*
Application of judgment	*No*

The authorities have made progress on their comprehensive debt restructuring strategy. They completed the domestic debt restructuring last year. They have also made significant progress in their discussions with Ghana's Official Creditor Committee (OCC) under the G20 Common Framework. They have recently reached agreement with the OCC on a Memorandum of Understanding that codifies a debt treatment consistent with the IMF-supported program parameters. However, pending completion of the ongoing external commercial debt restructuring in line with the IMF-supported program parameters, Ghana remains in debt distress and debt remains unsustainable. Against the background of the external debt service suspension announced by the authorities in December 2022, Ghana accumulated around US$ 2.6 billion of external arrears to bilateral and commercial creditors in 2023.

[1] This DSA is prepared in line with the Guidance Note of the Joint Bank-Fund Debt Sustainability Framework for Low Income Countries, February 2018.

[2] The Composite Indicator (CI) score of 2.722 remains between the cut-off values for weak and strong debt-carrying capacity, 2.69 and 3.05, respectively. The CI is the weighted average of the 10-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) score and macroeconomic variables from the October 2023 WEO vintage.

Under the baseline, which accounts for the outcome of the domestic debt restructuring and the agreement between Ghana and its OCC but does not incorporate the impact of the contemplated restructuring of external commercial claims, the present value (PV) of external debt-to-GDP breaches its threshold until 2027, while the external debt service-to-revenues exceeds its thresholds throughout the full-time horizon of the DSA. The external debt service-to-exports ratio breaches its threshold from 2032 to 2034 and later from 2040 to 2043, and the PV of debt-to-exports ratio remains below its threshold under the baseline throughout the full-time horizon of the DSA. The PV of public debt-to-GDP, which reflects the outcome of the domestic debt restructuring and the bilateral debt treatment agreed with the OCC, breaches its 55 percent benchmark until 2034. Stress test results show that a combined contingent liability shock would put overall public debt well above the current unsustainable trajectory throughout the full DSA horizon. In addition, developments over the past few years and stress tests highlight the sensitivity of the debt ratios to commodity prices, exports and exchange rate shocks.

The authorities' reform efforts are supported under the IMF's ECF arrangement and the World Bank's DPO series, with debt management reforms remaining an integral part of the reform package.

BACKGROUND

A. Public Debt Coverage

1. The Debt Sustainability Analysis (DSA) covers public and publicly guaranteed (PPG) debt of the central government, with additional important liabilities of the public sector. The DSA also includes (i) *explicitly guaranteed* debt of other public and private sector entities including state-owned enterprises (SOEs) and (ii) certain *implicitly guaranteed* SOEs debt, namely: (a) Energy Sector Levy Act (ESLA) debt in the energy sector; (b) Ghana Educational Trust Fund (GETFund/Daakye) debt for education infrastructure; (c) debt related to the financing of infrastructure projects by Sinohydro and (d) gross debt of Cocobod[3]—one of the largest SOEs operating on non-commercial terms and largely engaging in quasi-fiscal activities. The DSA also includes the stock of domestic arrears to suppliers estimated at 6.3 percent of GDP at end-2023.[4] Local governments are not able to borrow and are therefore not included in the debt coverage.

2. The financial sector clean-up and energy sector losses have weighed on government debt and continue to generate significant fiscal risks. The fiscal cost of the financial sector recapitalization (estimated to have reached 7.1 percent of GDP over 2017-21) has led to an increase in the government deficit and debt. In line with the financial sector strengthening strategy designed by the authorities after the domestic debt restructuring, the authorities have issued recapitalization bonds in December 2023 to support undercapitalized banks. Additional recapitalization costs are expected in the coming years—the total amount of the recapitalization included in the DSA baseline is still GHS 22 bn (equivalent to 2.6 percent of 2023 GDP). Regarding the energy sector, the Government has made budgetary transfers to cover the sector's annual shortfalls averaging 1.7 percent of GDP between 2019 and 2021 and has accumulated arrears to independent power and gas producers (IPPs) of 2.8 percent of GDP at end-2023. The DSA's baseline assumes the government will continue to cover annual shortfalls with budget transfers going forward.

3. Remaining potential contingent liabilities from the financial sector, SOEs and PPPs are modeled in tailored stress tests. These shocks assume an increase of the PPG debt by adding: (i) 2

[3] In line with the treatment of SOEs laid out in the LIC DSF GN (appendix III), as Cocobod operations pose fiscal risks related to its heavy involvement in extra-budgetary spending, the DSA perimeter includes Cocobod's total gross debt. This debt accounts for all Cocobod's external and domestic gross liabilities, excluding the intra-year short-term syndicated trade credit that is contracted and reimbursed annually within the cocoa season to pay for cocoa purchases from farmers and cover part of operational costs.

[4] In line with the LIC DSF GN (¶25-29), end-2023 domestic arrears, which amount to 6.3 percent of GDP—of which 2.8 percent of GDP constitute unpaid bills to independent power producers (IPPs); and the remaining arrears are unpaid bills to other domestic suppliers—are now included in the stock of debt, as they were recognized by the government and reconciled as part of the arrears stocktaking exercise undertaken in line with the Arrears' Clearance and Prevention Strategy (a structural benchmark under the IMF-supported program). The DSA baseline assumes repayments over 5 years except for some IPPs that have specified a repayment plan following energy arrears negotiation.

percent of GDP in non-guaranteed SOE debt;[5] (ii) 5 percent of GDP stemming from further financial sector costs; and (iii) 2.4 percent of GDP, the equivalent to 35 percent of the outstanding public private partnership (PPP) arrangements.

4. The DSA classifies debt based on the residency of the creditor. The stock of local-currency denominated domestic debt *held by non-residents* is included in the external debt in line with the LIC-DSF Guidance Note. Outstanding nonresident holdings of domestic debt decreased from $4.8 billion in 2021 (6.2 percent of GDP; 14.3 percent of public external debt) to $1.7 billion in 2023 (2.3 percent of GDP).

Text Table 1. Ghana: Public Debt Coverage and the Magnitude of the Contingent Liability

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

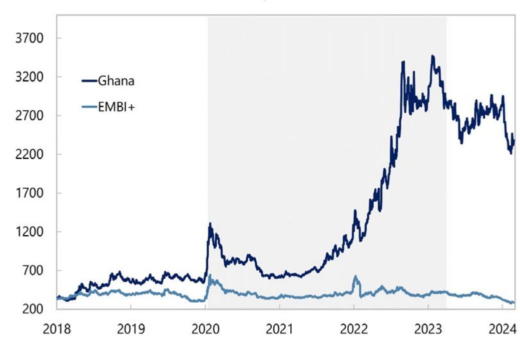
Tailored Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt	
		Default	Used for the analysis
2	Other elements of the general government not captured in 1.	0 percent of GDP	0
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2
4	PPP	35 percent of PPP stock	2.4
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5
	Total (2+3+4+5) (in percent of GDP)		9.4

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

B. Debt Developments and Profile

Sovereign Spreads
(Basis points)



Sources: Bloomberg L.P.
Note: Gray shading indicates the onset of the pandemic in Ghana.

5. The compounded effects of large external shocks and pre-existing vulnerabilities caused a deep economic and financial crisis. The impact of the COVID-19 pandemic, the tightening in global financial conditions, and geopolitical conflicts exacerbated fiscal and debt vulnerabilities. Faced with large development needs and complex social and political situations, the government's fiscal policy response was insufficient to maintain investors' confidence. This eventually resulted in a loss of international capital market access in late 2021 and increasing difficulties in rolling over domestic debt and central bank liabilities—forcing the government to rely increasingly on monetary financing by the Bank of Ghana—and triggered an acute crisis. Against this

[5] This figure captures the non-guaranteed SOE debt that is not already included in the baseline, covering mainly non-guaranteed debt of smaller SOEs.

backdrop, the government requested financial support from the IMF in mid-2021 and *launched* a *public debt restructuring* covering domestic debt as well external commercial and official bilateral debt in December 2022.

6. **These shocks led to a sharp deterioration in Ghana's fiscal position.** After reaching more than 11 percent of GDP in 2020, and notwithstanding the government's efforts to rein in spending and raise additional revenue, the primary deficit measured on a commitment basis remained high at 4.8 percent in 2021 and 4.3 percent in 2022.[6] Rising interest payments (to more than 7 percent of GDP) brought the overall fiscal deficit to 12.0 percent of GDP in 2021 and 11.7 percent in 2022. The fiscal situation started to improve in 2023 with a reduction in the primary deficit by 4 percentage points, to 0.3 percent of GDP.

Text Table 2. Ghana: Decomposition of Public Debt at end-2023[1]

(Residency basis)

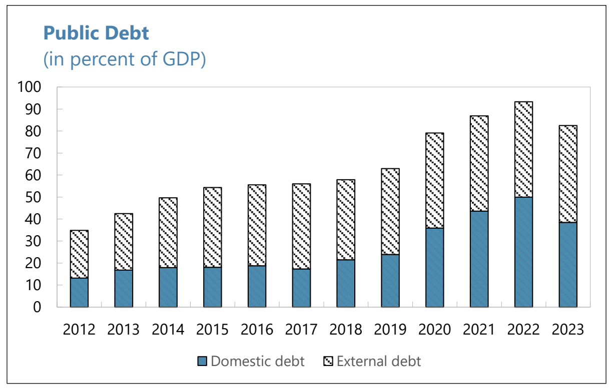
	Debt stock[2]			Debt service[3]			
	2023			2024	2025	2024	2025
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ mn)*		*(Percent GDP)*	
Total	**58,785**	**100.0**	**82.9**	**9,428**	**10,852**	**12.5**	**14.3**
External	**31,431**	**53.5**	**44.3**	**2,447**	**3,816**	**3.2**	**5.0**
Multilateral creditors	9,132	15.5	12.9	533	653	0.7	0.9
IMF	2,205	3.8	3.1				
World Bank	5,318	9.0	7.5				
African Development Bank	1,226	2.1	1.7				
Other Multilaterals	383	0.7	0.5				
Bilateral Creditors	5,334	9.1	7.5	17	22	0.0	0.0
Paris Club	3,475	5.9	4.9				
Non-Paris Club	1,859	3.2	2.6				
Bonds	13,104	22.3	18.5	1,359	2,524	1.8	3.3
Commercial creditors	3,861	6.6	5.4	537	617	0.7	0.8
o/w local-currency government debt held by non-residents	1,100	1.9	1.6				
Domestic	**27,354**	**46.5**	**38.6**	**6,982**	**7,036**	**9.3**	**9.3**
Short-term bills	5,649	9.6	8.0	5,649	5,649	7.5	7.5
Medium-to-long term bonds	15,441	26.3	21.8	1,303	1,371	1.7	1.8
Loans	81	0.1	0.1	30	16	0.0	0.0
Arrears	5,182	8.8	7.3				
Other (Overdraft and SDRs on-lent)	1,001	1.7	1.4				
Memo items:							
Collateralized debt[4]	655	1.1	0.9				
Contingent liabilities	398	0.7	0.5				
o/w: Public guarantees	374	0.6	0.5				
o/w: Other explicit contingent liabilities [5]	24	0.0	0.0				
Cocobod debt	799	1.4	1.0				
Nominal GDP (in GHS mn)	841,633						

1/ As reported by Country authorities based on disbursments. Creditor classification according to the OCC representation.
2/ External commercial debt stock includes arrears on principal and interests.
3/ Contracted debt service.
4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing assets or future receivables to a lender as security against repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borrowing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.
5/ Includes other-one off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements).

[6] The fiscal deficit on a commitment basis takes into account the spending that has been committed but remains unpaid. On a cash basis, the primary balance improved from a 9.0 percent of GDP deficit in 2020 to a 0.1 percent of GDP surplus in 2023.

7. Against this backdrop, public debt has increased dramatically over 2019-22. The large fiscal deficits and the economic slowdown in the wake of the pandemic led to an increase in public debt from 63 percent of GDP in 2019 to 92.7 percent of GDP at end-2022. Domestic debt reached 50 percent of GDP in 2022, of which 16 percent of GDP was held by the Bank of Ghana,[7] while public external debt stood at 43.3 percent of GDP. In 2023, Ghana's debt stock decreased to 82.9 percent of GDP, mainly due to the effect of the Domestic Debt Exchange (see below) and the erosion of the domestic debt stock by inflation.

8. Liquidity pressures increased over the past few years. The debt service-to-revenue ratio reached an all-time high of 127 percent in 2020, the highest among the SSA countries and among the highest in the world. Despite the increase in debt service—particularly for domestic debt—the debt service-to-revenue indicator declined to 117.5 percent in 2022 reflecting higher government revenues due to the resumption of the economic activity after the pandemic and higher inflation. Before the external debt service suspension announced by the authorities in December 2022, debt-service to private external creditors constituted the largest share of the external debt service payments, accounting of for 69 percent in 2022, followed by debt service to bilateral creditors that with 20 percent. Gross financing needs (GFN) reached 19.5 percent of GDP in 2022, well above the market financing risks benchmark of 14 percent. Gross financing need tensions eased in 2023 due to the external debt service suspension.



9. These developments led to higher borrowing costs and shorter maturities. Domestic debt increased from 24 percent of GDP in 2019 to 50 percent of GDP at end-2022. While the effective interest rate for government debt rose slightly from 10.8 percent in 2021 to 11 percent in 2022 on the back of rising domestic borrowing costs, the average time to maturity of public debt dropped from 8.2 years in 2021 to 7.6 years in 2022, as most of the increase in the local currency marketable debt was at short-term maturities. In addition, domestic debt service rose significantly and accounted for 81.7 percent of the public debt service burden in 2022. Since the announcement of the debt restructuring in December 2022 (see below), the authorities have mainly relied on multilateral external financing and domestic T bills issuance for their financing needs. While the cost of this domestic financing was particularly elevated—T-bill rates have risen to close to 30 percent, consistent with the BoG policy rate—banks' demand for T-bills has been robust, given limited alternative investment options of domestic financial institutions.

10. Faced with these acute economic and financial pressures, the authorities have adjusted macroeconomic policies, launched and made progress on a comprehensive debt restructuring, and initiated wide-ranging reforms. They have accelerated fiscal consolidation, tightened monetary policy—including by eliminating monetary financing—and limited foreign exchange interventions. Under the

[7] Bank of Ghana's holding of domestic debt (marketable, non-marketable, SDRs on-lent and overdraft) increased from 11 percent of GDP in 2019 to 16 percent of GDP in 2022.

government's Post COVID-19 Program for Economic Growth (PC-PEG), they have initiated reforms to underpin durable adjustment, build resilience and lay the foundation for stronger and more inclusive growth. The government has also advanced its comprehensive debt restructuring to address financing constraints and restore public debt sustainability. Public debt management is being strengthened, including by upgrading the current securities operation infrastructure and strengthening the monitoring of contingent liabilities stemming from operations of key SOEs including by improved monitoring of SOE debt issuance. In this context, the authorities have requested Fund TA to develop an effective SOE oversight strategy. This broad policy package is supported by the IMF under an Extended Credit Facility (ECF) arrangement and the World Bank DPO series.

11. The authorities' comprehensive debt restructuring aims at achieving debt sustainability and a moderate risk of debt distress under the LIC-DSF framework by bringing debt stock and flow ratios down to their respective thresholds. In particular, this includes a reduction in the PV of total debt-to-GDP and external debt service-to-revenue ratios to 55 and 18 percent, respectively, by 2028. The authorities have made a substantial progress with respect to their debt restructuring process. The government completed its domestic debt restructuring in 2023. They announced a standstill on external commercial and bilateral debt in late December 2022 and formally requested a debt treatment under the G20's Common Framework in early 2023. They reached an agreement-in-principle (AIP) in January with the official creditor committee (OCC) on the terms of a debt treatment in line with the financing assurances they provided in May 2023. Agreement was also reached on a MoU that codifies the AIP and are aiming for the MoU to be signed in the coming weeks. They have also been engaging with external commercial creditors and there are good prospects for reaching an agreement on comparable terms and consistent with program parameters in the near term. With T-bills excluded from the domestic debt restructuring perimeter and the virtual elimination of monetary financing since the IMF-supported program was approved in May 2023, the government has relied only on short-term debt to finance its deficit on the domestic market, with most debt service shifting to domestic debt accordingly. Consistent with the tightening in monetary policy, this was done at increasing nominal interest rates.

C. Macroeconomic Assumptions and Risks

The macroeconomic framework underpinning this DSA—staffs' baseline scenario—is based on the macroeconomic trajectory envisaged under the Fund-supported program aiming to restore macroeconomic stability and debt sustainability in the medium term. This involves, in particular, implementing a fiscal adjustment program that is both realistic and feasible, appropriately tightening monetary policy, enhancing exchange rate flexibility, and implementing growth-enhancing structural reforms. This DSA is based on a scenario that accounts for the completed domestic debt restructuring and the agreement between Ghana and its OCC and does not model any relief on external commercial debt. The latter remains needed to restore debt sustainability.

12. Ghana's reform strategy has started bearing fruit, and signs of economic stabilization are emerging. The deepening economic crisis initially led to a significant downgrade in growth and a surge in inflation. With the deterioration in consumer and business confidence, real GDP growth has slowed from 5.1 percent in 2021 to 3.8 percent in 2022 and an estimated 2.9 percent in 2023. Headline inflation reached 54 percent in December 2022, driven by the residual impact of the large fiscal and monetary stimulus deployed during the pandemic, soaring global energy and food prices, exchange rate depreciation, and monetary financing of the deficit. However, with sound policies, inflation declined to 23.2 percent at end-2023. On the back of large capital outflows, loss of market access and failure to roll over central bank FX liabilities, gross international reserves had fallen drastically in 2022 (by about $6.5 billion), reaching US$1.4 billion at end-2022.[8] Reserves recovered to US$3.7 billion at end-2023 (1.7 months of imports) about two thirds of which due to the BoG's gold buying programs.

13. Under the Fund-supported program's baseline, there would be a continued gradual improvement in macroeconomic conditions. Non-extractive growth is projected to strengthen to 5.0 percent by 2029 onwards (Text Table 3) as the drag from fiscal consolidation slows, the economy stabilizes, structural reforms start bearing fruit, and consumer and business confidence recover. Growth in extractive activities is expected to stabilize around 5.0 percent on average within five years, buoyed by high commodity prices, recovery in the small-scale gold mining and the exploitation of new gold and oil fields. Overall, real GDP growth is expected to pick up slightly to 3.1 percent in 2024 and recover gradually to reach 5 percent in 2029. This 5-percent growth rate is projected to be sustained over the long-term, as growth-enhancing structural reforms under the Government Post Covid Program for Economic Growth (PCPEG) boost productivity and help attract private investment, thereby offsetting the short-term impact of the crisis on the economy. These reforms include steps to improve the business environment—with short term reforms aiming at reducing minimum capital requirements for FDI and reforming the Public Private Partnership Act—and export competitiveness, promote entrepreneurship, strengthen public sector management, and accelerate the transition to the digital economy, as well as policies to adapt to climate change. As the tightening in macroeconomic policies takes effect, inflation is projected to gradually fall to the central bank's target of 8 percent by end-2025, while the fiscal and external positions strengthen. The current account deficit is projected to stabilize at around 2-2.5 percent of GDP over the medium term; and official reserves would gradually rise to 3 months of prospective imports (US$7.7 billion) by 2026.

14. Compared to the first review, changes to macroeconomic assumptions are small. Real GDP growth was revised upwards in 2022, largely because of a more resilient non-extractive sector. This resilience, complemented by a robust mining sector, also led to higher-than-expected growth in 2023. Growth projections over the medium term are largely unchanged, with slightly stronger non-extractive growth—prolonging recent trends—offset by modestly weaker extractive sector, as delays in the exploitation of a new oil field are mitigated by the prospect of a new lithium mine. Inflation is mostly unchanged over 2024-29. Terms of trade have improved in 2024-27 relative to the first review, given the increase in Ghana's commodity export prices. Despite stronger real growth in 2023, the evolution of the deflator (and particularly a more rapid CPI disinflation) drove nominal GPD lower than anticipated at the time of the 1st review; this lower level of GDP is expected to persist throughout the projection horizon. Due to issues in the cocoa sector, 2024 export growth has been revised down, but a recovery is expected in 2025. Imports are equally expected to grow at a slower pace until 2026, albeit from a higher base in 2023.

[8] Gross international reserves are defined as the headline official international reserves, excluding foreign assets held by Ghana Petroleum and Stabilization Fund, encumbered and pledged assets, as per the program definition.

15. The DSA's baseline scenario assumes a large and frontloaded, yet feasible, fiscal adjustment by the central government and accounts for Cocobod's net income. The central government's primary balance on a commitment basis—the key fiscal anchor under the proposed IMF-supported program—would improve by 5.9 percent of GDP between 2022 and 2026, to reach a surplus of 1.5 percent of GDP in 2025, which should be maintained at least until 2028. The authorities have already delivered a significant fiscal adjustment in 2023—achieving a primary balance of -0.3 percent of GDP (some 4 percentage points adjustment compared to 2022), underpinned by permanent non-oil revenue measures of some 1 percent of GDP and efforts to streamline expenditure.[9] In line with the LIC-DSF, projections of central government revenues are augmented with Cocobod's net income that will be used for debt service as Cocobod is part of the debt coverage (Text Table 3).

16. In 2024 the primary balance (commitment basis) is expected to further improve by 0.8 percentage points, to a surplus of 0.5 percent of GDP, underpinned by new revenue measures. The 2024 Budget is consistent with these objectives, with announced revenue measures aiming to permanently improve the non-oil revenue-to-GDP ratio by 0.9 percent of GDP. They consist in the streamlining of large VAT exemptions, the strengthening of excise taxes and reforms to reinforce tax compliance and revenue administration. Although 2024 primary expenditure in percent of GDP remains broadly unchanged, it is more supportive towards Ghana's large development and social protection needs. The ongoing energy sector and statutory fund reforms are expected to create space for critical spending. In particular, the planned reforms to the LEAP program (a structural benchmark under the IMF-supported program) are expected to better support the most vulnerable.

17. Going forward, consolidation efforts over the remaining program period will continue to be based on revenue mobilization, given Ghana's low tax-to-GDP ratio compared to peers and Ghana's large development and social needs. The authorities' objective is to raise the government revenue-to-GDP ratio to over 18 percent by the end of the program, from 15.8 percent in 2022. Expenditure will need to be streamlined, particularly in the short term, while preserving growth-enhancing public investment, expanding social safety nets, and eliminating extra-budgetary spending and arrears buildup. Additional savings over the medium term will come from a more efficient spending allocation and a reduction in the large subsidies to the energy sector through tariff adjustments and cost reduction measures—with the latter included in the baseline's projected spending.[10] A plan to clear the large stock of domestic arrears to suppliers has been prepared as part of the Arrears' Clearance and Prevention Strategy (a structural benchmark under the IMF-supported program).

18. The DSA's baseline scenario reflects the completed domestic debt restructuring. The government launched the DDEP in early-December 2022, opting for a voluntary approach, seeking to swap outstanding medium- and long-term domestic bonds for lower-coupon and longer maturity bonds. Following the completion of the first stage of DDEP in February, the second phase included Cocobills, US$-

[9] Some key measures have been supported by the World Bank's Sustainable Development Finance Policy (SDFP): in FY24 it supported fiscal sustainability via revenue measures and energy sector reforms, and included a non-concessional borrowing ceiling, consistent with IMF debt limits.

[10] Transfers to the energy sector are projected to decline over time thanks to continuous energy sector reform efforts underpinned by the government's Energy Sector Recovery Programme (ESRP).

denominated domestic debt, and pension funds' holdings of government bonds. The government also restructured the BoG's holdings of non-marketable debt, while ensuring the central bank's solvency (see Box 1).

19. The baseline also reflects the treatment of bilateral external debt as agreed with the OCC under the G20 Common Framework. The agreed debt treatment provides a full debt service relief over the program period from all bilateral claims committed and disbursed before December 2022. This rescheduled debt service will be capitalized and accrue an additional interest rate (whose level will depend on the initial interest rate of each claim) until repayment in years 16 and 17 after the original due date (for each year of rescheduled debt service). Disbursements of pre-CoD projects made after December 2022 will not be restructured but the authorities and OCC creditors are committed to limit the amount of these disbursements (including commercial) to US$250 per year in 2024 and 2025 to respect the IMF-supported program parameters. New external borrowing under the program is restricted to a PV of US$ 229.3 and US$ 50 million in 2024 and 2025, respectively. The 2024 borrowing limit was revised up to account for the authorities' request for a security-related loan of around US$ 172 million.

Text Table 3. Ghana: Macroeconomic Assumptions, 2022–44

	2022	2023	2024	2025	2026	2027	2028	2029-44 [3]
				Annual Percentage Change				
Real GDP growth								
First Review	3.1	2.3	2.8	4.4	4.9	5.0	5.0	5.0
Current	3.8	2.9	3.1	4.4	4.9	5.0	5.0	5.0
Inflation GDP deflator								
First Review	28.2	36.3	20.2	10.9	7.5	7.5	7.5	7.7
Current	28.2	33.1	17.5	11.1	7.9	7.9	7.6	7.8
Nominal GDP (in Billion of USD)								
First Review	72.2	76.3	75.2	76.0	81.1	86.5	92.2	163.7
Current	74.0	76.4	75.3	75.8	81.1	86.8	92.8	172.3
Exports, Goods & Services								
First Review	7.7	-4.6	5.5	4.9	5.3	3.8	4.3	4.5
Current	7.0	-4.8	3.6	6.8	4.1	5.9	4.3	4.3
Imports, Goods & Services								
First Review	4.5	-3.8	4.1	5.3	5.0	4.3	4.2	4.8
Current	4.5	-1.0	2.1	4.5	4.3	4.8	4.4	4.4
				In percent of GDP				
Non-interest Current Account Balance								
First Review	-0.2	-0.7	-0.6	-0.3	0.0	0.1	0.0	0.2
Current	0.1	1.0	0.4	-0.1	-0.1	0.1	0.1	0.0
Revenue and Grants 1/								
First Review	15.8	15.8	16.9	17.7	18.5	18.3	18.2	18.0
Current	15.7	16.0	17.1	17.8	18.3	18.1	18.2	18.0
Primary Expenditure (cash basis) 2/								
First Review	20.7	16.2	15.1	14.8	15.8	15.7	15.7	17.0
Current	18.9	15.9	17.8	16.8	17.4	17.2	17.2	17.0
Primary Deficit (cash basis) 1/ 2/								
First Review	0.9	0.4	0.3	-0.8	-0.9	-0.7	-0.8	-1.0
Current	3.2	-0.2	0.6	-0.9	-0.9	-0.9	-0.9	-1.0
				In percent				
Average real interest rate on domestic debt								
First Review	-11.6	-24.1	-8.9	0.5	3.1	2.3	2.9	4.5
Current	-11.6	-22.3	-11.1	-0.2	2.4	1.9	2.9	4.5
Average real interest rate on external debt								
First Review	-2.5	1.4	2.4	2.7	2.7	2.7	2.7	3.5
Current	-2.5	-3.1	2.2	2.4	2.1	2.2	2.2	3.4
Memorandum:								
Primary Deficit (commitment basis) 4/								
First Review	*3.7*	*0.5*	*-0.7*	*-1.8*	*-1.8*	*-1.6*	*-1.7*	*-1.0*
Current	*4.3*	*0.3*	*-0.5*	*-1.5*	*-1.5*	*-1.5*	*-1.5*	*-1.0*

Source: Ghanaian Authorities; and IMF staff estimates and projections.

1/ The DSA accounts for Cocobod's net income used for debt service, and includes AfDB grant budget financing in exceptional financing (instead of grants), explaining the difference with respect to the fiscal figures presented in the 2nd review staff report tables.

2/ Primary expenditure and deficit are computed on a cash basis.

3/ First Review numbers take average/sums until 2043 only.

4/ Primary deficit on commitment basis of the central government which is a different perimeter from the one of the DSA (see footnote 1/).

Text Table 4. Ghana: Summary Table of External Borrowing Program [1/ 2/]

(2024-25)

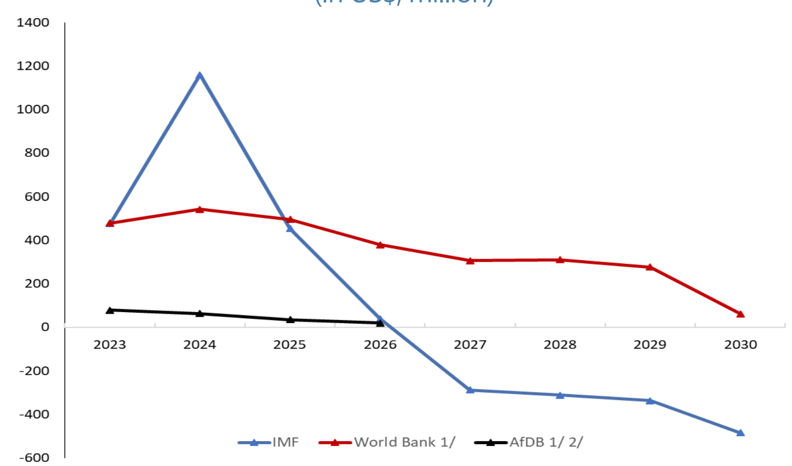
PPG external debt	2024				2025			
	Volume of new debt		Present value of new debt		Volume of new debt		Present value of new debt	
	USD million	Percent	USD million	Percent	USD million	Percent	USD million	Percent
Sources of debt financing	254.5	100	231.5	100	50	100	50	100
Concessional debt, of which	0	0	0	0	0	0	0	0
Multilateral debt	0	0	0	0	0	0	0	0
Bilateral debt	0	0	0	0	0	0	0	0
Non-concessional debt, of which	254.5	100	231.5	100	50	100	50	100
Multilateral debt	84.7	33	73.9	32	20	40	20	40
IFIs debt	0	0	0	0	0	0	0	0
Bilateral debt	148.9	58	133.7	58	30	60	30	60
Commercial debt	21	8	24.0	10	0	0	0	0
Uses of debt financing	254.5	100	231.5	100	50	100	50	100
Infrastructure	84.7	33	73.9	32	50	100	50	100
Budget financing	169.9	67	157.6	68	0	0	0	0
Memorandum items								
Indicative projections								
Year 2	50		50		70		70	
Year 3	70		70		100		100	

[1/]The Fund-supported program includes a debt ceiling on the PV of newly contracted or guaranteed external debt by the government and SOEs. In line with the TMU definition of the debt ceiling, figures in the table do not include new financing from the IMF, World Bank, AfDB, projected issuances of local currency debt to non-residents, loans and bonds stemming from the restructuring or rescheduling or refinancing of external debt, renewal of an existing suppliers' credit, rollover of a credit line; (iv) short-term debt including suppliers' credit and credit lines with a maturity of less than 6 months for public entities mentioned in ¶8 of the TMU. Exact 2025 borrowing plans are not yet known to staff and represent an estimate that respect program parameters.
[2/]The World Bank Sustainable Development Finance Policy (SDFP) will also support a debt limit, consistent with the Fund-support program, under the FY24 PPAs (to be adopted).

Source: IMF staff calculations based on the authorities' reported data.

Net Official External Financing

(In US$, million)



Source: IMF and World Bank staff projections.
1/ Includes project grants.
2/ Financing commitment unavailable beyond 2026. This includes new budget support for 2024.

Box 1. Ghana: Domestic Debt Restructuring

Domestic debt: All domestic debt except for T-bills has been included in the restructuring perimeter. The exchanges have been completed for medium-term debt in local currency (government T-bonds as well as debt issued by ESLA and Daakye), government bonds in USD, Cocobills issued by Cocobod and non-marketable debt held by the Bank of Ghana. The domestic debt restructuring has generated about US$ 8 billion of debt service savings over 2023-26; and lower the present value of overall public debt to GDP by 9 percentage points in 2028.

Medium-term marketable debt in GHS: Different options were offered by debt holder class:

- **Holders other than individuals and pension funds:** Most of these holders' debt (approximately 90 percent participation) was voluntarily exchanged at fixed exchange proportions into a set of new bullet bonds maturing in 2027-38 paying coupons of up to 10 percent (with part of the coupons capitalized rather than paid in cash in 2023 and 2024).
- **Individuals:** individuals' holdings of debt were exchanged (62 percent participation) at somewhat better terms. Holders below 60 years of age could exchange their bonds into a set of bonds amortized in 2027-28 with a cash coupon of 10 percent whereas those over 60 years old were offered similar instruments but with a cash coupon of 15 percent.
- **Pension funds:** Following labor unions' resistance to have pension funds participate in the February exchange, pension funds' holdings of medium-term debt were voluntarily exchanged (95 percent participation) on substantially better terms. Old debt was exchanged into the 2027 and 2028 bonds issued during the February DDE at a 115 percent exchange ratio. Pension funds were also provided with additional strip coupons of 10 percent of the same 2027 and 2028 maturities as the underlying securities.

Government bonds in USD: Most of these bonds (92 percent participation) have been voluntarily exchanged into a set of new bullet bonds maturing in 2027 and 2028 with 2.75 and 3.25 percent coupons.

Cocobills: Most Cocobills (97 percent participation) have been voluntarily exchanged into a set of new bullet bonds (issued by Cocobod) maturing between 2024 and 2028 with a 13 percent coupon.

Non-marketable debt held by the Bank of Ghana: The government exchanged the BoG's holdings of nonmarketable debt (existing non-marketable securities as well as the current overdraft balance of the government) into the 2038 bond used in the completed domestic debt exchange at a 50 percent exchange ratio. The USD 1 billion loan to the government related to the BoG's use of the recent SDR allocation to Ghana was not treated.

20. Financing assumptions under the baseline scenario are conservative. The DSA scenario assumes that the government will not regain external market access until 2027. External disbursements over the period 2024-26 are thus limited to the World Bank, IMF, AfDB and other bilateral development partners (see text Table 4). Between 2023 and 2026, the World Bank[11] is assumed to disburse about US$2.9 billion of which about US$1.15 billion for budget support loans and US$358 million for other projects contributing to program financing, and US$1.4 billion for project support.[12] In addition, the AfDB is assumed to disburse US$343 million, of which US$240 million of project loans and grants over the period 2023-26 and US$104 for budget support over the first two years of the program 2023-24. The scenario assumes disbursements of US$3 billion from the IMF in 2023-26. Other bilateral development partners are expected to contribute by US$872 million from 2024-26, restricted by the limits on pre-COD disbursements. After accounting for the completed domestic debt restructuring, the residual financing gap is assumed to be filled through accumulation of further external arrears.[13] As central bank financing has been eliminated and given the current situation in the domestic debt market and the government's ongoing debt operation, domestic financing needs in 2024 are assumed to be met through issuance of T-bills as the T-bill market remains functional and characterized by strong demand from non-banks investors (notably corporate, pension funds and individuals).[14] Starting in 2025, the baseline assumes a resumption of medium and long-term domestic debt issuance as the T-bond market functionality is restored. About 67 percent of 2024 gross financing needs are met by domestic issuances, with similar ratios until the end of the program.

D. Projections Realism

21. Staffs' projections have historically tended to overestimate fiscal adjustment and thus have underestimated overall and external debt growth. Compared to the five-year projection in the 2019 DSA, total public debt exceeded estimates by 30.6 percentage points of GDP between 2019 and 2023 due to higher-than-expected fiscal deficits and other factors. This reflects the unexpected impact of the COVID-19 pandemic and other exogenous shocks, the financial sector cleanup costs, and a rising interest bill due to deteriorating economic conditions and Ghana's creditworthiness. The average five-year gap between the actual and projected overall debt growth remains at 13 percentage points of GDP despite a noticeable 2023 public debt reduction. External debt has also exceeded the 2019-DSA 5-year projections by 14.7 percentage points of GDP due mainly to higher-than-expected external borrowing costs and currency depreciation.[15]

[11] Consistent with IDA20's new financing terms and for the IDA20 period, the DSA assumes that 24 percent of the allocation are concessional Shorter Maturity Loans (SMLs), with a 12-year maturity, 6-year grace period, zero interest or service charge and a grant element of 36 percent. The remaining 76 percent continue to be blend-term credits.

[12] Beyond the IDA20 period, IDA financing figures are based on assumptions; actuals will depend on IDA replenishment volumes, country performance, and other operational factors. Delivery of DPFs will be dependent on an agreement with the government on a strong program of policy and institutional reforms, and adequacy of the macroeconomic policy framework. Current practice is to assume the same level of yearly PBA as the IDA20 post-MTR allocations for IDA21 and IDA22 projections.

[13] Through the simulated issuance of stylized "arrears bonds" at 5 percent interest rate and 10-year maturity.

[14] Domestic interest rates are expected to decline over time as inflation is expected to return to its target by end-2025, with real interest rate in positive territory.

[15] Relatively large unexplained residuals are significantly contributing to the accumulation of PPG debt and external debt during 2018-22. They reflect mainly the external private sector debt and the enlargement of the debt coverage to include domestic arrears and implicitly guaranteed SOEs debt (ESLA, GETFund/Daakye, Sinohydro).

22. The baseline's projected primary balance adjustment of 5.9 percent of GDP over three years is feasible. Under the program, projections assume achievement of a primary balance surplus of 1.5 percent of GDP by 2025 on a commitment basis—expected to be maintained over the medium term. Although the consolidation falls within the top quartile for peers' consolidation distribution, it remains much lower than the top of the distribution, supporting the consolidation plan's realism.[16] Moreover, the authorities firmly committed to the fiscal adjustment to restore fiscal sustainability and macroeconomic balances. This has been evidenced by meeting the performance criteria on the targeted primary balance for June 2023 thanks to the adoption of revenue measures such as the VAT rate increase, elimination of discounts at customs, an increase in an existing levy; and the implementation of other expenditure measures (public sector wage bill growth kept well below inflation, reduction of capital expenditures, lower cap on transfers to statutory funds, upfront energy tariff adjustment), accompanied by reforms to strengthen expenditure commitment controls.

23. Downside risks to the baseline are significant. Baseline projections are contingent on successful program implementation, further progress in the execution of the external debt restructuring and adequate financing from development partners. Delays in implementing the needed adjustment and reforms, compounded with delays in obtaining the external debt relief, weak interagency coordination, lower agricultural and commodity production and deterioration in global conditions may lead to a further weakening of the macro-financial situation. The domestic debt restructuring presents significant risks to domestic financial sector stability. Continued uncertainty regarding the exchange rate path, large domestic financing needs and still high inflation despite monetary policy tightening represent domestic vulnerabilities. Policy slippages and reversals also represent risks that could be exacerbated by the upcoming 2024 elections. Finally, the need for higher support to Cocobod and larger-than-expected financial sector support due to the domestic debt exchange program could also adversely affect debt dynamics. However, strong political support for the program constitutes an important mitigating factor.

E. Debt-Carrying Capacity and Determination of Stress Tests

24. Ghana's debt carrying capacity is assessed as "medium", unchanged from the last DSA. Although higher than its level in the 2021 DSA, the Composite Indicator (CI) score of 2.722 remains between the cut-off values for weak and strong debt-carrying capacity, 2.69 and 3.05, respectively, suggesting a medium debt carrying capacity. The CI is the weighted average of the 10-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) score and macro-economic variables from the October 2023 WEO vintage.

25. Stress tests applied to public and external debt show that the primary balance, real GDP growth, exports and contingent liabilities are the most relevant for debt dynamics. A set of *standard shock scenarios* affecting GDP growth, the primary balance, exports and FDI are calibrated at 1 standard deviation in 2025 from their respective historical averages, while the exchange rate is stressed with a one-time 30 percent depreciation in 2025. A combined shock including all the above at half magnitude is also applied. *Tailored stress tests* are carried out on commodity prices—with interactions with other

[16] This is as assessed based on the change in the primary deficit on a commitment basis. Figure 4 shows a much lower adjustment as the DSA is based on the primary balance on a cash basis.

macroeconomic variables—since commodities represent over 80 percent of exports; on contingent liabilities stock and on market access due to the large stock of outstanding Eurobonds. The tailored commodity price test simulates a one standard deviation drop in both fuel and non-fuel commodity export prices, while the market financing shock simulates a 400bps increase in the cost of borrowing for 3 years, a shortening of average maturities on external debt by 2 years and a 15 percent exchange rate depreciation. The contingent liability stress test suggests a one-off increase in the public debt to GDP ratio, with the shock components set at their default values.[17]

Text Table 5. Ghana: Debt Carrying Capacity

Debt Carrying Capacity	Medium

Final	Classification based on current vintage	Classification based on the previous vintage	Classification based on the two previous vintage
Medium	Medium 2.722	Medium 2.75	Medium 2.82

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.446	1.33	49%
Real growth rate (in percent)	2.719	3.977	0.11	4%
Import coverage of reserves (in percent)	4.052	25.548	1.04	38%
Import coverage of reserves^2 (in percent)	-3.990	6.527	-0.26	-10%
Remittances (in percent)	2.022	6.020	0.12	4%
World economic growth (in percent)	13.520	2.889	0.39	14%
CI Score			2.722	100%
CI rating			Medium	

New framework			
	Cut-off values		
Weak	CI <	2.69	
Medium	2.69	≤ CI ≤	3.05
Strong	CI >	3.05	

Source: CI score calculations based on LIC DSF

F. External DSA Assessment

26. Under the baseline, three external debt burden indicators breach their thresholds, with one of them doing so over the full horizon and by large margins (Figure 1). The debt service-to-revenue ratio continues to exceed its thresholds of 18 percent throughout the entire forecast horizon, while the PV of PPG external debt-to-GDP remains above its 40 percent threshold under the baseline until 2027. The debt service-to-exports ratio breaches its threshold in 2032-34 and then in 2040-43. The one-off 30-percent nominal depreciation of the cedi is the most extreme shock for the PV of PPG external debt-to-GDP and the debt service-to-revenue ratio, while the export shock has the highest impact on the debt service-to-exports indicator. The fourth indicator—the PV of external debt-to-exports ratio—does not breach its 180 percent threshold under the baseline, and it only reaches it under an exports shock scenario—the most extreme shock for this indicator.

[17] The contingent liability shock has 2 components: (i) a minimum starting value of 5 percent of GDP; and (ii) a tailored component which encompasses contingent liabilities stemming from the financial market (5 percent of GDP), PPPs (2.4 percent of GDP) and other SOEs debt that is not captured by the debt coverage (2 percent of GDP).

G. Public DSA Assessment

27. Under the baseline, despite the completion of the domestic debt restructuring, the PV of total PPG debt-to-GDP breaches its 55 percent benchmark until 2034 (Figure 2). A primary balance shock has the most severe impact on the PV of debt-to-GDP ratio, and the debt service-to-revenue ratio, while a commodity price shock impacts the PV of debt-to-revenue ratio most strongly.

28. With the loss of market access, the market financing risks are assessed as "high", signaling further liquidity pressures amid worsening market sentiment over the forecasting horizon. Both market financing risk indicators breach their respective thresholds. Gross financing needs (GFN), at just above 14 percent of GDP in 2023 and 2024 are expected to decline gradually towards 12 percent of GDP in 2032. Eurobond spreads surged since mid-2021 to surpass 3400 bps at early 2023, well above the 570-bps benchmark, as rollover and liquidity risks have materialized (see Figure 5). At current spreads above 2000 market access remains closed.

SUSTAINABILITY ASSESSMENT

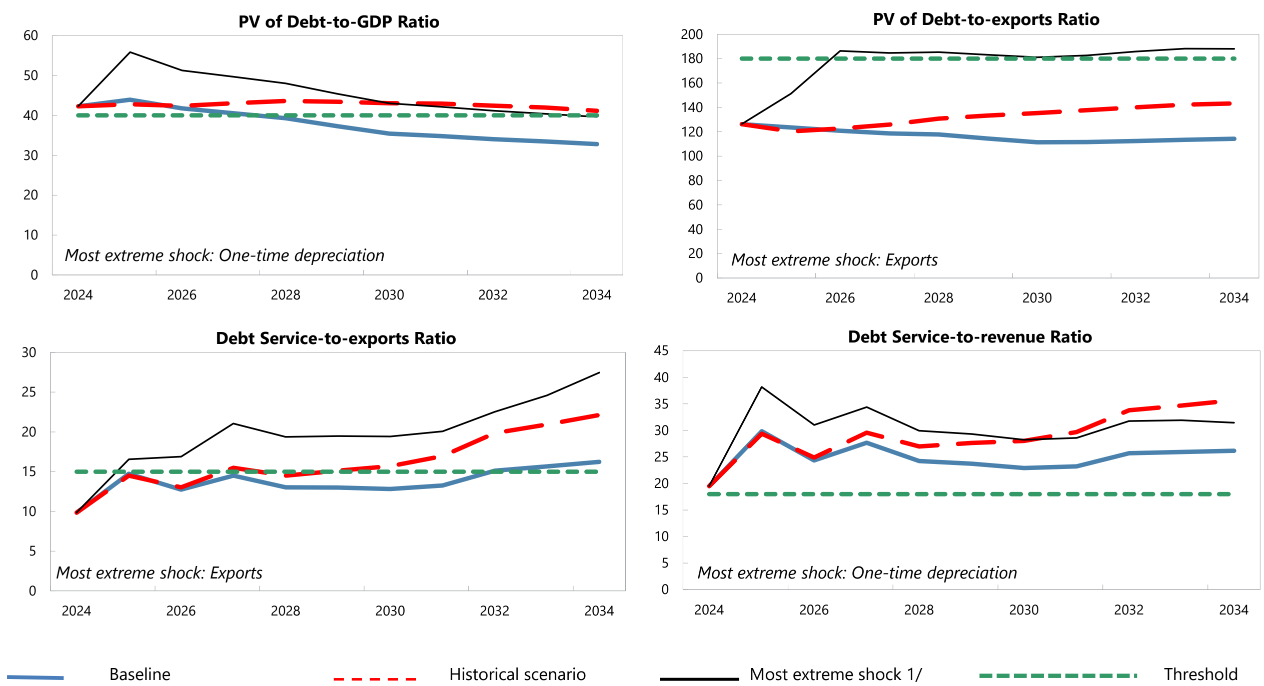
29. Ghana's external and overall public debt are assessed to be in distress and debt to be unsustainable. Despite the assumption of maximum feasible fiscal adjustment and incorporating the -completed domestic debt restructuring in the baseline, many debt burden indicators continue to exhibit extended and large breaches. The country lost international market access in 2021 amid a sharp deterioration in market sentiment and a surge in market spreads. The sovereign bond spread accelerated from 660 bps in mid-2021 to exceed 3400 bps at early 2023, remaining close to 3000 today, with several consecutive downgrades by global rating agencies reflecting the continued deterioration of Ghana's public finances and external position. The authorities requested financial support from the IMF in July 2022. They hired financial and legal advisors; and in December 2022, they launched a debt restructuring covering domestic debt as well as external commercial and official bilateral debt and announced a standstill on external debt service to all but multilateral creditors. Domestic debt restructuring has been completed in September 2023. On the external front, the authorities reached agreement with the OCC on the terms of a debt treatment under the G20's Common Framework. Nevertheless, large financing gaps will remain over this period and would need to be filled through a debt restructuring operation with commercial creditors in line with the DSA and IMF program parameters.

30. Finalizing the public debt restructuring, and successfully implementing the reform agenda under the IMF-supported program, will be necessary to restore debt sustainability. Taking into account the authorities' continuing good faith negotiations with private creditors on a treatment in line with program parameters, Ghana's debt would be assessed as sustainable on forward-looking basis. The baseline assumes strong program ownership and the authorities' full commitment to implement the Fund-supported program to restore debt sustainability and bring the debt risk rating to "moderate" in the medium term. This includes in particular reducing the PV of total debt-to-GDP and external debt service-to-revenue ratios to 55 and 18 percent, respectively, by 2028. This entails a revenue-based fiscal consolidation with higher spending efficiency and stronger social safety nets and structural reforms to support greater exchange rate flexibility, a more diversified economy and stronger growth.

31. Enhancing debt data and transparency are essential to better identify PPG debt and contingent liabilities and allow for a more accurate assessment of debt vulnerabilities. Materialization of contingent liabilities, off-budget operations, and domestic arrears have been drivers of debt accumulation in the past (along with rapid cedi depreciation, underlining the need to restore macroeconomic stability). Furthermore, SOEs represent a potential source of government obligations, either in the form of undisclosed debt or contingent liabilities.[18] A more comprehensive coverage of SOEs debt and guarantees—particularly those that engage in quasi-fiscal activities—should allow for a more accurate assessment of fiscal risks and enhance debt coverage.

[18] As part of its Sustainable Development Finance Policy (SDFP), the World Bank supported the publication of the 2020 State Ownership Report in 2022, to provide a better picture on large SOEs' financial liabilities.

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2024–34 [2/]



Customization of Default Settings		
	Size	Interactions
Standardized Tests	Yes	
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price	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 on additional financing needs resulting from the 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	5.6%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	15	15
Avg. grace period	7	7

* 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.

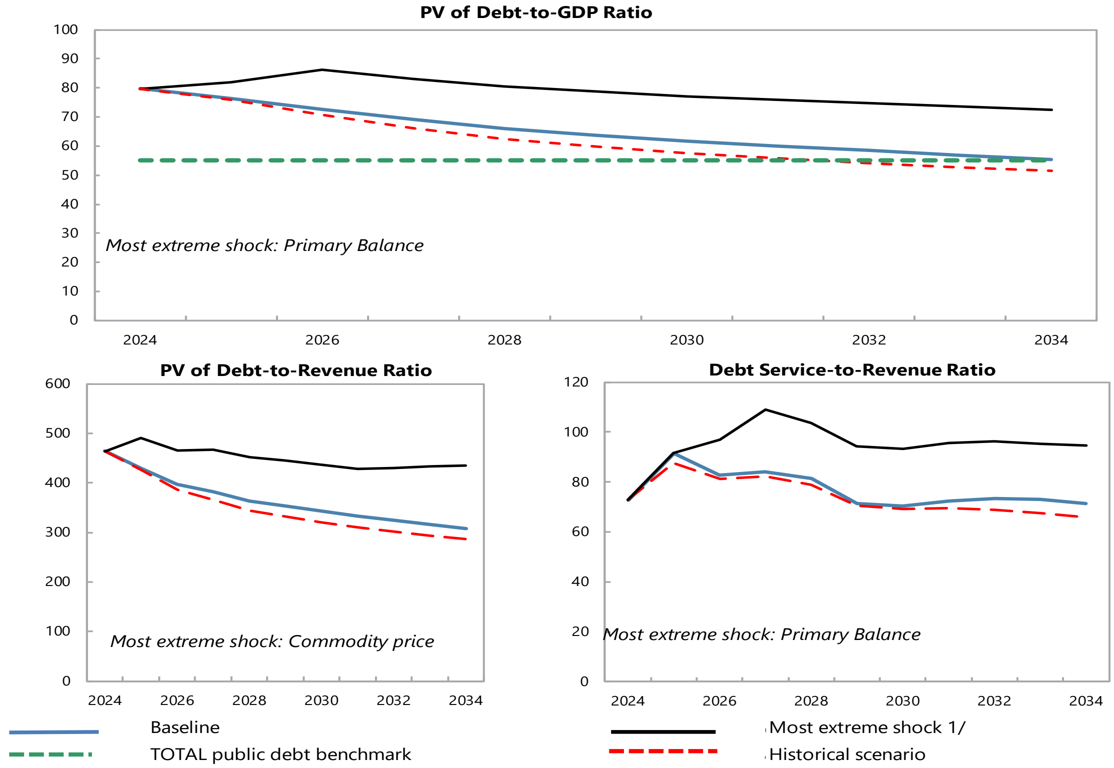
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2034. 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.

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.

Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

Figure 2. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2024-34



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	33%	33%
Domestic medium and long-term	45%	45%
Domestic short-term	22%	22%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.6%	9%
Avg. maturity (incl. grace period)	15	15
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.2%	5.0%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	4.4%	4.4%

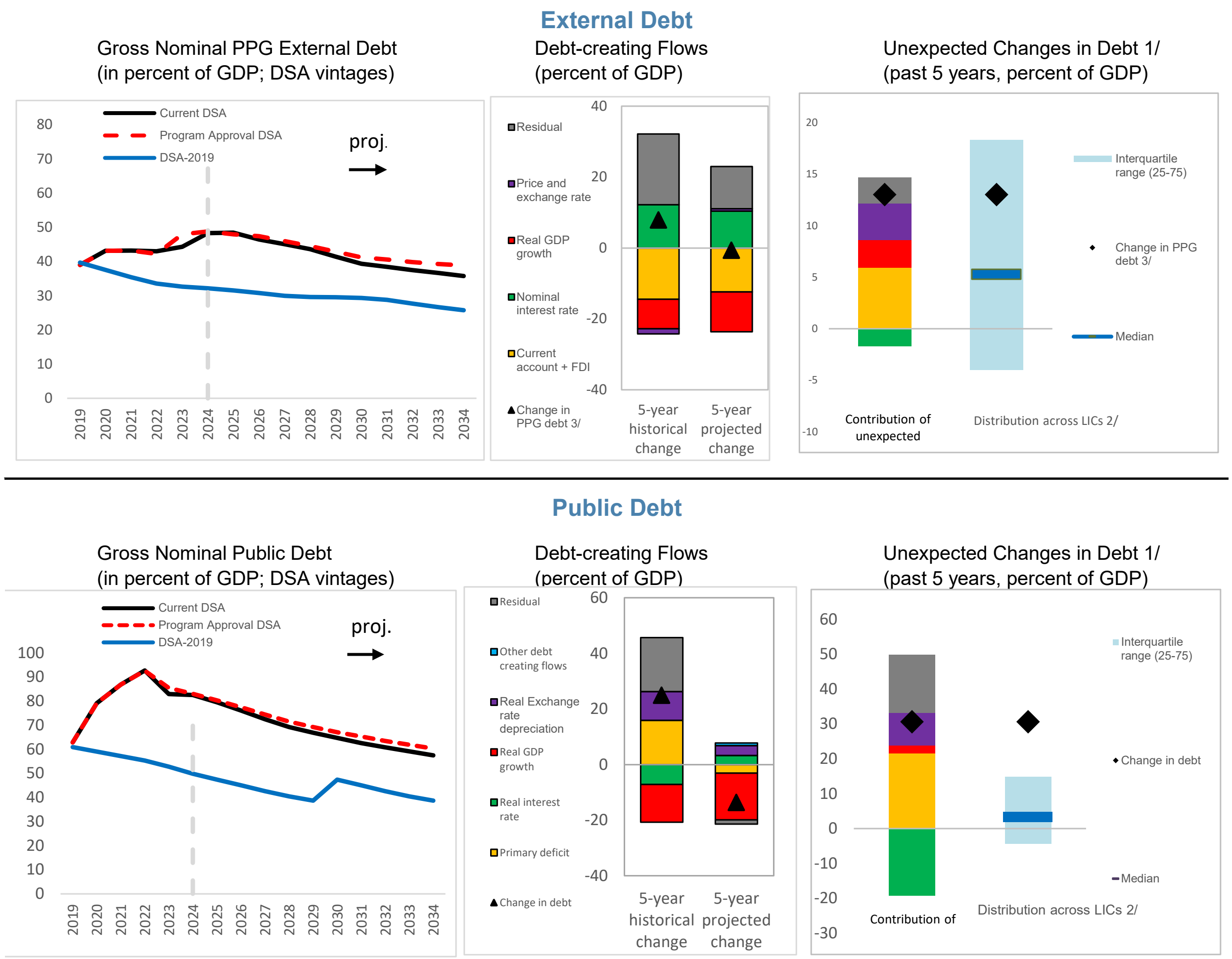
* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2034. 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 extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

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



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

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

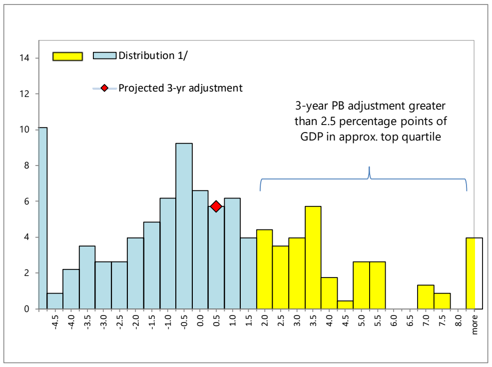
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

Sources: Country authorities; and staff estimates and projections

Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

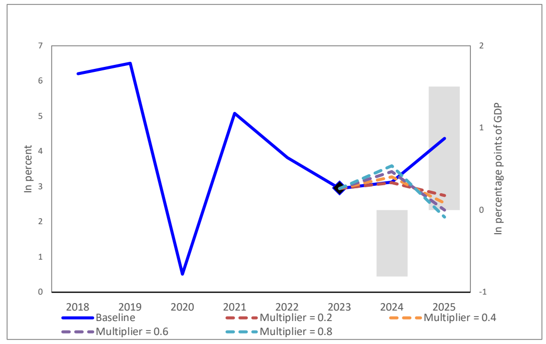
Figure 4. Ghana: Realism Tools

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



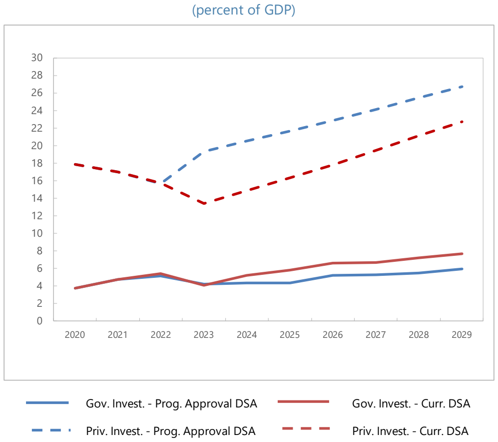
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

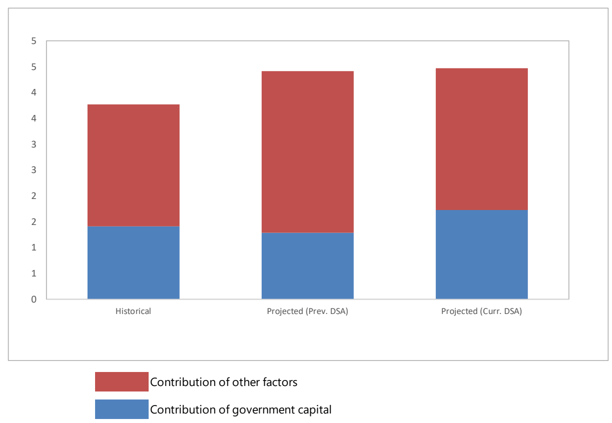


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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

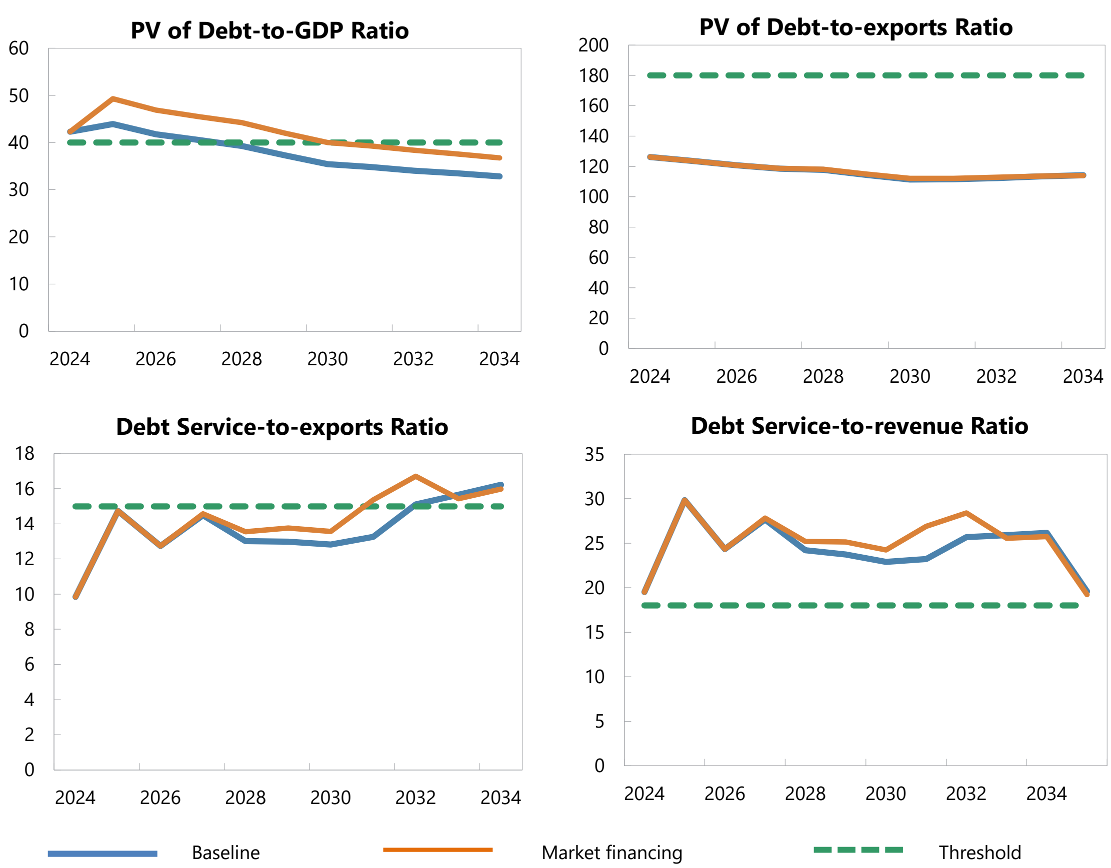


Sources: Country authorities; and staff estimates and projections

Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	15	2460
Breach of benchmark	Yes	Yes
Potential heightened liquidity needs	High	

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



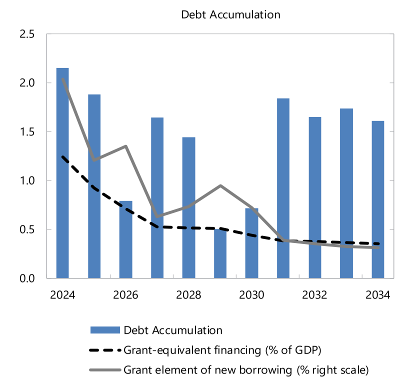
Sources: Country authorities; and staff estimates and projections.
Note: Both the baseline and market financing shock scenarios display very similar paths for PV of debt-to-exports, debt service-to-exports and debt service-to-revenue ratios due to the low level of new envisaged commercial borrowing in the 3 years from the second year of the projection (2024-26).

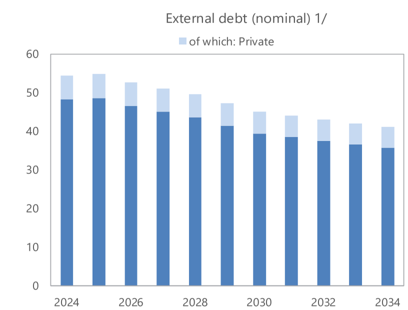
Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2023–44

(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	50.0	54.3	54.8	52.6	51.1	49.6	47.3	41.1	34.1	43.8	47.7
of which: public and publicly guaranteed (PPG)	44.3	48.3	48.5	46.4	45.1	43.7	41.5	35.8	29.6	39.3	41.9
Change in external debt	1.6	4.4	0.4	-2.2	-1.5	-1.5	-2.3	-1.0	0.2		
Identified net debt-creating flows	-2.4	-1.2	-2.7	-3.1	-3.2	-3.2	-3.2	-0.9	-1.1	-2.4	-2.2
Non-interest current account deficit	1.0	0.4	-0.1	-0.1	0.1	0.1	0.1	0.0	0.0	1.3	0.1
Deficit in balance of goods and services	2.3	1.8	1.2	1.2	0.8	0.9	0.8	0.5	0.9	3.4	0.9
Exports	31.9	33.5	35.5	34.6	34.2	33.4	32.6	28.7	22.8		
Imports	34.1	35.3	36.7	35.8	35.0	34.2	33.4	29.2	23.7		
Net current transfers (negative = inflow)	-5.4	-5.4	-5.5	-5.4	-5.3	-5.2	-5.1	-4.9	-4.1	-4.5	-5.2
of which: official	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)	4.2	3.9	4.2	4.1	4.5	4.5	4.4	4.4	3.2	2.4	4.4
Net FDI (negative = inflow)	-1.7	-2.1	-2.3	-2.6	-2.9	-3.0	-3.0	-1.0	-1.2	-4.2	-2.2
Endogenous debt dynamics 2/	-1.7	0.5	-0.2	-0.4	-0.4	-0.3	-0.3	0.1	0.1		
Contribution from nominal interest rate	0.4	2.1	2.1	2.1	2.1	2.0	2.0	2.1	1.7		
Contribution from real GDP growth	-1.4	-1.6	-2.4	-2.5	-2.4	-2.4	-2.3	-2.0	-1.6		
Contribution from price and exchange rate changes	-0.7	...	...	...	...	...	...	...	...		
Residual 3/	4.0	5.5	3.1	0.9	1.7	1.7	0.9	0.0	1.3	4.4	1.4
of which: exceptional financing	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	39.5	42.3	43.9	41.8	40.5	39.3	37.3	32.8	27.5		
PV of PPG external debt-to-exports ratio	124.1	126.3	123.6	120.9	118.6	117.8	114.5	114.2	120.6		
PPG debt service-to-exports ratio	1.7	9.8	14.7	12.7	14.5	13.0	13.0	16.2	14.1		
PPG debt service-to-revenue ratio	3.4	19.5	29.8	24.3	27.7	24.2	23.7	26.1	18.0		
Gross external financing need (Million of U.S. dollars)	919.3	2344.3	3352.3	2777.9	3366.3	3001.6	3162.1	7967.3	5321.5		
Key macroeconomic assumptions											
Real GDP growth (in percent)	2.9	3.1	4.4	4.9	5.0	5.0	5.0	5.0	5.0	4.2	4.8
GDP deflator in US dollar terms (change in percent)	0.4	-4.4	-3.6	2.0	2.0	1.8	1.7	1.8	-0.1	-1.8	0.8
Effective interest rate (percent) 4/	0.9	4.1	3.9	4.1	4.2	4.3	4.4	5.2	5.3	5.4	4.5
Growth of exports of G&S (US dollar terms, in percent)	-4.8	3.6	6.8	4.1	5.9	4.3	4.2	4.1	4.7	4.6	4.6
Growth of imports of G&S (US dollar terms, in percent)	-1.0	2.1	4.5	4.3	4.8	4.4	4.1	3.9	4.6	1.8	4.1
Grant element of new public sector borrowing (in percent)	...	20.4	12.1	13.5	6.3	7.3	9.5	3.1	2.5	...	8.2
Government revenues (excluding grants, in percent of GDP)	15.8	16.9	17.5	18.1	17.9	17.9	17.8	17.8	17.8	14.0	17.8
Aid flows (in Million of US dollars) 5/	219.7	994.3	951.2	887.1	858.3	898.2	940.8	755.9	1034.0		
Grant-equivalent financing (in percent of GDP) 6/	...	1.2	0.9	0.7	0.5	0.5	0.5	0.4	0.3	...	0.6
Grant-equivalent financing (in percent of external financing) 6/	...	24.9	15.4	18.6	10.3	12.1	15.4	7.6	9.0	...	12.9
Nominal GDP (Million of US dollars)	76,402	75,307	75,761	81,054	86,817	92,778	99,054	139,170	267,463		
Nominal dollar GDP growth	3.3	-1.4	0.6	7.0	7.1	6.9	6.8	6.9	4.9	2.3	5.6
Memorandum items:											
PV of external debt 7/	45.2	48.3	50.2	47.9	46.6	45.2	43.1	38.1	32.0		
In percent of exports	141.8	144.2	141.2	138.6	136.2	135.5	132.4	132.6	140.3		
Total external debt service-to-exports ratio	6.0	14.3	19.3	17.5	19.5	18.3	18.6	23.5	14.1		
PV of PPG external debt (in Million of US dollars)	30212.2	31856.3	33272.7	33870.5	35202.7	36452.3	36917.2	45657.4	73544.8		
(PVt-PVt-1)/GDPt-1 (in percent)		2.2	1.9	0.8	1.6	1.4	0.5	1.6	1.5		
Non-interest current account deficit that stabilizes debt ratio	-0.6	-3.9	-0.6	2.1	1.6	1.6	2.4	0.9	-0.2		

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.

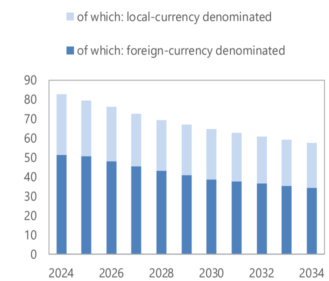
1/ Includes both public and private sector external debt.
2/ Derived as [r - g - ρ(1+g) + Εα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ε=nominal appreciation of the local currency, 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.

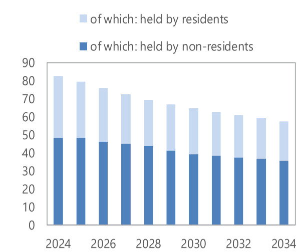
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2023–44
(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	82.9	82.5	79.5	76.1	72.5	69.3	66.9	57.5	45.3	67.8	68.3
of which: external debt	44.3	48.3	48.5	46.4	45.1	43.7	41.5	35.8	29.6	39.3	41.9
Change in public sector debt	-9.8	-0.4	-3.0	-3.4	-3.6	-3.2	-2.4	-1.6	-0.7		
Identified debt-creating flows	-11.1	-4.0	-3.0	-3.0	-3.0	-2.7	-2.6	-1.8	-1.4	1.6	-2.6
Primary deficit	-0.2	0.6	-0.9	-0.9	-0.9	-0.9	-1.2	-1.0	-1.0	2.2	-0.8
Revenue and grants	16.1	17.2	17.8	18.3	18.1	18.2	18.0	18.0	18.0	14.5	18.0
of which: grants	0.3	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Primary (noninterest) expenditure	15.9	17.8	16.8	17.4	17.2	17.2	16.8	17.0	17.0	16.6	17.1
Automatic debt dynamics	-10.8	-5.2	-2.4	-2.0	-2.1	-1.7	-1.4	-0.8	-0.4		
Contribution from interest rate/growth differential	-14.2	-5.2	-2.4	-2.0	-2.1	-1.7	-1.4	-0.8	-0.4		
of which: contribution from average real interest rate	-11.6	-2.7	1.1	1.7	1.5	1.7	1.9	2.0	1.8		
of which: contribution from real GDP growth	-2.7	-2.5	-3.5	-3.7	-3.6	-3.5	-3.3	-2.8	-2.2		
Contribution from real exchange rate depreciation	3.4	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.1
Privatization receipts (negative)	0.0	0.0	0.0	0.0	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		
Debt relief (HIPC and other)	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	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	1.3	3.6	0.0	-0.5	-0.7	-0.5	0.3	0.2	0.6	2.5	0.3
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	81.2	79.7	76.2	72.7	69.1	66.0	63.8	55.5	44.3		
PV of public debt-to-revenue and grants ratio	503.8	463.6	428.9	396.5	381.2	363.5	353.7	307.6	245.7		
Debt service-to-revenue and grants ratio 3/	65.0	72.8	91.6	82.6	84.0	81.3	71.3	71.3	52.8		
Gross financing need 4/	10.2	13.8	14.6	13.3	13.5	13.0	11.6	11.9	8.5		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	2.9	3.1	4.4	4.9	5.0	5.0	5.0	5.0	5.0	4.2	4.8
Average nominal interest rate on external debt (in percent)	0.4	4.3	4.1	4.0	4.1	4.2	4.2	5.0	6.4	5.7	4.4
Average real interest rate on domestic debt (in percent)	-22.3	-11.1	-0.2	2.4	1.9	2.9	3.9	4.5	3.8	1.5	1.9
Real exchange rate depreciation (in percent, + indicates depreciation)	7.9	...	...	...	...	...	...	...	...	4.8	...
Inflation rate (GDP deflator, in percent)	33.1	17.5	11.1	7.9	7.9	7.6	7.5	7.8	7.9	16.5	9.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-13.6	15.4	-1.1	8.5	3.9	5.0	2.4	5.0	5.0	5.0	5.5
Primary deficit that stabilizes the debt-to-GDP ratio 5/	9.5	1.0	2.1	2.5	2.7	2.2	1.1	0.6	-0.3	0.3	1.5
PV of contingent liabilities (not included in public sector debt)	3.2	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, non-guaranteed SOE 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.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2024–34

(In Percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of debt-to GDP ratio											
Baseline	**42**	**44**	**42**	**41**	39	37	35	35	34	33	33
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**42**	**43**	**42**	**43**	**44**	**43**	**43**	**43**	**42**	**42**	**41**
B. Bound Tests											
B1. Real GDP growth	**42**	**46**	**46**	**44**	**43**	**41**	39	38	37	37	36
B2. Primary balance	**42**	**46**	**49**	**49**	**48**	**47**	**46**	**46**	**46**	**45**	**45**
B3. Exports	**42**	**48**	**54**	**53**	**51**	**50**	**48**	**47**	**47**	**46**	**45**
B4. Other flows 3/	**42**	**48**	**49**	**48**	**47**	**45**	**44**	**43**	**42**	**42**	**41**
B5. Depreciation	**42**	**56**	**51**	**50**	**48**	**45**	**43**	**42**	**41**	**40**	40
B6. Combination of B1-B5	**42**	**50**	**52**	**51**	**50**	**48**	**46**	**45**	**45**	**44**	**43**
C. Tailored Tests											
C1. Combined contingent liabilities	**42**	**47**	**47**	**46**	**46**	**45**	**43**	**43**	**43**	**43**	**42**
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	**42**	**44**	**43**	**42**	**41**	39	38	37	36	35	35
C4. Market Financing	**42**	**49**	**47**	**46**	**44**	**42**	**40**	39	38	38	37
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	126	124	121	119	118	114	111	112	112	113	114
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	126	120	123	126	131	133	135	138	140	142	143
B. Bound Tests											
B1. Real GDP growth	126	124	121	119	118	114	111	112	112	113	114
B2. Primary balance	126	130	141	142	145	145	144	147	150	154	156
B3. Exports	126	151	**186**	**185**	**185**	**183**	**181**	**183**	**186**	**188**	**188**
B4. Other flows 3/	126	134	143	141	141	139	137	138	140	142	142
B5. Depreciation	126	123	116	114	113	109	106	106	106	107	108
B6. Combination of B1-B5	126	147	142	157	157	154	152	153	156	157	157
C. Tailored Tests											
C1. Combined contingent liabilities	126	133	135	135	138	137	136	139	142	145	148
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	126	124	124	123	123	120	118	118	119	120	120
C4. Market Financing	126	124	121	119	118	115	112	112	113	114	114
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	10	15	13	14	13	13	13	13	**15**	**16**	**16**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	10	15	13	**15**	14	**15**	**16**	**17**	**20**	**21**	**22**
B. Bound Tests											
B1. Real GDP growth	10	15	13	14	13	13	13	13	**15**	**16**	**16**
B2. Primary balance	10	15	14	**16**	**15**	**15**	**16**	**16**	**18**	**20**	**21**
B3. Exports	10	**17**	**17**	**21**	**19**	**19**	**19**	**20**	**23**	**25**	**27**
B4. Other flows 3/	10	15	14	**16**	15	**15**	15	**15**	**17**	**19**	**21**
B5. Depreciation	10	15	13	14	13	13	12	13	15	**15**	**15**
B6. Combination of B1-B5	10	**16**	**16**	**18**	**17**	**17**	**17**	**17**	**19**	**21**	**23**
C. Tailored Tests											
C1. Combined contingent liabilities	10	15	14	**16**	14	15	15	**15**	**17**	**18**	**19**
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	10	15	13	15	14	14	14	14	**16**	**16**	**17**
C4. Market Financing	10	15	13	15	14	14	14	**15**	**17**	**15**	**16**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**20**	**30**	**24**	**28**	**24**	**24**	**23**	**23**	**26**	**26**	**26**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**20**	**29**	**25**	**30**	**27**	**28**	**28**	**30**	**34**	**35**	**36**
B. Bound Tests											
B1. Real GDP growth	**20**	**31**	**27**	**30**	**26**	**26**	**25**	**25**	**28**	**28**	**29**
B2. Primary balance	**20**	**30**	**26**	**31**	**28**	**28**	**28**	**28**	**31**	**32**	**34**
B3. Exports	**20**	**30**	**27**	**33**	**30**	**30**	**29**	**29**	**32**	**34**	**37**
B4. Other flows 3/	**20**	**30**	**26**	**31**	**28**	**27**	**27**	**27**	**30**	**31**	**33**
B5. Depreciation	**20**	**38**	**31**	**34**	**30**	**29**	**28**	**29**	**32**	**32**	**31**
B6. Combination of B1-B5	**20**	**31**	**28**	**33**	**29**	**29**	**28**	**29**	**31**	**34**	**35**
C. Tailored Tests											
C1. Combined contingent liabilities	**20**	**30**	**26**	**30**	**27**	**27**	**26**	**27**	**30**	**30**	**31**
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	**20**	**33**	**27**	**32**	**27**	**26**	**25**	**24**	**27**	**27**	**28**
C4. Market Financing	**20**	**30**	**24**	**28**	**25**	**25**	**24**	**27**	**28**	**26**	**26**
Threshold	18	18	18	18	18	18	18	18	18	18	18

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

Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt, 2024–34

(In Percent)

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
	PV of Debt-to-GDP Ratio										
Baseline	**80**	**76**	**73**	**69**	**66**	**64**	**62**	**60**	**58**	**57**	**55**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**80**	**76**	**71**	**66**	**62**	**60**	**58**	**56**	54	53	51
B. Bound Tests											
B1. Real GDP growth	**80**	**80**	**81**	**79**	**78**	**78**	**77**	**77**	**78**	**78**	**78**
B2. Primary balance	**80**	**82**	**86**	**83**	**80**	**79**	**77**	**76**	**75**	**74**	**73**
B3. Exports	**80**	**80**	**83**	**80**	**77**	**75**	**73**	**72**	**70**	**69**	**67**
B4. Other flows 3/	**80**	**80**	**80**	**77**	**74**	**72**	**70**	**69**	**67**	**65**	**64**
B5. Depreciation	**80**	**82**	**77**	**72**	**68**	**65**	**63**	**60**	**58**	**56**	55
B6. Combination of B1-B5	**80**	**79**	**81**	**78**	**76**	**74**	**73**	**72**	**70**	**69**	**68**
C. Tailored Tests											
C1. Combined contingent liabilities	**80**	**86**	**82**	**79**	**76**	**74**	**73**	**71**	**70**	**69**	**68**
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	**80**	**79**	**78**	**77**	**77**	**77**	**77**	**77**	**78**	**78**	**79**
C4. Market Financing	**80**	**76**	**73**	**69**	**66**	**64**	**62**	**60**	**59**	**57**	**55**
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	464	429	397	381	364	354	343	333	324	315	308
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	464	427	386	366	344	333	321	311	302	294	287
B. Bound Tests											
B1. Real GDP growth	464	449	444	438	429	430	429	429	430	432	435
B2. Primary balance	464	461	470	458	443	436	428	420	414	408	402
B3. Exports	464	452	456	442	425	417	407	398	390	382	371
B4. Other flows 3/	464	451	439	425	408	399	389	380	372	363	353
B5. Depreciation	464	460	419	399	377	363	349	336	324	313	303
B6. Combination of B1-B5	464	442	444	432	418	412	404	397	391	385	379
C. Tailored Tests											
C1. Combined contingent liabilities	464	481	448	435	420	413	404	396	390	384	378
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	464	490	466	467	452	446	437	428	430	432	436
C4. Market Financing	464	429	397	381	364	355	344	334	325	316	307
	Debt Service-to-Revenue Ratio										
Baseline	73	92	83	84	81	71	70	72	73	73	71
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	73	88	81	82	79	71	69	70	69	68	66
B. Bound Tests											
B1. Real GDP growth	73	95	94	99	100	92	92	97	100	101	102
B2. Primary balance	73	92	97	109	104	94	93	96	96	95	95
B3. Exports	73	92	84	89	86	76	76	77	79	80	81
B4. Other flows 3/	73	92	84	87	85	75	74	76	77	78	78
B5. Depreciation	73	88	84	87	85	76	75	76	78	77	76
B6. Combination of B1-B5	73	89	87	99	96	87	86	88	90	89	87
C. Tailored Tests											
C1. Combined contingent liabilities	73	92	103	100	98	89	88	90	90	89	87
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	73	102	97	105	105	96	95	97	100	101	102
C4. Market Financing	73	92	83	84	82	73	72	76	76	73	71

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.

INTERNATIONAL MONETARY FUND

GHANA

June 25, 2024

SECOND REVIEW UNDER THE ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY, REQUEST FOR MODIFICATION OF PERFORMANCE CRITERIA, AND FINANCING ASSURANCES REVIEW—SUPPLEMENTARY INFORMATION

Prepared By | Prepared by the Ghana team of the African Department

This supplement provides additional information to the Staff Report (EBS/24/72) circulated to the Executive Board on June 17, 2024. It includes an update on the progress on the debt restructuring with commercial creditors and recent developments. The supplement does not alter either the staff recommendations or the thrust of the staff appraisal.

Debt Restructuring Discussions

1. **On June 24, the Government and the members of the two bondholders steering committees announced that they had reached an Agreement in Principle (AIP) regarding a potential treatment of Ghana's Eurobonds**. The envisaged treatment has been assessed by IMF Staff as consistent with program parameters under the macro-framework of the second ECF review given the authorities' strategy for the other commercial creditors and assuming the Official Creditor Committee (OCC) confirms the comparability of treatment (CoT) requirements. The OCC under the G20 Common Framework is currently assessing whether this proposal satisfies the comparability of treatment requirements.

2. **In the alternative restructuring scenario based on the treatments agreed with both the OCC and the bondholders, and given the authorities' restructuring strategy for the remaining non-bonded commercial claims, Ghana's debt would be assessed as sustainable on a forward-looking basis**. In absence of agreed treatments with all private creditors, Ghana would remain in debt distress due to arrears to other non-bonded commercial creditors. However, considering the authorities' continuing good faith negotiations with other commercial creditors on a treatment consistent with program parameters, and respecting the comparability of treatment requirements on which the official bilateral and bondholders treatments are conditioned, Ghana's debt would be assessed as sustainable on a forward-looking basis.

Recent Developments

3. On June 21, Cabinet approved amendments to the Bank of Ghana Act (end-May 2024 Structural Benchmark). These amendments, drafted in consultation with IMF staff, would strengthen the BoG's independence and safeguards by limiting monetary financing, introducing provisions for covering capital shortfalls, and clarifying membership criteria for the BoG Board and Monetary Policy Committee, among other things.

4. The Ghana Statistical Service released the 2024Q1 GDP data, confirming a robust expansion in economic activity. Real GDP increased by 4.7 percent year-over-year in the first quarter of 2024 (from 3.8 percent in 2023Q4), mainly reflecting robust activity in the extractive, ICT, and construction sectors. This outturn is consistent with staff's estimated growth of 3.1 percent in 2024.

Statement by Mr. Bijani, Executive Director for Ghana
Mr. Akosah, Advisor to the Executive Director
June 28, 2024

Introduction

1. On behalf of our Ghanaian authorities, we wish to express our profound appreciation to the Executive Board, management, and staff for their continuous support to Ghana. We are also grateful to Mr. Roudet and the mission team for their tireless work and productive engagements with the authorities and stakeholders during the second review of the Extended Credit Facility (ECF) program. Our gratitude also goes to the Official Creditor Committee (OCC) for the timely issuance of Memorandum of Understanding (MoU) which fast-tracked the conclusion of the terms of the bilateral debt restructuring consistent with program parameters and facilitated the Board's second review of the program.

2. **The performance under the ECF-supported program has been strong despite a difficult socioeconomic environment**. This underscores the authorities' strong ownership and continued commitment to the program targets and objectives. The authorities agree with the thrust of the staff's assessment of economic performance and outlook and are redoubling their efforts to achieve all end-June 2024 program targets for the third review.

Recent Economic Development and Outlook

3. **The authorities' firm implementation of policies under the program are yielding clear positive results.** Real GDP growth in 2023 was well above the rate envisaged during the first review, largely driven by robust growth in the services and agriculture sectors. Economic growth in 2024 is projected to further improve and gradually accelerate towards its medium-term potential of around 5 percent, as macroeconomic stability is fully restored, and structural reforms uplift investments, confidence, and productivity. Inflation decelerated faster-than-anticipated in 2023 but there has been little progress in early 2024, amid elevated exchange rate pressures. Going forward, inflation is expected to decline steadily from 23 percent at end-May to an annual rate of 15 percent by end-December 2024

and to fall within the Bank of Ghana's (BoG) medium-term target of 8±2 percent by end-2025, contingent on sustaining the stringent fiscal and monetary policies. The external sector position also improved in 2023, driven by higher remittances and lower primary income outflows partly linked to lower payments to independent power producers (IPPs). The authorities plan to progressively rebuild reserves to at least 3 months of imports cover by the end of the program.

4. **Recognizing the substantial downside risks to the macroeconomic outlook, the authorities have reiterated their commitment to pursue sound policies.** Notwithstanding the uncertainties surrounding upcoming elections, they will resolutely implement policies and reforms, consistent with their post-Covid-19 Program for Economic Growth (PC-PEG), to sustain macroeconomic gains and promote medium-term fiscal and debt sustainability, with durable inclusive growth.

Fiscal Policy and Debt Management

5. **The authorities remain committed to their bold and enduring fiscal consolidation plans to restore fiscal sustainability.** The authorities share staff's assessment that fiscal consolidation is broadly on track despite a challenging domestic socio-political context and external uncertainties. They will steadfastly advance the implementation of reforms under their Medium-Term Revenue Strategy (MTRS) aimed at boosting tax revenue to finance the country's critical investment and priority spending needs. In line with this commitment, the 2024 Budget has frontloaded the revenue package in the MTRS to increase non-oil revenue. Concurrently, they are preparing a new Extractive Industry Fiscal Regime bill with technical assistance from the Fund to help increase revenues and improve incentives for investment in the extractive sector. This bill is expected to be submitted to Parliament by end-December 2024.

6. **The authorities will continue prioritizing and streamlining expenditure while improving spending efficiency including in social programs.** The authorities will maintain focus on growth-enhancing capital projects within the overall resource envelope and promptly adjust low-priority spending in case risks materialize. They will continue the quarterly adjustments in electricity tariffs to mitigate fiscal risks from the energy sector. They will also step-up efforts to further strengthen public financial management including by bolstering governance and efficiency of SOE operations, addressing weaknesses in procurement, and continue modernizing the fiscal framework and institutions with the aim of entrenching fiscal discipline, fortifying commitment controls and preventing arrears buildup.

7. **The authorities give high priority to improving the coverage and efficiency of social protection programs to cushion the most vulnerable population from the impact of the ongoing macroeconomic adjustment.** In this regard, they remain committed to reviewing and rationalizing all government flagship social programs to enhance their

efficiency and align social spending with their SDG targets. They acknowledge that the current challenging macroeconomic environment has worsened poverty and inequality and are resolved to strengthen social safety nets to foster social cohesion and garner public support for the program. They have thus increased the allocations for the highly targeted social intervention programs in the 2024 Budget and stand ready to take decisive action, if needed, to meet the program's indicative floor for social spending at every review. Furthermore, they are fully resolved to continue implementing the automatic indexation framework to preserve the real value of social benefits.

8. **The authorities will continue strengthening debt and cash management frameworks to restore medium-term debt sustainability.** They will continue prioritizing concessional financing for projects, while maintaining hard limits on newly contracted non-concessional external debt. They will also prioritize IPP arrears payments and align quarterly allotments of spending commitment with the 3-month cash forecasts while ensuring strict compliance. Following the completion of the domestic debt restructuring last year, authorities are developing a medium-term debt management strategy after concluding the comprehensive external debt restructuring program. An agreement was reached with the OCC on June 11, 2024, on a MoU formalizing the Agreement-in-Principle attained under the G20 Common Framework in January 2024. On June 20, 2024, the authorities also reached Agreement-in-Principle with representatives of private Eurobond holders consistent with program parameters and the OCC is currently conducting an assessment on comparability of treatment. The authorities have thus concluded, to a large extent, the protracted negotiations with domestic, official bilateral and external private commercial creditors.

Monetary, Financial Sector and Exchange Rate Policies

9. **The authorities will remain focused on disinflation and strengthening the economy's resilience to external shocks.** The BoG will keep an appropriately tight monetary policy stance to firmly anchor inflation expectations and foster a speedily and orderly disinflation toward its 8±2 percent target, as envisaged under the monetary policy consultation clause. The BOG also reaffirms its commitment to avoid monetary financing of the budget while intensifying efforts to enhance the monetary policy framework to strengthen monetary policy transmission. To reinforce the BoG's financial and operational autonomy, the authorities are resolved to accelerate the amendment of the BoG Act 2002 (Act 612) and ensure a progressive recapitalization of the BoG while adhering to fiscal commitments and debt targets under the program. In addition, they remain committed to implementing the outstanding recommendations from the 2023 safeguard assessments. Promoting greater exchange rate flexibility remains a top priority for BoG to facilitate reserve accumulation and build resilience to external shocks. The BoG is further committed to eliminating multiple currency practices and limiting FX intervention to only address extreme temporary market volatility.

10. **Preserving financial sector stability is critical to the authorities' reform agenda.** Being mindful of the lingering financial sector challenges following the domestic debt restructuring, the authorities will maintain vigilance and take necessary remedial actions to safeguard financial stability. In this regard, they are committed to ensuring expeditious completion of banks' recapitalization and strengthening the risk-based supervision of banks with capital shortfalls. In concert, they will continue operationalizing the Ghana Financial Sector Fund to safeguard financial stability. Relatedly, they will prioritize solvency support to state-owned banks, while strengthening governance, business model rationalization, and risk management to maintain their future viability. They also remain resolute to address legacy financial sector issues while further improving the AML/CFT framework—including by strengthening transparency of beneficial ownership and implementing Customer Due Diligence requirements—to meet FATF international standards.

Structural Reforms

11. **The authorities reaffirm their commitment to structural reforms to unlock Ghana's substantial growth potential.** They plan to speed up the implementation of the growth strategy, enshrined in the PC-PEG and the Medium-Term National Development Policy Framework, 2022-25, aimed at promoting human capital development, accelerating poverty reduction, and stimulating strong, sustainable, and inclusive growth. They will further strengthen the anti-corruption framework to facilitate a more conducive business climate for investment and to unleash Ghana's growth potential. In this context, a new Conduct of Public Officer Act has been submitted for Cabinet approval aimed at strengthening the asset declaration system. Additionally, they have requested IMF TA support for conducting a Governance and Corruption Diagnostic Assessment and are committed to publishing the report when finalized. They will also prioritize investment in broader financial inclusion to support higher productivity growth.

12. **The authorities acknowledge the urgency of bolstering Ghana's resilience to climate shocks** and are fast-tracking and intensifying efforts to build climate resilience via adaptation actions while leveraging climate financing for green growth. In this context, the authorities will implement the Ghana's National Adaptation Plan (NAP) framework—that fully integrates adaptation into the country's economic, environmental, and social decision making—with the aim of delivering multiple co-benefits in relation to sustainable development, poverty reduction and climate change adaptation. The NAP process has identified adaptation priorities for key sectors such as agriculture, forestry, water, energy, health, as well as gender.

Conclusion

13. Our Ghanaian authorities remain dedicated to steadfast implementation of sound macroeconomic policies to promote long-lasting macroeconomic stability and medium-term

fiscal and debt sustainability, alongside fostering sustainable, inclusive, and green growth. Considering their strong commitment and the strong program performance, the authorities are requesting the support of Executive Directors for the completion of the second review under the ECF arrangement and the related requests to further embolden the timely implementation of their stabilization and reform agenda.