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GHANA

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THIRD REVIEW UNDER THE ARRANGEMENT 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 Third Review Under the Arrangement 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 December 2, 2024, following discussions that ended on October 4, 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 November 13, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- 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

PR24/447

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

FOR IMMEDIATE RELEASE

- The IMF Executive Board today completed the third 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 satisfactory, and reform efforts are paying off. Good progress has been made on debt restructuring. Growth is recovering rapidly, inflation has declined—although at a slower pace, and the fiscal and external positions have continued to improve.
- Steadfast implementation of the policy and reform agenda, including before and after the upcoming general elections, remains essential to fully restore macroeconomic stability and debt sustainability.

Washington, DC – December 2, 2024: The Executive Board of the International Monetary Fund (IMF) completed today the third 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 third 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$1.9 billion.

Ghana's policy and reform efforts under the IMF-supported program have continued to deliver encouraging results. 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 launch comprehensive 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 recovering rapidly, inflation declining, although at a slower pace, and the fiscal and external positions further improving. The medium-term outlook remains favorable but subject to downside risks, including those stemming from the elections and the challenges in the energy sector.

Ghana's performance under the IMF-supported program has been generally satisfactory. All quantitative performance criteria and indicative targets for the third review were met. Notwithstanding some delays, good progress has also been made on the key structural reforms.

The Ghanaian authorities have continued to make remarkable headways on their public debt restructuring. After successfully restructuring domestic debt last year and reaching agreement on a Memorandum of Understanding with Ghana's Official Creditors Committee (OCC) under the G20 Common Framework in June 2024, the government has completed the exchange of its Eurobonds at conditions consistent with program parameters. The authorities have also intensified engagement with their remaining external commercial creditors on a restructuring in line with program parameters and comparability of treatment.

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Ghana's fiscal performance is on track to achieve a primary surplus of ½ percent of GDP on a commitment basis, despite emerging spending pressures stemming from a recent dry spell and challenges in the energy sector. Looking ahead, the authorities are committed to further advancing fiscal consolidation by attaining a primary fiscal surplus of 1½ percent of GDP in 2025 through additional domestic revenue mobilization and non-priority expenditure rationalization, while expanding social programs to cushion the vulnerable from the impact of policy adjustment. Continued fiscal consolidation and discipline are predicated on timely and continued efforts to modernize Ghana's fiscal responsibility framework, strengthen revenue administration, bolster public financial management, and improve SOEs management, including to tackle challenges in the energy and cocoa sectors.

The Bank of Ghana (BoG) has maintained a prudent monetary policy stance to sustain a continued reduction in inflation against heightened risks and has taken important steps to rebuild international reserves. The BoG has also appropriately strengthened measures to buttress financial sector stability by intensifying actions to promote timely recapitalization and steps to sustain the viability of banks. The government 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 remain key to boosting the economy's potential and underpinning sustainable job creation.

Going forward, staying the course of macroeconomic policy adjustment and reforms is essential to fully and durably restore macroeconomic stability and debt sustainability, while fostering a sustainable increase in economic growth and poverty reduction.

Following the Executive Board discussion on Ghana, Deputy Managing Director Bo Li issued the following statement:

"Ghana's performance under its ECF-supported reform program has been generally satisfactory. The authorities' economic strategy is delivering on its objectives, with the economy showing clear signs of stabilization. Going forward, steadfast program implementation remains essential to fully and durably restore macroeconomic stability and debt sustainability, while addressing longstanding structural vulnerabilities.

Ghana has made progress in strengthening its fiscal position. Looking ahead, staying the course of fiscal policy adjustment—including before and after the upcoming elections—and creating room to enhance social programs is paramount to put public finances on a sustainable path and reduce financing needs, while cushioning the vulnerable from the impact of fiscal adjustment. Continued efforts to enhance domestic revenue mobilization and streamline primary expenditure are key in this respect. These should be supported by continued progress in improving tax administration, strengthening expenditure control and management of arrears, implementing an enhanced fiscal responsibility framework, and improving SOEs management. Promptly and forcefully addressing the challenges in the energy sector is also critical to contain fiscal risks. Building on the recent successful Eurobond exchange, the authorities should also finalize their comprehensive debt restructuring in a timely manner.

The authorities have maintained a prudent monetary policy stance while taking decisive steps to rebuild foreign reserve buffers. Going forward, maintaining an appropriately tight monetary stance, given the upside risks to inflation, and enhancing exchange rate flexibility are of the essence.

The authorities have taken appropriate actions to ensure implementation of banks' recapitalization plans and start recapitalizing state-owned banks. Looking ahead, buttressing financial sector stability requires sustaining these efforts along with a cost-effective resolution of legacy issues as well as implementation of robust supervisory strategies to bolster credit and operational risk management."

Ghana: Selected Economic and Financial Indicators, 2022–29

	2022	2023	2024	2025	2026	2027	2028	2029
	Actual	Actual	Proj.	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)							
National accounts and prices								
GDP at constant prices	3.8	2.9	4.0	4.4	4.9	5.0	5.0	5.0
Non-extractive GDP	3.1	3.0	3.5	4.5	5.0	5.0	5.0	5.0
Extractive GDP	8.9	2.5	7.0	3.9	4.3	4.5	4.7	5.0
Real GDP per capita	1.8	1.0	2.0	2.5	3.0	3.2	3.2	3.2
GDP deflator	28.2	33.1	20.4	10.6	7.8	7.8	7.7	7.6
Consumer price index (end of period)	54.1	23.2	18.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	39.2	21.9	11.4	8.0	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)							
Central government budget								
Revenue	15.7	16.0	17.1	17.2	18.1	18.1	18.0	18.0
Expenditure (commitment basis) [1]	27.5	19.6	20.7	19.8	20.0	19.8	19.8	20.3
Overall balance (commitment basis) [1]	-11.8	-3.6	-3.5	-2.7	-1.9	-1.7	-1.8	-2.2
Primary balance (commitment basis)	-4.3	-0.3	0.5	1.5	1.5	1.5	1.5	1.3
Non-oil primary balance (commitment basis)	-6.3	-1.8	-1.2	0.1	0.2	0.2	0.2	-0.1
Public debt (gross)	92.7	83.1	78.0	72.2	67.2	63.0	59.4	56.8
Domestic debt	49.7	38.8	33.5	30.0	28.0	26.0	24.3	23.5
External debt	43.0	44.4	44.5	42.2	39.1	37.0	35.1	33.4
	(annual percentage change, unless otherwise indicated)							
Money and credit								
Credit to the private sector (commercial banks)	31.8	10.7	22.0	18.4	17.1	17.2	17.1	17.0
Broad money (M2+)	33.0	38.7	28.8	17.3	13.1	13.2	13.1	13.0
Velocity (GDP/M2+, end of period)	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1
Base money	57.5	29.7	30.5	11.8	6.7	11.7	13.1	14.2
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]	-2.3	-1.4	1.0	0.0	0.0	-0.2	-0.4	-0.6
BOP financing gap [3]	-…	3,364	1,754	1,448	734	0	0	0
IMF	…	600	1,320	720	360	0	0	0
World Bank	…	27	390	728	374	0	0	0
AfDB	…	60	44	0	0	0	0	0
Arrears to commercial external creditors	…	1,841	0	0	0	0	0	0
Arrears to official bilateral creditors	…	836	0	0	0	0	0	0
Exceptional financing to cover residual financing gap[4]	-…	0	0	0	0	0	0	0
Gross international reserves (program) [5]	1,454	3,661	5,381	6,905	7,789	9,323	11,072	13,058
in months of prospective imports	0.7	1.6	2.3	2.8	3.0	3.4	3.9	4.4
Memorandum items:								
Nominal GDP (millions of GHc)	614,336	841,633	1,053,875	1,216,674	1,375,843	1,556,936	1,761,114	1,990,418
Population Growth Rate (percentage)[6]	1.9	1.9	1.9	1.8	1.8	1.8	1.7	1.7

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

[1] Projections (third review) assume full debt restructuring.

[2] The current account values for 2022 and 2023 reflect pre-external debt restructuring.

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

[4] For the second review, to be covered by the external commercial debt restructuring.

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

[6] United Nations, World Population Prospects 2022

GHANA

November 13, 2024

THIRD 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 are delivering on their objectives, with signs of stabilization crystallizing. Further headways have been 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. They are seeking to address the implications of a dry spell in the North and a deepening of the energy sector challenges within the program targets.

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 third 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$1.9 billion.

Program performance has remained generally satisfactory. All end-June 2024 PCs and ITs were met. However, some delays were experienced on the structural front, and the energy and cocoa sectors continued to face deep challenges. There have also been delays in the reforms needed to unlock access to budget and other types of support from key development partners, in part due to parliamentary gridlock.

Outlook and risks. The macroeconomic outlook remains positive but subject to significant downside risks. These mainly stem from a deterioration of the external environment and policy and reform slippages. Risks to program implementation remain high ahead of the December 2024 general elections and throughout the political transition. Assurances from the main political parties on policy and reform continuity help mitigate these risks.

Third 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) tackling energy and cocoa sector challenges; v) preserving financial stability in the wake of the domestic debt restructuring; vi) strengthening governance and transparency and vii) bolstering private sector-led and inclusive growth.

Approved By
Annalisa Fedelino and Guillaume Chabert

Discussions took place in Accra during September 24-October 4, 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, the private sector, and development partners. The mission team comprised Mr. Roudet (head), Messrs. Alter, Crispolti, Sode (all AFR), Ms. Baum (SPR), Ms. Hosin (MCM), and Ms. Yang (FAD). The mission was assisted by Messrs. Medina (resident representative) and Ahinakwah (local economist). Mr. Akosah (OED) participated in key policy meetings. Ms. Ndome-Yandun and Mr. Raju assisted with the preparation of this report.

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ANNEXES

CONTEXT

1. **Ghana has made significant headways under the Extended Credit Facility (ECF)-supported program.** Following acute economic and financial pressures in 2022, the authorities have adjusted macroeconomic policies and launched comprehensive reforms. The government has also made significant progress on its comprehensive debt restructuring, including most recently with the completion of the Eurobond exchange. These efforts are paying off with growth recovering faster than expected, inflation declining, and the fiscal and external positions showing a marked turnaround.

2. **Nonetheless, fully and durably restoring macroeconomic stability while addressing longstanding vulnerabilities will require perseverance.** The gains achieved so far under the program are fragile, and there is little room for complacency. Further reducing the government's fiscal deficit and financing needs requires continued efforts to boost domestic revenue and better control government spending. At the same time, strengthening public financial management and revenue administration frameworks—together with promptly and forcefully addressing the deep energy and cocoa sector challenges—is key to underpin durable adjustment. While encouraging continued financial system recapitalization and tackling financial sector legacy issues remain important, further reducing inflation and rebuilding international reserves hinge on maintaining a prudently tight monetary policy stance and improving foreign exchange market operations. Finally, additional efforts to protect the vulnerable from the impact of adjustment and reforms are warranted to foster an inclusive recovery.

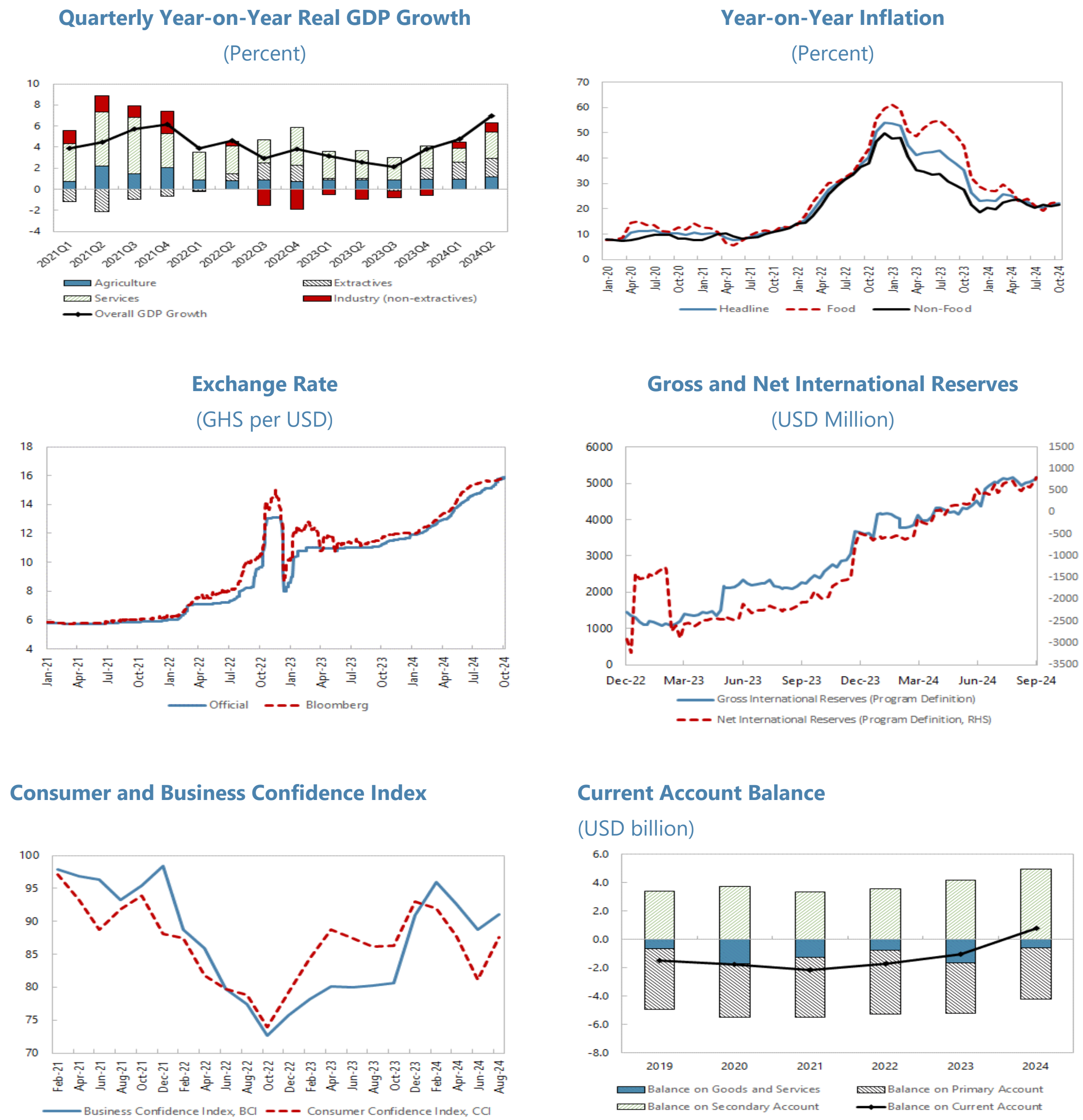
3. **Against this backdrop, ensuring diligent program implementation before and after the upcoming elections is paramount and warrants strong commitment from all stakeholders.** Government officials have on many occasions expressed publicly a strong commitment to fiscal prudence at this critical juncture. However, the recurrent fiscal slippages during past electoral cycles and difficulties in monitoring fiscal developments in real time due to lags in data reporting underscore the risks. There have also been delays in the reforms needed to unlock access to budget and other types of support from key development partners, in part due to parliamentary gridlock. The political debate has been dominated by the December 7, 2024, general elections. Policy statements from leading presidential contenders highlight tackling debt risks, increasing employment, and addressing high costs of living as the main priorities, consistent with the objectives of the current ECF-supported program. However, the contenders also promise vast spending programs, which will need to be carefully executed to ensure continued adherence to the program's fiscal objectives.

RECENT ECONOMIC DEVELOPMENTS

4. **Ghana's economy has rebounded at a faster pace than anticipated, benefiting from a broadening of underlying growth drivers** (Text Figure 1 and Table 1). Economic activity has continued to gain momentum this year, with year-over-year real GDP growth accelerating to

6.9 percent in 2024Q2, after 4.7 percent in 2024Q1, and up from 3.8 percent in 2023Q4. This mainly reflected a strong performance in mining, information and communication, and construction.

Text Figure 1. Recent Economic Developments



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.

5. **However, a recent dry spell in Ghana's Northern regions could have a significant economic impact in the second half of 2024.** The authorities estimate that up to 10 percent of agricultural production could be affected, with potential implications for up to one million

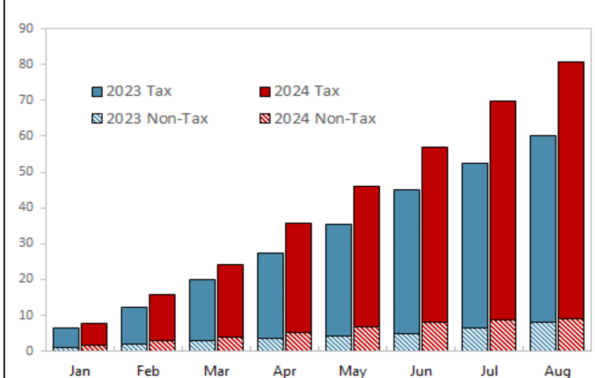
farmers, GDP growth, import needs, and inflation. A study by the World Bank estimates the total losses stemming from this dry spell could range between 0.7 and 1.5 percent of GDP, with most of the impact on the crop production and investment expected in 2024Q3. In response, the government has announced a temporary ban on rice, corn, and soy exports to avoid local food shortages. These measures were accompanied by additional imports of maize, rice, and poultry, as well as purchases of fertilizers and seeds to boost the production in unaffected regions.

6. **Inflation has continued to decline, although at a slower pace than initially envisaged due to the pass-through from a weaker cedi**. Headline inflation dropped to 22.1 percent in October from 23.5 percent in January with food inflation declining from 27 to 22.8 percent over the same period. However, the impact of the recent dry spell has yet to be fully reflected in prices.

7. **The external sector improved noticeably in 2024.** The current account recorded a surplus of 1.4 percent of GDP at end-June 2024 (up from a deficit of 1.4 percent at end-2023) on strong gold and oil exports and high remittances, which more than compensated the impact of robust import growth and a dismal cocoa crop. Preliminary trade data for January-August 2024 point to continued improvements with the surplus of the trade balance reaching 3.1 percent of GDP, compared to 1.5 percent of GDP during the same period of last year. Gross international reserves (GIR) significantly outperformed initial projections reaching US$4.5 billion (1.9 months of prospective imports) at end-June 2024. At end-September, GIR stood at US$5 billion, reflecting mainly a further expansion of gold purchases, which more than offset lower-than-expected proceeds from cocoa financing.

8. **Fiscal consolidation has further advanced** (Text Figure 2, Table 2a-2b). Fiscal outturns at the end-June 2024 confirmed progress in fiscal consolidation on buoyant non-oil revenue and prudent spending execution. Robust income tax collection more than compensated underperformance in other revenue streams—including related to the key tax measures introduced with the 2024 Budget. The authorities cleared a significant amount of arrears in the first semester but at the same time accumulated new payables. This was notable in the energy sector, where the government made large upfront payments to IPPs to settle part of legacy debt following the agreements in principle reached earlier in the year, but the electricity company (ECG) continued to accumulate arrears on current bills to IPPs and fuel suppliers.

Text Figure 2. Non-Oil Revenues, 2023-24
(Cumulative Year-to-Date, Billion GHS)



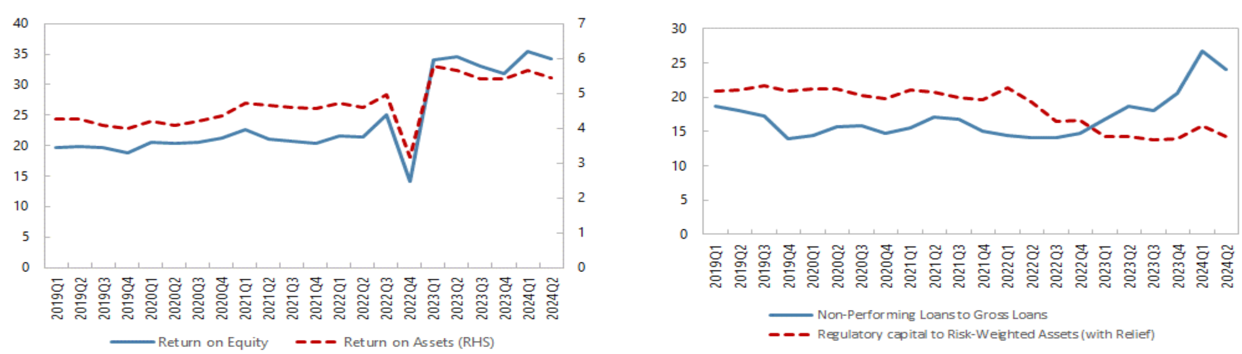
Source: Ghana MoF, Fund Staff Calculations.

9. The recapitalization of banks is progressing, but credit risks have increased. Banking sector's overall capital adequacy indicators have improved between December 2023 and June 2024 (Text Figure 3). About two-thirds of banks are now compliant with prudential capital adequacy standards without reliefs based on higher profits and capital injections—including from the Ghana Financial Stability Fund (GFSF) (GHS 4.9 billion) and private stakeholders. Over the same period, however, the rise in NPLs outpaced nominal credit growth and the NPL ratio increased to 24.1 percent at end-June 2024 (18.8 percent at end-June 2023). While NPLs are heterogeneously distributed across banks, the underlying trends reflect the 2022 economic downturn, the impact of exchange rate volatility, and implementation of the findings of Bank of Ghana's (BoG) review of banks' asset quality.

10. Ghana's public debt is assessed to be sustainable as the external debt restructuring is expected to be completed in line with program parameters. Staff's baseline is based on a full post-restructuring macro-framework incorporating the domestic debt restructuring, the treatment of official bilateral claims agreed with Ghana's Official Creditor Committee (OCC), and the recently completed Eurobond exchange. It also assumes a treatment of the residual claims of other external commercial creditors in line with the authorities' restructuring strategy and consistent with program parameters and creditors' comparability of treatment (CoT) principle .[1] In the baseline, Ghana is at high risk of debt distress due to near-term breaches of the DSA thresholds but is expected to reach moderate risk of debt distress in the medium term with all DSA sustainability targets met by 2028. Ghana's exceptional financing gap is closed with international reserves reaching 3 months of imports at the end of the program.

Text Figure 3. Financial Soundness Indicators

Return on Equity and Assets (Percent) | **Asset Quality and Capital Adequacy** (Percent)



Source: International Financial Statistics, IMF.

[1] The debt restructuring for a large majority of commercial creditors was completed in October 2024. In line with the 2018 Guidance Note on The Bank-Fund Debt Sustainability Framework for Low Income Countries and with its 2024 Supplement, the arrears to the remaining external commercial creditors are deemed away given their small share. The government is engaging in "good faith" negotiations with these remaining creditors.

PROGRAM PERFORMANCE

11. Program performance has been generally satisfactory (MEFP Tables 1-2). All end-June 2024 performance criteria (PCs) and indicative targets (ITs) were met. Net international reserve (NIR) accumulation of about US$928 million outperformed an adjusted PC target of US$463.8 million by a large margin. CPI inflation was within the Monetary Policy Consultation Clause (MPCC)'s lower outer band. The Article VIII-related continuous PCs have also been met. However, the structural reform agenda faced some challenges. Five out of seven structural benchmarks (SBs) due between June and October 2024 were met. The new methodology for the cedi reference rate (***end-August 2024 SB***) was implemented in September, while the authorities expect to complete the cleansing of the taxpayer registry (***end-June 2024 SB***) within the next few weeks.

MACROECONOMIC OUTLOOK AND RISKS

12. The macroeconomic outlook remains positive. Notwithstanding headwinds from the continued fiscal consolidation and the ongoing dry spell, the strong outturn for 2024Q2 real GDP growth points to greater-than-expected underlying growth. Hence, staff has revised its growth projection for 2024 upward to 4.0 percent (3.1 percent at the 2nd ECF Review). Beyond 2024, GDP growth is projected to gradually increase to its potential level of about 5 percent. Inflation is now set to reach 18 percent by end-2024 (revised up from 15 percent), mainly reflecting price pressures from a weaker cedi and the dry spell. Continued tight monetary policy will bring inflation back to the BoG's target band (8±2 percent) by end-2025. Further progress on fiscal consolidation and the completion of the debt restructuring would ensure that Ghana's public debt is firmly on a sustainable trajectory. The current account deficit is projected to remain in balance until 2026, while international reserves would reach 3 months of import coverage.

13. Nevertheless, downside risks to the outlook remain high (Annex IV). On the external side, an intensification of regional conflicts, spillovers from the conflicts in Ukraine and the Middle East, or commodity price volatility would negatively impact Ghana through higher imported inflation and risk aversion. If protracted, weak cocoa harvest could affect exports and growth prospects. More generally, Ghana is subject to risks related to climate shocks. On the domestic side, policy slippages ahead of the end-2024 general elections or during the political transition could undermine macroeconomic stability, deteriorate domestic financing conditions and the debt dynamics, and complicate debt restructuring discussions with Ghana's remaining external commercial creditors. Risks to the inflation outlook are tilted to the upside, as the disinflationary process took place at a slower-than-anticipated pace in 2024H1 and exchange rate volatility has increased. The dry spell may also lead to additional import needs and price pressures. Slow progress in energy sector reforms would further widen the energy sector shortfall and lead to continued arrears accumulation, with broader economic ramifications, including the risk of power outages and implications for economic activity. Delays in recapitalizing banks could deteriorate financial sector stability. Exchange rate, credit, and liquidity risks further add to these vulnerabilities.

POLICY DISCUSSIONS

Discussions focused on ensuring that program commitments continue to be implemented and program objectives remain achievable. This includes implementing policies to consolidate stabilization gains and restore debt sustainability, while advancing reforms to entrench macroeconomic stability, enhance governance, and foster higher and more inclusive growth. Staff and the authorities also engaged on technical assistance (TA) needs to support the reform agenda (Annex III).

A. Staying the Course of Fiscal Consolidation

14. The authorities have reiterated their commitment to the 2024 fiscal targets. During the 2024 Mid-Year Budget Review (MYBR), the Minister of Finance stressed the government's intention to continue adhering to the approved 2024 Budget, which is consistent with the program objectives—achieving a primary surplus (on commitment basis) of 0.5 percent of GDP on the back of a 0.9 percent of GDP improvement in non-oil revenue collection. The MYBR implemented some limited spending reallocations and revenue adjustments (Text Table 1).

15. Budget execution is being complicated by emerging spending pressures, but the 2024 fiscal objectives should remain achievable due to offsetting factors. Compared to the second review, the spending pressures stem from increased budgetary transfers required to cover a higher energy sector shortfall (0.6 percent of GDP; ¶25), the need to address the effects of the dry spell in the northern regions (0.2 percent of GDP), and higher-than-anticipated disbursements of concessional project loans (0.2 percent of GDP). With expenditure under the program having been set at a higher level than entailed by the 2024 Budget spending ceilings and with nominal GDP revised up, this effectively created a buffer (0.7 percent of GDP) that can be used to absorb part of the overruns. The cost of the dry spell-mitigating measures is also being partly offset through expenditure reallocation (0.1 percent of GDP). Greater-than-expected oil revenue (0.1 percent of GDP) and non-oil revenue (0.1 percent of GDP) also created additional room for maneuver.

Text Table 1. The 2024 Mid-Year Budget Review
(Percent of GDP)

	2024			
	Budget	Second Review	MYBR	Latest
Total Revenues	**16.8**	**16.9**	**16.8**	**17.1**
Grants	0.2	0.3	0.2	0.3
Oil Revenues	1.4	1.5	1.4	1.7
Non-Oil Revenues	15.1	15.1	15.1	15.2
Primary Expenditures	**16.2**	**16.4**	**16.3**	**16.7**
Compensation of Employees	6.1	6.2	6.0	6.0
Goods and Services	1.1	1.1	1.1	1.1
Grants to Other Gov. Units	4.2	4.2	4.2	4.2
Energy Sector Transfer	1.7	1.6	1.8	2.2
Capital Expenditures	2.7	3.2	2.7	3.0
Domestically financed	1.7	2.3	1.7	1.7
Foreign financed	1.0	0.9	1.0	1.3
Others	0.5	0.1	0.4	0.1
Primary balance (commitment basis)	**0.5**	**0.5**	**0.5**	**0.5**
Memorandum items:				
GDP (bn GHS)	*1051*	*1020*	*1054*	*1054*
Non-oil primary balance	*-0.89*	*-1.01*	*-0.90*	*-1.20*
Highly-targeted social spending (GSFP, NHIS, LEAP, and Capitation Grant)	*0.53*	*0.55*	*0.53*	*0.53*

Sources: Ghanaian authorities and IMF staff projections.

16. The authorities have nonetheless taken actions to enforce budget execution and ensure observance of the 2024 fiscal targets (MEFP¶8). To avoid slippages in the runup to the elections, the Ministry of Finance (MoF) has repeatedly communicated at the cabinet level and publicly the need for Ministries, Departments and Agencies (MDAs) to strictly adhere to budgetary allotments. It has also reminded MDAs of the sanctions that will be enforced for non-compliance.[2] On the revenue side, the Ghana Revenue Authority (GRA) also intensified efforts to enhance tax compliance through strengthened audits on large taxpayers, the continuous roll-out of the e-VAT system and new controls on declaration of foreign source income of residents.

17. Submission to parliament of the 2025 Budget will be delayed to March 2025 due to the upcoming elections (MEFP¶9). Consistent with the provision of the PFM Act regarding electoral years, the government has submitted to parliament an "Expenditure in Advance of Appropriation" Bill (***prior action***), a transitory budget covering the first quarter of 2025. Expenditure ceilings under this transitory budget have been set conservatively to be consistent with program objectives of achieving a primary surplus of 1.5 percent of GDP, with measures to permanently raise non-oil revenue by at least 0.6 percent of GDP on an annual basis.[3] These objectives will be enshrined in the 2025 Budget, to be submitted to parliament by the new administration by end-March 2025 (***new SB***).[4]

B. Strengthening Social Policies

18. Notwithstanding significant steps taken to support the most vulnerable under the program, Ghana's economic crisis negatively impacted poverty outcomes. After several decades of poverty reduction, the economic slowdown and high inflation in 2022-23 increased poverty rate in Ghana—with 29.5 percent of the population living in extreme poverty (measured at the international poverty line of US$2.15 per day) in 2023, up 3.1 percentage points from the previous year. This increase in poverty occurred despite the strengthening of key social programs (Text Figure 4): since 2022, the authorities more than doubled the level of the Livelihood Empowerment Against Poverty (LEAP)—the targeted cash transfer program—and introduced an indexation mechanism to avoid real erosion of its benefits in the future. The authorities have also strengthened other key social programs such as the Ghana School Feeding Program (GSFP) and the National Health Insurance Scheme (NHIS), by increasing associated budgetary allocations and clearing part of the large stock of arrears accumulated towards these programs during the peak of the crisis in 2022.

[2] The Public Financial Management Act (2016) envisages a number of sanctions for contravention of the Act by public officers—including principal spending offices of covered entities (art. 96-98). These range from administrative (e.g., disciplinary, financial liability) to criminal (e.g., imprisonment) sanctions.

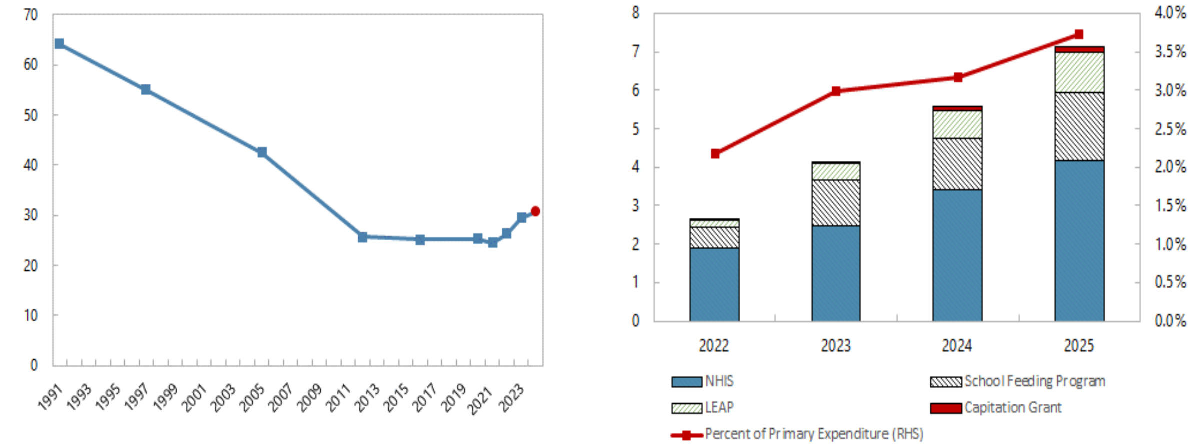
[3] The actual measures to deliver the projected increase in non-oil revenue will be identified by the new administration, drawing from Ghana's Medium-Term Revenue Strategy (end-September 2023 SB).

[4] Given that the revenue measures underpinning the 2025 budget will only start to be implemented in Q2 2025, fiscal projections for next year account for three-quarter of the expected full year yield of 0.6 percent of GDP.

Text Figure 4. Developments in Social Spending

Population Living in Poverty at $2.15 per day
(Percent, 2017 PPP)

Social Spending Programs
(GHS billions)



Note: 2024 value (depicted as red dot) is an estimate.
Source: World Bank.

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

19. Against this backdrop, the government is determined to further expand social programs next year (MEFP¶13-14). The authorities are undertaking, with the WB support, a review and update of the current LEAP registry. Once this review is finalized in the first half of 2025, the number of beneficiaries will be expanded to 400,000 households by end-September 2025 (***new SB***). These reforms will help enhance targeting toward—and advance the expansion of the program to all—the extreme poor. The authorities will also implement a 35-percent increase in the budgetary allocation for the Ghana School Feeding program, which will help increase the caloric value of the meals distributed to children. The budgetary resources allocated to NHIS will also be increased to further broaden the coverage of the program. These policies will lead to an increase in the allocations monitored under the IT to 0.6 percent of GDP next year. To avoid payment delays to beneficiaries, the IT will now focus on the actual resources received by line ministries for these programs from the consolidated fund, rather than on the MoF's instruction to release the funds. The authorities have also committed to clearing the remaining stock of social benefit arrears by the end of the year (MEFP¶13).

20. Over the medium term, the authorities aim to continue expanding social spending and eliminate extreme poverty (MEFP¶14). Key envisaged reforms include: i) achieving significant operational efficiencies across all the programs by improving procurement processes, reducing administrative costs, leveraging digitalization, and enhancing audits; ii) increasing 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; iii) increasing the GSFP meal benefit to cover 30 percent of children's daily calory need; and (iv) reaching universal health coverage by further expanding NHIS both in terms of beneficiaries and types of medical claims covered.

C. Structural Fiscal Reforms to Entrench Fiscal Discipline

Fiscal Framework and Institutions

21. The authorities have submitted a new draft Fiscal Responsibility Act (FRA) to parliament to strengthen fiscal credibility and accountability (end-October 2024 SB). The new Act—which was prepared in consultation with the Fund—establishes a long-term fiscal anchor (debt-to-GDP ratio of 45 percent of GDP by 2034) and an operational target (primary balance on commitment basis) to ensure achievement of the debt anchor (MEFP¶36; Annex II). The new Act also clearly defines escape clauses, the circumstances for their activation, and appropriate correction mechanisms. It also provides the legal ground to reform the Fiscal Council with a view to bolster its independence in monitoring fiscal policy, including implementation of the fiscal rule.

Domestic Revenue Mobilization

22. The authorities are making gradual progress in improving the efficiency and effectiveness of revenue administration (MEFP¶38-39). GRA has strengthened VAT enforcement on residential accommodations; enhanced audits on large taxpayers of PIT, CIT, and VAT; and rolled out the e-VAT system to large taxpayers to support revenue collection in 2024. After delays, the GRA is finalizing the cleansing of the taxpayer register (***end-June 2024 SB***) with the view of submitting of the final report to the Ministry of Finance within the next few weeks. Data standardization and validation requirements have been adopted to ensure quality and integrity of the taxpayer data. In addition, the authorities are finalizing the operationalization of the Integrated Tax Administration System (ITAS), which is expected to take place by end-December 2024 (***SB***).

23. The MTRS continues to guide the government's efforts to enhance revenue mobilization over the medium term. The MTRS envisages to significantly increase tax revenue over 2024-27 by broadening the tax base, minimizing tax avoidance, and ensuring a progressive tax system while promoting equity and transparency. The authorities plan to perform a mid-implementation review of the MTRS in early 2026 (MEFP¶40), 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. Following several delays, the new Fiscal Regime Framework for Extractive Industries (FRFEI)—which has benefitted from Fund's TA—is now expected to be submitted to Parliament by end-July 2025 (MEFP¶37). The new FRFEI should promote a stable environment for investors and ensure a fair share of the revenues for Ghana.

Public Financial Management (PFM)

24. Progress is being made in strengthening Public Financial Management (PFM) systems, despite some delays (MEFP¶42-43). The authorities have enabled the "Blanket Purchase Agreement" (***end-September 2024 SB***) to fully capture multi-year commitments in the Ghana Integrated Financial Management Information System (GIFMIS). Moreover, they have initiated compilation of public procurement data for 2021-23 with the view of publishing a final report by end-December. The necessary legislative initiatives to merge four statutory funds with their respective line ministries are expected to be adopted by cabinet by end-June 2025 (***SB***). However, progress towards the single treasury account has been somewhat slow due to operational challenges in advancing the onboarding of 549 MDAs and Metropolitan, Municipal and Districts Assemblies (MMDAs) accounts onto GIFMIS (***end-March 2025 SB***) and the streamlining of the existing accounts of various spending units.

25. Efforts are being made to address current weaknesses in public procurement (MEFP¶42). Such weaknesses primarily stem from lack of transparency and weak governance as a large share of procurements is done outside the Ghana Electronic Procurement System (GHANEPS) with extensive recourse to single source and restricted tendering (40 percent of total value of procurements in 2020). The Public Procurement Authority (PPA) is finalizing the 2021-23 report on public procurement—which takes stock of recent developments since the last published report (2020). To enhance governance, the authorities are also finalizing the integration of GHANEPS with GIFMIS to ensure that only projects/purchase orders that have approved budgets and allotments proceed to award contracts (***end-December 2024 SB***). This will allow for timely collection of data on the nature of procurements (i.e., competitive, restricted, single source) and facilitate monitoring, with the expectation of supporting an increase in the share of procurements (by value) registered in GHANEPS to 90 percent of total procurements by 2025Q4.

Energy Sector

26. The energy sector challenges have deepened (MEFP¶45). The energy sector shortfall is likely to be about 0.6 percentage points of GDP larger than previously expected (bringing the total shortfall to about 2.2 percent of GDP this year), reflecting a combination of exchange rate pressures, higher power generation costs due to increased reliance on costly liquid fuel, and lower ECG revenue collections (Box 1). In addition, the Cash Waterfall Mechanism (CWM), a framework to promote transparency in the level and use of ECG's collections and to ensure payment of bills to various stakeholders, has not been properly implemented, partly explaining the continued accumulation of arrears to IPPs and fuel suppliers by ECG. This prompted the electricity sector regulator (PURC) to question the level and uses of ECG's collections. These developments risk undermining the agreements in principle (AIPs) reached with some IPPs earlier this year to restructure legacy debt and amend Purchasing Power Agreements to reduce costs. Parliamentary approval of some of these AIPs has also been delayed.

27. Against this backdrop, the authorities have agreed to take a holistic approach to tackling these challenges. It builds on Ghana's Energy Sector Recovery Programme (ESRP, end-June 2023 SB), which seeks to reduce ECG's collections losses, improve the efficiency of SOEs in the sector, and strengthen payment discipline. The additional steps discussed with the authorities combines short- and medium-term measures to reduce the size and budgetary impact of the energy sector shortfall, increase transparency and enhance governance, promote the sector's financial recovery, and reform ECG (MEFP¶46-47). Specifically:

- *Immediate actions* include: i) increasing the electricity tariff by 3 percent on average as of October 1, 2024 to reflect latest developments in the exchange rate, CPI inflation, fuel prices, and generation mix; ii) ceasing to procure costly liquid fuel, and switching to natural gas; iii) launching a revenue drive to increase ECG collection in 2024Q4 and ensuring full implementation of the CWM—which requires ECG to declare all tariff bills collected and payments made to the Tier 1 and Tier 2 claimants under the CWM; iv) requesting ECG to secure formal approval from both the MoF and Ministry of Energy before initiating any new capital expenditures not included in the 2022 Major Tariff Review; and v) drafting in consultation with the WB and the Fund, the terms of references (ToR) to prepare a restructuring strategy to open ECG's operations to private sector participation (***prior action***), including a comprehensive technical and financial audit of ECG's operations. The draft strategy, which will help reduce operational costs and enhance collections, is expected to be completed by end-June 2025 and adopted by Cabinet by end-September 2025 (***new proposed SB***).
- *Medium-term measures* primarily envisage to finalize the 2023 and 2024 energy sector legacy debt validation audits by March and August 2025, respectively, and PURC to take the following actions: i) continuing to implement quarterly tariff adjustments consistent with the 2022-25 Electricity and Water Major Tariff Review and related guidelines, while publishing technical notes to justify tariff decisions (***new proposed quarterly SB***); ii) reviewing with support from the IMF and the WB the methodology for quarterly adjustment of electricity tariffs by end-2024 to reduce discretion; iii) implementing a new major tariff review (based on a reassessment of ECG's financials and other sectoral developments) by end-September 2025 (***new proposed SB***); iv) continuing to publish audited quarterly validation of ECG's revenue and collection accounts reports, and acting on the auditors' findings, with the next such audit to be published by end-January 2025 with an unqualified opinion (***new proposed SB***); and v) publishing monthly CWM Validation reports confirming compliance with CWM Guidelines.

Box 1. Recent Developments in the Energy Sector

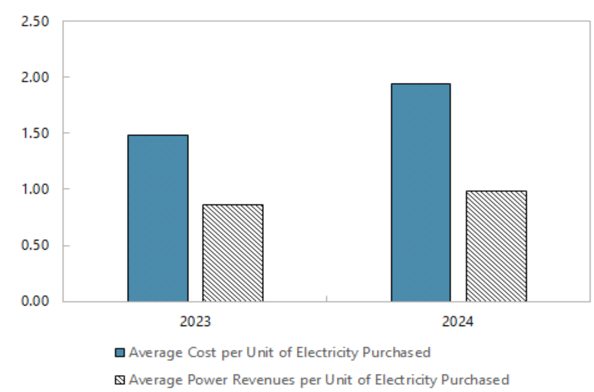
The energy sector is a major source of fiscal risk in Ghana. At end-December 2023, the sector had an estimated stock of arrears ("legacy debt") of US$2.1 billion or 2.8 percent of GDP (included in the debt perimeter of the DSA) to IPPs and private fuel suppliers. In addition to the outstanding arrears, every year the sector is unable to generate enough resources to cover the cost of generating and distributing energy, thus incurring a deficit ("the energy sector shortfall"). This situation has originated from a confluence of factors—including weak governance, significant system and revenue collection losses, high fixed costs, and tariffs significantly below cost recovery.

Since its inception, the Fund-supported program focused on reforming the energy sector to put it on a financially-viable footing. Specifically, the program envisages the steadfast implementation of a comprehensive strategy to curb arrears' accumulation and clear legacy debt under Ghana's Energy Sector Recovery Program (ESRP), as well as periodic tariff reviews by the PURC to ensure that tariff pricing decisions timely reflect developments in the cost of energy (cedi exchange rate, inflation, fuel and power generation costs). The ESRP aims at i) preventing further accumulation of arrears through government payments (included in staff's baseline); ii) ensuring timely payment of MDA bills; iii) renegotiating power purchase agreements with IPPs to reduce capacity charge; iv) increasing gas consumption to close the supply gap; v) adopting a least-cost fuel procurement strategy; and vi) improving payment mechanism via establishing national gas clearing house and imposing the use of a cash waterfall mechanism (CWM). In addition, the Fund-supported program has been designed to create the necessary budget appropriations to cover the energy sector shortfall—and hence in principle avoid accumulation of new arrears—and to create space for gradual repayment of legacy arrears by the government.

Despite these efforts, the energy sector shortfall will exceed programmed levels in 2024, adding pressures on Ghana's public finances. Staff expects that the shortfall will be 0.6 percentage points of GDP larger than projected at the time of the 2nd ECF Review (bringing the estimated total shortfall to 2.2 percent of GDP this year). This deterioration mainly reflects: i) tariff decisions that did not fully reflect developments in the cost of energy (cedi exchange rate, inflation, fuel and power generation costs), resulting in end-user tariffs falling below the average cost per unit of electricity; ii) a delayed implementation of the ESRP, which resulted in the absence of tangible improvements in the operational efficiency and collection rate of ECG; iii) the decision to rely more on costly liquid fuels than on gas for power generation; and iv) unaddressed governance issues that resulted in the CWM not being implemented properly, as attested by a recent Validation Report of ECG's revenue/Collection Account (covered by program conditionality). The report found a significant discrepancy between the revenue collection declared by ECG and the ECG's revenues for disbursements under the CWM. Moreover, in the first 7 months of 2024, except for March, ECG's declared monthly revenue for disbursements under the CWM has been below the minimum level of GHS1 billion provided by the Updated CWM Guidelines.

Average Power Revenues and Cost per Unit of Electricity

(GHS/kwh)



Source: Ghanaian Authorities and staff estimates.
Notes: Power revenues reflect collection losses. Cost of electricity purchased includes those beyond the generation cost such as operational and capital expenditures and debt service.

Cocoa Sector

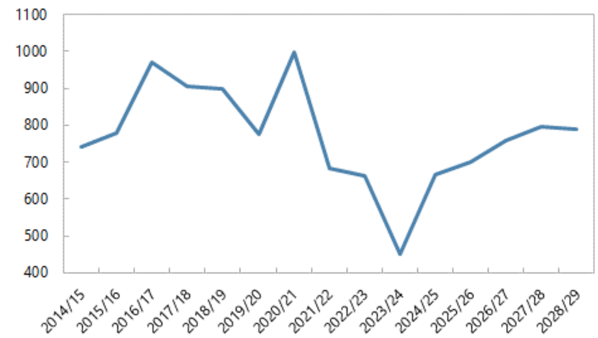
28. The authorities published the [Cocoa Board's (Cocobod) turnaround strategy] in October 2024. The strategy aims at restoring Cocobod's financial sustainability by i) strengthening financial oversight; ii) maintaining the producer price within the range of 60-70 percent of international prices to balance 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. The cocoa desk established at the MoF continues to review Cocobod's financial position with a view to improve financial oversight. In this context, the authorities have also requested Fund TA to develop an effective SOE oversight strategy.

29. Although the Cocobod's financial position improved in 2023, the current financial year is proving challenging (Text Figure 5). Notwithstanding record-high spot market prices, the weak cocoa production in FY2023/24 posed significant challenges to Cocobod's ability to deliver on existing forward sales contracts. As a result, Ghana was unable to take full advantage of high international prices as part of the forward contracts (carrying lower prices than current market prices) had to be rolled over to the 2024/25 season. The 2024/25 farmgate price was increased by 50 percent, reflecting the high international prices and the need to reduce incentives to smuggle cocoa and/or use cocoa farmland for illegal gold mining. Cocobod adopted a new financing model to purchase cocoa beans, whereby a combination of self-financing by licensed buying companies

Text Figure 5. Cocoa Sector Developments

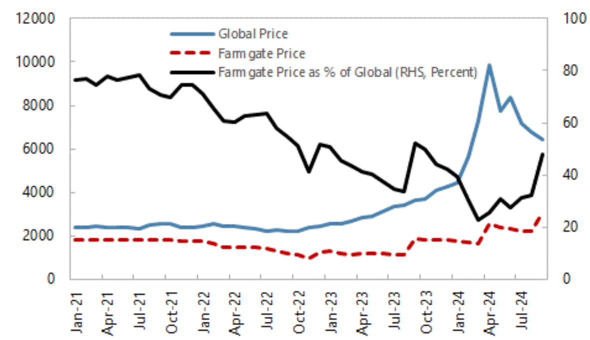
Cocoa Production

(Thousand Metric Tons)



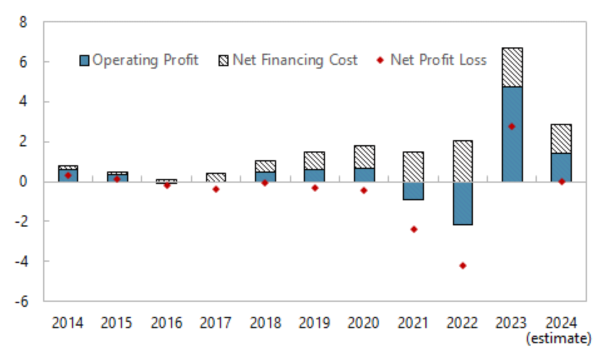
Cocoa Prices

(USD per Metric Ton)



Composition of Cocobod's Profit/Loss

(GHS Billions)



Sources: Ghanaian authorities and Fund Staff Calculations.
Notes: Ghana's farmgate price is computed as Cedi-denominated farmgate price in Ghana divided by monthly market exchange rate. Cocobod's 2024 figures are based on unaudited financial statements.

and local bank financing will replace the annual international banks' loan syndication. Cocobod's cash flow situation is expected to remain broadly balanced during the current season assuming a rebound in production due to a normalization of weather conditions—a somewhat realistic assumption based on the latest indications.

D. Finalizing the Debt Restructuring and Improving Debt Management

30. The authorities have made significant headways on their comprehensive debt restructuring (MEFP¶14-15).[5] The domestic debt restructuring was completed in 2023. Following the agreement on a Memorandum of Understanding (MoU) with the Official Creditor Committee (OCC) reached in June 2024, all but four countries have now signed the MoU, with the remaining signatures expected in the coming weeks. At the same time, the OCC co-chairs are working with Ghana on preparing bilateral agreements that can serve as guides for all OCC members to implement the MoU. All bilateral agreements are expected to be signed by June 2025. Following the agreement-in-principle reached in June 2024 with the two bondholders committees, the authorities have recently completed the Eurobond exchange.

31. The authorities are making good-faith efforts to reach an agreement with their other external commercial creditors on comparable terms and consistent with program parameters. They recently sent letters to their largest other commercial creditors to request initiation of technical discussions on the restructuring—including to explain the expectations related to IMF program parameters and the creditors' CoT principle. The authorities also intend to start negotiations with other smaller commercial creditors through a coordination mechanism that will facilitate information sharing and the actual restructuring process.

32. The MoF has designed a strategy to prioritize disbursements of pre-cut-off-date (CoD) loans (*end-August SB*). The key criteria underlying this strategy are the socio-economic return of projects as well as their readiness and expected pace of disbursements (MEFP¶17) . The strategy has been presented to the OCC in September 2024. Actual disbursements of these pre-CoD projects reached US$111 million at end-June 2024, below the US$250 million ceiling under the program (**IT**).

33. While government financing has continued to rely heavily on T-bills, the authorities intend to re-access the domestic bond market next year (MEFP¶18). The government has been issuing large amounts of T-bills over the last two years, relying on the demand from non-bank investors (individuals, insurance, and investment funds) which had limited alternative investment options (Text Figure 6). Notwithstanding progress toward fiscal consolidation, the government's financing needs will remain elevated next year with the resumption of debt service payments to bondholders and the need to continue to clear the large

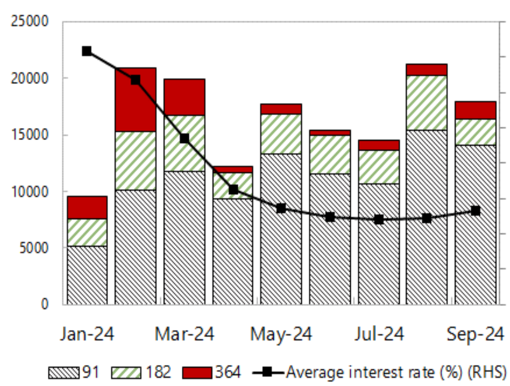
[5] Restoring debt sustainability under the program has been anchored by the objective of achieving a moderate risk of debt distress by 2028, bringing five external and overall debt ratios below their respective thresholds, as well as of seeking sufficient external debt service relief from the debt restructuring to ensure that Ghana's program is fully funded through 2026.

stock of arrears (including the energy sector legacy debt). The authorities intend to gradually resume domestic bond issuances in 2025 with a first issuance of a 2-year bond planned in the second quarter. The authorities will publish a revised medium-term debt management strategy by June 2025, as well as an annual borrowing plan and their relevant quarterly issuance calendars. In this context, the Debt Management Office has requested IMF TA to support capacity building in liability management operations and debt sustainability analysis.

Text Figure 6. T-Bills Market Conditions

T-Bill Issuances, Jan-Sep 2024

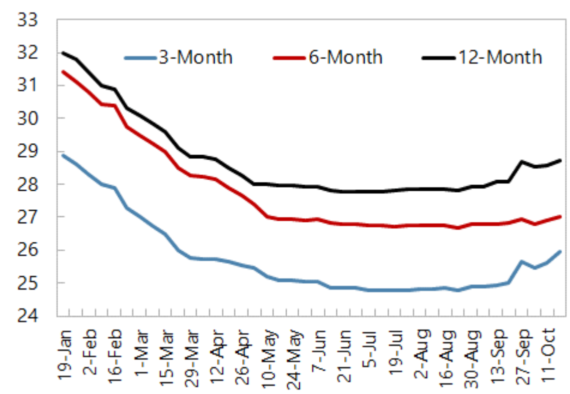
(GHS millions)



Sources: Bank of Ghana and Fund Staff Calculations.

T-Bill Interest Rates, Jan-Oct 2024

(Percent)



Sources: Bank of Ghana and Fund Staff Calculations.

34. **The authorities are also committed to strengthen their debt management framework and enhance debt transparency** (MEFP¶19). The authorities intend to establish an investment relations unit to engage with the investor community and credit rating agencies. The upgrade of the current securities operation infrastructure system (CS-DRMS) will be completed by end-December 2024. In addition to improving the accuracy of debt recording, the processing of debt service and the reporting of public debt, this new system will support the monitoring of borrowing and contingent liabilities stemming from operations of key SOEs as well as of any collateralized debt issuance.

E. Maintaining Prudent Monetary and Exchange Rate Policies

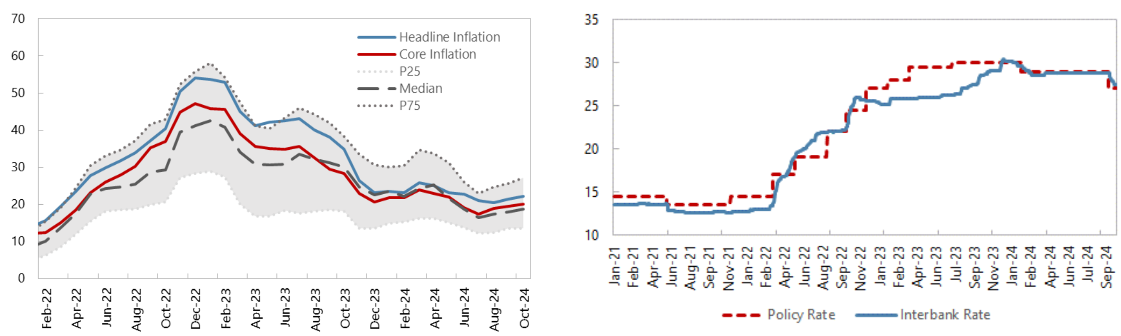
35. **The monetary policy stance has remained tight in the face of upside risks to inflation.** The BoG has responded to the decrease in inflation by reducing its policy rate by 300 basis points this year (Text Figure 7). However, at some 5-7 percent, the real policy rate is still above its historical average. Given the upside risks to the disinflation path, the BoG has signaled its intention to maintain a tight policy stance to bring inflation down to its target band (8±2 percent) by the end of next year. While the BoG has continued to absorb liquidity from the market, the rapid growth in broad money points to the possible need for additional efforts in

this area. In addition, the substitution of open market operations (OMOs) with the cash reserve ratio (CRR)—which shifted the cost of monetary policy to the financial sector—continues to reduce the attractiveness of the cedi deposits. The BoG will review these policies to ensure they deliver on their objectives (MEFP¶20) and do not impose undue costs on the financial sector nor lead to excessive risk taking, while preserving adequate conditions for monetary policy transmission.

Text Figure 7. Inflation and Monetary Policy Developments

Inflation, Jan 2022-Oct 2024
(Year-on-Year, Percent)

Monetary Policy Implementation, Jan 2022-Oct 2024
(Percent)



Sources: Haver, Ghanaian authorities, and Fund Staff Calculations.
Note: Median and Quartiles are calculated for COICOP4 categories

36. The reform of BoG's FX market operation framework is advancing. In September 2024, with a brief delay, the BoG eventually adopted a more robust FX reference rate computation method, allowing for full convergence with the benchmark rate derived from the wholesale FX market (***end-August 2024 SB***). The adoption of the new reference rate is the first step in BoG's strategy to align its Market Reference Rate (MMR) methodology with the International Organization of Securities Commissions (IOSCO) Principles of Financial Benchmarks.

37. Notwithstanding increased FX interventions, the authorities have maintained exchange rate flexibility and continued to rebuild FX buffers.[6] The exchange rate depreciation in recent months points towards greater flexibility. Even though it has prompted the BoG to increase its FX interventions, this has been done while achieving its NIR targets. Some progress has been made toward improving foreign exchange market operations. The launch of the 7-day FX forward sale auctions with a multiple-price allotment is an important step in this direction (MEFP¶21-23). Key milestones in this area will include developing a comprehensive FX intervention policy and replacing bilateral adjudications completely and permanently with a

[6] Certain capital flow measures (CFMs) remain in place. A US$10,000 withdrawal limit per trip and per annual undocumented transfer, and surrender requirements for cocoa proceeds and gold to the BOG. Staff recommends the gradual removal of these CFMs once reserve levels are adequate, consistent with the Fund's Institutional View.

transparent auction-based FX auction mechanism 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.

38. The BoG is committed to removing all multiple currency practices (MCPs). Ghana maintains some official actions which result in MCPs under the new Fund policy (IMF Policy Papers No. 2022/036 and No. 2023/058) arising from: (i) the use of the previous day's BoG reference rates and applying fees for the BoG direct FX transactions with the government, (ii) the use of the previous day's BoG buying reference rate and applying fees for the surrender to the BoG of FX funds related to cocoa exports, and (iii) the BoG requirement to use the opening Bloomberg regional bid rate for banks' purchases of FX inward remittances.[7] The most recent day when impermissible spreads arose for existing MCPs is September 9, 2024 (government), September 12, 2024 (cocoa), and September 12, 2024 (remittances). These MCPs are likely to generate economic distortions and hamper FX market development (IMF Country Report No. 2024/213). The authorities consider the economic impact of MCPs to be minimal, and are committed to eliminating them, including through reforms. After the introduction of the new reference rate methodology in September 2024, no breaches of the permissible range were detected for existing MCPs ((i) and (ii) above). Moreover, modifications of MCPs due to the new methodology are carved out from the continuous PC (TMU, ¶4).

39. Progress toward implementing the 2023 safeguards assessment's (SA) recommendations has been slow (MEFP¶24). In June, Cabinet approved a set of draft amendments to the BoG Act in consultation with the Fund (***end-May 2024 SB***), and the BoG Board discussed a risk assessment of the Gold-for-Oil program (G4O) and approved an exit strategy (***end-June 2024 SB***), envisaging an outright government takeover of the BoG's legal and financial exposure. The amendments will be submitted to Parliament by end-May 2025 (***proposed new SB***). Consistent with its exit strategy, the BoG is working with the government to exit the G4O by end-September 2025. In addition, several other SA recommendations remain outstanding, and staff will continue to engage with the authorities on associated reforms.

40. The authorities are working towards strengthening BoG's balance sheet. The MoF and the BoG are working on an MoU to plan for gradual recapitalization of the central bank (MEFP¶25) to help it recover from the impact of the domestic debt restructuring. This will be done while respecting the fiscal commitments and debt targets under the program. Options to ensure consistency with the Fund-supported program parameters include recapitalization via budgetary or asset transfers, suspension of profit transfers, and/or use of any buffers that could be generated in program implementation. To strengthen the recovery of its net equity over time,

[7] Since the Updated Guidelines for inward remittances became effective in November 2023, the BoG requirement for commercial banks to purchase international inward remittance in FX at the exchange rate within a band plus or minus 100 basis points around the reference rate (the BoG letter of September 7, 2020) is no longer in effect. The conversion of FX into cedis settlement accounts must be conducted by banks at the opening Bloomberg Regional bid rate of the day the FX remittance transfer is received by the bank.

in early 2025, the BoG will launch an external efficiency review and adopt a strategy to streamline its operational costs.

F. Enhancing Financial Sector Stability and The AMl/CFT Framework

41. Financial sector stability has been maintained following the domestic debt exchange (DDE), and steps to manage risks have been taken (MEFP¶26-27). Most banks are on track with or will exceed the minimum two-thirds recapitalization by end-2024 (**SB**)—including some state-interest and private domestic banks that have benefitted from GFSF assistance, along with other non-bank financial institutions (NBFIs).[8] Pending parliamentary approval, implementation of the WB-funded window of the GFSF will support eligible banks to comply fully with capital adequacy requirements (without reliefs) within program timelines. The BoG is closely monitoring and implementing corrective actions to motivate banks' compliance with recapitalization requirements, while encouraging banks to frontload recapitalization given the increased credit risks. However, risks have increased, reflecting the rise in NPLs and the continued weaknesses and undercapitalization of most specialized deposit-taking institutions (SDIs). The BoG has taken several measures to address some of these risks. Namely, it has now implemented a requirement for banks with NPL ratios exceeding 10 percent to submit credit action plans and will closely monitor their performance; is developing strategies to address identified structural obstacles to problem credit recovery; and is reviewing and updating prudential credit and operational risk standards. Moreover, the MoF has started addressing the financial sector legacy issues, consistent with the Ghana Financial Sector Strengthening Strategy (***end-June 2023 SB****)*—which, among other things, calls for the strengthening of the SDI sector to support inclusive growth.

42. Recent initiatives to promote credit expansion could have unintended implications for risk taking. While the tiered CRR adopted in 2024Q1 is targeted to motivate credit expansion, a few entities—which fall into the higher reserve categories—benefit from forbearance. This may result in moral hazard issues of uneven playing field and arbitrage risks. The BoG has committed to eliminating this forbearance by end-June 2025. The BoG has also approved a new "regulatory sandbox" for the limited piloting of a micro-credit lending program that aims to provide credit more quickly to SMEs through a fintech platform for information sharing between SMEs and banks. While the sandbox does not appear to be subject to supervisory oversight and risk standards, the BoG's updated credit and operational risk standards will encompass this credit segment.

43. Implementation of the recently adopted strategy to recapitalize the state-owned National Investment Bank (NIB) has started despite some delays (MEFP¶29). The MoF has injected capital of GHS800 million in cash between June and October 2024, with the objective to

[8] Between November 2023 and August 2024, the GFSF has supported 11 financial institutions with GHS4.9 billion in recapitalization bonds in four state-interest and private indigenous banks, GHS0.3 billion in three state-interest and one private indigenous insurance companies, and GHS0.2 billion in long-term secured debt to four private CMOs.

reach total capital injections of GHS1.85 billion (in cash and recapitalization bonds) to bring NIB's CAR to a non-negative position by end-2024 (***SB***). Commencement of the injections in NIB was accompanied by BoG further intensifying its enhanced supervision and additional reporting by the bank. With assistance from the Fund, the BoG has finalized the terms of references (ToR) for the NIB special investigation (***end-July 2024 SB***) and is taking steps to recruit a suitably experienced international, independent and reputable firm to facilitate completion of the exercise by end-2024. The latter will lay the groundwork for the design of a forward-looking overarching restructuring plan (***end-March 2025 SB***). The BoG has also indicated that the lifting of Prompt Corrective Actions (PCAs) will be subject to assessment that the required key reforms identified by the special investigation—including in governance and credit risk management—have been satisfactorily implemented.

44. The authorities are taking steps to address the recurring financial problems at state-owned banks (MEFP¶31). 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 serve as a guide to strengthen other key public banks. Along with the GFSF's substantial capital injection in ADB, the BoG will launch a special review of that bank's operations to inform the design and implementation of a restructuring strategy by end-May 2025. The findings of this review will also inform the reform strategy for state-owned banks. The BoG has announced its intention to divest its share ownership in ADB.

45. The authorities remain committed to further improving the AML/CFT framework (MEFP¶51). The Financial Intelligence Center is set to complete by end-2024 its National Risk Assessment exercise, an important input into the preparation for the third GIABA mutual evaluation that will begin in 2025. To enhance beneficial ownership (BO) transparency, the Office of the Registrar of Companies (ORC) is rolling out, with the support of the WB, a new registrar system that will be integrated with other administrative frameworks (tax, posts, etc.). This new system will help companies register, facilitate cross-checking of information, and allow third parties to access BO information more easily. The ORC is also committed to enforce sanctions for companies that do not maintain up-to-date information. The authorities have continued to strengthen the AML/CFT framework for Designated Non-Financial Businesses and Professions by stepping up sensitization and capacity building actions with relevant stakeholders in priority sectors such as real estate, casinos, and dealers in precious metals and stones. The relevant authorities responsible for the AML/CFT supervision of financial institutions are significantly under-resourced in proportion to the number of institutions they need to supervise, highlighting the importance of addressing this as a priority.

G. Structural Reforms to Support Governance and Inclusive Growth

46. The authorities are taking steps to enhance governance and address vulnerabilities to corruption (MEFP¶50). Several measures implemented under the Fund-supported program are aimed at strengthening the integrity and efficiency of public procurement and revenue administration processes and enhancing transparency and accountability. The authorities are currently reviewing the first draft of the IMF Governance and Corruption Diagnostic Assessment TA report. Some of the recommendations will be taken forward under the Fund-supported program. This includes a reform of the public officers' asset declaration system, with a new bill, prepared in consultation with IMF staff and in line with international best practices, to be submitted to parliament by end-September 2025 (***new SB***). The follow up report of the Auditor General's audit on COVID-19 spending has not yet been published, and the authorities are committed to doing so by end-2024 (MEFP¶50).

47. The government's strategy to foster inclusive and private sector-led growth focuses on boosting export competitiveness and improving access to finance (MEFP¶52). The key objectives of this strategy are geared towards enhancing Ghana's business environment by simplifying regulations, including through the digitalization of new business registrations and the establishment of a construction permitting portal, with WB support. To attract foreign direct investment (FDI), amendments to the Investment Promotion Centre Act will reduce minimum capital requirements, and an e-visa system will be introduced. The strategy also focuses on boosting export competitiveness through a reduction in trade barriers and the implementation of the AfCFTA agreement, upskilling the workforce, streamlining industrial policies, improving access to finance, while promoting digitalization through expanded broadband and digital skills training.

PROGRAM FINANCING AND MODALITIES

48. Adequate financing assurances are in place. 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 (Text Table 2). While the second WB DPF is delayed to 2025, higher-than-expected WB project disbursements (about US$520 million total) and a better current account have lowered the residual BoP financing gap in 2024. Additional dry-spell-related WB support will bring the total 2024 budget support to US$390 million and an estimated US$728 million in 2025. This reflects two potential DPF disbursements, assuming the authorities implement all underlying reforms in a timely manner. No further budget support is expected from the African Development Bank (AfDB) after 2024.

49. Given the approaching elections and consistent with Fund policy, staff has engaged the leaders of the main opposition party to seek their views on program engagement. Representatives of the National Democratic Congress provided adequate assurances regarding reform continuity and support of the program's main objectives and key policies.

50. Staff is assured that the ongoing debt restructuring will generate financing consistent with program parameters and will restore debt sustainability. The ongoing progress toward signature of the MoU between the government and the OCC and preparation of bilateral agreements to implement the MoU satisfy 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). Following the successful Eurobonds restructuring and consistent with the Lending into Arrears policy, the authorities are making good faith efforts to reach a debt restructuring agreement with other external commercial creditors on comparable terms and within program parameters, by maintaining a substantive dialogue with these creditors and seeking a collaborative process.

Text Table 2. Proposed Program Financing

(USD million)

	2023	2024	2025	2026	Total
Pre-restructuring Financing Gap[1]	**3,364**	**3,853**	**4,399**	**2,243**	**13,860**
Debt service relief from restructuring[2]	**2,677**	**2,100**	**2,951**	**1,509**	**9,237**
Official creditors[3]	836	766	657	604	2,863
Commercial creditors[4]	1,841	1,334	2,294	905	6,374
Post-restructuring financing gap	**687**	**1,754**	**1,448**	**734**	**4,623**
IMF	600	1,320	720	360	3,000
World Bank[5]	27	390	728	374	1,519
African Development Bank	60	44	0	0	104

1 Pre-restructuring financing gap before external debt treatment from bilateral and commercial creditors (and net of arrears bond debt service).

2 Actual debt service arrears accumulated in 2023

3 Based on June 2024 MoU between Ghana and G20 Common Framework OCC

4 Based on October 2024 Eurobond restructuring and the authorities' restructuring strategy for other commercial cr

5 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. In addition, the World Bank is planning to disburse $1.85 billion for project loans during 2023-26, already included in the baseline.

51. The following modifications to program conditionality are being proposed (MEFP Tables 1-2):

- *Modification of PCs and ITs for end-December through end-June 2025.* 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 for end-March and end-June 2025 will be lowered to account for updated intra-annual FX cash flow projections. The MPCC bands through June 2025 will be shifted upwards to better reflect the impact of recent macroeconomic developments on the-expected disinflation trends. The IT on social spending will be monitored based on actual disbursements to line ministries to ensure timely transfers to beneficiaries.

- *New non-oil revenue adjustor*. A new asymmetric adjustor for the IT on non-oil revenues (ceiling) is established to reflect the potential impact of a one-off dividend from ESLA on collection at end-December 2024.

- *New conditionality through 2025*. PCs and ITs until end-December 2025 will be established along with 9 new SBs for end-January 2025 through end-December 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 political and financing assurances.

- Ghana's capacity to repay (CtR) the Fund is adequate but subject to significant downside risks. This assessment assumes successful program and debt restructuring implementation predicated on achieving moderate risk of debt distress and restoring adequate market access. 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 5.1 percent of GDP. Debt service obligations to the Fund will reach a peak of 10.8 percent of total debt service in 2030. While improving, SDR holdings remain at relatively low levels (SDR 46.5 million at end-July 2024 compared to SDR 634.3 million at end-July 2022). Downside risks to Ghana's CtR stem from the high uncertainties surrounding the outcome of the 2024 general elections and delays in implementing the policies and reforms under the Fund-supported.

- These risks are mitigated by Ghana's strong track record of debt service to the Fund, the authorities' strong commitment and ownership of the program, and the financing assurances provided by creditors and development partners. Election-related risks are also mitigated by the political assurances collected in the context of this review. While residual risks remain, continued support for a member facing deep macroeconomic challenges and strongly committed to its reform program is important. Withholding such support at the current juncture would entail reputational risks for the Fund, with possible knock-on effects on support from other partners and the prospects for finalization of the debt restructuring.

STAFF APPRAISAL

53. Ghana's economy has made further progress towards stabilization. Performance under the ECF-supported program has been generally satisfactory despite some delays on the structural front. The recent completion of the Eurobonds restructuring has marked another key milestone in the authorities' strategy to restore debt sustainability. With adjustment policies and ongoing reforms broadly on track, the fiscal position and the external sector have continued to improve. Real GDP growth has rebounded more rapidly than initially envisaged, while inflation has further declined.

54. Nonetheless, fully and durably restoring macroeconomic stability while addressing longstanding vulnerabilities will require steadfast program implementation. While the macroeconomic outlook remains generally favorable, risks stemming from global factors (e.g., dry spell, commodity price volatility, external demand, trade disruptions) as well as possible election-related policy and reform slippages are elevated. Yet, the gains achieved thus far under the program remain fragile and persistence in the reform effort is of the essence to robustly address structural weaknesses and build resilience. Against this backdrop, diligent program implementation before and after the upcoming elections is paramount and warrants strong commitment from all stakeholders.

55. Staying the course of fiscal policy adjustment while protecting the vulnerable remains paramount. Further reducing the government's fiscal deficit and financing needs requires continued efforts to enhance domestic revenue mobilization and streamline primary expenditures. Strict control over government spending is critical to address emerging pressures within fiscal targets. The government should also be ready for timely adoption of contingency revenue and expenditure measures, should this be needed. At the same time, further efforts to enhance social protection interventions is important to foster an inclusive recovery. Continued efforts to reach an agreement with other commercial creditors on a debt treatment consistent with program parameters remains essential to restoring debt sustainability.

56. Promptly and forcefully addressing energy sector challenges is critical. The authorities should implement the holistic approach they have laid out, consisting of a set of concrete immediate and medium-term actions to reduce the energy shortfall—including by reducing system and collection losses and ensuring that tariff decisions are rule-based, reflect timely developments in the cost of energy, and are implemented while protecting the most vulnerable consumers. They also urgently need to improve transparency, while strengthening the governance and accountability in the sector.

57. Entrenching fiscal discipline and containing fiscal risks also hinges on continued progress in the other areas of the fiscal structural reform agenda. The proposed amendments to strengthen Ghana's fiscal responsibility framework in line with best practices are a welcome step forward. Their timely enactment is essential to instill confidence in Ghana's commitment to restoring debt sustainability and strengthening fiscal accountability and transparency. The authorities should also redouble their efforts to implement comprehensive reforms aimed at improving revenue administration consistent with the priorities identified under Ghana's MTRS, and enhancing public financial management—including by strengthening expenditure controls and public investment management, streamlining statutory funds, preventing arrears accumulation, and strengthening governance and transparency in public procurement. In the cocoa sector, ensuring the steadfast implementation of the recently approved Cocobod turnaround strategy is of the essence.

58. The BoG should maintain a tight monetary policy stance given upside risks to inflation, while doing more in advancing Fund's advice on safeguards. A tight policy stance, supported by robust liquidity absorption operations, is warranted to ensure that inflationary pressures—stemming from the dry spell and the recent cedi depreciation—do not de-anchor inflation expectations and inflation gradually returns within the BoG target band. Continued progress in addressing the Fund's safeguard assessment recommendations is needed to strengthen central bank independence and operational efficiency.

59. Rebuilding international reserves and accelerating reforms to enhance BoG's FX intervention framework remain key priorities under the program. The overperformance of reserves accumulation targets is welcome but mainly reflects a significant expansion of the gold for reserves program, which warrants careful management of related portfolio risks and liquidity implications. Going forward, limiting FX interventions remains key to rebuilding external buffers. The BoG made welcome progress in adopting a more robust FX reference rate computation method—which would limit the occurrence of MCPs. Implementation of a formal internal FX intervention policy framework and replacement of bilateral adjudications with a transparent auction-based FX auctions—complying with MCPs policy requirements—are additional important steps to enhance the functioning of the FX market.

60. Steadfast and decisive progress in strengthening the financial sector is of the essence. The BoG has appropriately intensified monitoring and escalated measures to promote timely recapitalization and steps to sustain the viability of banks. However, continued progress is needed on this front as well as on the phasing out of regulatory forbearances. Given the high NPLs, it will also be crucial to implement robust supervisory strategies to bolster credit and operational risk management. This will support sound credit growth, while ensuring prompt and adequate recognition, reporting, and provisioning of NPLs along with effective NPL recovery. The authorities should strive to ensure timely execution of the strategy to address NIB's financial and operational problems, while implementing the GFSF's system of key performance indicators to reinforce PCAs and prudential requirements. While BoG's intention to divest its share ownership in ADB is welcome, timely action is warranted as it will limit risks and conflicts of interest unrelated to core central bank tasks. Addressing legacy problems at SDIs and NBFIs is important given existing weaknesses. This should be done in a cost-effective way—based on objective assessments of viability, transparent burden-sharing mechanisms, and safeguards to mitigate risks to financial system stability. The authorities should also develop and implement strategies to strengthen financial sector safety nets—including by enhancing the Ghana Deposit Protection Corporation—and investor awareness to help minimize the risk of any future government bailouts.

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

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

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)										
National accounts and prices											
GDP at constant prices	3.8	2.9	2.9	3.1	4.0	4.4	4.4	4.9	5.0	5.0	5.0
Non-extractive GDP	3.1	3.0	3.0	3.0	3.5	4.4	4.5	5.0	5.0	5.0	5.0
Extractive GDP	8.9	2.5	2.5	3.9	7.0	3.8	3.9	4.3	4.5	4.7	5.0
Real GDP per capita	1.8	0.4	1.0	0.6	2.0	1.8	2.5	3.0	3.2	3.2	3.2
GDP deflator	28.2	33.1	33.1	17.5	20.4	11.1	10.6	7.8	7.8	7.7	7.6
Consumer price index (end of period)	54.1	23.2	23.2	15.0	18.0	8.0	8.0	8.0	8.0	8.0	8.0
Consumer price index (annual average)	31.9	39.2	39.2	19.5	21.9	11.5	11.4	8.0	8.0	8.0	8.0
	(percent of GDP, unless otherwise indicated)										
Central government budget											
Revenue	15.7	16.0	16.0	16.9	17.1	17.4	17.2	18.1	18.1	18.0	18.0
Expenditure (commitment basis) [1]	27.5	19.6	19.6	21.6	20.7	21.1	19.8	20.0	19.8	19.8	20.3
Overall balance (commitment basis) [1]	-11.8	-3.6	-3.6	-4.7	-3.5	-3.7	-2.7	-1.9	-1.7	-1.8	-2.2
Primary balance (commitment basis)	-4.3	-0.3	-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	-1.0	-1.2	0.1	0.1	0.2	0.2	0.2	-0.1
Public debt (gross)	92.7	82.9	83.1	82.5	78.0	79.5	72.2	67.2	63.0	59.4	56.8
Domestic debt	49.7	38.6	38.8	34.2	33.5	31.0	30.0	28.0	26.0	24.3	23.5
External debt	43.0	44.3	44.4	48.3	44.5	48.5	42.2	39.1	37.0	35.1	33.4
	(annual percentage change, unless otherwise indicated)										
Money and credit											
Credit to the private sector (commercial banks)	31.8	10.7	10.7	22.0	22.0	13.0	18.4	17.1	17.2	17.1	17.0
Broad money (M2+)	33.0	38.7	38.7	17.4	28.8	16.9	17.3	13.1	13.2	13.1	13.0
Velocity (GDP/M2+, end of period)	3.2	3.4	3.2	3.5	3.1	3.4	3.1	3.1	3.1	3.1	3.1
Base money	57.5	29.2	29.7	7.5	30.5	12.0	11.8	6.7	11.7	13.1	14.2
Policy rate (in percent, end of period)	27.0	30.0	30.0	...	...	...	...	...	...	...	...
	(US$ million, unless otherwise indicated)										
External sector											
Current account balance (percent of GDP) [2]	-2.3	-1.4	-1.4	-2.5	1.0	-2.0	0.0	0.0	-0.2	-0.4	-0.6
BOP financing gap [3]	-...	3,364	3,364	3,098	1,754	3,647	1,448	734	0	0	0
IMF	...	600	600	1,320	1,320	720	720	360	0	0	0
World Bank	...	27	27	679	390	428	728	374	0	0	0
AfDB	...	60	60	44	44	0	0	0	0	0	0
Arrears to commercial external creditors	...	1,841	1,841	0	0	0	0	0	0	0	0
Arrears to official bilateral creditors	...	836	836	0	0	0	0	0	0	0	0
Exceptional financing to cover residual financing gap [4]	-...	0	0	1,055	0	2,499	0	0	0	0	0
Gross international reserves (program) [5]	1,454	3,661	3,661	5,116	5,381	6,851	6,905	7,789	9,323	11,072	13,058
in months of prospective imports	0.7	1.7	1.6	2.2	2.3	2.8	2.8	3.0	3.4	3.9	4.4
Memorandum items:											
Nominal GDP (millions of GHc)	614,336	841,633	841,633	1,020,180	1,053,875	1,183,394	1,216,674	1,375,843	1,556,936	1,761,114	1,990,418
Population Growth Rate (percentage) [6]	1.9	2.6	1.9	2.6	1.9	2.6	1.8	1.8	1.8	1.7	1.7

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

[1] Second review interest expenditure projections corresponded to a post domestic debt and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario. Projections (third review) assume full debt restructuring.

[2] The current account values for 2022 and 2023 reflect pre-external debt restructuring.

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

[4] For the second review, to be covered by the external commercial debt restructuring.

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

[6] United Nations, World Population Prospects 2022

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

(GFS 2001, Commitment Basis, percent of GDP)

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**15.7**	**16.0**	**16.0**	**16.9**	**17.1**	**17.4**	**17.2**	**18.1**	**18.1**	**18.0**	**18.0**
Taxes	13.1	13.5	13.5	14.5	14.6	14.9	14.7	15.6	15.6	15.6	15.6
Direct taxes	6.3	6.7	6.7	6.9	7.3	6.5	6.5	6.4	6.4	6.4	6.4
Indirect taxes	5.3	5.2	5.2	5.8	5.5	6.4	6.3	7.1	7.1	7.1	7.1
Trade taxes	1.6	1.7	1.7	1.8	1.8	1.9	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	2.2	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**	**19.6**	**19.6**	**21.6**	**20.7**	**21.1**	**19.8**	**20.0**	**19.8**	**19.8**	**20.3**
Expense	22.9	16.9	16.9	18.4	17.7	17.6	17.2	16.6	16.5	15.3	15.4
Compensation of employees	6.4	6.0	6.0	6.2	6.0	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	3.2	3.2	5.2	4.0	5.2	4.2	3.4	3.2	3.3	3.5
Domestic	5.5	3.1	3.1	3.5	3.4	3.5	3.4	2.7	2.5	2.5	2.6
Foreign	1.9	0.2	0.2	1.7	0.6	1.7	0.7	0.7	0.8	0.8	0.9
Subsidies and transfers	2.3	2.4	2.4	1.6	2.2	1.5	2.2	2.0	1.6	1.1	1.0
o/w transfers to energy producers	0.9	2.4	2.4	1.6	2.2	1.5	2.1	2.0	1.6	1.1	1.0
Social benefits[2]	0.0	0.1	0.1	0.1	0.1	0.3	0.1	0.2	0.3	0.3	0.3
Grants to other government units	4.7	4.1	4.1	4.2	4.2	3.4	3.8	3.8	4.1	3.4	3.4
Net acquisition of nonfinancial assets	3.9	2.5	2.5	3.2	3.0	3.5	2.6	3.3	3.3	4.5	4.8
Domestic financed	1.9	1.1	1.1	2.3	1.7	2.3	1.2	2.0	2.0	3.3	3.6
Foreign financed	2.0	1.4	1.4	0.9	1.3	1.2	1.4	1.4	1.3	1.2	1.2
Other expenditure	0.6	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (commitment basis)	-4.3	-0.3	-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**	**-3.6**	**-3.6**	**-4.7**	**-3.5**	**-3.7**	**-2.7**	**-1.9**	**-1.7**	**-1.8**	**-2.2**
Payables (net change) [3]	1.1	0.5	0.5	-1.4	-1.1	-1.0	-1.1	-1.0	-0.9	-0.8	0.0
Primary balance (cash basis)	-3.2	0.1	0.1	-0.9	-0.6	0.5	0.4	0.5	0.6	0.7	1.3
Overall balance (cash basis) [1]	**-10.6**	**-3.1**	**-3.1**	**-6.1**	**-4.6**	**-4.7**	**-3.7**	**-2.9**	**-2.6**	**-2.6**	**-2.2**
Memorandum items:											
Public sector debt	92.7	82.9	83.1	82.5	78.0	79.5	72.2	67.2	63.0	59.4	56.8
Non-oil revenue (excl. Grants)	13.6	14.2	14.2	15.1	15.2	15.7	15.6	16.5	16.6	16.5	16.5
Oil revenue	2.0	1.5	1.5	1.5	1.7	1.4	1.4	1.3	1.3	1.3	1.4
Primary expenditure	20.1	16.3	16.3	16.4	16.7	15.9	15.7	16.6	16.6	16.5	16.8
Non-oil primary balance	-6.3	-1.8	-1.8	-1.0	-1.2	0.1	0.1	0.2	0.2	0.2	-0.1
Nominal GDP (GHS, million)	614,336	841,633	841,633	1,020,180	1,053,875	1,183,394	1,216,674	1,375,843	1,556,936	1,761,114	1,990,418

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

[1] Second review interest expenditure projections corresponded to a post domestic debt and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario. Projections (third review) assume full debt restructuring.

[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	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Revenue and grants	**96,651**	**134,672**	**134,672**	**172,549**	**180,545**	**205,588**	**208,772**	**248,860**	**281,219**	**317,705**	**359,071**
Taxes	80,622	113,972	113,972	147,569	153,500	175,895	178,243	214,543	242,696	274,757	310,531
Direct taxes	38,424	56,520	56,520	70,661	76,550	77,358	78,760	88,510	99,818	113,142	127,874
Indirect taxes	32,349	43,519	43,519	58,951	58,400	76,053	76,367	97,141	110,182	124,631	140,858
Trade taxes	9,848	13,933	13,933	17,957	18,550	22,484	23,117	28,893	32,696	36,983	41,799
Social contributions	350	635	635	893	923	990	1,018	1,151	1,302	1,473	1,665
Nontax revenue	14,561	17,646	17,646	21,170	23,087	26,029	26,761	30,092	33,791	37,655	42,558
Grants	1,119	2,420	2,420	2,917	3,035	2,675	2,750	3,074	3,430	3,820	4,317
Expenditure	**168,897**	**164,552**	**164,556**	**220,712**	**217,642**	**249,785**	**241,082**	**275,093**	**308,345**	**349,418**	**403,460**
Expense	140,814	141,866	141,876	188,142	186,343	207,830	209,813	229,040	257,013	270,041	307,419
Compensation of employees	39,434	50,808	50,808	63,683	63,683	71,135	73,136	82,704	93,416	105,667	119,425
Purchases of goods and services	12,556	8,446	8,446	11,065	12,082	13,017	12,775	16,510	18,683	21,133	23,885
Interest [1]	45,687	27,055	27,055	53,264	41,902	61,948	50,561	46,870	50,481	58,129	69,269
Domestic	33,881	25,674	25,674	35,782	35,824	41,342	41,958	37,555	38,768	44,159	52,018
Foreign	11,806	1,381	1,381	17,482	6,078	20,605	8,602	9,314	11,712	13,970	17,251
Subsidies and transfers	13,908	20,581	20,592	16,786	23,491	17,842	26,519	27,552	25,343	19,270	20,425
o/w transfers to energy producers	5,239	20,544	20,555	16,360	23,183	17,460	26,126	27,108	24,841	18,702	19,783
Social benefits[2]	94	429	429	845	870	3,138	1,004	2,752	4,671	5,283	5,971
Grants to other government units	29,135	34,547	34,547	42,498	44,315	40,749	45,819	52,653	64,418	60,558	68,443
Net acquisition of nonfinancial assets	24,189	21,085	21,085	32,570	31,299	41,955	31,269	46,053	51,333	79,376	96,041
Domestic financed	11,833	9,148	9,148	23,073	18,031	27,757	14,382	27,264	31,490	57,476	71,851
Foreign financed	12,355	11,937	11,937	9,498	13,267	14,198	16,887	18,788	19,843	21,901	24,191
Other expenditure	3,894	1,601	1,595	0	0	0	0	0	0	0	0
Primary balance (commitment basis)	-26,558	-2,824	-2,829	5,101	4,806	17,751	18,250	20,638	23,354	26,417	24,880
Overall balance (commitment basis) [1]	**-72,245**	**-29,879**	**-29,884**	**-48,163**	**-37,097**	**-44,197**	**-32,310**	**-26,232**	**-27,127**	**-31,713**	**-44,389**
Payables (net change) [3]	7,041	3,866	3,871	-13,776	-11,613	-11,386	-13,068	-13,390	-13,810	-14,349	0
Primary balance (cash basis)	-19,517	1,043	1,043	-8,675	-6,807	6,365	5,183	7,248	9,544	12,068	24,880
Overall balance (cash basis) [1]	**-65,204**	**-26,013**	**-26,013**	**-61,939**	**-48,710**	**-55,582**	**-45,378**	**-39,622**	**-40,937**	**-46,061**	**-44,389**
Memorandum items:											
Public sector debt	569,534	698,021	699,718	841,799	822,134	940,972	878,651	923,930	980,473	1,046,243	1,130,839
Non-oil revenue (excl. Grants)	83,496	119,701	119,701	154,210	160,030	185,854	189,256	227,550	257,756	290,942	327,713
Oil revenue	12,037	12,552	12,552	15,421	17,480	17,060	16,766	18,236	20,033	22,943	27,041
Primary expenditure	123,209	137,496	137,501	167,448	175,739	187,837	190,522	228,223	257,865	291,288	334,191
Non-oil primary balance	-38,595	-15,376	-15,381	-10,320	-12,675	691	1,484	2,401	3,321	3,473	-2,161
Nominal GDP (GHS, million)	614,336	841,633	841,633	1,020,180	1,053,875	1,183,394	1,216,674	1,375,843	1,556,936	1,761,114	1,990,418

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

[1] Second review interest expenditure projections corresponded to a post domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario. Projections (third review) assume full debt restructuring.

[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	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
Gross financing needs (I)	**133.1**	**84.3**	**84.3**	**142.6**	**121.7**	**174.2**	**132.7**	**155.2**	**174.0**	**201.3**	**199.9**
Primary deficit (cash basis) [1,2]	19.5	-1.4	-1.4	6.4	4.5	-11.1	-10.0	-11.1	-13.1	-15.5	-24.9
Financial sector strengthening	0.0	3.6	3.6	15.3	14.9	0.6	0.8	1.3	1.1	1.2	0.0
Debt service [3,4]	113.5	82.1	82.1	121.0	102.3	184.7	141.9	165.1	185.9	215.6	224.8
External	22.1	5.7	5.7	33.2	16.2	61.0	25.4	40.3	46.9	52.1	58.7
Domestic	91.4	76.4	76.4	87.8	86.1	123.7	116.5	124.8	139.1	163.4	166.0
Gross financing sources (II)	**133.1**	**76.7**	**76.7**	**99.0**	**96.3**	**115.5**	**109.0**	**142.8**	**174.0**	**201.3**	**199.9**
External	25.8	9.4	9.4	6.6	10.4	11.5	12.0	23.0	44.2	46.2	50.4
Multilateral	5.4	7.2	7.2	2.0	7.8	6.3	6.6	6.5	12.7	14.0	15.4
World Bank	4.7	7.0	7.0	1.4	7.5	5.5	5.7	5.6	11.8	13.1	14.4
Others	0.7	0.2	0.2	0.7	0.3	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	2.1	2.1	4.5	2.6	5.2	5.5	7.1	3.7	4.1	4.5
Paris Club	1.0	1.2	1.2	2.9	1.3	3.3	3.4	5.0	1.8	2.0	2.2
Non-Paris Club	1.1	0.9	0.9	1.7	1.3	2.0	2.0	2.1	1.8	2.0	2.2
Private sector	18.3	0.1	0.1	0.0	0.0	0.0	0.0	9.4	27.8	28.2	30.5
Eurobonds	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	17.7	18.8	19.9
Other commercials	18.3	0.1	0.1	0.0	0.0	0.0	0.0	9.4	10.1	9.4	10.7
Domestic	105.9	69.5	69.5	93.9	87.5	105.7	98.7	121.5	131.7	157.3	152.1
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	59.5	59.5	78.7	72.6	84.6	79.0	36.5	34.2	34.6	30.4
Medium term debt	23.5	6.4	6.4	0.0	0.0	21.1	19.7	85.1	97.5	122.7	121.7
Financial sector strengthening bond	0.0	3.6	3.6	15.1	14.9	0.0	0.0	0.0	0.0	0.0	0.0
Ghana Petroleum and Sinking Funds, net	1.4	-2.1	-2.1	-1.5	-1.6	-1.7	-1.7	-1.8	-1.9	-2.2	-2.6
Financing gap (I)-(II)	**0.0**	**7.6**	**7.6**	**43.7**	**25.4**	**58.7**	**23.6**	**12.4**	**0.0**	**0.0**	**0.0**
Exceptional financing	**0.0**	**7.6**	**7.6**	**27.7**	**25.4**	**17.9**	**23.6**	**12.4**	**0.0**	**0.0**	**0.0**
IMF	0.0	6.6	6.6	17.9	19.1	11.2	11.8	6.1	0.0	0.0	0.0
Other financial partners	0.0	1.0	1.0	9.8	6.3	6.7	11.9	6.3	0.0	0.0	0.0
Residual gap [5]	**0.0**	**0.0**	**0.0**	**16.0**	**0.0**	**40.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
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] Second review debt service projections corresponded to a post domestic and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario. Projections (third review) assume full debt restructuring.

[5] For the second review, which assumed pre-restructuring debt service of external commercial debt, the residual gap indicated the gap that needed to be covered by the external commercial debt

Table 3. Ghana: Monetary Survey, 2022–29

	2022	2023		2024		2025		2026	2027	2028	2029
	Actual	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
I. Monetary Survey (Central Bank and Commercial Banks)											
Net foreign assets	-10,321	21,038	21,711	62,865	59,099	102,250	90,218	111,358	147,902	193,031	247,901
Net domestic assets	190,588	234,437	228,308	230,577	262,838	240,773	287,269	315,514	335,156	353,375	369,649
Net claims on central government	127,515	115,681	115,681	118,676	129,928	121,592	131,808	140,034	147,257	157,270	175,019
Claims on public non-financial corporations	14,967	14,081	14,081	25,645	9,362	39,077	10,713	11,915	13,306	14,794	16,545
Claims on private sector	76,150	77,616	77,464	92,935	93,513	102,124	109,065	126,171	146,363	170,019	197,633
Other items (net)	-22,006	27,059	26,530	-6,678	30,036	-22,020	35,683	37,395	28,229	11,291	-19,547
Money and quasi-money (M3)	180,267	250,020	250,019	293,443	321,937	343,023	377,487	426,871	483,057	546,406	617,550
Broad money (M2)	135,142	185,426	185,426	217,631	241,054	254,402	284,110	321,278	363,566	411,245	464,790
Foreign exchange deposits	45,124	64,593	64,593	75,812	80,882	88,621	93,377	105,593	119,491	135,161	152,760
II. Central Bank											
Net foreign assets[1]	-17,488	3,349	4,021	37,745	33,139	70,541	60,248	77,467	109,551	149,651	198,872
Net domestic assets	85,591	84,639	84,278	56,877	82,111	35,459	68,557	59,947	43,906	23,856	-755
Net claims on other depository corporations	-4,057	-10,168	-9,878	-2,069	-26,897	-2,618	-27,703	-28,573	-29,513	-30,528	-31,624
Net claims on central government	78,871	54,356	54,356	54,356	69,538	54,356	69,538	69,538	69,538	69,538	69,538
Claims on other sectors[2]	15,079	9,231	9,087	11,472	8,742	13,713	8,414	8,102	7,806	7,525	7,258
Other items (net)[3]	-4,301	31,220	30,714	-6,882	30,729	-29,992	18,308	10,881	-3,925	-22,679	-45,926
Base money[4]	68,104	87,988	88,299	94,622	115,251	106,001	128,805	137,415	153,456	173,506	198,117
III. Commercial Banks											
Net foreign assets	7,166	17,690	17,690	25,120	25,959	31,709	29,970	33,890	38,351	43,380	49,029
Net domestic assets	148,329	205,277	219,620	194,984	237,480	218,094	279,685	315,596	356,653	403,142	455,600
Net domestic claims	160,853	213,428	213,428	211,528	211,583	227,980	232,054	260,242	290,872	327,992	377,261
Net claims on central bank	42,209	75,093	75,093	53,358	57,060	54,693	58,420	59,762	61,290	62,971	64,860
Net claims on central government	48,644	61,325	61,325	64,320	60,390	67,236	62,271	70,496	77,719	87,732	105,481
Credit to public non-financial corporations	6,247	6,450	6,450	7,778	8,051	8,790	9,402	10,603	11,995	13,483	15,234
Credit to private sector	63,753	70,559	70,559	86,072	86,082	97,261	101,963	119,380	139,869	163,806	191,686
Other items (net)	-12,524	-8,151	6,192	-16,544	25,896	-9,886	47,630	55,355	65,780	75,150	78,339
Memorandum items:	(Annual percent change, unless otherwise indicated)										
Base money	57.5	29.2	29.7	7.5	30.5	12.0	11.8	6.7	11.7	13.1	14.2
M2	27.8	37.2	37.2	17.4	30.0	16.9	17.9	13.1	13.2	13.1	13.0
M3[5]	33.0	38.7	38.7	17.4	28.8	16.9	17.3	13.1	13.2	13.1	13.0
Credit to private sector	31.8	10.7	10.7	22.0	22.0	13.0	18.4	17.1	17.2	17.1	17.0
M2 velocity	4.5	4.5	4.5	4.7	4.4	4.7	4.3	4.3	4.3	4.3	4.3
M3 velocity	3.4	3.4	3.4	3.5	3.3	3.4	3.2	3.2	3.2	3.2	3.2
Base money multiplier (M2/base money)	2.0	2.1	2.1	2.3	2.1	2.4	2.2	2.3	2.4	2.4	2.3
Credit to private sector (in percent of GDP)	10.4	8.4	8.4	8.4	8.2	8.2	8.4	8.7	9.0	9.3	9.6

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

[1] Second review net foreign assets corresponded to a post domestic debt and post-external bilateral debt restructuring but pre-external commercial debt restructuring scenario. Projections (third review) assume full debt restructuring.

[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	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
	(Millions of U.S. dollars)										
Current account [1]	-1,695	-1,097	-1,045	-1,865	760	-1,502	28	12	-148	-414	-562
Trade balance	2,699	1,691	1,707	2,144	3,114	3,092	3,208	3,930	4,521	4,945	5,368
Exports, f.o.b.	17,320	15,702	15,716	16,541	18,158	18,121	18,721	20,274	21,558	22,624	23,864
Imports, f.o.b	-14,621	-14,010	-14,009	-14,397	-15,044	-15,029	-15,513	-16,344	-17,037	-17,680	-18,496
Services (net)	-3,462	-3,413	-3,377	-3,527	-3,747	-3,976	-4,173	-4,410	-4,843	-5,329	-5,677
Income (net)	-4,505	-3,524	-3,524	-4,523	-3,577	-4,779	-4,027	-4,578	-4,946	-5,304	-5,791
Transfers	3,573	4,149	4,149	4,041	4,970	4,162	5,020	5,070	5,121	5,274	5,538
Capital and financial account	-2,260	93	86	-318	-1,183	-544	14	359	1,969	2,474	2,885
Capital account	142	129	129	172	166	171	168	181	193	204	217
Financial account	-2,402	-35	-43	-490	-1,349	-715	-155	178	1,776	2,271	2,668
Foreign direct investment (net)	1,473	1,308	1,308	1,558	1,564	1,725	1,910	2,263	2,520	2,795	2,995
Portfolio investment (net) [2]	-2,176	2,487	2,480	-343	-175	-1,537	-342	-1,102	11	10	-2
Other investment (net)	-1,699	-3,831	-3,831	-1,705	-2,739	-903	-1,722	-983	-754	-534	-325
Medium and long term (net)	-867	-2,812	-2,812	-1,640	-1,773	-1,409	-1,180	-601	-535	-401	-244
Short-term (net)	-832	-1,019	-1,019	-65	-966	506	-543	-382	-219	-134	-81
Errors and omissions	356	-985	-1,029	0	0	0	0	0	0	0	0
Overall balance	-3,599	-1,988	-1,987	-2,183	-423	-2,045	42	371	1,821	2,060	2,323
Financing	3,599	1,988	1,988	2,183	423	2,045	-42	-371	-1,821	-2,060	-2,323
Use of Fund credit (net)	-121	-124	-124	-160	-160	-266	-266	-320	-287	-312	-337
Increase in gross reserves from BoP flows (-)	3,720	-1,252	-1,252	-755	-1,170	-1,336	-1,224	-785	-1,534	-1,749	-1,986
Financing gap [3]	0	3,364	3,364	3,098	1,754	3,647	1,448	734	0	0	0
Memorandum items:	(Percent of GDP, unless otherwise indicated)										
Current account	-2.3	-1.4	-1.4	-2.5	1.0	-2.0	0.0	0.0	-0.2	-0.4	-0.6
Capital and financial account	-3.1	0.1	0.1	-0.4	-1.6	-0.7	0.0	0.4	2.2	2.6	2.9
Foreign direct investment (net)	2.0	1.7	1.7	2.1	2.2	2.3	2.6	2.8	2.9	3.0	3.0
	(Millions of US dollars, unless otherwise indicated)										
If financing gap is closed:											
Gross international reserves (program) [4]	1,454	3,661	3,661	5,116	5,381	6,851	6,905	7,789	9,323	11,072	13,058
Months of imports	0.7	1.7	1.6	2.2	2.3	2.8	2.8	3.0	3.4	3.9	4.4

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

[1] The current account values for 2022 and 2023 reflect pre-external debt restructuring.

[2] 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.

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

[4] 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	2nd ECF Review	Actual	2nd ECF Review	Proj.	2nd ECF Review	Proj.	Proj.	Proj.	Proj.	Proj.
I. Total Needs	**-243**	**3,936**	**3,774**	**4,550**	**1,879**	**5,546**	**2,339**	**2,757**	**3,922**	**4,464**	**4,929**
Current account deficit, excl. official transfers [1]	1,695	1,097	1,045	1,865	-760	1,502	-28	-12	148	414	562
PPG external debt amortization	1,587	162	162	1,011	547	2,332	773	1,559	1,843	1,871	1,914
Gross reserves accumulation	-3,720	1,252	1,252	755	1,170	1,336	1,224	785	1,534	1,749	1,986
Repayments to the Fund	121	124	124	160	160	266	266	320	287	312	337
Other capital flows [2]	73	1,301	1,191	759	762	111	105	105	110	118	131
II. Total Sources	**-243**	**572**	**410**	**1,452**	**125**	**1,899**	**891**	**2,023**	**3,922**	**4,464**	**4,929**
Grants	142	220	220	215	209	171	168	181	193	204	217
Private capital flows, net	-2,688	-400	-562	751	-803	990	-15	481	1,237	1,797	2,174
Foreign direct investment, net	1,473	1,308	1,308	1,558	1,564	1,725	1,910	2,263	2,520	2,795	2,995
Other capital flows, net	-4,161	-1,708	-1,870	-808	-2,368	-734	-1,924	-1,781	-1,283	-998	-820
Loan disbursements	2,303	752	752	486	719	738	738	1,360	2,492	2,464	2,538
Multilateral	640	560	560	150	538	402	402	382	717	747	776
World Bank	555	510	510	100	519	352	352	332	667	697	726
Others	85	50	50	50	19	50	50	50	50	50	50
Bilateral	251	188	188	336	182	336	336	422	208	216	225
Paris Club	120	113	113	211	91	211	211	297	104	108	112
Non-Paris Club	131	75	75	125	91	125	125	125	104	108	112
Private sector	1,412	5	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	5	5	0	0	0	0	556	567	500	537
III. Financing Gap (I-II)	**0.0**	**3,364**	**3,364**	**3,098**	**1,754**	**3,647**	**1,448**	**734**	**0**	**0**	**0**
IV. Expected Sources of Financing	**-...**	**687**	**3,364**	**3,098**	**1,754**	**3,647**	**1,448**	**734**	**0**	**0**	**0**
IMF	...	600	600	1,320	1,320	720	720	360	0	0	0
World Bank	...	27	27	679	390	428	728	374	0	0	0
AFDB	...	60	60	44	44	0	0	0	0	0	0
Arrears to commercial external creditors	...	1,841	1,841	0	0	0	0	0	0	0	0
Arrears to official bilateral creditors	...	836	836	0	0	0	0	0	0	0	0
Exceptional financing to cover residual financing gap [3]	-...	0	0	1,055	0	2,499	0	0	0	0	0
Memo Items											
Gross International Reserves [4]	1,454	3,661	3,661	5,116	5,381	6,851	6,905	7,789	9,323	11,072	13,058
In months of prospective imports of G&S	0.7	1.7	1.6	2.2	2.3	2.8	2.8	3.0	3.4	3.9	4.4
Financing Gap (percent of GDP)	0.0	4.4	4.4	4.1	2.4	4.8	1.9	0.9	0.0	0.0	0.0

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

[1] The current account values for 2022 and 2023 reflect pre-external debt restructuring.

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

[3] For the second review, which assumed pre-restructuring debt service of external commercial debt, the residual gap indicated the gap that needed to be covered by the external commercial debt restructuring.

[4] 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	Jun-24
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	14.3
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	11.5
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	21.2
Asset Quality										
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8	15.1	14.8	20.6	24.1
Provisions to nonperforming loans	69.3	72.5	77.7	71.5	82.7	84.3	83.2	87.9	73.2	75.7
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	5.4
Return on equity (after tax)	21.7	17.7	18.6	16.6	18.8	21.2	20.4	14.1	31.7	34.2
Liquidity										
Liquid asset to total assets	48.4	53.7	56.0	58.6	59.3	63.0	64.7	61.7	65.7	67.5
Liquid asset to short-term liabilities	62.7	69.4	71.9	78.1	76.3	82.7	83.7	78.5	79.5	81.1

Source: Ghanaian authorities, IMF FSI database.

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	308	234	261	162	99	0	0
Charges and interest	3	11	42	36	36	36	36	36	36	36	36	36	36	36	36
Fund obligations based on existing and prospective credit (in millions of SDRs)															
Principal	17	13	120	198	239	214	233	296	389	422	475	376	313	133	27
Charges and interest	3	11	42	36	36	36	36	36	36	36	36	36	36	36	36
Total obligations based on existing and prospective credit															
In millions of SDRs	20	24	161	234	275	250	269	332	425	458	511	412	349	170	63
In millions of US$	26	32	214	314	370	337	362	449	579	623	659	598	441	237	94
In percent of gross international reserves	1.8	0.9	4.0	4.6	4.7	3.6	3.3	3.4	4.1	4.1	4.2	3.9	2.9	1.6	0.7
In percent of exports of goods and services	0.1	0.1	0.8	1.1	1.3	1.1	1.1	1.3	1.7	1.7	1.7	1.5	1.1	0.6	0.2
In percent of debt service [1]	0.6	2.2	9.5	11.1	9.6	7.7	7.8	8.9	10.6	10.5	10.3	8.7	6.0	3.0	1.1
In percent of GDP	0.0	0.0	0.3	0.4	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.3	0.2	0.1
In percent of quota	2.7	3.3	21.8	31.8	37.3	33.9	36.4	45.0	57.6	62.0	69.3	55.9	47.3	23.0	8.5
Outstanding Fund credit															
In millions of SDRs	1,286	1,644	2,514	2,851	2,878	2,664	2,431	2,135	1,746	1,325	849	473	160	27	0
In millions of US$	1,709	2,194	3,348	3,824	3,871	3,586	3,279	2,881	2,304	1,738	1,138	598	214	36	0
In percent of gross international reserves	117.5	59.9	62.2	55.4	49.7	38.5	29.6	22.1	16.2	11.5	7.3	3.8	1.4	0.2	0.0
In percent of exports of goods and services	6.7	9.0	12.5	13.9	13.2	11.6	10.2	8.6	6.6	4.7	3.0	1.5	0.5	0.1	0.0
In percent of debt service [1]	41.6	150.6	148.0	134.9	100.1	82.1	70.4	57.4	42.2	29.4	17.8	8.7	2.9	0.4	0.0
In percent of GDP	2.3	2.9	4.6	5.1	4.8	4.1	3.5	2.9	2.1	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	289.3	236.6	179.5	115.1	64.1	21.7	3.6	0.0
Net use of Fund credit (in millions of SDRs)	-19.8	427.4	828.5	300.6	-9.1	-250.1	-268.7	-332.4	-424.8	-457.9	-511.4	-412.4	-349.0	-169.5	-62.7
Disbursements	0	451	990	535	266	0	0	0	0	0	0	0	0	0	0
Repayments	20	24	161	234	275	250	269	332	425	458	511	412	349	170	63
Memorandum items:															
Nominal GDP (in millions of US$)	73,919	76,363	72,734	74,511	81,208	87,747	93,830	100,252	107,387	115,068	123,136	131,660	140,787	150,561	161,026
Exports of goods and services (in millions of US$)	25,565	24,354	26,849	27,545	29,320	30,835	32,109	33,531	35,069	36,949	38,530	39,833	41,200	42,624	44,098
Gross international reserves (program, in millions of US$)	1,454	3,661	5,381	6,905	7,789	9,323	11,072	13,058	14,180	15,091	15,533	15,524	15,102	14,523	14,336
External debt service (in millions of US$)	4,111	1,456	2,262	2,834	3,869	4,367	4,654	5,023	5,452	5,909	6,406	6,875	7,384	7,956	8,222
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. External Sector Assessment

Overall Assessment: *Ghana's 2023 external position was moderately stronger than the level implied by fundamentals and desirable policies. Against the backdrop of fiscal consolidation, strong gold exports, deferred external interest payments and high remittances the CA narrowed noticeably. Strong reserve accumulation through the gold-for-reserves program led to a faster-than-expected increase in gross international reserves. For 2024, strong gold export growth is expected to outweigh a sharp drop in cocoa exports, leading to a further improvement in the CA.*

Potential Policy Responses: *Finalization of the debt restructuring and continued implementation of the Fund-supported program would entrench debt sustainability and support an external position in line with fundamentals and desirable policies over the medium term. Continued fiscal prudence coupled with structural reforms aimed at diversifying the economy and improving the business environment would help bolster external competitiveness and shift financing of capital investment from debt to FDI.*

Foreign Assets and Liabilities: Position and Trajectory

Background. Gross international reserves recovered strongly, from US$1.5 billion in 2022 to US$3.6 billion in 2023 (1.6 percent of prospective imports), on the back of a very large gold purchasing program by the BoG ("gold-for-reserves"). At the same time, external debt remained high at 50 percent of GDP, and FDI continued to decline further, from US$1.5 to US$1.3 billion. Ghana reports IIP statistics with a one-year delay, and partial data suggest an increase in the NIIP from US$-29 billion in 2018 to US$-24 billion as of end-2022 on the back of a drastically declining stock of foreign investor debt instruments. Large gold purchases have continued throughout H1 2024, and FDI has showed signs of recovery, promoting a further increase in reserves.

Assessment. Risks to external sustainability remain despite significant improvements, considering still low gross international reserves, vulnerability to natural disasters and food price shocks, and high external debt even post restructuring (projected at 51 percent of GDP at end-2024). Limited foreign exchange interventions and continued fiscal consolidation, together with shifting financing away from debt towards FDI would help contain the growth of external debt and help rebuilding reserves.

Current Account

Background. The average 2018-22 current account deficit stood at 2.6 percent of GDP, declining by 0.7 percent of GDP during this time, benefiting primarily from growing export volumes of gold and crude oil and increasing remittances. It further narrowed from 2.3 percent of GDP in 2022 to 1.4 percent in 2023, on the back of a sharp reduction in primary income outflows, lower imports, and a strong increase in remittances. Cocoa exports have been declining strongly in recent years, from a peak of US$2.8 billion in 2021 to around US$1.5 billion in 2024 (US$2.2 billion in 2023) despite exceptionally high world cocoa prices, with lower production resulting from climate shocks, crop disease and smuggling. On the other hand, gold exports have increased from US$5.1 to US$6.6 billion during the same period and are expected to increase by another US$2 billion in 2024. Much of the increase comes from higher production through formalization of the sector, but the BoG's gold-for-reserves program has provided an additional push for output. Gold prices have been roughly flat over the past years but are expected to register an average increase of about 21 percent, or to about US$2340 per ounce in 2024, further adding to strong export growth. The terms of trade improved in 2023, after two years of decline.

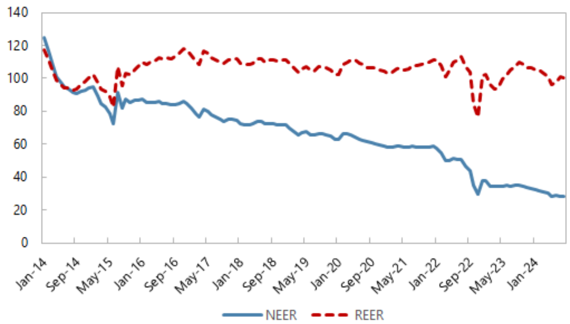
Assessment. The model-based approach indicates a positive current account gap in 2023. Comparing the cyclically-adjusted current account balance of -1.6 percent to an adjusted norm based on fundamentals and desirable policies estimated at -3.3 percent of GDP results in a positive current account gap of 1.6 percent. A 1 percent of GDP policy gap reflects strong GIR growth.

Ghana: EBA-lite Model Estimates for 2023
(in percent of GDP)

	CA model 1/	REER model
	(in percent of GDP)	
CA-Actual	**-1.4**	
Cyclical contributions (from model) (-)	0.3	
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**-1.6**	
CA Norm (from model) 2/	**-3.3**	
Adjusted CA Norm	**-3.3**	
CA Gap	**1.6**	**11.2**
o/w Relative policy gap	1.0	
Elasticity	-0.2	
REER Gap (in percent)	**-6.9**	**-46.7**

1/ Based on the EBA-lite 3.0 methodology
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate



Source: Ghanaian Authorities, INS, and IMF Staff Calculations

Background. The nominal exchange rate stabilized in 2023, following a year of extreme nominal volatility (depreciating on average 45 percent against the US$) and high inflation (32 percent on average) following the public debt crisis. However, given high inflation, the real effective exchange rate depreciated by a mere 4 percent in 2022 and was flat in 2023. Volatility has returned in 2024 due to high FX demand and uncertainties around the end-year election, causing the nominal rate to depreciate by 25 percent against the US$ by end-July, and the real effective rate depreciated by 7.8 percent by end-June. These developments are somewhat delinked from fundamentals, which instead continue to register an overall improvement.

Assessment. The CA model suggests an undervaluation of the REER of 6.9 percent, using an elasticity of the current account to the REER of -0.24. The REER model estimates an undervaluation 46.7 percent. The bottom-line external sector assessment is based on the CA model, given its better fit.

Capital and Financial Accounts: Flows and Policy Measures

Background. Following strong FDI and portfolio flows until 2021, the capital and financial account declined from a 3.4 percent of GDP surplus in 2021 to a deficit of 3.2 percent of GDP in 2022 due to a collapse in FDI and large capital outflows—particularly by non-residents. The loss of market access weighed significantly on portfolio investment, generating a net portfolio outflow of 2.8 percent of GDP in 2022 against a net inflow of 2.6 percent of GDP in 2021. With the start of debt restructuring negotiations in December 2022 and the approval of the IMF-supported program in May 2023, capital flight slowed, and the BoG unwound large parts of collateralized assets (positive portfolio investment inflows), leading to a stronger financial account in 2023 despite a decline in FDI.

Over the coming 5 years, the capital and financial account is expected to gradually improve, with FDI forecast to increase to 3 percent of GDP by 2028 following the completion of the debt restructuring and gradual reform implementation. Portfolio inflows are expected to remain subdued, assuming a gradual recovery in international market access over the medium term.

Assessment. A further tightening of global financial conditions and/or failure to implement the reform program could undermine the financial account. A capital flow management measure (CFM)—consisting of a US$10,000 withdrawal limit per trip and per annual undocumented transfer—has remained in place since 2014. In addition, surrender requirements for cocoa proceeds and gold to the BOG persist. Staff recommends the gradual removal of these CFMs once reserve levels are adequate, consistent with the Fund's Institutional View. Implementing a growth-friendly fiscal consolidation, tighter monetary policy and structural reforms to enhance the business environment and strengthen governance and private sector competitiveness, are critical to diversify the economy and boost foreign investors' interest in the domestic market.

FX Intervention and Reserves Level

Background. Gross foreign assets sharply declined from US$7.9 billion in 2021 to US$1.4 billion at end-2022 but recovered to US$3.7 billion at end-2023 (1.6 months of prospective imports, 5.8 percent of GDP) due to the reliance on the gold-for-reserves program, as well as improved current and financial accounts. These trends have continued in 2024 so far, boosting gross reserves to US$5 billion (2.1 percent of prospective imports, 7.6 percent of GDP) at end-September 2024.

Assessment. Reserve coverage remains below 3-months of prospective imports. The Fund-supported program is targeting a buildup of reserves over the medium term to reach 3 months of prospective imports by end-2026. This will be supported by lower external debt service (thanks to the debt restructuring), tighter fiscal and monetary policies, and policies to increase exchange rate flexibility—including more limited FX interventions and a revision of the FX auction design to improve FX allocation and price discovery. The BoG's FX interventions have indeed declined since pre-program levels, from US$1.9 billion in 2022 to about US$ 1.1 billion in 2023. The exchange rate depreciation in recent months points towards greater flexibility but has prompted the BoG to increase its FX interventions. Interventions need to be kept at a minimum to allow for continued adherence of international reserve accumulation targets under the ECF arrangement.

Annex II. Reforming the Fiscal Responsibility Framework in Ghana

1. **Ghana's Fiscal Responsibility Act (FRA) was enacted in 2018 with a view to safeguarding macroeconomic stability and debt sustainability**. The FRA, which complemented the 2016 PFM Act, introduced a fiscal rule whereby each year i) the overall fiscal deficit should not exceed 5 percent of GDP on cash basis, and ii) the primary balance should be in surplus on a cash basis. The FRA also established escape clauses to suspend enforcement of the rule in specific circumstances—including a state of emergency as declared by the President (e.g., natural disaster, public health epidemic, drought, war), an unanticipated economic shock (e.g., commodity price shocks), and periods when the GDP growth rate is one percent or less.

2. **The enforcement of the FRA has been suspended since August 2020**. Following the outbreak of the COVID-19 pandemic in 2020, Ghana's overall and primary balances deteriorated significantly resulting in large breaches of the fiscal rule. The authorities viewed such breaches as originating from exceptional circumstances and thus requested Parliament's approval to suspend the implementation of the FRA. Since then, the fiscal rule has not been reinstated although the conditions for the suspension of the FRA are no longer in place.

3. **In the context of the current Fund-supported program, the authorities have revamped Ghana's fiscal framework to support debt sustainability and rebuild fiscal buffers**. With the support of IMF TA, they amended the FRA to tighten its link with debt sustainability and adopt a credible and transparent fiscal rule. Specifically, the new draft FRA includes: i) an explicit debt anchor for the central government and central government guaranteed debt (45 percent of GDP) to be achieved by 2034; ii) an operational target to support achieving the debt anchor (a fiscal primary surplus on commitment basis of 1.5 percent of GDP); iii) an escape clause that can be temporarily triggered under clearly defined conditions; and iv) an independent Fiscal Council to improve FRA oversight and ensure enforcement of the fiscal rule. The new draft FRA was submitted to Parliament on October 23, 2024 (**end-October 2024 SB**).

4. **The authorities calibrated the fiscal rule to strike a balance between ambition and political and social feasibility**. Ghana is implementing a Fund-supported ECF program centered on a comprehensive debt restructuring and ambitious policies to restoring macroeconomic stability and debt sustainability, while cushioning the vulnerable from the impact of the adjustment. The authorities thus saw merit in calibrating the fiscal rule and the path of the operational targets consistent with program parameters, which were agreed with Ghana's development partners and discussed with external creditors. They also envisaged improved PFM institutions—including the establishment of an independent Fiscal Council—to effectively support the credibility and transparency of the revised FRA, while ensuring accountability.

Annex III. 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
	TA on fiscal regime for the extractive industry	Support the authorities' efforts to modernize the fiscal regime for mining and petroleum, improving transparency and governance, and making the system more efficient and robust to strategic tax behavior.	Continuous CD program
Revenue administration	TA on core functions of GRA and MTRS	Strengthen revenue administration to increase tax compliance. Help the authorities prepare their MTRS implementation and conduct the mid-term review.	Continuous CD program
Public financial management	TA on fiscal rule and fiscal council	Strengthen fiscal framework and institutions to underpin durable fiscal adjustment.	Completed 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 early 2025
	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 early 2025
	TA on Financial Oversight of State-Owned Enterprises	Strengthen the financial oversight of State-Owned Enterprises	Expected in H2 2025
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
	TA on FX market operations (peer-to-peer study tour)	To help the authorities improve FX market operations, monitoring and intervention	Expected in early 2025
Macroprudential	Macroprudential framework	Support strengthening of macro-prudential assessment and tools for macroprudential analytical policy and macro-stress testing.	Expected in May or June 2025

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

Area	Capacity Building Activity	Objective – Link to Program Priorities	Status
Financial Sector Policies	Supervision framework (resident advisor)	Support the BoG's Banking Supervision Department in risk-based supervision and Basel II/III implementation	continuous CD program
Debt management	TA on medium term debt management strategy and effectiveness	Support capacity building in debt sustainability analysis, liability management, sustainable medium-term financing strategy and post-debt restructuring market development to facilitate resumed secondary trading of new bonds	Expected to be first half of 2025, post elections.
	TA on sovereign bank nexus	Support the authorities' efforts to deepen capital market and mitigate risks to financial stability.	Expected to be late 2025 (post MTDMS TA)
	TA on Debt Sustainability Analysis	A joint SPR-WB technical assistance (TA) mission will train staff on the use of the Debt Sustainability Framework for Low Income Countries.	Expected in November 2024, joint with the WB
Governance	Governance and corruption diagnostic assessment	Bolster governance and strengthen anticorruption framework.	Ongoing, to be completed in early 2025
Social protection	Energy subsidy and social protection	Review the current electricity tariff structure and devise a targeted subsidy mechanism for poor households. Advise on steps to reduce energy sector shortfall while protecting vulnerable households.	Completed in early 2024. Follow up in 2025.
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 Q1 2025.
	TA on Government finance	Strengthen compilation and dissemination of macroeconomic and financial statistics according to internationally accepted statistical standards.	Ongoing, next mission expected in Q2 of 2025.

Annex IV. Risk Assessment Matrix[1]

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, 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. Supply and demand fluctuations (e.g., due to conflicts, export restrictions, OPEC+ decisions, and green transition) cause recurrent commodity price volatility, external and fiscal pressures and food insecurity 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), and worsening inequality stir social unrest, drive populist policies, and increase resistance to reforms, especially in the context of polarized or disputed elections. This exacerbates imbalances and weakens growth prospects, leading 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**		
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.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Appendix I. Letter of Intent

Accra, November 13, 2024

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

Dear Madame Georgieva:

1. In the attached update to the Memorandum of Economic and Financial Policies (MEFP) from June 28, 2024, 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 generally satisfactory. We have continued to make progress toward adjusting macroeconomic policies, restructuring our debt, and implementing wide-ranging reforms. We met all end-June 2024 quantitative performance criteria (QPCs) and all end-June indicative targets (ITs). All structural benchmarks (SBs) due through end-October 2024 but two were met. Concerning the two SBs that were not met, the new methodology for the cedi reference rate (end-August 2024 SB) was implemented in September, while we expect the cleansing of the taxpayer registry (end-June 2024 SB) to be completed by end-December.

3. We have also continued to make good progress on our comprehensive debt restructuring strategy. Following completion of our domestic debt restructuring in 2023 and the agreement reached with our official creditors under the G20 Common Framework on a Memorandum of Understanding laying out the bilateral debt restructuring terms, we have now completed the planned Eurobond exchange. All these agreements were consistent with program parameters and the quantitative objectives set to restore debt sustainability. We are also conducting "good faith" negotiations with other external creditors to achieve debt relief consistent with program parameters and on comparable terms.

4. 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 third 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-June 2025 to reflect macroeconomic developments having led to a higher nominal GDP projection, with a view to keeping the fiscal effort relative to GDP as envisaged under the program; and (ii) the NIR floor between end-March and end-September 2025 to account for large debt restructuring-related payments (both external and domestic). We are also requesting a change in the TMU to reflect the impact of a one-off dividend from ESLA on end-December non-oil revenue collection, improve the monitoring of the net change in payables and of the social spending floor. The MPCC bands through June 2025 were shifted upwards to better reflect the impact of recent macroeconomic developments on the-expected disinflation trends in 2024.

5. 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.

6. 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.

7. 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/
Dr. Mohammed Amin Adam (MP)
Minister for Finance

/s/
Dr. Ernest Kwamina Yedu Addison
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 (MEFP)

This memorandum updates previous MEFPs under the current ECF-supported program. It 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:

- 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 targeted 0.5 percent of GDP. Notwithstanding a higher energy sector shortfall and dry spell-related spending pressures, we are on track to further improve this balance to a surplus of 0.5 percent of GDP in 2024.

- We successfully completed the domestic part of the debt restructuring in 2023 and have made headways this year toward completion of our external debt restructuring.

- 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 300 basis points so far in 2024.

2. Performance under the IMF-supported Program has been satisfactory.

- All end-June 2024 quantitative performance criteria (QPCs), continuous performance criteria, and indicative targets (ITs) were met (see Table 2). The reduction in inflation at end-June 2024 exceeded expectations while remaining within the Monetary Policy Consultation Clause (MPCC)'s lower outer band.

- Five out of seven structural benchmarks (SBs) due through end-October 2024 were met. Concerning the two SBs that were not met, the new methodology for the cedi reference rate (**end-August 2024 structural benchmark**) was implemented in September, while we expect the cleansing of the taxpayer registry (**end-June 2024 structural benchmark**) to be completed in the next few weeks.

3. Policy and reform efforts are yielding results, with further signs of economic stabilization.

- Economic activity has continued to rebound this year, with real GDP growth accelerating to 6.9 percent in 2024Q2, after 4.7 percent in 2024Q1, and up from 3.8 percent in 2023Q4. This rapid recovery was driven by robust activity in the industrial (especially extractive), the agricultural (excluding cocoa), and ICT sectors. From an expenditure perspective, household consumption picked up rapidly, helped by an acceleration in credit growth, and a strong rebound in exports outweighed the contraction in capital investment.

- Inflation has continued to decline from the peak of 54.1 percent in December 2022 to 22.1 percent in October 2024.

- The dry spell affecting the Northern regions during July and August has significantly hampered agricultural output, which is anticipated to constrain economic growth and put pressure on food prices in the second half of 2024. Nonetheless, the adverse effects are expected to be mitigated by a robust package of government measures (see below).

- The external sector has improved. Preliminary trade data for January-August 2024 point to a significant improvement in the current account, with a recorded surplus in the goods trade balance of 3.1 percent of estimated 2024 GDP, compared to 1.5 percent of GDP in over the same time last year. This reflected very strong gold and (to a lesser degree) oil exports, trends expected to continue until year end. Remittances are equally growing strongly, in line with better recording through the expansion of FinTech. The current account stood at 1.1 percent of GDP at end-June, up from -1.4 percent at end-2023. Our gross international reserves (GIR) significantly outperformed initial projections reaching US$4.5 billion (1.9 months of prospective imports) at end-June 2024. At end-September, GIR stood at about US$5 billion. This remarkable improvement reflected mainly an expansion of gold purchases which more than offset lower-than-expected proceeds from cocoa financing and significant energy sector payments.

4. Considering our strong reform drive, we expect growth to continue to pick up with further significant progress toward restoring macroeconomic stability. Notwithstanding the impact of the dry spell, we expect growth to reach 4 percent in 2024 (revised up from the 3.1 percent at the time of the second review) and to gradually increase toward its long-term potential of around 5 percent in subsequent years, as macroeconomic stability is fully restored and structural reforms accelerate, boosting confidence, private investment and productivity. Inflation is expected to continue declining, given the continuation of restrictive monetary and fiscal policies, although at a slower pace considering the impact of the dry spell on agricultural commodity prices. Inflation is projected to reach 18 percent by end-2024, higher than initially envisaged but still consistent within the outer MPCC bounds. It will be brought down to the BoG's medium-term target of 8±2 percent by end-2025. After a surplus of 1 percent of GDP in 2024, the current account is projected to gradually stabilize at around 1 percent deficit in the medium term. 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.

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 a combination of revenue-enhancing measures as well as expenditure rationalization, both in the short and medium-term. The program objective remains achieving a primary surplus of 1.5 percent of GDP by 2025, to be maintained at least until 2028.

7. Performance to date indicates that we are on track to achieve our consolidation objectives under the approved 2024 Budget. Such objectives notably include achieving a primary surplus (on commitment basis) of 0.5 percent of GDP on the back of a 0.9 percent of GDP improvement in non-oil revenue collection and continued efforts to rationalize primary expenditures. The 2024 Mid-Year Budget Review (MYBR)—which covered fiscal outturns through end-June 2024—confirmed that we are on track to achieve these objectives. It also implemented some limited spending reallocations and recognized a small additional one-off revenue (transfer of dividend from ESLA Fund). Although VAT is underperforming, revenue performance up until August has been strong on the back of buoyant direct taxes and continued improvements in collection of several indirect taxes as envisaged under the 2024 Budget (e.g., gaming and betting taxes, environmental excise duty).

8. We remain strongly committed to achieving our 2024 fiscal objectives and are taking strong actions to ensure the end-year fiscal target are met in the face of challenges caused by the recent dry spell and energy sector slippages:

- <u>Addressing energy sector slippages.</u> A combination of exchange rate pressures, higher power generation costs due to increased reliance on liquid fuel and lower revenue collection from the distribution company have led to a larger energy sector shortfall projection for 2024 (by 0.6 percent of GDP) and beyond (¶42). A more favorable macroeconomic environment, higher oil and non-oil revenue, and strict adherence to budget appropriations help absorb the slippage.

- Responding to the dry spell in the Northern regions. To alleviate the economic and social implications of the dry spell in the Northern regions, we have developed an action plan with development partners that includes a combination of cash transfers as well as fertilizers and grain imports. These additional spending items will be financed through budget reallocations (within the agriculture budget), the use of the contingency resources, and reallocation of externally-financed projects from the World Bank. As such, the response to the dry spell is expected to be implemented within the spending ceilings established in the 2024 Appropriation Act approved in December 2023.

- Strictly implementing expenditure controls. To prevent budgetary slippages as in past election cycles, the Ministry of Finance (MoF) repeatedly communicated at the cabinet level and publicly the need for MDAs to strictly adhere to quarterly budgetary allotments. The MoF also reminded MDAs about the sanctions that would be applied in case of spending beyond quarterly allotments. The MoF is implementing its arrears prevention strategy through the creation of a compliance desk as part of the internal audit function of the MoF, an improved monitoring of arrears (notably by leveraging CAGD payables reporting) and sensitization of spending officers in MDAs on potential sanctions in case of non-compliance.

- Redoubling efforts to strengthen revenue collections. We are: i) encouraging voluntary declaration on foreign source income of residents by leveraging the data available to us under the Global Forum on Transparency and Exchange of Information for Tax Purposes; ii) improving large taxpayers' compliance by strengthening audits; and iii) working with local governments to revamp property rates and ensuring enhanced collection for the consolidated fund. We have also taken additional administrative measures to ensure that the revenue measures under the 2024 Budget deliver their expected yields (¶).

9. Given the electoral calendar, we will submit the 2025 Budget by end-March 2025 (proposed new structural benchmark). The 2025 Budget will target a further improvement in the primary balance on commitment basis, bringing the surplus up to 1.5 percent of GDP (from 0.5 percent in 2023). This will be predicated on adopting measures to durably improve non-oil revenue mobilization by 0.6 percentage points of GDP and having expenditure allocation in line with the primary deficit objective. In October 2024, we submitted to parliament an Expenditure in Advance of Appropriation for the period 2025Q1 consistent with PFM Act and the fiscal objectives | under our Fund-supported program (**prior action**).

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 / reprioritize MDAs' budget allotments if needed to address overspending and/or the materialization of fiscal risks. We would also adjust quarterly spending allotments if warranted based on cash forecasts and conditions in the domestic debt market.

11. Fiscal adjustment beyond 2025 will continue to be underpinned by a combination of domestic revenue mobilization and spending rationalization efforts. The government's objective is to enact measures that will permanently raise the non-oil revenue-to-GDP ratio by at least 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 in 2026. Non-priority spending will continue to be streamlined, underpinned by spending reviews and reforms to statutory funds.

Social Protection

12. We have strengthened our social protection programs aimed at protecting the most vulnerable from the impact of difficult economic circumstances and ongoing policy adjustment. 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 also 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 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 remain committed to accelerate the execution of these programs to ensure achievement of the 2024 social spending objectives under the program.

13. We are also taking action to address delays in disbursing resources to beneficiaries of social programs monitored under the Fund-supported program. In recent months, we have experienced a lengthening in the delays with which budgetary releases to CAGD are passed on to MDAs for payments to social programs' beneficiaries. This has resulted in the accumulation of arrears (i.e., overdue payments obligations). We intend to clear such arrears by the end of the year and remain current on present payment obligations starting in the first quarter 2025. To this end and to ensure adequate monitoring of actual benefit payments, we propose to modify the scope of our IT on social spending to cover payments for social intervention programs from CAGD starting from January 1, 2025.

14. We are undertaking reforms to further expand our social protection programs, while improving their operational efficiency. To limit the impact of high inflation and policy adjustment on vulnerable households, we will further strengthen two key social protection programs, the LEAP and the GSFP in the context of the 2025 budget. Regarding the LEAP, in addition to the indexation of benefits to inflation, we will finalize the review of the beneficiaries to improve the targeting of the program in favor of the extreme poor, while expanding the LEAP coverage to reach 400,000 households by end-September 2025 (**new proposed structural benchmark**). Concerning the GSFP, we will increase the budget allocation to the GSFP program by 33 percent to increase the calorie intake per meal offered and improve the procurement process to reduce the overhead cost and enhance efficiency. We are also determined to increase the allocation to NHIS and to the Capitation Grant while continuing to enhance operational efficiency and benefit quality. These efforts are expected to bring our social spending outlays to about 0.6 percent of GDP in 2025. Over the medium-term, our goals remain to: i) gradually further expand the LEAP coverage (to 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) reach universal health care coverage and broaden the medical interventions covered by NHIS while achieving operational efficiencies in the NHIS through measures such as reducing administrative cost, digitalization, and enhanced medical audits. We will ensure the statutory fund reform will protect these highly targeted national health insurance programs. We will also recalibrate the expenditure portfolio of MDAs responsible for social spending to improve alignment with SDG targets and step up targeted and well-designed interventions.

Public Debt Management Strategy

15. 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.

16. After completing our domestic debt restructuring last year, we have made good progress on external debt restructuring. Following agreement on a Memorandum of Understanding (MoU) with our Official Creditors Committee (OCC) under the G20 Common Framework in June 2024, we are close to having secured the signatures from all OCC members and are working with creditors on bilateral agreements to implement the restructuring. We finalized the restructuring of our Eurobonds in October 2024. We are also continuing to make "good-faith" efforts to reach a collaborative agreement with our other external commercial creditors on comparable terms and consistent with program parameters. To this end, we have already sent letters to our largest other commercial creditors to start negotiations with them with a view to reaching debt treatment consistent with program parameters and the comparability of treatment principle.

17. We are implementing our strategy to ensure that external project disbursements remain in line with program parameters. We have prepared a strategy to ensure that the pace of disbursements of external projects—including disbursements of projects signed before December 2022 and from newly contracted debt—is compatible with program parameters and debt sustainability. Disbursements on projects signed before December 2022 are capped at US$250 million per year from 2024 to 2026. The strategy prioritizes projects for which disbursements of more than 10 percent of the loan balance were already made prior to the cut-off date and for which future disbursements exceed debt service. In addition, given their economic and social significance, the strategy prioritizes health, education and railway projects. Public safety projects will not be prioritized. However, previously identified projects that cannot be financed externally due to the disbursement ceiling could potentially be financed through the budget, provided that this is consistent with achieving our budget targets.

18. Debt management will focus on ensuring sufficient domestic financing in the near term and on structural market improvements over the medium-term. Over the last two years, we have heavily relied on the issuance of T-bills to finance the government deficit. As the macroeconomic situation continues to normalize, we are now actively preparing for the gradual resumption of domestic bond issuances in 2025 with a strategy to initially issue a 2-year note and gradually extend tenors to smoothen our debt service profile. While we may occasionally rely on private placements to meet auction shortfalls, we will favor competitive auctions once the demand for domestic bonds is more firmly established. We will also look for opportunities to encourage the non-resident investors participation to reduce the current concentration risk and kickstart the domestic market, while remaining within our Fund-supported program parameters. To ensure that we sustain domestic financing while transitioning to the issuance of bonds, we are introducing an underwriting fee to compensate primary dealers for special auctions beyond their minimum required target. We will also increase our surveillance on debt issuance from 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. By June 2025, we will develop and publish a revised medium-term debt management strategy, an annual borrowing and recovery plan and their relevant quarterly issuance calendars.

19. We are working hard to improve debt transparency and accountability to enhance debt management effectiveness and efficiency. To this end, we have requested IMF TA to support capacity building in debt sustainability analysis and liability management at the MoF's Debt Management Office. We are also reflecting on an institutional reform to strengthen the Office's role in ensuring a sustainable medium-term financing strategy. This includes post-debt restructuring market development and, establishment of an Investment Relations Unit with the required skill set and tools for effective engagement with the investor community and credit rating agencies. The current securities operation infrastructure (CS-DRMS) used by the Debt Management Office will be completely upgraded to a modern system by end-December 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.

Monetary and Exchange Rate Policy

20. We will continue to ensure 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 by end-2025. Our policy decisions will continue to be data-dependent to assess risks to the inflation outlook and ensure a fast-paced and orderly disinflation path towards the inflation target. The BoG stands ready to adjust the policy stance to ensure that inflation evolves as envisaged under our ***monetary policy consultation clause (MPCC, TMU Section II)***. We are committed to mopping up 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 continue to enhance our inflation targeting framework through further 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.

21. We are on course for rebuilding official international reserves (program definition) to at least 3 months of import cover by the end of the program. Despite challenges affecting the cocoa sector, significant payments to IPPs, and debt service commitments, we have overperformed the NIR targets due to successfully implementing several measures, including the Gold-for-Reserves program and limiting bilateral market interventions. Importantly, we remain committed to rebuilding foreign exchange buffers, as our top priority, jointly achieving macroeconomic stability and regaining investors' confidence. .

22. We are committed to enhancing the management of foreign reserves and of FX interventions. To reduce expenses linked to borrowed reserves, BoG will continue unwinding the swap/sell buy-back operations. Gold purchases from domestic producers will continue to be done at market prices. BoG is actively managing the portfolio risks arising from gold's share of total reserves. To improve the governance of FX interventions, the BoG Board will adopt, by June 2025, an internal FX intervention policy document specifying measurable objectives, instruments, transparency, and governance arrangements based on discretion under constraint approach.

23. We are committed to greater exchange rate flexibility to rebuild reserves and enhance resilience to shocks. In September 2024, following some delays, we adopted a FX reference rate computation method that is more robust and ensured full convergence with representative of the wholesale FX market (**end-August structural benchmark**). We will undertake a thorough assessment of the new methodology by end-April 2025. 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, intensify or modify exchange rate restrictions or multiple currency practices. We will continue to work towards a foreign exchange intervention 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.

24. We are implementing the recommendations of the 2023 IMF safeguards assessment. In June, Cabinet approved amendments to the Bank of Ghana Act of 2002 (Act 612) to strengthen the BoG's autonomy (**end-May 2024 structural benchmark**). These amendments, in line with the 2023 Safeguards Assessment, will be submitted to Parliament by end-May 2025 (**proposed new structural benchmark**). The BoG Board reviewed and approved the new investment policy and guidelines in line with the new strategic asset allocation framework in September 2024. Consistent with the strategy adopted by its Board in June 2024, the BoG is working with the government to exit the Gold-for-Oil (G4O) program by end-September 2025.

25. We are preparing for the recapitalization of the BoG due to the adverse impact of the DDEP. To this end, the Ministry of Finance and the BoG are preparing a MoU to ensure that the BoG is gradually recapitalized. We will work to ensure that the recapitalization is done within the fiscal commitments and debt targets under the program. Options to ensure **consistency** with our Fund-supported program parameters include recapitalization via budgetary or asset transfers, suspension of profit transfers, and/or use of any buffers generated in program implementation. To strengthen the recovery of our net equity over time, and based on an external efficiency review, the BoG will adopt by end-June 2025 a strategy to streamline its operational costs.

Financial Sector

26. We continue to monitor banks' progress toward implementing their post-debt exchange 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 aim to have a more front-loaded recapitalization path to ensure that all banks have a positive CAR by end-2024. We have asked banks to update their recapitalization plans to meet the requisite targets and timelines while addressing previous weaknesses and/or more recent performance slippages. We have also taken remedial and/or corrective measures against banks that are not in compliance with these plans since March 2024. 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 (**end-March 2025 structural benchmark**).

27. We have operationalized the Ghana Financial Stability Fund (GFSF) to provide support to the financial sector in relation to the impact of the DDEP. Under the Fund A2 component of the GFSF, government has started the recapitalization of mainly state-owned and some indigenously owned banks and insurance companies (GHS5.25 billion), and provided long-term secured loans (GHS0.25 billion) to some mutual funds and unit trust in the asset management industry as at end-September 2024. We are frontloading any necessary recapitalizations of state-owned banks and taking measures to ensure these injections are underpinned by credible plans to ensure future viability. Meanwhile, the World Bank's financial sector support operation, which will target undercapitalized banks and Specialized Deposit Institutions (SDIs), and provide funding conditional on prior injections by shareholders and feasible viability plans, is awaiting parliamentary approval. In general, government solvency support is 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.

28. BoG is incentivizing early recapitalization, and most banks are ahead of schedule. Banks that fall behind schedule continue to be placed by the BoG on strict enhanced supervision with special reporting requirements on liquidity and solvency conditions and on progress under revised recapitalization plans to enable timely compliance with requirements. Meanwhile, BoG has continued implementing measures to promote capital conservation of banks—including the suspension of the payment of dividends for all banks until further notice. Banks with capital shortfalls are also 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 to prudential standards and their ability to manage risk and strengthened and/or restructured governance systems and business models that will enable viability and sustainability going forward.

29. Since March 2024, we have been implementing a credible, comprehensive, and cost-effective strategy to address NIB's financial and operational challenges. The strategy aims at i) recapitalizing NIB enough to reduce immediate risks from regulatory capital/liquidity shortfalls, and at a minimum, bring NIB's CAR to positive territory; ii) performing a special review by an international, independent and reputable firm with experience in this type of exercise [1]; and iii) preparing a forward-looking overarching restructuring plan for NIB (**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 government is committed to ensuring that NIB's CAR turns positive by December 2024, and we plan to execute the final tranche of the NIB recapitalization in 2025, after all these steps to complete the NIB restructuring plan are completed.

30. A multi-pronged strategy is being developed to comprehensively tackle the issues of escalating credit risks and slowed credit growth. In the wake of the 2022 macroeconomic challenges, NPLs have increased, and credit growth has slowed although it has picked up over the past few months. Concurrent with initiatives to improve credit growth including the state's new SME credit expansion program, we are advancing the development of a robust approach to address increasing non-performing loans which will span several levels. Banks will be required to review and strengthen their credit risk management systems and skill resources where necessary to support feasible borrowing needs and robust credit administration functions including close monitoring to ensure prompt recognition of asset quality risks, adequate provisioning, and timely work-out actions and collections. Based on the reviews, credit action plans will be provided to the BoG by banks with NPL ratios exceeding 10 percent, which will include credit growth targets, risk management strategies, and in-depth analyses of NPLs and related values that inform their planned recovery and other options. Banks will also be asked to indicate any material obstacles to effective recovery of NPLs to help inform supporting reforms. The BoG will monitor banks' progress against their credit action plans and, where necessary, review and update prudential standards to support relevant and sound credit and operational risk management standards for sustainable and viable credit operations.

31. Recurring problems at state-owned banks will be addressed to minimize future need for government recapitalization. We have launched the process for hiring an expert to conduct a diagnostic of structural challenges in state-owned banks (covering business models, governance, risk management, and legal framework) to inform the development of 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 restructure ADB for future sustainability, including by linking recapitalization and the lifting of PCAs to a special review, governance reforms, business model rationalization, and strengthened risk management. In this regard, we have prepared terms of reference for and are about to launch a special review of the bank's operations, the results of which will inform design and full implementation of the restructuring strategy by end-May 2025. The BoG has announced its intention to divest its share ownership in ADB.

32. Regulatory forbearance introduced in response to the domestic debt exchange and more recently with the implementation of the tiered CRR will be lifted as soon as possible. Forbearance on the recognition of debt exchange losses in CAR computations is being 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 commencing end-June 2025. The tiered CRR is being reviewed to support elimination of supervisory forbearance on non-compliance by some banks by end-June 2025. We are closely monitoring any unintended consequences of these forbearance measures and will adjust them as needed to mitigate undue effects.

33. We are committed to implement in 2025 a comprehensive and cost-effective strategy to address legacy issues in SDIs and to renew focus similarly on other legacy NBFIs, with government financial support as needed to mitigate risks to financial stability. The allocation and format of the government's scarce financial resources and regulatory attention will continue to consider the capital required, the number of Ghanaians affected, financial inclusion needs and moral hazard risks in the future. Financial support for deposit-taking and other financial institutions in these sectors will continue to be determined on a case-by-case basis, predicated on the regulators' assessment of their recapitalization plans, operational and business strategies including corrective actions to prevent the accumulation of further losses, improvements in governance and risk management systems, and prospects for future viability and sustainability. Any payouts by the government will be made through a burden-sharing approach with stakeholders to minimize fiscal costs. The regulatory authorities are also intensifying monitoring and enforcement of existing regulations in and stress-testing of these sectors. In addition, in 2025, we will address risks to financial stability from these sectors.

34. 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. We have also implemented initiatives to expand SME credit offered through qualifying participating financial institutions with the support of the DBG and external development partners. 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.

Structural Fiscal Reforms

35. 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.

Fiscal Framework and Institutions

36. We have submitted to parliament (end-October 2024 structural benchmark) amendments to our 2018 Fiscal Responsibility Act (FRA) to strengthen fiscal discipline. Consistent with IMF technical assistance, these amendments enhance our fiscal rule by adding a debt anchor covering central government and publicly guaranteed (with the objective of broadening the coverage over the medium term) and by setting operational rules to ensure achievement of the anchor by 2034. Amendments also 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, the FRA will reform the Fiscal Advisory Council by providing it with strong operational independence and adequate resources to effectively fulfill its mandate. The Council will make an independent assessment of the key macro-fiscal projections of the Budget at the time of its submission and evaluate fiscal performance against the fiscal rule. To improve fiscal reporting, we will publish our fiscal strategy document and fiscal risk statements in 2025 consistent with the PFM Regulation and international best practice. We expect that amendments to FRA will be enacted by end-September 2025 (***proposed new structural benchmark***).

37. We intend to submit to parliament a new Extractive Industry Fiscal Regime Bill by end-July 2025. The draft was prepared with support from the Fund. Once passed, the bill will 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.

Revenue Administration and Tax Policy

38. We have strengthened revenue administration to ensure that the revenue measures underpinning the 2024 Budget deliver their expected yield. Notably, we i) strengthened VAT enforcement on residential accommodations (among others by mandating VAT payments through the GRA online portal); ii) enhanced audits on large taxpayers of PIT, CIT, and VAT; iii) started publishing quarterly compliance report data on the GRA website ; and iv) rolled out the e-VAT system to 1441 taxpayers (including 650 large taxpayers) as of August 2024 and expect to cover another 1209 taxpayers by end-December 2024.

39. However, the cleansing of the GRA's taxpayer register and revamping our Integrated Tax Administration System (ITAS) has taken more than anticipated—including due to a repurposing of our approach. We will complete the cleansing of the registry and submit the final report to the Ministry of Finance (**end-June 2024 structural benchmark**) in the next few weeks. We have developed data quality requirements and a data governance framework to ensure that the data is up to date (e.g., the information on taxpayer registers and ledgers is correct), accurate (e.g., there are no duplications of taxpayer identification numbers) and comprehensive (e.g., required individuals/entities are registered). Regarding ITAS, in time to meet the end-December 2024 SB, we have established the necessary governance structure (comprising of a project steering committee, project manager and project team) and the required transformation and communication effort to ensure a smooth implementation to the new system. Operationalization of ITAS will take a step-by-step approach, running pilots and adding modules and functionality gradually. Despite the delay in completing its procurement, we initiated the migration of the taxpayer service module to the new system in November. We are determined to finalize the operationalization of major modules (taxpayer registration, return filing and payments) by end-December 2024 (**structural benchmark**).

40. Over the medium-term, our policy, administrative and legal reforms will be geared toward significantly enhancing revenue mobilization. These reforms are outlined in our Medium-Term Revenue Strategy (MTRS) and aim at broadening the tax base, minimizing tax avoidance, and fostering 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 end-March 2026 a mid-implementation review of the MTRS with support from the IMF 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.

Public Spending Efficiency and Transparency

41. We are committed to review our public spending portfolio to identify efficiency gains and make it fully reflective of our development and social challenges and priorities. To this end, following delays in identifying staffing, we now expect to launch a review of all government flagship programs by end-March 2025 and expect to 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. 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-September 2025, we will also complete a functional review of selected MDAs that will guide us in calibrating public sector's wages to better balance burden sharing, productivity, and the quality and efficiency of providing public goods and services. In this regard, we intend to integrate the HRMIS system with GIFMIS budget module and the Payroll system by end-December 2025 in order to strengthen controls on "ghost names", promotions, hiring and payroll costs. The efficiency gains from all these initiatives will help create fiscal space for key development, social and climate-related priorities.

Public Financial Management

42. We are committed to further strengthening our public financial management (PFM) systems to support fiscal adjustment and improve the credibility of the budget process. Specifically:

- *Cash management*. To ensure that spending is consistent with cash availability and market conditions, we have strictly aligned quarterly budgetary allotments to MDAs and Statutory Funds on GIFMIS with the 3-month cash forecasts and required MDAs to revise their cash plans accordingly. In addition to closely monitoring budget execution, 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. To improve compliance to the PFM Act and regulations, we are also strengthening the enforcement of sanctions—including penalties—for entities committing spending above their quarterly allotments. A compliance desk has been established at the Ministry of Finance to verify infractions and liaise with the Attorney General to initiate administrative or legal actions, and training of finance officials on the evidentiary requirements for prosecution under the PFM Act has been rolled out.

- *Public procurement*. We are integrating GHANEPS with GIFMIS (**end-December 2024 structural benchmark**) to enhance the transparency and governance of public procurement. This will ensure that only MDA projects/purchase orders that have approved budgets and allotments proceed to conduct tender process on GHANEPS and award contracts. The integration is also expected to increase the proportion of procurement (by value) registered in GHANEPS to 50 percent of total procurement in 2025Q2 and to 90 percent of total procurements in 2025Q4. This will enable timely collection of information on the nature of procurements (i.e., competitive, restricted, single source) while facilitating monitoring. The transparency of procurement will also be strengthened by publishing the 2023 annual report on public procurement in December 2024 on the PPA website and providing a direct link between GHANEPS and the ORC website where users may look for beneficial ownership (BO) information of companies awarded contracts. Our strategy to reduce the share of non-competitive procurement (measured in value) is being updated based on the findings of PPA's annual procurement assessment reports.

- *Treasury Single Account (TSA).* 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 existing payment systems (SWIFT, GhIPSS, ACH) to ensure real time exchange of data on net balances. We are conducting a review and rationalization of all bank accounts 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.

- *Statutory Funds.* Consistent with our streamlining strategy approved by Cabinet in September 2023, Cabinet will adopt necessary amendments to existing legislation to merge the funds identified as redundant in our strategy with their line ministries by end-June 2025 (**structural benchmark**). To this end, we have started designing a communication plan to build momentum and secure key stakeholder buy-in. Moreover, we intend to enhance the transparency and accountability of the operations of earmarked funds by broadening the extension of GIFMIS coverage to all spending units and enforcing its use through enhanced oversight on financial transactions and periodical reviews of system usage by NHIF, GETFund, Road Fund, District Assemblies Common Fund and IGF-reliant institutions. We are also working on establishing 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 audits' recommendations.

- *Reporting.* We remain committed to improving the timeliness of CAGD Quarterly Financial Statements. To this end, we initiated quarterly submission of budget performance by MDAs in 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 that SOEs start submitting their financial reports to CAGD.

43. Progress has also been made in enhancing public investment management practices. After submitting to Cabinet a centralized inventory[2] of all ongoing and planned public investment projects in March 2024, we have enabled a "Blanket Purchase Agreement" functionality in GIFMIS to fully capture multi-year commitments of public contracts consistent with MTEF ceilings. In July 2024, the MoF issued a circular to make the use of this functionality mandatory for all multi-year contracts (**end-September 2024 structural benchmark**). The CAGD/MOF will ensure that the GoG projects are fully captured in the GIFMIS platform under the blanket purchase agreement and the list of public investment projects will be published with the budget document.

44. We will continue to implement our Arrears Clearance and Prevention Strategy. In line 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 arrears 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. To do so, and in line with the section 79 to 82 of the PFM Act, we will make sure all budgetary central government entities will report and participate in the validation process of their payables data by CAGD during the quarterly and annual national accounts preparation process. Appropriate sanctions will be applied by the MoF and Auditor General in case of non-compliance consistent with the provisions under the PFM Act. These data will be used by the newly PFM compliance desk of the MoF to create a reporting system of payables evolution institution by institution.

Energy Sector Measures

45. We are committed to addressing energy sector challenges by taking a holistic approach that builds on ongoing reform efforts under the Energy Sector Recovery Programme (ESRP). This approach combines a set of immediate measures to reduce the size of the energy sector shortfall (and contain its budgetary impact) and to increase transparency and governance in the sector, as well as various interventions aimed at promoting the sector's financial recovery, reforming ECG, and safeguarding the energy sector and the broader economy.

46. We have taken the following immediate actions:

- PURC has continued to apply its tariff formula consistent with the 2022-25 Electricity and Water Major Tariff Review and related rate setting guidelines, thereby, increasing electricity tariffs by 3 percent on average as of October 1, 2024 to accurately reflect the more depreciated exchange rate as well as inflation, fuel prices, and generation mix developments.
- ECG has entered into a revenue drive by launching several measures to increase collection in 2024Q4—including accelerated deployment of smart meters, enhanced monitoring activities, and reengineering of service request processes. The objective is to increase revenue collection by at least 10 percent compared to 2023.
- To reduce input costs, ECG has ceased to procure liquid fuel since end-September 2024.
- The resources to procure emergency liquid fuel are now made available through the CWM.
- A switch to natural gas has been implemented, except for emergency situations.
- Starting in October 2024, ECG has been implementing the CWM fully, consistent with the CWM guidelines—that requires the declaration by ECG to PURC of all tariff bills collected, and payments made to the Tier 1 and Tier 2 claimants under the CWM.
- In October 2024, the cabinet has instructed ECG to seek prior approval from the Minister of Finance and the Minister of Energy's authorizations before initiating any new capital expenditures not included in the 2022 Major Tariff Review.
- We will published on the PURC's website the audit of the Validation Report of ECG Revenue/Collection Accounts for October 2023-June 2024. The audit fully addressed the data provision limitations identified in the previous report (July-September 2023) and was completed with an unqualified opinion from the auditors (**new proposed end-January structural benchmark**).

- We drafted, in consultation with the World Bank and the Fund, the terms of references (ToR) to engage a consultant to prepare a restructuring strategy to open ECG's operations to private sector participation, including a comprehensive technical and financial audit of ECG's operations (**prior action**). We expect the draft strategy to be completed by end-June 2025. The strategy will be adopted by Cabinet by end-September 2025 (**new proposed structural benchmark**).

- Developing 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.

47. Over the next few months, we also intend to continue or launch the following initiatives to improve transparency and efficiency in the sector:

- We are conducting the 2023 energy sector legacy debt validation audit. The audit report will be finalized by end-March 2025. We will also finalize the 2024 debt validation audit by end-August 2025.

- PURC to continue to conduct and publish the audited quarterly validation of ECG's revenue and collection accounts and take corrective actions to address the auditors' findings.

- PURC will publish monthly CWM Validation reports confirming compliance with CWM Guidelines through the publication of validated (following verifications from individual entities) information on ECG's collections (with a 2-month lag), and disbursements to Tier A and Tier B claimants under the CWM.

- PURC will continue to implement quarterly tariff adjustments consistent with the 2022-25 Electricity and Water Major Tariff Review and related rate setting guidelines that sets the parameters for tariff adjustments on a quarterly basis, based on evolving macroeconomic conditions—and will also implement a major tariff review in September 2025. PURC will publish the Decision paper (technical notes) to explain and justify this tariff decisions within 30 days of the tariff decision announcement and will share with IMF and World Bank staff the financial model and calculations (**proposed new quarterly structural benchmark**).

- We will strictly enforce the revised guidelines of the cash waterfall mechanism and ensure a monthly fixed payment to IPPs for energy purchase.

- We will finalize the agreements reached with several IPPs on restructured contracts and payment plans to clear legacy arrears by ensuring cabinet, and parliamentary or executive approval as needed. We will conclude negotiations on legacy arrears and restructured contracts with the remaining IPPs.

- PURC will implement a major tariff review by end-September 2025 along with the implementation of the associated tariff adjustment from October 1, 2025 (**proposed new end-September 2025 structural benchmark**).

- The PURC methodology for quarterly adjustment of electricity tariffs will be reviewed by end-2024 with support from the IMF and the WB to reduce discretion in the use of approved rate setting guidelines to ensure that observed macroeconomic indicators are fully and timely reflected in the tariff adjustment.

- We will amend the relevant legislation to mandate the distribution licensees to procure new power generation or enter into new power purchase agreements (PPAs) only through competitive tendering. The Energy Commission and PURC will issue implementing guidelines for the mechanism for competitive power procurement and standard procurement documents and PPAs (including for renewable energy) to be used by the distribution licensees for procuring new generation or signing new PPAs.

- ECG will design an investment plan for tariff determination for 2025 MYTO to be reviewed and approved by PURC and the Energy Commission, and PURC will monitor its implementation quarterly.

- The Energy Commission and PURC should develop stringent KPIs for ECG that will be strictly reported and monitored quarterly.

Cocoa Sector Measures

48. We are strongly committed to implementing our Cocobod turnaround strategy, which was published in October 2024. The strategy introduces a framework—which was developed in consultation with the Fund and Bank—for setting farmgate prices to ensure sufficient revenues for farmers while allowing for Cocobod to raise enough revenues to recover its operational and financial costs starting from 2024. More specifically, farmgate prices for the 2024 and 2025 seasons are to be set between 60-70 percent of the FOB international price inclusive of Living Income Differential. This price range will then be reviewed every two years. In this light, we recently announced a farmgate price of cocoa of 49, 600GHs per ton for the 2024/25 season, which is consistent with the average expected sales price for the season and should help us maintain a balance cash flow situation. We have also initiated 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—including scaling back quasi fiscal spending on cocoa roads, fertilizer, and pesticides programs. In the case of cocoa roads, following a review of all outstanding contracts and their completion status (e.g., performance, termination costs), we have significantly streamlined the portfolio and value from GHS21 billion to GHS6 billion. Looking ahead, we commit not to award new contracts for cocoa road construction nor engage in any activity related to construction and repair/ maintenance of roads.

49. In addition to these efforts, we are strengthening the Ministry of Finance's financial oversight. The MoF is now actively participating in price setting deliberations. A cocoa desk has been established at the MoF. Funding plans will be reviewed regularly and associated with contingency planning exercises. Should downside 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.

Governance and Anticorruption

50. We intend to strengthen organizational and legal arrangements to address vulnerabilities to corruption and enhance accountability and integrity:

- We will publish the IMF technical assistance report on the Governance and Anti-Corruption Diagnostic Assessment once the report is finalized.
- In 2024, we undertook, 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 before end-September 2025.
- We will prepare, in consultation with IMF staff, a new asset declaration verification regime for public officials and will submit to parliament a new bill by end-September 2025 (**structural benchmark**). The new bill will notably introduce provisions that ensure public officers submit their declaration in time and that an effective verification system for submission is in place.
- We continue to implement recommendations from the Auditor General's report on the audit of Covid-19 spending. The AG office verified the reported progress with individual ministries and will publish an implementation follow-up report, by the end of 2024.

51. Ghana is making 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 step up our efforts to reinforce preventive measures 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 and enhancing the framework for the filing of suspicious transaction reports.

- 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) and enforce existing measures for non-compliance. 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.

Growth

52. We are developing a set of coherent and focused policies to boost private investment and inclusive growth. Our efforts mainly focus on:

- *Improving the business environment by simplifying business regulations.* To this end, by end-December 2024, we will fully digitalize the process of new business registration through the Company Registration system; operationalize the construction permitting portal to further streamline the construction permitting process; and approve and implement—with the support of the World Bank—the Regulations of the Private Public Partnership Act and of the Corporate Insolvency and Restructuring Act.

- *Attracting FDI.* In June 2024, we submitted to Parliament amendments to Ghana's Investment Promotion Centre (GIPC) Act to substantially reduce minimum foreign capital requirements. By end-2024, we will roll out an e-visa system for all visitors and introduce an investors grievance mechanism to support investors in the conduct of their government-related business. By end-2025, with the support of the World Bank, we will enact a new Investment Law to make the legal framework for investors more binding, robust and predictable.

- *Boosting export competitiveness and integration into global value chains.* To this end, we will enhance our integration into global value chains by reducing trade barriers and implementing the African Continental Free Trade Area (AfCFTA) agreement while ensuring that Ghana is compliant to its obligations under the ECOWAS Common External Tariff (CET). By end-2024, we expect to build full capacity to enable Ghanaian businesses and other economic operators to leverage the implementation of AfCFTA Agreement, and to update our 2005 Trade Policy. These reforms will be crystalized into a five-year Trade Sector Support Programme to guide implementation actions and the delivery of results. We will accelerate our efforts to facilitate trade by adopting the critical measures under the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) Implementation Action Plan for Ghana.

- *Upskilling our workforce*. We plan to make the Free Senior High School program more efficient while strengthening uptake by the poorest households; provide support for out-of-school children to access formal education and skills training; and strengthen existing skills training programs by expanding access to trainings and identifying by critical skills gaps in collaboration with the private sector.

- *Streamlining sectoral and industrial policies*. We have reoriented and launched the Planting for Food and Jobs program (PfJ 2.0) to rationalize fertilizers subsidies as well as improve land access and development. We also have expanded the Economic Enclave Projects to develop medium to large scale agricultural production and agro-processing activities. By the end-2024, Cabinet will adopt a new Industrial Parks and Special Economic Zones Policy and a new Special Economic Zones Act will be approved—along with related regulations.

- *Improving access to finance*. With the support of our development partners (the World Bank, the African Development Bank, the European Investment Bank, the KfW), we have operationalized the Development Bank Ghana to provide long-term funding to financial institutions to on-lend to creditworthy enterprises in agribusiness, manufacturing, and high value services.

- *Encouraging digitalization*. Accordingly, we will further expand broadband mobile coverage and improve digital skills in school and through trainings.

PROGRAM MONITORING AND OTHER

53. 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-December 2025 are set out in Table 2. The structural benchmarks are described in Table 3.

Table 1. Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2024–2025

	2024 March Indicative Targets First review	2024 March Indicative Targets Adjusted	2024 March Indicative Targets Outturn	2024 June Performance Criteria Second Review	2024 June Performance Criteria Adjusted	2024 June Performance Criteria Outturn	2024 June Performance Criteria Status	2024 September Indicative Targets Second Review	2024 September Indicative Targets Adjusted	2024 September Indicative Targets Outturn	2024 December Performance Criteria Second Review	2024 December Performance Criteria Proposed	2025 March Indicative Targets Second Review	2025 March Indicative Targets Proposed	2025 June Performance Criteria Second Review	2025 June Performance Criteria Proposed	2025 September Indicative Targets Proposed	2025 December Performance Criteria Proposed
Performance Criteria																		
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	413.4	563.4	255.0	463.8	384.8	928.2	**Met**	500	894	1,182	908	908	300	166	550	493	824	1,450
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (millions of cedis) [2]	0	0	-130	0		-112	**Met**	0		0	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]	84.7		47.2	231.5		47.2	**Met**	231.5			231.5	231.5	50.0	50.0	50.0	50.0	50.0	50.0
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-2,250.6	-2,735.7	3,371.6	-2,379.0	-2,968.8	4,852.4	**Met**	1,154.8			5,100.9	4,805.7	10.0	-1,276.1	2,386.7	1,576.1	9,312.0	18,250.1
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	**Met**	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	**Met**	0			0	0	0	0	0	0	0	0
Monetary Policy Consultation Clause																		
Twelve-month consumer price inflation (percent)																		
Outer band (upper limit)	35.7			29.0				24.0			19.0	22.0	16.5	19.0	12.0	16.5	14.0	12.0
Inner band (upper limit)	33.7			27.0				22.0			17.0	20.0	14.5	17.0	10.0	14.5	12.0	10.0
Central target rate	**31.7**		**25.8**	**25.0**		**22.8**		**20.0**		**21.5**	**15.0**	**18.0**	**12.5**	**15.0**	**8.0**	**12.5**	**10.0**	**8.0**
Inner band (lower limit)	29.7			23.0				18.0			13.0	16.0	10.5	13.0	6.0	10.5	8.0	6.0
Outer band (lower limit)	27.7			21.0				16.0			11.0	14.0	8.5	11.0	4.0	8.5	6.0	4.0
Indicative Targets																		
Non-oil public revenue, cumulative floor (millions of cedis) [3]	30,992		27,011	61,180		65,001	**Met**	102,420			148,458	154,087	36,974	36,423	76,325	76,885	125,545	182,564
Social spending, cumulative floor (millions of cedis) [3]	1,393		1,079	2,786		2,881	**Met**	4,179			5,572	5,572	1,775	1,779	3,373	3,380	5,336	7,115
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis) [3]	0		-5	0		-3,805	**Met**	0			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		111	**Met**	250			250	250	250	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, 2024–25

Prior Actions	*Objective*	Date	Status
• **The government submits to Parliament then Expenditure in Advance of Appropriation for the period 2025Q1** consistent with PFM Act and the program's fiscal objectives.	*Ensure continuation of a credible fiscal adjustment to restore fiscal and debt sustainability.*	Prior action	**Met**
• **The government prepares draft terms of references (ToR) for preparation of a restructuring strategy to open ECG's operations to private sector participation**, including a comprehensive technical and financial audit of ECG's operations.	*Enhance energy sector transparency and accountability*	Prior action	**Met**
Structural Benchmarks	***Objective***	**Date**	**Status**
• **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	**Met**
• **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	**Not Met**
• **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	**Met**
• **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	**Not Met, implemented with delay**
• **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	**Met**
• **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	**Met**
• **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	**Met**
• **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	
• **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	

Table 2. Ghana: Proposed Structural Conditionality Under the Extended Credit Facility, 2024–25 (*continued*)

Structural Benchmarks	*Objective*	Date	Status
• **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	
New Structural Benchmarks	***Objective***	**Date**	**Status**
• **PURC publishes on its website the Validation Report of ECG Revenue/Collection Accounts audit for 2023Q4 and 2024H1.** The audit should be based on a full assessment and accounting of all ECG collections and uses of funds to ensure an unqualified opinion by the auditors.	*Enhance energy sector transparency and accountability*	*End-January 2025*	
• **PURC implements quarterly tariff adjustments as per the current policy** to reflect transmission of changes in exchange rate, inflation, fuel prices, and generation mix to electricity tariffs. PURC will publish the Decision paper (technical notes) to explain and justify this tariff decisions within 30 days of the tariff decision announcement and will share with IMF and World Bank staff the financial model and calculations.	*Strengthen the energy sector and ensure its medium-term viability*	*Quarterly starting end-January 2025*	
• **Submit to Parliament a 2025 Budget and accompanying legislations** (i.e., tax laws, 2025 Appropriation Bill) consistent with the program's fiscal targets for 2025—including on the primary balance and non-oil revenue.	*Reduce fiscal imbalances*	*End-March 2025*	
• **Submission of the BoG Act amendments to Parliament,** in line with Safeguards recommendations.	*Strengthen BoG independence and reduce the risk of fiscal dominance*	*End-May 2025*	
• **Enact the amended Fiscal Responsibility Act** prepared in collaboration with Fund's staff**.**	*Increase fiscal oversight, transparency, and governance*	*End-September 2025*	
• **Submit to parliament a new bill to strengthen asset declarations consistent with international best practices.** The draft bill will be prepared in consultation with IMF staff.	*Strengthen governance and the asset declaration system to reduce vulnerability to corruption*	*End-September 2025*	
• **Finalize the review of LEAP beneficiaries to improve the targeting of the program** in favor of the extreme poor, and expand the LEAP coverage to reach 400,000 households.	*Strengthen effectiveness of social protection programs*	*End-September 2025*	
• **Cabinet approves a strategy to restructure ECG, including opening operations to private sector participation.** The strategy will be based on the findings of the technical and financial audit and will be prepared in consultation with IMF and WB staff.	*Strengthen PFM procedures by reducing vulnerability to corruption*	*End-September 2025*	
• **PURC implements the planned major tariff review at end-September (with associated tariff adjustment as of October 1, 2025).** PURC will publish the technical note to explain and justify this tariff decision and will share with IMF and World Bank staff the calculations.	*Strengthen the energy sector and ensure its medium term viability*	*End-September 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 28 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.

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

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).

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 criteria 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 an introduction or 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 purposes1 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.

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, 2024-2025
(Cumulative from the beginning of the year, USD millions

Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
692	409	116	416	416	716

Note: The September 2024 number included an estimated WB DPO2 disbursement of US$300 million. This disbursement shifted into Q2 2025, reducing the December 2024 adjustor accordingly.

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)

Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
694	498	379	399	754	774

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) (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.2 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.

17. **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

18. 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, 2024-2025
(Cumulative from the beginning of the year, USD millions)

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

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

Definition

19. 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, and of the energy sector, defined as the difference between the total fixed cost bills received by ECG from IPPs and fuel suppliers and the payment made by ECG and the Government of Ghana on energy obligations related to the current and past years, including exchange adjustment and Natural Gas Clearinghouse credit notes. 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.

20. 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.

21. 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.

22. 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

23. The primary balance floor for March 2024-December 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, 2024-2025 (Cumulative from the beginning of the year, USD millions)					
Sep-24	**Dec-24**	**Mar-25**	**Jun-25**	**Sep-25**	**Dec-25**
254.9	574.4	117.3	234.6	351.9	469.2

24. 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

25. 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

26. 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.

27. 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

28. 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.

29. 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 and 1-week forward auctions under the Domestic Gold Purchase program.

INDICATIVE TARGETS

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

Definition

30. 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.
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.

32. The non-oil revenue floor will be adjusted upward (downward) by the amount received as the one-off dividends revenue from the ESLA bond closure program in excess (shortfall) of the program assumption.

Ghana: Expected dividends revenue from the ESLA bond closure program, 2024-2025
(Cumulative from the beginning of the year, GHS millions)

Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
800.0	800.0	0.0	0.0	0.0	0.0

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

33. 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

34. 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

35. 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 payment received from CAGD 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 and measured as consolidated funds' releases to MDAs.

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

Definition

36. 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 budgetary central government entities (a subset of the entities which are part of the CAGD annual and quarterly account preparation for central government). 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

37. 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.

38. 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
Monthly cash flow projections for energy sector payments (for current bills and legacy debt clearance) for the next 12 months	Quarterly, at the beginning of each quarter
Monthly cash flow projections for cocoa FX proceeds for the next 12 months	Quarterly, at the beginning of each quarter

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

Item	Periodicity
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.
Daily high and low FX transaction rates, including those transactions with the government and government entities, those related to the conversion of FX proceeds from cocoa exports, purchases of inward remittances by commercial banks, transactions related to voluntary repatriation of export proceeds, the bilateral FX interventions, and FX forward auctions.	Weekly, within a week of the end of each week.
Bank-to-bank and BOG-and-bank FX transactions in the interbank market by transaction amount and the exchange rate.	Weekly, within a week of the end of each week.
Bi-weekly FX auction results by amount and rate of the submitted bids, the amount and rate of the accepted bids, and 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 and data at the aggregate and bank levels with and without supervisory reliefs. The data should include NPLs categorized by market sector and ageing (in buckets of past due e.g. up to 89 days, 90 – 365 days; 1 – 3 years; over 3 – 5 years; over 5 years); IFRS provisioning, Supervisory and aggregate reserves for loan loss and related provisioning coverage ratios; Net Open FX position and FX liquidity position at bank-by-bank level.	Monthly, within four weeks from the end of each month.

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

Item	Periodicity
Dividend payment by banks.	Quarterly, within four weeks from the end of each quarter.
Updates on (i) recapitalization progress vis a vis requirements to address capital shortfalls, (ii) CRR and liquidity positions vis a vis tiered and other requirements, and (iii) measures taken/to be taken for non-compliance in each case	Quarterly, within four weeks from the end of each quarter.
Updates on phasing out of DDE related prudential reliefs and measures for non-compliance.	
Updates and related timelines on (i) GFSF applications, approvals and disbursements by amount, type and institution/sub-sector; and (ii) plans and progress in addressing legacy issues and reforms including approvals and disbursements of non-GFSF financial assistance by amount, type and institution/sub-sector;	
Progress updates on (i) implementation of measures to restructure ADB; and (ii) development and implementation of the strategy and reforms to address recurring problems at state-owned institutions	
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

GHANA

November 13, 2024

THIRD 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	*High*
Overall risk of debt distress	*High*
Granularity in the risk rating	*Sustainable*
Application of judgment	*No*

The authorities have made significant progress on their comprehensive debt restructuring strategy. They completed the domestic debt restructuring last year and the restructuring of their Eurobonds in October. In June 2024, they also reached agreement with the Official Creditor Committee (OCC) under the G20 Common Framework on a Memorandum of Understanding that codifies a debt treatment consistent with the IMF-supported program parameters. The DSA assumes a treatment of the residual claims of other external commercial creditors in line with the authorities' restructuring strategy that is consistent with program parameters and comparability of treatment principles. Given their small share and with the government engaging in "good faith" negotiations, those claims are deemed away for the purpose of the DSA.

[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 and with its 2024 Supplement.

[2] The Composite Indicator (CI) score of 2.74 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 April 2024 WEO vintage.

Ghana is at high risk of debt distress due to near-term breaches of the DSA thresholds, but is expected to reach moderate risk of debt distress in the medium term as all DSA sustainability targets will be met by 2028. In particular, the PV of total debt-to-GDP and external debt service-to-revenue ratios will reach 55 and 18 percent, respectively, by 2028. Debt is assessed to be sustainable on a forward-looking basis as the external debt restructuring is expected to be completed in line with program parameters.

Stress test results show that a combined contingent liability shock would put overall public debt well above the current 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 a combination of 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 producers (IPPs) and fuel suppliers 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

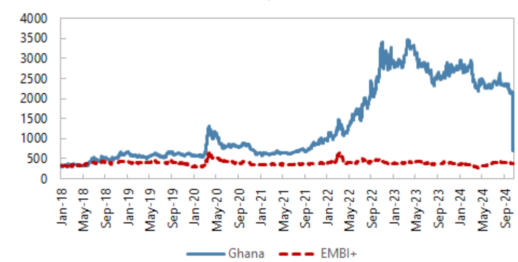
Tailored Stress Test

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)



Source: Bloomberg LP.

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—forcing the government to rely increasingly on monetary financing by the Bank of Ghana—and triggered an acute crisis. Against this backdrop, the

[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.

government requested financial support from the IMF in mid-2022 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 11.8 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, while the overall budget deficit dropped to 3.6 percent.

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.

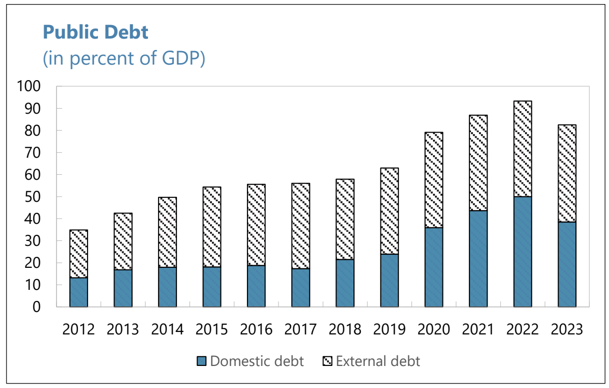
4/ Debt is collateralized when the creditor has rights over an asset or revenue stream that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the debt. Collateralization entails a borrower granting liens over specific existing 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 49.7 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 percent of GDP. In 2023, Ghana's debt stock decreased to 83 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 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. Supported by IMF and World Bank TA, 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.[8] In this context, the authorities have requested Fund TA to develop an effective SOE oversight strategy, and training using FAD's SOE Health Check tool was recently delivered by AFRITAC West 2. 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 are nearing completion of 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 2024 with the official creditor committee (OCC) on the terms of a debt treatment in line with the financing assurances they provided in May 2023, and agreed on an MoU in June 2024. All but 4 countries have signed the MoU and the remaining signatures are expected in the coming weeks. At the same time, the OCC co-chairs are working with Ghana on preparing bilateral agreements that can serve as guides for all OCC members to implement the MoU. All bilateral agreements are expected to be signed by the end of June 2025. The Eurobond exchange was successfully finalized in October 2024, under the terms envisaged at the time of the agreement-in-principle reached with the two bondholder committees in June. The authorities are now starting negotiations with the remaining other commercial creditors (see below). 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.

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 full debt restructuring.

[8] The World Bank has equally been actively supporting Ghana through the Economic Management Strengthening (GEMS) Project and the Public Financial Management (PFM) for Service Delivery Program.

12. Ghana's reform strategy has started bearing fruit, and signs of economic stabilization are crystallizing. 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 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 22.1 percent at end-October 2024. 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,[9] and since recovered to US$5 billion (end-September 2024 – 2.1 months of imports).

13. Under the DSA baseline, there would be a continued gradual improvement in macroeconomic conditions. Non-extractive growth is projected to strengthen to 5.0 percent by 2026 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 increase to around 5.0 percent 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 to 4 percent in 2024 and recover gradually to reach 5 percent in 2027. 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, expected at a one percent surplus in 2024 due to strong gold exports, is projected to remain in balance until 2026; and official reserves would rise to 3 months of prospective imports (US$7.8 billion) by 2026.

14. Compared to the second review, changes to macroeconomic assumptions are driven by the external sector. Growth projections over the medium term are largely unchanged. 2024 inflation was revised up from 15 to 18 percent, given a slower-than-projected decline until end-September, with a similar increase in the GDP deflator. Nominal GDP in USD terms was revised down noticeably in 2024 despite a higher deflator, given a large nominal exchange rate depreciation. 2024 export growth was raised noticeably, as very large gold exports outweigh the underperforming cocoa sector, but medium-term projections are comparable to the second review. 2024 imports are equally expected to grow at a faster pace in 2024, taking into account preliminary H1 data and larger externally-financed public capital

[9] 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.

spending. Average interest rates on external debt declined noticeably as a direct consequence of the debt restructuring, with reduced amounts of external debt and lower rates.

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.[10] 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 was 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 consisted in the streamlining of large VAT exemptions, the strengthening of excise taxes and reforms to reinforce tax compliance and revenue administration. While the VAT on electricity consumption as part of streamlining exemptions was not implemented, alternative measures (primarily strengthening tax administration on foreign income of Ghanian residents) are estimated to have a similar yield. Revenue collections up to August were in line with the expected improvement in the non-oil revenue to GDP ratio. 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. End-June data confirm improved revenue and deficit outcomes.

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 15.7 percent in 2022. The 2023 Medium Term Revenue Strategy remains the main anchor of this expected revenue increase, with key expected measures for the coming years focusing on reducing tax expenditures and strengthening tax compliance. 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. A plan to clear the large stock of domestic arrears to suppliers has been prepared as part of the

[10] 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.

Arrears' Clearance and Prevention Strategy (a structural benchmark at end-June 2023 under the IMF-supported program), and negotiations of legacy energy sector arrears are progressing.

18. The DSA's baseline scenario includes the authorities' comprehensive debt restructuring, which was fully implemented for 95 percent of claims at end-October:

- **Domestic Debt Exchange Program (DDEP):** 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, finalized in the fall of 2023, included Cocobills, US$-denominated domestic debt, and pension fund holdings of government bonds. The government also restructured the BoG's holdings of non-marketable debt, while ensuring the central bank's solvency.

- **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 accrues 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 million per year from 2024 to 2026 to respect the IMF-supported program parameters.

- **Eurobond debt restructuring:** The Eurobond restructuring was successfully implemented in October 2024. Most bondholders received new bonds maturing in 2029 and 2035, with a nominal haircut of 37 percent and a coupon rate increasing from 5 to 6 percent in 2028. Some bondholders choose to receive longer-term bonds maturing in 2037, with no haircut but paying a coupon rate of 1.5 percent. All bondholders received a downpayment bond maturing in 2026 and a post-default interest bond maturing in 2030.

- **Restructuring of claims from other commercial creditors:** Consistent with the IMF's Lending into Arrears policy, the authorities are making good faith efforts to reach a debt restructuring agreement with the residual external commercial creditors, on terms that are in line with program parameters and the comparability of treatment principle. The outstanding debt stock to these residual external creditors is US$2.7 billion, which amounts to less than 5 percent of pre-restructuring total public debt. The authorities' strategy for these creditors is to prepare restructuring offers tailored to the preferences of each type of creditor – some might prefer long-term rescheduling of their claims with no haircut while others are ready to accept principal reduction but prefer to maximize their short-term debt service. Following the completion of the Eurobond restructuring, the authorities have now launched formal negotiations with these creditors. They notably sent official letters to the largest creditors to explain the key parameters of the restructuring. The authorities also intend to start negotiations with other smaller commercial creditors by trying to create a coordination mechanism that will facilitate information sharing and the actual restructuring process.

19. New external borrowing is constrained under the IMF program. New external borrowing under the program is restricted to a PV of US$231.5 million and US$50 million in 2024 and 2025, respectively. World Bank support increased significantly since the 2nd Review DSA, following large upward revisions in expected project disbursements, from US$1.4 billion to almost US$2 billion over 2023-26. Total DPF support remains unchanged, although DPO2 is now expected to be disbursed in 2025, instead of 2024.

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

	2022	2023	2024	2025	2026	2027	2028	2029-44 [3]
				Annual Percentage Change				
Real GDP growth								
Second Review	3.8	2.9	3.1	4.4	4.9	5.0	5.0	5.0
Current	3.8	2.9	4.0	4.4	4.9	5.0	5.0	5.0
Inflation GDP deflator								
Second Review	28.2	33.1	17.5	11.1	7.9	7.9	7.6	7.8
Current	28.2	33.1	20.4	10.6	7.8	7.8	7.7	7.8
Nominal GDP (in Billion of USD)								
Second Review	74.0	76.4	75.3	75.8	81.1	86.8	92.8	165.9
Current	73.9	76.4	72.7	74.5	81.2	87.7	93.8	174.7
Exports, Goods & Services								
Second Review	7.0	-4.8	3.6	6.8	4.1	5.9	4.3	4.3
Current	7.0	-4.7	10.2	2.6	6.4	5.2	4.1	4.0
Imports, Goods & Services								
Second Review	4.5	-1.0	2.1	4.5	4.3	4.8	4.4	4.4
Current	4.5	-1.2	5.6	3.7	4.5	4.6	4.3	4.1
				In percent of GDP				
Non-interest Current Account Balance								
Second Review	0.1	1.0	0.4	-0.1	-0.1	0.1	0.1	0.0
Current	0.1	0.9	-2.0	-1.1	-1.1	-1.0	-0.8	-0.2
Revenue and Grants 1/								
Second Review	15.7	16.0	17.1	17.8	18.3	18.1	18.2	18.0
Current	15.7	16.0	17.4	17.6	18.4	18.2	18.2	18.0
Primary Expenditure (cash basis) 2/								
Second Review	18.9	15.9	17.8	16.8	17.4	17.2	17.2	17.0
Current	18.9	15.9	17.8	16.7	17.6	17.4	17.4	17.0
Primary Deficit (cash basis) 2/								
Second Review	3.2	-0.2	0.6	-0.9	-0.9	-0.9	-0.9	-1.0
Current	3.2	-0.2	0.4	-0.8	-0.8	-0.8	-0.8	-1.0
				In percent				
Average real interest rate on domestic debt								
Second Review	-11.6	-22.3	-11.1	-0.2	2.4	1.9	2.9	4.6
Current	-11.6	-22.3	-13.2	0.3	2.1	1.8	2.6	4.5
Average real interest rate on external debt								
Second Review	-2.5	-3.1	2.2	2.4	2.1	2.2	2.2	3.3
Current	-2.5	-3.1	-0.9	0.2	0.3	0.6	0.8	3.1
Memorandum:								
Primary Deficit (commitment basis) 4/								
Second Review	*4.3*	*0.3*	*-0.5*	*-1.5*	*-1.5*	*-1.5*	*-1.5*	*-1.0*
Current	*4.3*	*0.3*	*-0.5*	*-1.5*	*-1.5*	*-1.5*	*-1.5*	*-1.0*

Sources: 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

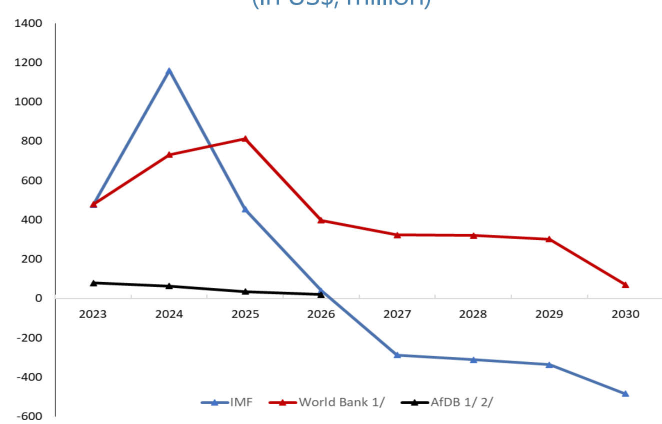
1/The Fund-supported program includes a debt ceiling on the PV of newly contracted or guaranteed external debt by the government and SOEs. In line with the TMU definition of the debt ceiling, figures in the table do not include new financing from the IMF, World Bank, AfDB, projected issuances of local 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/ Some key measures have been supported by the World Bank's Sustainable Development Finance Policy (SDFP): since FY23 it supported fiscal sustainability via revenue measures, expenditure containment measures and energy sector reforms, and included a non-concessional borrowing ceiling, consistent with IMF debt limits.

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.

20. Financing assumptions under the baseline scenario are conservative:

- On the external side, the DSA scenario assumes that the government will regain access to some commercial lending in 2026, and full external market access in 2027. External disbursements over in 2024 and 2025 are thus limited to the World Bank, IMF, AfDB and other bilateral development partners. Between 2023 and 2026, the World Bank[11] is assumed to disburse about US$3.4 billion of which about US$1.15 billion for budget support loans and US$369 million for other projects contributing to program financing, and US$1.85 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. The scenario assumes disbursements of US$3 billion from the IMF in 2023-26. Other bilateral development partners are expected to contribute by US$853 million from 2024-26, restricted by the limits on pre-COD disbursements, with commercial debt of about US$550 million in 2026 expected to fill the residual external financing needs.

- On the domestic side, the government issued large amount of T-bills in 2023-24 as the bond market was closed in the wake of the restructuring. Demand for T-bills remained strong during this period, in particular from non-bank investors—corporate, pension funds and individuals—which had limited alternative investment options. About 72 percent of 2024 gross financing needs are met by domestic issuances, with similar ratios until the end of the program. Starting in 2025, the baseline assumes, in line with the authorities' debt management strategy, a resumption of medium and long-term domestic debt issuance. While the effective real interest rate is assumed to remain above 5 percent, nominal interest rates are expected to decline with inflation returning to its target. Overall, net issuance of domestic debt is expected to be slightly negative in the coming years, an indicator that the government is containing its domestic financing needs (Figure 6). Domestic debt service expressed as a share of revenue will remain elevated in comparison to the average in other LICs, but it will be gradually reduced, in line with the domestic debt-to-GDP ratio.

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

[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.

percentage points of GDP due mainly to higher-than-expected external borrowing costs and currency depreciation.[13]

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.[14] 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 2024 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 and full 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. The opposition has communicated broad support to the IMF-supported program, lowering risks of program discontinuation, but risks of overspending in the runup to the elections are high. A recent dry spell affecting agriculture in the northern provinces led to higher inflation and small further increase in 2024 World Bank support. Finally, the need for higher support to the energy sector and 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.

24. Ghana is highly vulnerable to climate variability and change, which poses significant risks such as flooding and droughts. To address these challenges, the country has developed several climate-related policies and strategies, including the National Climate Change Adaptation Strategy, the Low Carbon Development Strategy, and the National Climate Change Master Plan. The recent Ghana 2022 Country Climate and Development Report (CCDR) provides several recommendations for addressing climate change risks, such as flooding and droughts, and outlines adaptation and mitigation measures. These

[13] 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).

[14] 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.

include an integrated approach to agriculture and environmental management, building sustainable cities and resilient infrastructure, boosting disaster risk preparedness, managing forest resources for climate resilience, transitioning to clean energy, modernizing transport systems, strategizing for climate resilience financing, and implementing adaptive health systems. Key World Bank projects supporting these strategies include the Greater Accra Resilient and Integrated Development Project, which aims to improve flood risk management and solid waste management in the Odaw River Basin, and the Greater Accra Urban Resilience and Integrated Development Project, which proposes improvements to drainage systems and flood water management.

E. Debt-Carrying Capacity and Determination of Stress Tests

25. 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 2.74 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 April 2024 WEO vintage.

26. Stress tests applied to public and external debt show that the primary balance, commodity prices, 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 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.[15]

F. External DSA Assessment

27. Under the baseline, all external debt burden indicators fall durably below or to their respective thresholds by 2028 (Figure 1). The debt-service to revenue ratio remains at or slightly below 18 percent until 2035, highlighting limited room for slippages. The other three external debt indicators (PV of PPG external debt-to-GDP, debt service-to-exports ratio, and PV of external debt-to-exports ratio) remain below their respective thresholds in the baseline. A combination of shocks leads to a breach in the PV of external debt-to-GDP ratio over the medium term, while a shock to exports has the largest negative

[15] 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).

impact on the PV of debt-to-export, debt service-to-export, and debt service-to-revenue ratios, leading to breaches in their respective thresholds for the latter two indicators. The PV of external debt-to-exports ratio does not breach its 180 percent threshold under any shock scenario.

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	Medium	Medium
	2.740	2.72	2.75

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	48%
Real growth rate (in percent)	2.719	3.954	0.11	4%
Import coverage of reserves (in percent)	4.052	27.069	1.10	40%
Import coverage of reserves^2 (in percent)	-3.990	7.327	-0.29	-11%
Remittances (in percent)	2.022	5.341	0.11	4%
World economic growth (in percent)	13.520	2.909	0.39	14%
CI Score			2.740	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

G. Public DSA Assessment

28. Under the baseline, the PV of total PPG debt-to-GDP is expected to fall durably below its 55 percent benchmark by 2028 (Figure 2). A contingent liability shock has the most severe impact on the PV of debt-to-GDP ratio, leading to a breach of 55 percent over the entire forecast horizon, highlighting the importance of fiscal restraint going forward. A commodity price shock impacts the debt service-to-revenue and the PV of debt-to-revenue ratio most strongly.

29. Despite the loss of market access, the market financing risks are assessed as "moderate" (Figure 5). The maximum gross financing need over the 3-year baseline projection horizon lies at 11 percent and does no longer breach the 14 percent of GDP benchmark, signaling a decline in financing pressures over the medium term following a successful debt restructuring process and continued fiscal discipline. Gross financing needs are projected to gradually decline to below 10 percent by 2032. Eurobond spreads have declined drastically in October, from around 2,000 to below 700 within a few days, but they remain above the 570-bps benchmark, with continued lack of market access.

SUSTAINABILITY ASSESSMENT

30. Ghana is at high risk of distress due to near-term breaches of the DSA thresholds, but is expected to reach moderate risk of debt distress in the medium term as all DSA sustainability targets will be met by 2028; and debt is assessed to be sustainable on a forward-looking basis as the external debt restructuring is expected to be completed in line with program parameters. Taking into account the authorities' continuing good faith negotiations with residual external private creditors on a treatment in line with program parameters, Ghana's debt is assessed as sustainable on a forward-looking basis. In the baseline, all debt burden indicators fall below or to their critical thresholds by 2028. The residual arrears with other commercial non-bonded creditors, given their limited size (less than 5 percent), can be considered as treated on comparable terms and deemed away for the purpose of the risk rating (in line with LIC DSF Guidance Note), as the overall restructuring strategy has been assessed as consistent with program parameters. Good faith efforts are continuing.

31. 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, which entails a revenue-based fiscal consolidation with higher spending efficiency and stronger social safety nets, as well as structural reforms to support greater exchange rate flexibility, a more diversified economy and stronger growth.

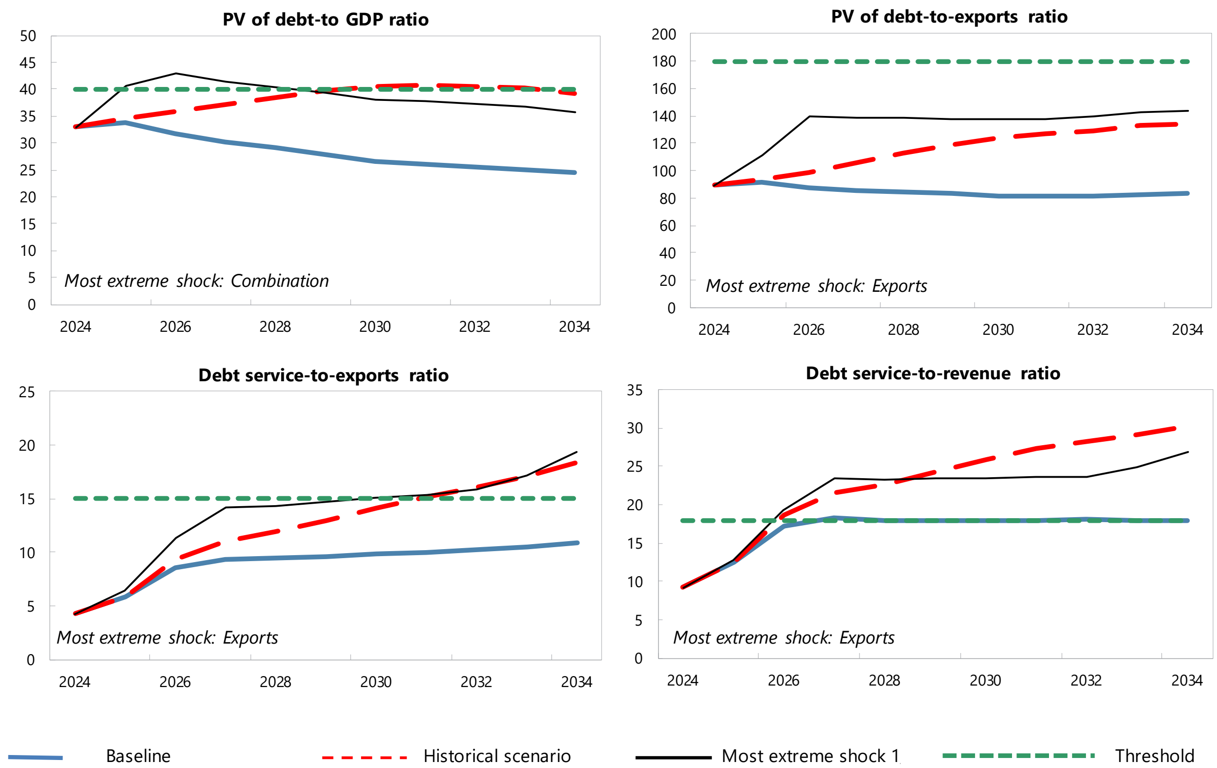
32. Enhancing debt data and transparency are essential to better identify PPG debt and contingent liabilities and allow for a more accurate assessment of debt vulnerabilities. Materialization of contingent liabilities, off-budget operations, and domestic arrears have been drivers of debt accumulation 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.[16] 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.

AUTHORITIES' VIEWS

33. The authorities generally shared staff's assessment of debt sustainability and renewed their commitment to continue with their strong implementation of the IMF-supported program and continue the restructuring of their external debt to restore debt sustainability. The authorities acknowledged the importance of a successful implementation of the reform agenda underpinned by the IMF-supported program to restore economic stability—a critical pillar for restoring debt sustainability.

[16] 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	5.7%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	17	17
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.

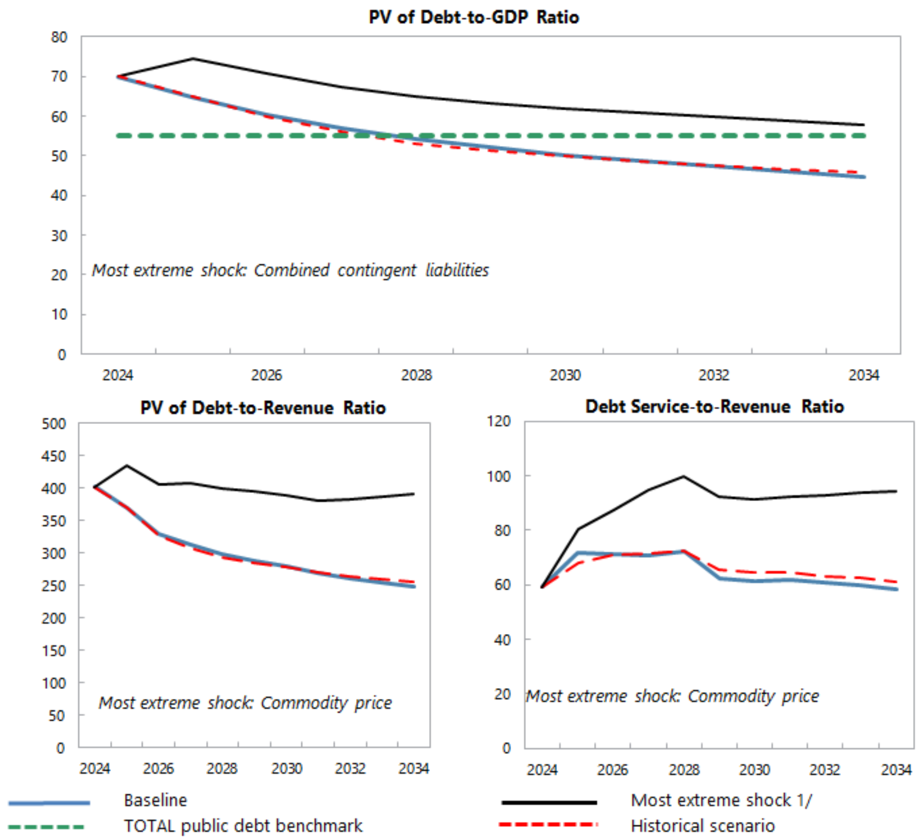
Sources: Country authorities; and staff estimates and projections.

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	28%	28%
Domestic medium and long-term	48%	48%
Domestic short-term	24%	24%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.7%	9%
Avg. maturity (incl. grace period)	17	17
Avg. grace period	7	7
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.0%	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.

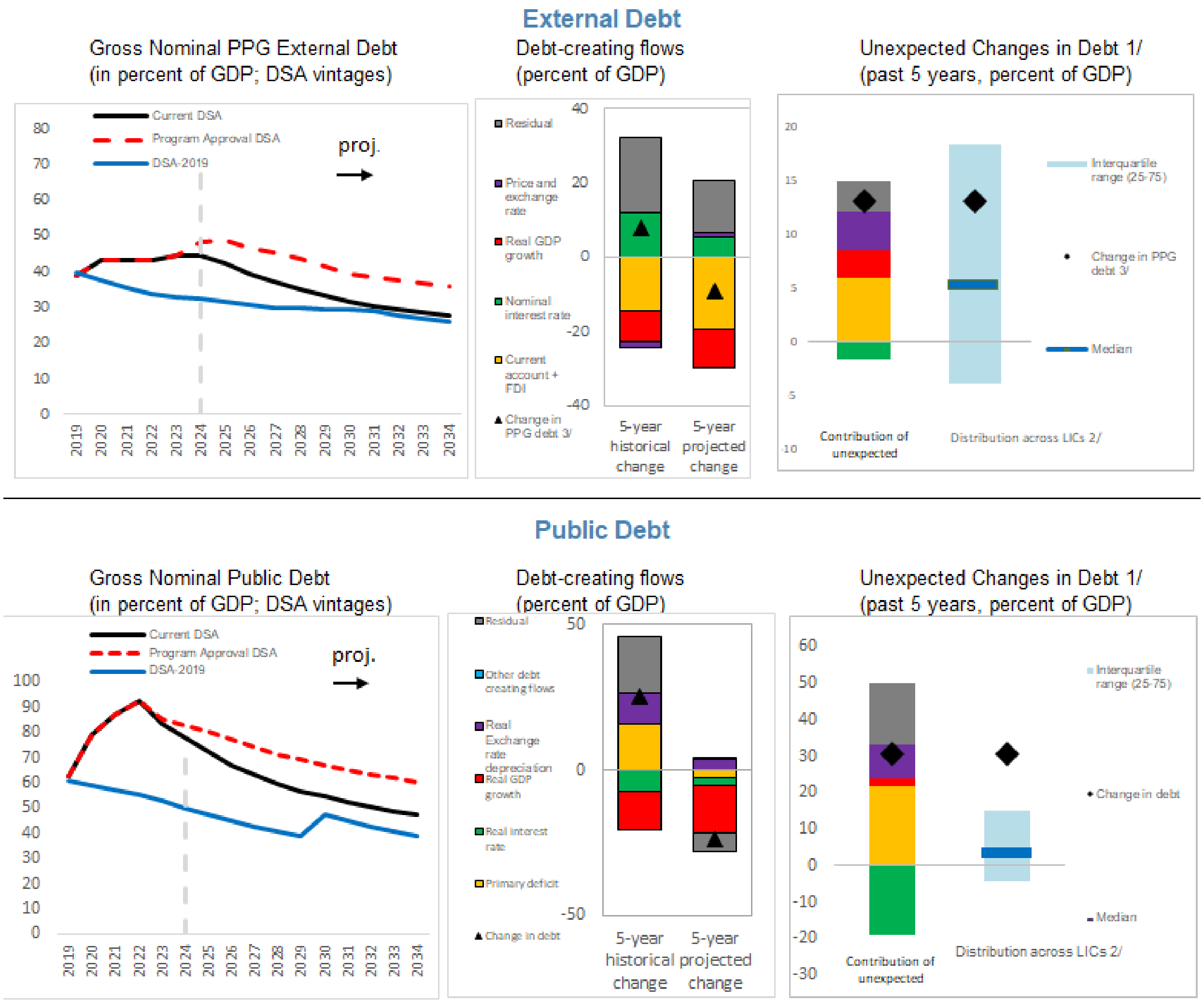
Sources: Country authorities; and staff estimates and projections.

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.

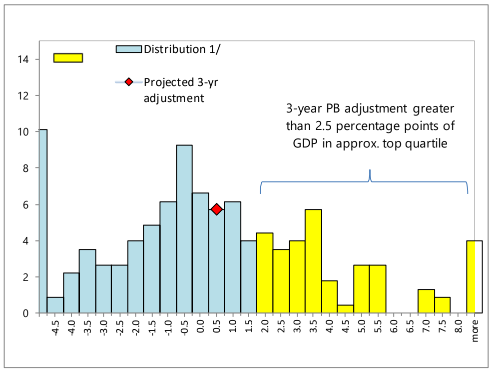
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

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.

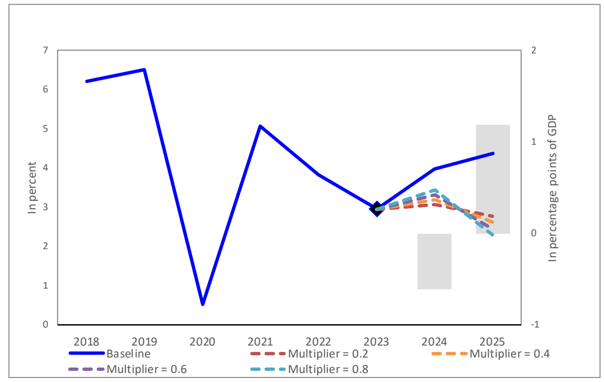
Figure 4. Ghana: Realism Tools

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



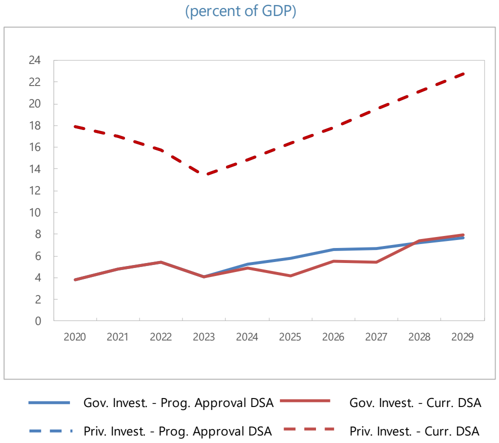
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

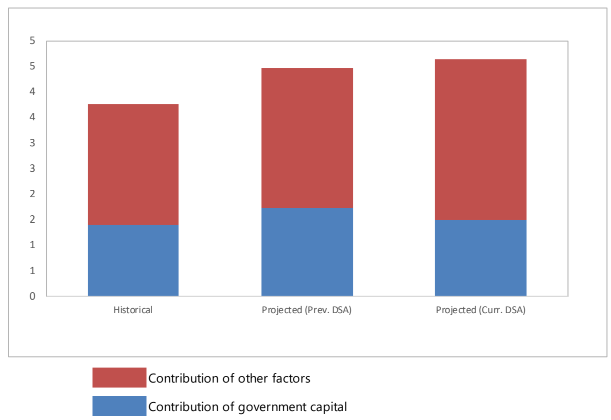


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(percent of GDP)



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

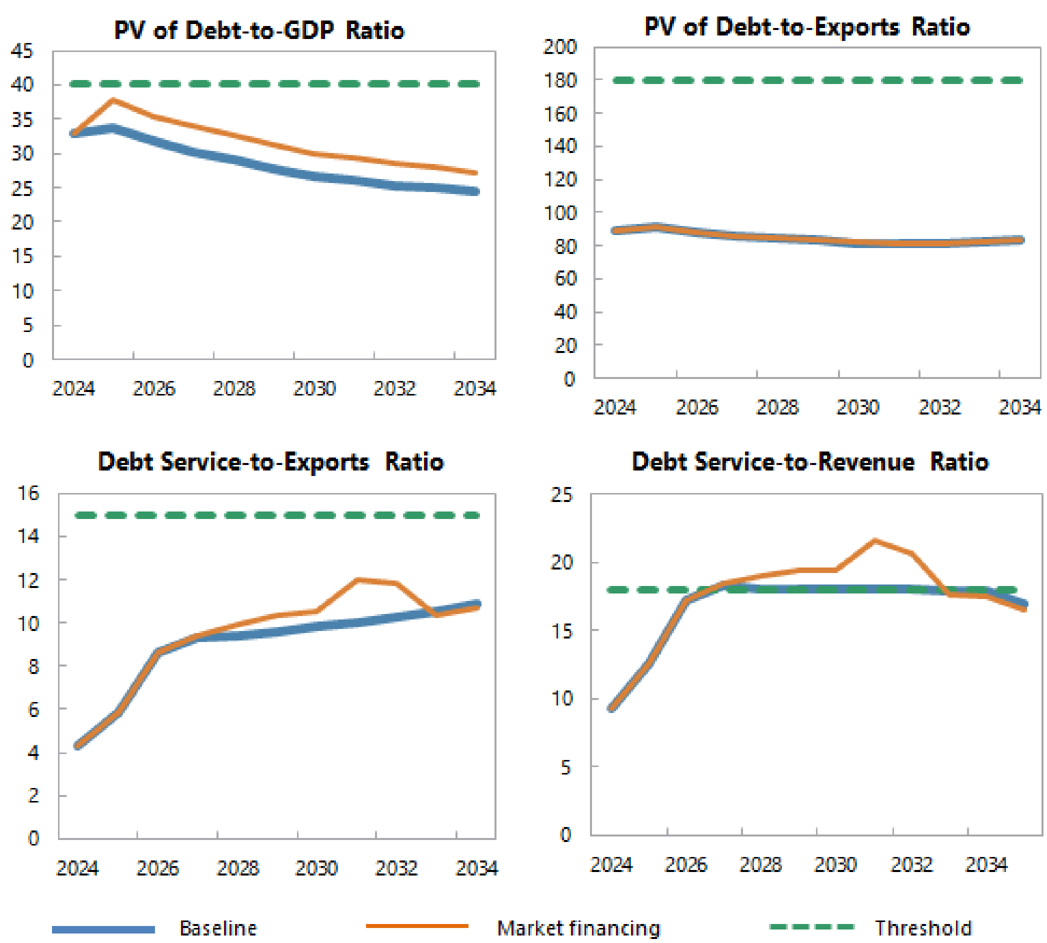


Sources: Country authorities; and staff estimates and projections

Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	11	700
Breach of benchmark	No	Yes
Potential heightened liquidity needs	Moderate	

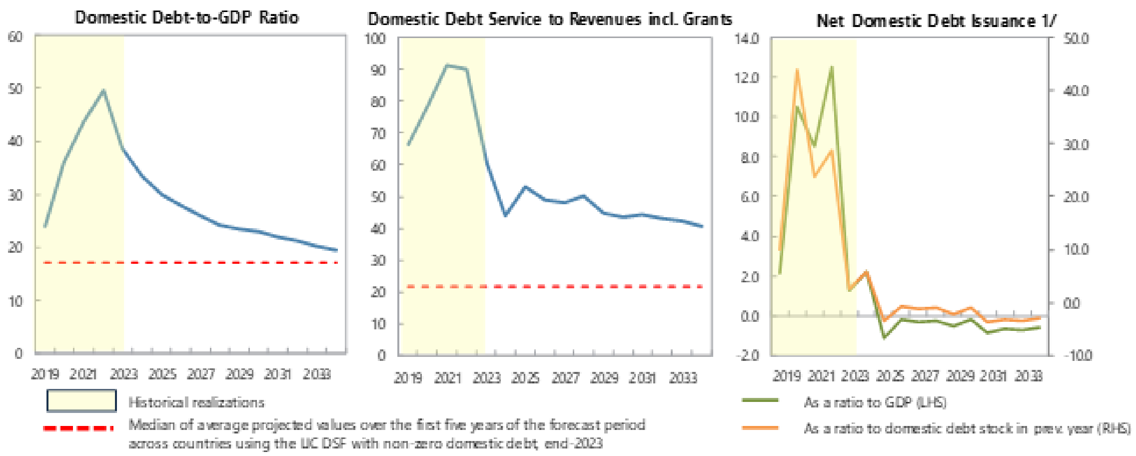
1/ Maximum gross financing needs (GFN) over 3-year baseline projection horizon.
2/ EMBI spreads correspond to the latest available data.



Sources: Country authorities; and staff estimates and projections.

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).

Figure 6. Ghana: Indicators of Domestic Public Debt, 2019-2033



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	66%
Short-term	34%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	5.5%
Avg. maturity (incl. grace period)	5
Avg. grace period	0
Domestic short-term debt	
Avg. real interest rate	4.4%

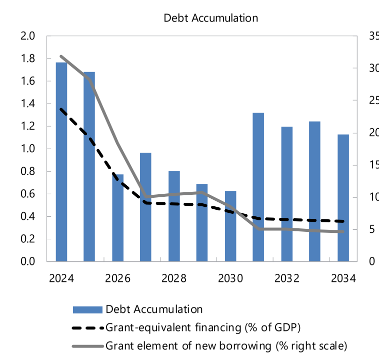
Sources: Country authorities; and staff estimates and projections.
1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments, and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

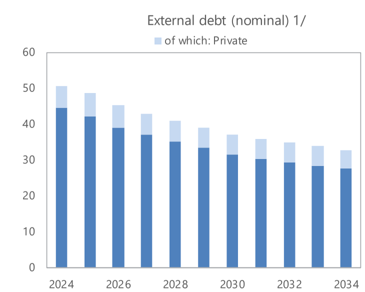
Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2023–44

(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	50.7	48.6	45.3	43.0	41.0	39.1	32.8	24.8	43.8	40.2
of which: public and publicly guaranteed (PPG)	44.4	44.5	42.2	39.1	37.0	35.1	33.4	27.6	20.4	39.3	34.4
Change in external debt	1.6	0.7	-2.1	-3.3	-2.3	-2.0	-1.9	-1.0	-0.5		
Identified net debt-creating flows	-2.4	-5.3	-4.8	-5.0	-4.8	-4.6	-4.3	-1.0	-1.2	-2.4	-3.5
Non-interest current account deficit	0.9	-2.0	-1.1	-1.1	-1.0	-0.8	-0.7	0.0	-0.1	1.3	-0.7
Deficit in balance of goods and services	2.2	0.9	1.3	0.6	0.4	0.4	0.3	0.1	0.9	3.4	0.4
Exports	31.9	36.9	37.0	36.1	35.1	34.2	33.4	29.3	21.7		
Imports	34.1	37.8	38.3	36.7	35.5	34.6	33.8	29.4	22.5		
Net current transfers (negative = inflow)	-5.4	-6.8	-6.7	-6.2	-5.8	-5.6	-5.5	-4.9	-4.1	-4.5	-5.6
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	4.0	4.3	4.5	4.5	4.4	4.5	4.8	3.1	2.4	4.6
Net FDI (negative = inflow)	-1.7	-2.2	-2.6	-2.8	-2.9	-3.0	-3.0	-1.0	-1.2	-4.1	-2.2
Endogenous debt dynamics 2/	-1.7	-1.1	-1.1	-1.1	-0.9	-0.8	-0.6	0.0	0.1		
Contribution from nominal interest rate	0.4	0.9	1.1	1.1	1.2	1.2	1.3	1.5	1.3		
Contribution from real GDP growth	-1.4	-2.1	-2.2	-2.2	-2.1	-2.0	-1.9	-1.6	-1.2		
Contribution from price and exchange rate changes	-0.7	...	...	...	...	...	...	...	...		
Residual 3/	4.0	6.0	2.6	1.6	2.5	2.6	2.5	0.0	0.7	4.5	1.9
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	29.6	32.9	33.8	31.7	30.2	29.0	27.8	24.4	19.0		
PV of PPG external debt-to-exports ratio	92.7	89.1	91.3	87.8	86.0	84.8	83.1	83.2	87.7		
PPG debt service-to-exports ratio	1.7	4.3	5.9	8.6	9.4	9.4	9.6	10.9	10.3		
PPG debt service-to-revenue ratio	3.5	9.2	12.5	17.1	18.3	18.0	18.0	17.9	12.6		
Gross external financing need (Million of U.S. dollars)	867.4	-748.2	79.3	701.2	966.2	1131.1	1294.1	6050.7	2611.6		
Key macroeconomic assumptions											
Real GDP growth (in percent)	2.9	4.0	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	-8.4	-1.9	3.9	2.9	1.8	1.8	1.8	1.9	-1.7	0.9
Effective interest rate (percent) 4/	0.9	1.8	2.2	2.5	2.8	3.0	3.4	4.9	5.4	5.4	3.3
Growth of exports of G&S (US dollar terms, in percent)	-4.7	10.2	2.6	6.4	5.2	4.1	4.4	3.4	4.3	4.6	4.9
Growth of imports of G&S (US dollar terms, in percent)	-1.2	5.6	3.7	4.5	4.6	4.3	4.1	3.7	4.8	1.8	4.3
Grant element of new public sector borrowing (in percent)	...	31.8	28.2	18.4	10.0	10.5	10.6	4.7	3.8	...	12.5
Government revenues (excluding grants, in percent of GDP)	15.8	17.1	17.3	18.1	18.0	17.9	17.8	17.8	17.8	14.0	17.8
Aid flows (in Million of US dollars) 5/	219.6	1118.5	1248.4	887.4	860.3	900.5	943.4	759.4	1052.6		
Grant-equivalent financing (in percent of GDP) 6/	...	1.4	1.1	0.7	0.5	0.5	0.5	0.4	0.3	...	0.6
Grant-equivalent financing (in percent of external financing) 6/	...	37.2	33.0	24.5	16.2	16.9	17.3	11.2	13.6	...	18.7
Nominal GDP (Million of US dollars)	76,363	72,734	74,511	81,208	87,747	93,830	100,252	#####	276,030		
Nominal dollar GDP growth	3.3	-4.8	2.4	9.0	8.1	6.9	6.8	6.9	7.0	2.4	5.8
Memorandum items:											
PV of external debt 7/	35.2	39.1	40.1	37.8	36.2	34.9	33.6	29.6	23.3		
In percent of exports	110.4	106.0	108.5	104.8	103.0	101.9	100.3	101.1	107.8		
Total external debt service-to-exports ratio	6.0	8.4	10.3	13.2	14.2	14.5	15.0	17.9	10.3		
PV of PPG external debt (in Million of US dollars)	22582.8	23930.5	25152.7	25731.3	26516.8	27225.2	27869.2	34297.1	52431.8		
(PVt-PVt-1)/GDPt-1 (in percent)		1.8	1.7	0.8	1.0	0.8	0.7	1.1	1.0		
Non-interest current account deficit that stabilizes debt ratio	-0.7	-2.7	1.0	2.2	1.3	1.2	1.1	1.0	0.4		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

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

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

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

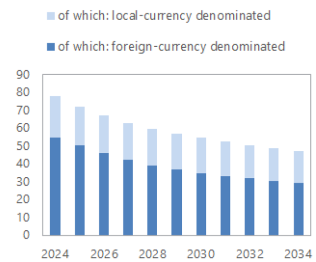
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

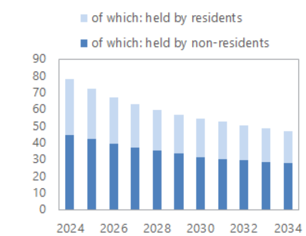
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2023–44
(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	83.1	78.0	72.2	67.2	63.0	59.4	56.8	47.2	35.0	67.8	59.1
of which: external debt	44.4	44.5	42.2	39.1	37.0	35.1	33.4	27.6	20.4	39.3	34.4
Change in public sector debt	-9.6	-5.1	-5.8	-5.1	-4.2	-3.6	-2.6	-1.6	-1.2		
Identified debt-creating flows	-11.1	-7.0	-3.7	-3.6	-3.3	-3.0	-2.9	-1.8	-1.2	1.6	-3.1
Primary deficit	-0.2	0.4	-0.8	-0.8	-0.8	-0.8	-1.3	-1.0	-1.0	2.2	-0.8
Revenue and grants	16.1	17.4	17.6	18.4	18.2	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	16.7	17.6	17.4	17.4	16.8	17.0	17.0	16.6	17.2
Automatic debt dynamics	-10.8	-8.0	-3.1	-2.8	-2.5	-2.1	-1.6	-0.8	-0.2		
Contribution from interest rate/growth differential	-14.2	-8.0	-3.1	-2.8	-2.5	-2.1	-1.6	-0.8	-0.2		
of which: contribution from average real interest rate	-11.6	-4.9	0.1	0.6	0.6	0.9	1.2	1.5	1.5		
of which: contribution from real GDP growth	-2.7	-3.2	-3.3	-3.4	-3.2	-3.0	-2.8	-2.3	-1.7		
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	1.5	1.9	-2.1	-1.5	-0.9	-0.6	0.3	0.2	0.0	2.5	-0.2
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	70.6	70.0	64.7	60.5	57.0	54.1	52.1	44.7	34.1		
PV of public debt-to-revenue and grants ratio	438.2	402.3	368.9	329.2	313.1	298.0	288.6	247.5	188.9		
Debt service-to-revenue and grants ratio 3/	64.0	59.2	71.7	71.3	71.0	72.4	62.6	58.5	44.5		
Gross financing need 4/	10.1	11.5	10.9	11.3	11.2	11.4	10.0	9.5	7.0		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	2.9	4.0	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	1.5	2.0	2.1	2.4	2.7	3.0	4.5	6.8	5.7	3.0
Average real interest rate on domestic debt (in percent)	-22.3	-13.2	0.3	2.1	1.8	2.6	3.8	4.5	3.7	1.5	1.7
Real exchange rate depreciation (in percent, + indicates depreciation)	7.9	...	...	...	...	...	...	...	...	5.0	...
Inflation rate (GDP deflator, in percent)	33.1	20.4	10.6	7.8	7.8	7.7	7.6	7.8	7.9	16.5	9.2
Growth of real primary spending (deflated by GDP deflator, in percent)	-13.6	16.4	-1.8	10.1	4.3	4.4	1.6	5.0	5.0	5.0	5.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	9.3	5.5	5.0	4.3	3.4	2.8	1.3	0.6	0.2	0.3	2.4
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	32.9	33.8	31.7	30.2	29.0	27.8	26.5	26.0	25.4	24.9	24.4
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	32.9	34.7	35.8	37.2	38.5	39.8	**40.4**	**40.6**	**40.5**	**40.1**	39.2
B. Bound Tests											
B1. Real GDP growth	32.9	35.1	34.6	33.0	31.7	30.3	29.0	28.4	27.7	27.2	26.6
B2. Primary balance	32.9	35.6	37.5	37.2	36.9	36.3	35.6	35.6	35.6	35.4	35.1
B3. Exports	32.9	38.0	**42.7**	**41.2**	**40.2**	39.1	38.0	37.6	37.2	36.7	35.7
B4. Other flows 3/	32.9	38.8	**41.3**	39.9	38.9	37.8	36.7	36.4	35.9	35.4	34.4
B5. Depreciation	32.9	**42.6**	38.2	36.4	34.8	33.2	31.6	30.8	30.1	29.4	28.8
B6. Combination of B1-B5	32.9	**40.6**	**42.9**	**41.5**	**40.4**	39.3	38.1	37.7	37.3	36.6	35.7
C. Tailored Tests											
C1. Combined contingent liabilities	32.9	36.6	35.7	35.2	34.8	34.2	33.5	33.5	33.4	33.3	33.0
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	32.9	34.2	33.0	31.8	30.9	29.7	28.5	27.9	27.3	26.8	26.2
C4. Market Financing	32.9	37.8	35.5	33.9	32.6	31.3	29.9	29.3	28.6	28.0	27.2
Threshold	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0	40.0
PV of debt-to-exports ratio											
Baseline	89.1	91.3	87.8	86.0	84.8	83.1	81.3	80.9	81.2	82.4	83.2
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	89.1	93.7	99.1	105.8	112.5	118.9	123.6	126.6	129.5	132.6	134.0
B. Bound Tests											
B1. Real GDP growth	89.1	91.3	87.8	86.0	84.8	83.1	81.3	80.9	81.2	82.4	83.2
B2. Primary balance	89.1	96.3	104.0	105.7	107.7	108.5	109.1	111.0	113.7	117.2	119.9
B3. Exports	89.1	111.1	139.3	138.3	138.4	137.9	137.2	138.1	140.1	143.0	143.9
B4. Other flows 3/	89.1	105.0	114.4	113.5	113.6	113.1	112.5	113.2	114.9	116.9	117.7
B5. Depreciation	89.1	90.7	83.3	81.3	79.9	78.0	76.0	75.5	75.5	76.4	77.3
B6. Combination of B1-B5	89.1	111.5	111.7	121.8	121.8	121.3	120.5	121.3	123.0	125.0	125.8
C. Tailored Tests											
C1. Combined contingent liabilities	89.1	99.1	99.0	100.0	101.7	102.3	102.7	104.4	106.7	110.0	112.9
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	89.1	91.6	90.6	90.0	89.7	88.6	87.1	86.8	87.1	88.4	89.3
C4. Market Financing	89.1	91.3	87.8	86.1	85.1	83.7	81.9	81.6	81.7	82.6	83.1
Threshold	180.0	180.0	180.0	180.0	180.0	180.0	180.0	180.0	180.0	180.0	180.0
Debt service-to-exports ratio											
Baseline	4.3	5.9	8.6	9.4	9.4	9.6	9.8	10.0	10.3	10.6	10.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	4.3	5.9	9.4	11.0	11.9	12.9	14.1	**15.2**	**16.0**	**17.1**	**18.4**
B. Bound Tests											
B1. Real GDP growth	4.3	5.9	8.6	9.4	9.4	9.6	9.8	10.0	10.3	10.6	10.9
B2. Primary balance	4.3	5.9	9.2	10.8	11.2	11.7	12.1	12.5	12.9	13.8	14.8
B3. Exports	4.3	6.5	11.4	14.2	14.4	14.7	**15.1**	**15.4**	**15.9**	**17.2**	**19.3**
B4. Other flows 3/	4.3	5.9	9.8	11.6	11.8	12.1	12.4	12.7	13.0	14.4	**15.8**
B5. Depreciation	4.3	5.9	8.6	9.0	9.0	9.2	9.4	9.5	9.8	10.0	10.1
B6. Combination of B1-B5	4.3	6.1	10.8	12.6	12.8	13.1	13.4	13.7	14.1	**15.7**	**16.9**
C. Tailored Tests											
C1. Combined contingent liabilities	4.3	5.9	9.3	10.3	10.6	11.0	11.5	11.8	12.3	12.8	13.3
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	4.3	5.9	8.7	9.8	9.9	10.2	10.5	10.6	10.9	11.3	11.7
C4. Market Financing	4.3	5.9	8.6	9.4	9.9	10.3	10.5	12.0	11.8	10.3	10.7
Threshold	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Debt service-to-revenue ratio											
Baseline	9.2	12.5	17.1	**18.3**	18.0	18.0	18.0	18.0	18.0	17.9	17.9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	9.2	12.5	**18.7**	**21.5**	**22.7**	**24.2**	**25.9**	**27.3**	**28.1**	**29.1**	**30.2**
B. Bound Tests											
B1. Real GDP growth	9.2	13.0	**18.7**	**19.9**	**19.6**	**19.6**	**19.6**	**19.6**	**19.6**	**19.6**	**19.5**
B2. Primary balance	9.2	12.5	**18.4**	**21.2**	**21.4**	**21.9**	**22.2**	**22.4**	**22.7**	**23.5**	**24.4**
B3. Exports	9.2	12.8	**19.2**	**23.5**	**23.2**	**23.4**	**23.5**	**23.6**	**23.6**	**24.8**	**26.9**
B4. Other flows 3/	9.2	12.5	**19.4**	**22.7**	**22.5**	**22.6**	**22.7**	**22.8**	**22.9**	**24.5**	**26.0**
B5. Depreciation	9.2	15.9	**21.7**	**22.3**	**21.9**	**21.9**	**21.9**	**21.9**	**21.8**	**21.6**	**21.0**
B6. Combination of B1-B5	9.2	12.9	**20.9**	**23.9**	**23.6**	**23.8**	**23.8**	**23.9**	**24.0**	**25.8**	**26.8**
C. Tailored Tests											
C1. Combined contingent liabilities	9.2	12.5	**18.4**	**20.1**	**20.3**	**20.7**	**21.0**	**21.3**	**21.5**	**21.7**	**21.9**
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	9.2	14.1	**19.5**	**21.3**	**20.6**	**20.2**	**19.7**	**19.2**	**19.2**	**19.2**	**19.3**
C4. Market Financing	9.2	12.5	17.1	**18.4**	**18.9**	**19.4**	**19.3**	**21.6**	**20.7**	17.6	17.5
Threshold	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0	18.0

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	**70.0**	**64.7**	**60.5**	**57.0**	54.1	52.1	50.3	48.7	47.2	45.9	44.7
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	**70.0**	**64.9**	**59.9**	**56.0**	53.1	51.3	49.9	48.6	47.6	46.6	45.7
B. Bound Tests											
B1. Real GDP growth	**70.0**	**68.3**	**69.0**	**67.2**	**66.0**	**65.8**	**65.8**	**66.1**	**66.5**	**67.0**	**67.5**
B2. Primary balance	**70.0**	**70.8**	**74.3**	**71.2**	**68.7**	**67.2**	**65.9**	**64.7**	**63.7**	**62.7**	**61.8**
B3. Exports	**70.0**	**68.3**	**70.5**	**67.2**	**64.5**	**62.6**	**61.0**	**59.5**	**58.3**	**57.0**	**55.3**
B4. Other flows 3/	**70.0**	**70.0**	**70.3**	**67.0**	**64.3**	**62.4**	**60.8**	**59.3**	**58.1**	**56.7**	**55.0**
B5. Depreciation	**70.0**	**70.5**	**65.0**	**60.5**	**56.8**	54.0	51.6	49.4	47.4	45.5	43.8
B6. Combination of B1-B5	**70.0**	**67.7**	**69.6**	**66.8**	**64.6**	**63.3**	**62.1**	**61.1**	**60.2**	**59.3**	**58.5**
C. Tailored Tests											
C1. Combined contingent liabilities	**70.0**	**74.5**	**70.6**	**67.5**	**65.0**	**63.4**	**62.0**	**60.8**	**59.8**	**58.8**	**57.9**
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	**70.0**	**68.4**	**67.2**	**67.1**	**67.2**	**67.8**	**68.3**	**68.7**	**69.2**	**69.8**	**70.4**
C4. Market Financing	**70.0**	**64.7**	**60.5**	**57.1**	54.2	52.2	50.5	48.9	47.4	46.0	44.6
TOTAL public debt benchmark	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0	55.0
PV of Debt-to-Revenue Ratio											
Baseline	402.3	368.9	329.2	313.1	298.0	288.6	278.7	269.8	261.9	254.5	247.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	402.3	369.9	326.5	308.3	292.9	285.5	277.6	270.9	264.9	259.7	255.1
B. Bound Tests											
B1. Real GDP growth	402.3	389.2	375.2	368.3	362.7	364.1	364.6	365.9	368.1	370.8	373.8
B2. Primary balance	402.3	403.3	404.4	391.0	378.5	372.5	365.2	358.7	352.9	347.6	342.4
B3. Exports	402.3	389.2	383.8	368.9	354.9	346.9	338.0	330.1	323.2	315.8	306.7
B4. Other flows 3/	402.3	398.5	382.7	367.8	353.8	345.8	336.9	328.9	322.1	314.1	305.0
B5. Depreciation	402.3	402.3	354.0	332.5	312.9	299.8	286.3	274.0	263.0	252.6	242.8
B6. Combination of B1-B5	402.3	385.9	379.2	366.9	355.7	350.7	344.4	338.7	333.7	328.8	324.1
C. Tailored Tests											
C1. Combined contingent liabilities	402.3	424.4	384.4	370.4	357.6	351.3	343.9	337.3	331.5	326.0	320.8
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	402.3	433.9	405.6	408.4	399.4	395.4	388.5	380.6	383.5	386.7	390.3
C4. Market Financing	402.3	368.9	329.2	313.3	298.7	289.6	279.9	271.0	262.8	254.8	247.3
Debt Service-to-Revenue Ratio											
Baseline	59.2	71.7	71.3	71.0	72.4	62.6	61.2	62.1	60.8	60.1	58.5
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	59.2	68.1	71.1	71.5	72.6	65.5	64.4	64.8	63.4	62.4	61.2
B. Bound Tests											
B1. Real GDP growth	59.2	74.3	81.5	85.7	91.1	84.2	84.3	87.7	88.5	89.8	90.2
B2. Primary balance	59.2	71.6	86.3	97.1	96.1	87.4	85.8	87.2	85.3	83.9	82.6
B3. Exports	59.2	71.7	72.8	75.5	77.0	67.3	66.0	66.9	65.8	66.2	66.6
B4. Other flows 3/	59.2	71.7	73.6	75.4	76.9	67.2	65.9	66.8	65.7	66.6	66.4
B5. Depreciation	59.2	68.5	72.1	73.5	75.7	67.5	65.3	65.8	64.3	63.2	61.3
B6. Combination of B1-B5	59.2	69.7	74.2	82.8	85.6	77.7	76.4	77.9	77.4	76.8	75.1
C. Tailored Tests											
C1. Combined contingent liabilities	59.2	71.6	93.4	88.8	90.8	82.5	80.9	82.1	79.4	77.9	75.8
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	59.2	80.7	87.5	94.6	100.0	92.4	91.2	92.5	92.9	94.0	94.4
C4. Market Financing	59.2	71.7	71.3	71.2	73.4	64.0	62.5	65.7	63.5	59.7	58.1

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.

Statement by Mr. Mohammed El Qorchi, Alternate Executive Director for Ghana Mr. Nana Akosah, Advisor to the Executive Director
December 2, 2024

Introduction

1. **On behalf of the Ghanaian authorities, we express our gratitude to the Executive Board, management, and staff for their unwavering support to Ghana.** We also appreciate Mr. Roudet and the mission team for their dedicated efforts and productive engagements with the authorities and all stakeholders during the third review of the Extended Credit Facility (ECF) program.

2. **Despite the challenging socio-political context, the performance under the ECF-supported program has been robust, showcasing the authorities' strong ownership and commitment to the program's targets and objectives.** All end-June 2024 targets and prior actions were met, along with five out of seven structural benchmarks (SBs) due between June and end-October 2024. One SB, concerning the new methodology for the cedi reference rate, was met with a delay. The remaining SB, updating the taxpayer registry, will be completed in the next few weeks. The authorities agree with the thrust to the staff's assessment and remain committed to achieving program objectives despite the challenges ahead of the December 2024 general elections and throughout the political transition.

Recent Economic Development and Outlook

3. **The authorities' tenacious implementation of policies is showing positive results.** Economic activity is rebounding faster than expected in 2024, primarily driven by strong performances in mining, construction, and information and communication. The authorities agree with the staff's upward revision of real GDP growth to 4 percent for 2024 (up from 3.1 percent at the 2^{nd} ECF review), accounting for the impact of the dry spell in the Northern regions. They expected it to reach its potential of around 5 percent in the medium term as stability and reforms boost investments, confidence, and productivity. Inflation declined to 22.1 percent by end-October 2024 (down from 23.5 percent in January 2024 and a peak of 54.1 percent in December 2022) and is expected to reach 18 percent by year-end. This higher-than-expected end-year figure, influenced by a weaker cedi and the dry spell, remains within the outer bounds of the monetary policy consultation clause (MPCC). Inflation is projected to fall within the Bank of Ghana's (BoG's) medium-term target of 8±2 percent by end-2025, assuming continued tight fiscal and monetary policies. The external sector has improved

remarkably in 2024 due to increased remittances and robust gold and oil exports. Gross international reserve had recovered to cover 2.3 months of import by end-August 2024 (up from 1.7 months by end-December 2023), and the authorities aim to rebuild reserves to cover at least 3 months of imports by the end of the ECF program.

4. **The authorities recognise the significant downside risks to the outlook and are committed to implementing sound macro-fiscal policies and reforms as outlined in their post-Covid-19 Program for Economic Growth (PC-PEG).** These efforts aim to strengthen macroeconomic gains, restore medium-term fiscal and debt sustainability, foster durable inclusive growth, and reduce poverty.

Fiscal Policy and Debt Management

5. **Fiscal discipline remains the authorities' top priority at this crucial time.** The authorities are committed to their ambitious, multi-year revenue-based fiscal consolidation with enhanced spending efficiency to restore fiscal sustainability. The end-June 2024 data shows improved revenue and deficits outcomes, and the authorities are on track to achieve their fiscal objectives under the approved 2024 Budget. Their goal is to permanently increase non-oil revenue-to-GDP by 0.6 percent and achieve an overall revenue-to-GDP ratio above 18 percent by 2026, up from 15.7 percent in 2022. To achieve this, they will intensify reforms under their Medium-Term Revenue Strategy (MTRS), focusing on strengthening tax administration and tax compliance, and reducing tax expenditures. They will also promote equity and transparency, while providing tax certainty and predictability for businesses and individual. They are prepared to implement contingency measures if necessary, including frontloading some actions in their MTRS.

6. **The authorities will continue rationalizing expenditure, focusing on growth-enhancing capital projects.** To prevent budgetary slippages as in past election cycles, the authorities remain resolute in curtailing low-priority spending and ensuring strict adherence to budgetary appropriations. In this context, they stand ready to adjust or reprioritize Ministries, Departments and Agencies' budget allotments if needed to address overspending and/or the materialization of fiscal risks. While maintaining quarterly electricity tariff adjustment, the authorities have taken additional immediate actions to address energy sector shortfalls. This includes ensuring strict enforcement of the revised guidelines of the cash waterfall mechanism, conducting a validation audit for 2023 energy sector legacy debt, and strengthening the Ministry of Finance's oversight of the energy sector to mitigate related fiscal risks.

7. **The authorities will maintain their focus on social protection programs to better support the most vulnerable and foster an inclusive recovery.** They have increased allocations for the highly targeted social intervention programs in the 2024 Budget and are committed to achieving them. They plan to further expand and improve

the efficiency of social safety nets moving forward. In this regard, they remain committed to launching a review of all government flagship programs by end-March 2025 to identify efficiency gains and better support the most vulnerable. They are providing emergency support, including cash transfers with the World Bank assistance, to cushion the most vulnerable from the dry spell's impact, while ensuring that additional spending stays within the 2024 Appropriation's ceilings.

8. **The authorities also recognize the critical importance of restoring medium-term debt sustainability.** They will continue to strengthen debt and cash management frameworks, including prioritizing concessional financing for projects, giving precedence to IPP arrears payments, and maintaining hard limits on newly contracted non-concessional external debt. In this context, they will develop and publish a revised medium-term debt management strategy, an annual borrowing and recovery plan, and the relevant quarterly issuance calendars by the end of June 2025. Additionally, they are committed to upgrading the current securities operation infrastructure while integrating all state institutions involved in contracting and servicing public debt. This integration, along with digitalizing the process, aims to accelerate debt service processing, improve the accuracy of debt recording and accounting, and enhance debt transparency.

9. **The authorities are finalizing their comprehensive debt restructuring process.** After completing the domestic debt restructuring in 2023 and reaching an agreement with the official bilateral creditors under the G20 Common Framework on a Memorandum of Understanding detailing the bilateral debt restructuring terms, the authorities concluded the planned Eurobond exchange in October 2024. They are also committed to advancing good-faith negotiations with other external commercial creditors to reach a timely and mutual agreement on the remaining debt restructuring (which is less than 5 percent of pre-restructuring public debt), while ensuring comparability of treatment. To this end, they have already sent letters to their largest other commercial creditors to start formal negotiations.

Monetary, Financial Sector, and Exchange Rate Policies

10. **Strengthening the economy's resilience to external shocks while accelerating the disinflation remains a critical priority for the authorities.** The BoG will maintain a tight and data-driven monetary policy to anchor inflation toward its 8±2 percent target, as envisaged under the MPCC. They will avoid monetary financing of the budget and improve the monetary policy framework, including reviewing the tiered reserve requirement. In line with the 2023 safeguard assessments, ensuring BoG's financial and operational autonomy, including its recapitalization, remains crucial for the authorities. Accordingly, the Cabinet's approved amendments to the Bank of Ghana Act of 2002 (Act 612), aimed at strengthening BoG's autonomy, will be submitted to Parliament by March 2025. The BoG is also committed to enhancing exchange rate

flexibility to boost reserve accumulation and build resilience to external shocks. To this end, it has adopted a more robust FX reference rate computation method that ensures a unified FX market and will avoid policies that create multiple currency practices.

11. **The authorities are aware of the ongoing challenges following the domestic debt restructuring and are committed to maintaining financial sector stability.** They will remain vigilant, ensuring the swift and orderly completion of banks' recapitalization while strengthening risk-based supervision for banks with capital shortfalls, including imposing appropriate sanctions for noncompliance. Additionally, they will continue operationalizing the Ghana Financial Sector Fund and prioritizing solvency support for state-owned banks (SoBs), while enhancing SoBs' governance, operational efficiency, and risk management to ensure their sustainability and uphold overall financial sector stability. Furthermore, they are determined to address legacy financial sector issues, including implementing a credible, comprehensive, and cost-effective strategy to tackle NIB's financial and operational challenges. To foster private sector credit growth, they have also taken measures to expand SME credit through qualifying participating financial institutions, with support from the Development Bank Ghana and external development partners. They will also continue to improve the AML/CFT framework to maintain alignment with FATF international standards.

Structural Reforms

12. **The authorities prioritize structural reforms aimed at strengthening governance, boosting private sector participation, and fostering durable and inclusive growth.** They will advance their growth strategy to enhance human capital development, reduce poverty and gender inequalities, boost financial inclusion, and support strong, sustainable, and inclusive growth. Additionally, efforts to strengthen public financial management will focus on enhancing SOE governance and efficiency, particularly in the energy and cocoa sectors. This includes improving the fiscal framework and institutions, and addressing procurement flaws by leveraging digitalization to entrench discipline, strengthen controls, ease budget rigidities, prevent arrears accumulation and bolster transparency. To this end, amendments to the 2018 Fiscal Responsibility Act, aimed at strengthening fiscal discipline, has been submitted to parliament. In addition, the authorities have requested Fund technical assistance (TA) to develop an effective SOE oversight strategy and to receive training using FAD's SOE Health Check tool. Furthermore, the authorities' efforts to strengthen the anti-corruption framework will continue, aiming to create a more favorable business environment for investment and unlock Ghana's growth potential. They will publish the IMF TA report on the Governance and Anti-Corruption Diagnostic Assessment once it is finalized.

13. **The authorities also focus on strengthening Ghana's resilience to climate shocks, particularly in the light of the dry spell, which has adversely impacted the**

poor and most vulnerable. They are dedicated to enhancing climate resilience through well-integrated adaptation measures and leveraging climate financing from development partners to promote green growth. In this regard, they plan to expedite the implementation of the cross-sectoral adaptation priorities outlined in Ghana's National Adaptation Plan (NAP) framework, with the goal of achieving sustainable development, poverty reduction, and climate change adaptation simultaneously.

Conclusion

Our Ghanaian authorities remain steadfast in implementing sound macroeconomic policies to boost durable macroeconomic stability and medium-term fiscal and debt sustainability, and to lay the foundation for enduring, inclusive, and green growth. Given their strong program ownership, full commitment and robust performance, the authorities are seeking the support of Executive Directors for the completion of the third review under the ECF arrangement. This support is essential for advancing the prudent execution of their stabilization and reform agenda.