

Table 1. Ghana: Quantitative Performance Criteria and Benchmarks Under the  
Second Annual ESAF Arrangement, 1998  
(End of month indicated)

	1998					
	March		June		September	December
	Benchmarks	Actual	Performance criteria	Actual	Indicative benchmarks	
	(In billions of cedis)					
Government domestic primary surplus (floor) 1/ 2/	155	162	287	342	493	666
Government revenue excluding grants and divestiture proceeds (floor) 2/ 3/	664	680	1,438	1,423	2,257	3,236
Net domestic financing of the government budget (ceiling) 2/ 4/	126	178 8/	315	307 8/	327	552
Reserve money (ceiling) 5/	1,157	1,125	1,125	1,122	1,099	1,408
	(In millions of U.S. dollars)					
Net foreign assets of the Bank of Ghana (floor)	-25	32	-75	63	-83	81
New nonconcessional external loans contracted or guaranteed by the government or the Bank of Ghana (1-15 year maturity) (ceiling) 2/ 6/	0	0	0	0	0	0
Short-term external debt outstanding contracted or guaranteed by the government or the Bank of Ghana (with an initial maturity of less than one year) (ceiling) 7/	40	0	40	0	40	40
<i>Memorandum item:</i>						
Net change in government payment arrears 2/	-48	-48	-48	-71	-48	-48

1/ The domestic primary balance is defined as the difference between total revenue (excluding grants and divestiture proceeds) and noninterest domestic expenditure (excluding foreign-financed capital expenditure).

2/ Cumulative from beginning of calendar year.

3/ Does not constitute a performance criterion (for June 1998).

4/ The ceiling will be adjusted upward/downward to the extent that the cumulative net reduction in government payments arrears is higher/lower than programmed (see memorandum item).

5/ To be adjusted downward to the extent of any reduction in, or shortfall in compliance with, the legal reserve requirement (8 percent of bank deposits).

6/ External loans contracted or guaranteed other than those with a grant element equivalent to 35 percent or more, calculated using a discount rate based on OECD commercial interest reference rates.

7/ Excluding normal import-related credits.

8/ Net of interest adjustment, which is not included in the definition of net domestic financing for the program.

Table 2. Ghana: Structural Performance Criteria and Benchmarks  
Under the Second Annual ESAF Arrangement, 1998

Action	Timing (End of month indicated)	Status
<b>A. Cocoa sector</b>		
- Identify significant cost-cutting measures for the Cocoa Board.	March	Cost-cutting targets identified in May
- Raise producers' share in the f.o.b. cocoa price for the 1998/99 crop year to at least 56 percent.	June	Done
- Offer for sale the Produce Buying Company (PBC).	June	Delayed to end-March 1999 Complete valuation of assets and draft terms of reference for share flotation by mid-November 1998
- Unify extension services of the Cocoa Board and the Ministry of Agriculture.	June	Implementation started in three regions in August
<b>B. Energy Sector</b>		
- Offer for sale GNPC's non-oil-related assets.	March	Done
- Replace uniform national pump prices with uniform ex-regional depot wholesale prices.	March	In progress; ex-depot price to be published by November
- Reduce GNPC's debt to the Bank of Ghana to: - C18 billion	March	Done
- zero*	June	Done
- Offer for sale Tema Oil Refinery Ltd. and the Ghana Oil Company Ltd.*	June	Postponed to October (Ghana Oil); End-1999 (Tema)
- Determine the stock of arrears as of end-December 1997 among power utilities, and between power utilities and the government, identifying separately arrears related to loans guaranteed by the government. Develop a plan for elimination of these pre-1998 arrears by end-1999.	May	Done
- Recommend to the Public Utilities Regulatory Commission a schedule for electricity tariff increases that move to full economic rates by end-1999 and are sufficient to ensure clearance of arrears incurred after January 1, 1998.	July	Done
- Increase weighted average electricity tariff by at least 35 percent.	September	Done, increased by 100 percent
<b>C. Expenditure control and budget monitoring</b>		
- Begin monthly projection of cash flow for the budget and monitor outturns as the basis for managing the public sector borrowing requirement.	March	Done, update provided
- Complete medium-term expenditure framework (MTEF) for priority sectors of education, health, and roads.*	June	Done
- Cabinet approval of budget ceilings for priority sectors and of the guidelines for the 1999 budget.	September	Done
<b>D. Tax system</b>		
- Issue regulations for the VAT.	April	Done in July
- Establish a central revenue authority.*	June	A central revenue board, which will perform all the functions of the originally proposed central revenue authority, will be created instead. Legislation creating a legal framework for the establishment and functioning of the central revenue board will be passed by end-November 1998.
- Complete the assignment of taxpayer identification numbers to the targeted groups of taxpayers.	June	Done in July

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	Action	Timing (End of month indicated)	Status
E.	<b>Liquidity management</b> - Introduce a centralized book-entry system at the Bank of Ghana. - Expand instruments of liquidity management to include repurchase agreements initiated by the Bank of Ghana.	June June	Done in July Done in August
F.	<b>Public service reform</b> - Identify subvented agencies to be reincorporated into the budget, Privatized or closed.	September	Done
G.	<b>Statistical issues</b> - Publish revised and updated national accounts (sources and uses) for 1995 and 1996.	May	Done in September

\* Performance criterion.

Table 3. Ghana: Summary and Time Frame for Macroeconomic and Structural Adjustment Policies, 1998–2000

Policy Area	Objectives and Targets	Strategies and Measures	Timing of Measures	Status
<b>I. Fiscal Policies</b>				
A. <u>Overall objective</u>	Promote macroeconomic stability.	Achieve an increase in the domestic primary budget surplus from 0.3 percent of GDP in 1996 to 3.2 percent of GDP in 1997 and 4.3 percent of GDP in 1998, and about 5 percent in 1999–2000.	1998–2000	Being implemented as planned
B. <u>Revenue</u>	Improve domestic revenue mobilization. Strengthen tax administration.	Table in Parliament legislation to create a central revenue authority.	March 1998	Replaced by a central revenue board; expected in November 1998
		Establish a central revenue authority.	June 1998	
		Ensure that no discretionary tax and customs exemptions can be granted without parliamentary approval. Implement an exemptions monitoring and reporting system, to ensure transparency and control.	1998	Partly done, monitoring system being completed
	Restructure tax system in favor of expenditure-based taxation. Promote incentives for private investment.	Introduce a VAT replacing the sales tax and extending coverage to services and retail sectors.	1998	On course for introduction in December 1998
		Complete the assignment of taxpayer identification numbers to the targeted group of taxpayers.	June 1998	Expected in November 1998
		Simplify the tax system and convert specific excises to ad valorem rates.	Budget 1998	Done, further consideration in 1999
		Harmonize the withholding tax on dividends and on interest.	Budget 1998	Partly done
		Gradually reduce cocoa taxation (see Agriculture)	1998–2000	Ongoing
		Announce application of import withholding tax to importers not registered for the VAT, in accordance with the tax law	1999–2000	Expected
		Adjust income tax brackets for inflation.	1999–2000	Done in May 1998
C. <u>Expenditure</u>	Improve efficiency and effectiveness of public expenditure through improved allocation and management of public resources.	Reduce total spending relative to GDP, as per program.	1998–2000	Not done

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		Begin monthly projection of cash flow for the budget and monitor outturns as the basis for managing the public sector borrowing requirement.	March 1998	Projections made, not sufficient for liquidity forecast; technical assistance requested
		Complete medium-term expenditure framework (MTEF) for priority sectors of education, health, and roads. Prioritize investment projects consistent with macroeconomic objectives and budget constraints.	June 1998	Done for all sectors
		Cabinet approval of budget ceilings for priority sectors and of the guidelines for the 1999 budget.	September 1998	Done
		Manual testing and phased implementation of BPEMS system to all ministries and spending units.	1998-2000	Expected in 1999
D. <u>Local government</u>	Develop capacity at the local government level to assist the government in its decentralization initiative.	Develop action plan for decentralization, including the design of financial and administrative arrangements.	1998	Ongoing
II. <u>Public Sector Reform</u>	Achieve a smaller and more effective public service.	Remedy operational deficiencies of the Integrated Personnel and Payroll Database (IPPD) System.	June 1998	Ongoing
		Launch rationalization of the regulatory regime for subvented agencies.	Budget 1998	Done
		Launch rationalization of the size and pay structure of civil service and subvented agencies.	Budget 1998	Done
		Identify subvented agencies to be reincorporated into the budget, privatized or closed.	September 1998	Done
	Accelerate and expand divestiture program.	From the divestiture list of state-owned enterprises (SOE) offer for sale an additional 20 SOEs and at least two of the following: the State Housing Corporation, State Insurance Corporation, and Mim Timber processing plant.	1998	Mostly done
III. <u>Monetary Policy and Financial Sector Reform</u>	Reduce inflation through monetary restraint.	Control monetary growth through targeting of reserve money, as per program.	1998–2000	Ongoing
	Encourage the mobilization of financial savings and encourage net inflows of capital.	Maintain positive real interest rates on bank deposits through appropriately tight liquidity management.	1998-2000	Ongoing
	Enhance the effectiveness of the system of indirect monetary control and develop the secondary market in domestic debt instruments.	Strengthen open market operations through the use of wholesale auction of treasury bills and refrain from signaling indicative cutoff prices.	1998–2000	Open market procedures improve gradually

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Policy Area	Objectives and Targets	Strategies and Measures	Timing of Measures	Status
		Introduce a centralized book-entry system at the Bank of Ghana.	June 1998	Done
		Expand instruments of liquidity management to include repurchase agreements initiated by the Bank of Ghana.	June 1998	Done
		License appropriate number of primary dealers.	1998–2000	Under review
		Review liquidity ratios with a view to reducing them to levels needed for prudential purposes.	1998–2000	No decision
	Improve efficiency of financial sector by accelerating financial sector reforms and promoting greater competition through divestiture.	Divest 60 percent of the shares of the National Investment Bank.	1998	Strategic investor not found
		Offer for sale the Reinsurance Corporation after commercial restructuring.	December 1998	Expected
		Strengthen banking supervision.	1998–2000	Ongoing
<b>IV. <u>External Sector Policy</u></b>				
A. <u>Exchange System</u>	Broaden and deepen the foreign exchange market.	Encourage transactions among market participants by facilitating flow of information regarding market conditions.	1998	Ongoing
B. <u>External Debt Management</u>	Reduce external debt service burden.	Strictly limit new short-term borrowing and adhere to ceilings envisaged in the program regarding new nonconcessional public and publicly guaranteed borrowing. Publish list of guaranteed loans in the budget documents.	1998–2000	Ongoing guaranteed loans to be listed in 1999 budget document
	Regularize relations with external creditors.	Intensify efforts to conclude bilateral agreements with Paris Club creditors regarding the deferred arrears.	1998	One bilateral agreement still to be completed
C. <u>Trade Policy</u>	Ensure that trade system enhances external competitiveness.	Reduce distortions through reduction of zero-rating and exemptions, and other measures.	1998	Ongoing
<b>V. <u>Sectoral Policies</u></b>				
A. <u>Petroleum Sector Reforms</u>		Offer for sale GNPC's non-oil-related assets.	March 1998	Done
		Replace uniform national pump prices with uniform ex-regional depot wholesale prices.	March 1998	Partly done, retail prices yet to be liberalized
		Reduce GNPC's debt to the Bank of Ghana to - ¢18 billion - zero	March 1998 June 1998	Done Done

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		Offer for sale Tema Oil Refinery Ltd. and the Ghana Oil Company Ltd.	June 1998	Partly done, T.O.R. to be offered for sale by end-1999
		Restructure GNPC and relieve it of all functions unrelated to hydrocarbon and energy-related activities.	1998	Ongoing
		Decontrol retail petroleum prices (ex-depot) subject to safety and competition standards, followed by the fully competitive operation of TOR.	1998–2000	Pending decision by Energy Commission
		Rationalize institutional responsibilities for hydrocarbon exploration to increase transparency.	1998	Done
B. <u>Agriculture</u>	Liberalize the cocoa sector.	Increase farmers' share in f.o.b. price of cocoa to:		
		56 percent	June 1998	Done
		58 percent	June 1999	Ongoing
		60 percent	June 2000	Ongoing
		Identify two-year program of cost-cutting measures for the Cocoa Board to support at least one half of the intended increase in the share of the producers.	March 1998	Ongoing
		Offer for sale the Produce Buying Company (PBC).	June 1998	Delayed to March 1999
		Unify extension services of the Cocoa Board and Ministry of Agriculture.	June 1998	Implementation began in 3 regions in August 1998
	Ensure conservation of natural resources and protection of the environment.	Strengthen extension services to implement soil fertility program.	1998–2000	Ongoing
		Increase stumpage fees to reduce subsidies for wood processing and preserve forest resources.	1998–2000	Ongoing
		Establish a national integrated water management program with further strengthening and development of the institutional and regulatory framework.	1998–2000	Ongoing
C. <u>Infrastructure</u>				
a. <u>Urban Infrastructure</u>	Increase coverage, quality, and efficiency of water supply, sanitation, waste management, and drainage.	Increase coverage, quality, and efficiency of water supply, sanitation, waste management, and drainage.	1998–2000	Ongoing
		Increase private sector participation and cost recovery in water supply, sanitation, waste management, and drainage.	1998–2000	Ongoing
b. <u>Rural Infrastructure</u>	Expansion in coverage of feeder roads and market infrastructure.	Expand and improve feeder road network and village market infrastructure.	1998–2000	Ongoing

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c. <u>Power</u>	Ensure the financial viability of the power sector.	Increase electricity tariffs to restore and maintain the financial viability of power utilities.	1998–2000	Ongoing
d. <u>Roads</u>	Improve the road network.	Implement road improvement program as agreed under the donor-supported Highway Sector Investment Program.	1998–2000	Ongoing
e. <u>Rail</u>	Improve operational efficiency and financial viability.	Design and implement a concessioning scheme to the private sector.	1998–2000	Started 1998
f. <u>Ports</u>	Improve operational efficiency and capacity.	Increase participation of the private sector in port management and operations.	1998–2000	Under consideration
<b>D. <u>Human Resource Development</u></b>				
a. <u>Education</u>	Improve the quality of schooling, equity of access, and management efficiency and increase the literacy rate.	Implement the donor-supported Basic Education Sector Improvement Program.	1998–2000	Unsatisfactory; in need of restructuring
b. <u>Health</u>	Improve health outcomes	Implement the donor-supported Health Sector Investment Program.	1998–2000	Ongoing
<b>VI. <u>Statistical issues</u></b>	Improve quality and timeliness of statistics.	Begin publishing new national consumer price index.	March 1998	Done
		Publish revised and updated national accounts (sources and uses) for 1995 and 1996.	March 1998	Done
		Allocate resources and improve quality and timeliness of national accounts and price, balance of payments, public finance (including debt), and monetary statistics.	1998–2000	Ongoing