INTERNATIONAL MONETARY FUND

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GHANA

May 2023

REQUEST FOR AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 17, 2023, following discussions that ended on December 12, 2023, 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 May 2, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- A **Supplementary Information**
- 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

PR23/151

IMF Executive Board Approves US$3 Billion Extended Credit Facility Arrangement for Ghana

FOR IMMEDIATE RELEASE

- The IMF Executive Board approves SDR 2.242 billion (about US$3 billion) 36-month ECF arrangement for Ghana. This decision will enable an immediate disbursement equivalent to SDR 451.4 million (about US$600 million).
- The authorities' economic program, supported by the ECF-arrangement, builds on the government's Post COVID-19 Program for Economic Growth (PC-PEG), which aims to restore macroeconomic stability and debt sustainability and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.
- Securing timely debt restructuring agreements with external creditors will be essential for the successful implementation of the new ECF arrangement.

Washington, DC – May 17, 2023: The Executive Board of the International Monetary Fund (IMF) approved a 36-month arrangement under the Extended Credit Facility (ECF) in an amount equivalent to SDR 2.242 billion (around US$3 billion, or 304 percent of quota). The program is based on the government's Post COVID-19 Program for Economic Growth (PC-PEG), which aims to restore macroeconomic stability and debt sustainability and includes wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth.

The Executive Board's decision will enable an immediate disbursement to Ghana equivalent to SDR 451.4 million (about US$600 million).

Large external shocks in recent years have exacerbated Ghana's pre-existing fiscal and debt vulnerabilities, resulting in a loss of international market access, increasingly constrained domestic financing, and reliance on monetary financing of the government. Decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence, eventually triggered an acute crisis. The authorities have taken bold steps to tackle these deep challenges, including by accelerating fiscal adjustment. The government has also launched a comprehensive debt restructuring to address severe financing constraints and the unsustainable public debt. Securing timely debt restructuring agreements with external creditors will be essential for the successful implementation of the new ECF arrangement.

Key policies under the authorities' program include large and frontloaded fiscal consolidation to bring public finances back on a sustainable path, complemented by efforts to protect the vulnerable. The adjustment effort will be supported by ambitious structural reforms in the areas of tax policy, revenue administration, and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors. Appropriately tight monetary and flexible exchange rate policies will help bring inflation back to single digits and rebuild international reserves. The program also has a strong focus on preserving financial stability and encouraging private investment and growth.

The program will help Ghana overcome immediate policy and financing challenges, including through its catalytic effect in mobilizing external financing from development partners and providing a framework for the successful completion of the ongoing debt restructuring.

Following the Executive Board discussion on Ghana, Ms. Kristalina Georgieva, Managing Director, issued the following statement:

"The combination of large external shocks and preexisting fiscal and debt vulnerabilities precipitated a deep economic and financial crisis in Ghana. In response, the authorities have launched a comprehensive reform program, to be supported by the ECF-arrangement. It is focused on restoring macroeconomic stability and debt sustainability as well as implementing wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth. Capacity development and continued support by development partners would be critical for the successful implementation of the authorities' program.

"Fiscal consolidation is a core element of the program. A substantial and front-loaded fiscal adjustment has started with the 2023 budget. Enhanced revenue and streamlined expenditure will be combined with policies to protect vulnerable households and create room for higher social and development spending in the medium term. With a view to fostering lasting fiscal discipline, the authorities are also advancing reforms to enhance domestic revenue mobilization, strengthen public financial management, and tackle the deep challenges in the energy and cocoa sectors. The government has also launched a comprehensive debt restructuring, including both domestic and external debt, to place debt on a sustainable path. Effective collaboration by all parties involved would be critical.

"Preserving financial sector stability is critical for the success of the program. Given the adverse impact of the domestic debt restructuring on balance sheets of financial institutions, the authorities will devise and implement a comprehensive strategy to rapidly rebuild financial institutions' buffers and exit from temporary regulatory forbearance measures.

"Monetary and exchange rate policies under the program will focus on reining in inflation and rebuilding foreign reserve buffers. The Bank of Ghana will continue tightening monetary policy until inflation is on a firmly declining path and will eliminate monetary financing of the budget. The central bank will also enhance exchange rate flexibility and limit foreign exchange interventions to rebuild external buffers.

"An ambitious structural reform agenda is being put in place to reinvigorate private sector-led growth by improving the business environment, governance, and productivity."

Ghana: Selected Economic and Financial Indicators, 2021-27

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
	(annual percentage change, unless otherwise indicated)						
National accounts and prices							
GDP at constant prices	5.4	3.2	1.5	2.8	4.7	5.0	5.0
Non-extractive GDP	8.4	1.9	0.7	2.2	4.4	4.8	5.0
Extractive GDP	-12.1	12.7	6.1	6.4	6.5	5.9	5.0
Real GDP per capita	3.3	1.0	-1.1	0.2	2.1	2.3	2.4
GDP deflator	11.2	29.8	39.9	20.1	10.9	7.6	7.6
Consumer price index (end of period)	12.6	54.1	29.4	15.0	8.0	8.0	8.0
Consumer price index (annual average)	10.0	31.9	44.0	22.2	11.5	8.0	8.0
	(percent of GDP, unless otherwise indicated)						
Central government budget							
Revenue	15.3	15.7	16.8	17.3	17.8	18.7	18.7
Expenditure (commitment basis)	27.4	26.7	24.3	25.3	24.5	23.9	23.3
Overall balance (commitment basis)	-12.1	-11.0	-7.5	-8.0	-6.7	-5.2	-4.6
Primary balance (commitment basis)	-4.8	-3.6	-0.5	0.5	1.5	1.5	1.5
Non-oil primary balance (commitment basis)	-5.7	-5.6	-3.1	-1.7	-0.5	-0.5	-0.5
Public debt (gross)	79.6	88.1	98.1	92.0	90.2	88.4	86.1
Domestic debt	36.2	45.7	40.6	38.7	38.2	37.0	35.6
External debt	43.4	42.4	57.5	53.3	52.0	51.4	50.5
	(annual percentage change, unless otherwise indicated)						
Money and credit							
Credit to the private sector (commercial banks)	11.1	31.8	24.4	17.0	13.0	15.0	15.0
Broad money (M2+)	12.5	32.9	31.8	20.7	15.0	11.0	11.0
Velocity (GDP/M2+, end of period)	3.4	3.4	3.7	3.8	3.8	3.9	3.9
Base money	19.9	57.3	18.9	17.4	12.5	10.6	13.0
Policy rate (in percent, end of period)	14.5	27.0	…	…	…	…	…
	(US$ million, unless otherwise indicated)						
External sector							
Current account balance (percent of GDP)	-3.2	-2.1	-2.8	-2.3	-2.4	-3.0	-3.0
BOP financing gap [1]	…	…	4,212	3,301	4,264	3,282	1,743
IMF	…	…	1,200	720	720	360	0
World Bank	…	…	530	420	350	250	0
Residual gap	…	…	2,482	2,161	3,194	2,672	1,743
Gross international reserves (if financing gap is closed, program definition) [2]	5,200	1,441	1,733	3,270	5,524	7,824	9,833
in months of prospective imports of goods and services	2.4	0.7	0.8	1.4	2.2	3.0	3.6
Gross international reserves (BoG definition) [3]	9,695	6,238	…	…	…	…	…
Memorandum items:							
Nominal GDP (millions of GHc)	459,131	615,259	873,138	1,077,423	1,251,506	1,413,822	1,597,076
National Currency per U.S. Dollar (period average)	5.8	8.4	…	…	…	…	…
National Currency per U.S. Dollar (end of period)	6.0	8.6	…	…	…	…	…

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

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

[2] Program definition excludes oil funds, encumbered and pledged assets.

[3] BoG definition includes oil funds, encumbered, and pledged assets.

INTERNATIONAL MONETARY FUND

GHANA

May 2, 2023

REQUEST FOR AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Context. Large external shocks have exacerbated pre-existing fiscal and debt vulnerabilities, resulting in a loss of international market access, increasingly constrained domestic financing, and reliance on monetary financing of the government. Decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence eventually triggered an acute crisis. The authorities have taken steps to tackle these deep challenges, including by accelerating fiscal adjustment. The government has also launched a comprehensive debt restructuring to address severe financing constraints and the unsustainable public debt.

Extended Credit Facility (ECF) arrangement. The authorities have requested a 36-month arrangement under the ECF in the amount of SDR 2.242 billion (304 percent of Ghana's quota or about US$ 3 billion).

Outlook and risks. While growth is expected to decline this year because of the crisis and the planned fiscal consolidation, a resolution of the debt crisis and reforms should foster a recovery and reduce inflation over the medium term. Key downside risks include slippages in program execution, delays in restructuring debt, and a deterioration in the external environment.

Program objectives and policies. The authorities' program aims to restore macroeconomic stability and debt sustainability, while laying the foundations for higher and more inclusive growth. Key policies include:

- Large and frontloaded fiscal consolidation to bring public finances back on a sustainable path, complemented by efforts to protect the vulnerable. The adjustment effort will be supported by ambitious structural reforms in the areas of tax policy, revenue administration, and public financial management, as well as steps to address weaknesses in the energy and cocoa sectors.
- Appropriately tight monetary and flexible exchange rate policies to bring inflation back to single digits and rebuild international reserves.
- Strong focus on preserving financial stability in the wake of the domestic debt restructuring.
- Reforms to encourage private investment and growth, including by improving governance, transparency, and public sector efficiency.

Approved By	
Annalisa Fedelino and Guillaume Chabert	Discussions took place in Accra in September, in Washington, DC, in October, and in Accra in December 2022. The mission held discussions with Vice President Bawumia, Minister of Finance Ken Ofori-Atta, Governor of the Bank of Ghana Ernest Addison, and other senior officials. The staff team comprised Mr. Roudet (head), Ms. Arellano Banoni, Mr. Ricka, Mr. Sode, and Ms. Wiriadinata (all AFR); Ms. Benmohamed (SPR); Ms. Khalid (FAD); Mr. Kogan (MCM); and Mr. Medina (resident representative) and Mr. Ahinakwah (local economist). Mr. Akosah (OED) participated in key policy meetings. Ms. Ndome-Yandun assisted with the preparation of this report.

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CONTEXT

1. **The compounded effects of large external shocks and pre-existing vulnerabilities have caused a deep economic and financial crisis.** The impact of the COVID-19 pandemic, tightening global financial conditions, and Russia's war in Ukraine have exacerbated fiscal and debt vulnerabilities. Faced with large development needs and an intricate social and political environment, the government's fiscal policy response has been insufficient to maintain investor confidence. This resulted in a loss of international market access in late 2021, increasingly constrained domestic financing, and reliance on monetary financing of the government. The ensuing negative feedback loop of decreasing international reserves, Cedi depreciation, rising inflation and plummeting domestic investor confidence accelerated last year and eventually triggered an acute crisis.

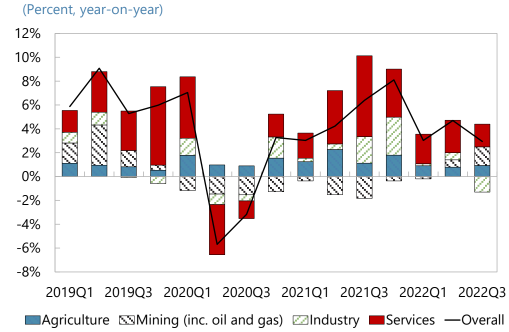
2. **The authorities have taken important steps to tackle the deep challenges facing the country.** Building on the government's Post COVID-19 Program for Economic Growth (PC-PEG), they have committed to policies aimed at restoring macroeconomic stability and wide-ranging reforms to build resilience and lay the foundation for stronger and more inclusive growth. Important progress has already been made in several areas, including to ensure large and frontloaded fiscal adjustment, to begin addressing energy sector challenges, and to deal with the very high inflation, while preserving scant foreign exchange (FX) reserves. The government has also launched a comprehensive debt restructuring to address severe financing constraints and unsustainable public debt.

3. **The authorities are requesting Fund support under a 36-month Extended Credit Facility (ECF) arrangement.** The arrangement will help them overcome immediate policy and financing challenges, including through its catalytic effect in mobilizing external financing from development partners and encouraging successful completion of the ongoing debt restructuring. Complemented with comprehensive capacity development (CD) support, the proposed Fund-supported program will also provide an anchor for addressing long-standing structural challenges.

RECENT ECONOMIC DEVELOPMENTS

4. **Economic growth slowed down in 2022, reflecting the deepening crisis. Real GDP growth declined to 2.9 percent year-on-year in the third quarter of 2022 from 6.4 percent a year earlier.** The decline was driven by non-extractive sectors, which experienced across-the-board slowdowns, as business and consumer confidence declined. However, a pickup in extractive activities' growth—reflecting higher

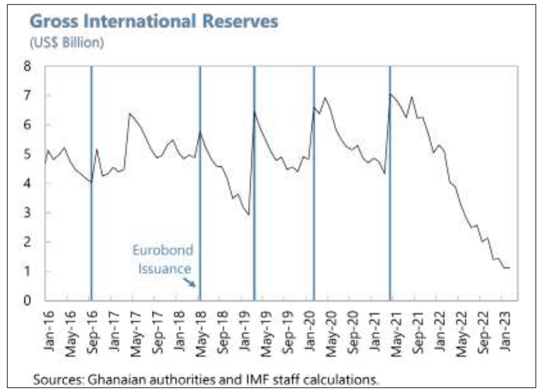
Ghana: Quarterly Real GDP Growth
(Percent, year-on-year)



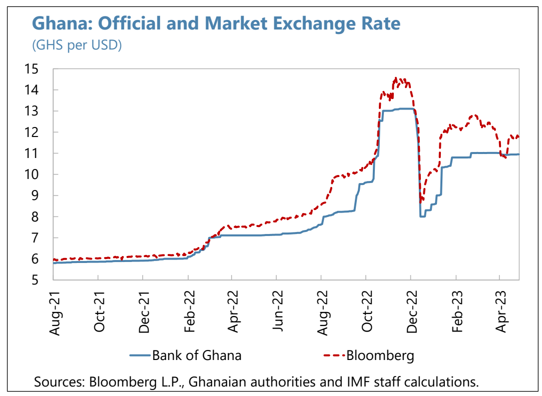
Sources: Ghanaian authorities and IMF staff calculations.

global commodity prices and a rebound in small-scale gold mining after a reduction in withholding taxes of unprocessed gold—is estimated to have kept overall growth at about 3.2 percent last year.

5. **Notwithstanding an improvement in the current account balance, central bank reserves have declined to a critically low level, and the Cedi has depreciated markedly**. The increase in gold and oil exports more than offset higher imports and brought the current account deficit down from 3.2 to 2.1 percent of GDP in 2022. However, Ghana's loss of access to international capital markets, capital outflows, and difficulties in rolling over central bank FX liabilities led to intense balance of payment pressures.[1] The Bank of Ghana's (BoG) FX interventions further exacerbated the depletion in gross international reserves—pushing these down to US$1.1 billon (0.5 months of imports) at end-February 2023, about US$ 5 billion below the mid-2021 level.[2] In this environment, the Cedi has depreciated by more than 50 percent since end-2021. Ghana's external position in 2022 is assessed to have been broadly in line with the level implied by fundamentals and desirable policies (see Annex I).

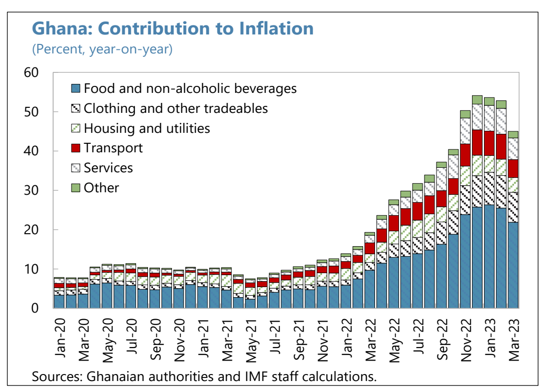


Gross International Reserves
(US$ Billion)
Sources: Ghanaian authorities and IMF staff calculations.



Ghana: Official and Market Exchange Rate
(GHS per USD)
Sources: Bloomberg L.P., Ghanaian authorities and IMF staff calculations.

6. **Inflation has surged over the past year, despite substantial monetary policy tightening.** With inflation running far above its target range of 6-10 percent, the BoG has raised its policy rate by a cumulative 1500 bps since early 2022 (to 29.5 percent in March 2023) and has increased the reserve requirement from 8 percent to 14 percent. Nonetheless, the surge in global energy and food prices, the lingering impact of fiscal and monetary stimulus during the pandemic, exchange rate depreciation, and large monetary financing of the government pushed inflation up to 54 percent in December 2022 (Figure 2). Inflation subsequently declined to 45



Ghana: Contribution to Inflation
(Percent, year-on-year)
Sources: Ghanaian authorities and IMF staff calculations.

[1] Notwithstanding inability to issue international bonds, Ghana did secure a US$ 750 million loan from Afreximbank in September 2022.

[2] Consistent with the proposed program definition of gross international reserves (GIR), the GIR figures used throughout this report exclude pledged and encumbered assets, including the Ghana Petroleum Heritage and Stabilization Fund and assets pledged as collaterals against BoG FX liabilities.

percent in March 2023.

7. While some fiscal adjustment was afoot in 2022, the authorities' initial consolidation objectives were not achieved. Revenue improved slightly, thanks to higher oil prices, but non-oil revenues were significantly below their overly optimistic targets—with large underperformance of the new controversial e-levy.[3] The government was also unable to enforce announced across-the-board spending cuts due to large extra-budgetary commitments by ministries, departments, and agencies (MDAs) (i.e., expenditures committed above appropriated budgetary allocations). Although the primary balance (commitment basis) improved by over 1 percentage points of GDP, the overall fiscal deficit still amounted to 11 percent of GDP (compared to a mid-year budget objective of 6.3 percent of GDP).

Ghana: 2021-22 Fiscal Outturns
(Commitment basis, share of GDP)

	2021	2022		
	Outturn	*Budget*	*Mid-Year Budget*	*Outturn (prov.)*
Revenue and grants	15.3	20.0	16.4	15.7
Non-oil revenue	14.1	18.5	14.1	13.6
Oil revenue	0.9	1.3	2.0	2.0
Grants	0.3	0.2	0.2	0.2
Expenditure	27.4	27.0	22.6	26.7
Primary expenditure	20.1	19.5	15.6	19.3
Interest payments	7.3	7.5	7.0	7.4
Overall deficit	-12.1	-7.0	-6.3	-11.0
Primary deficit	-4.8	0.5	0.7	-3.6
Non-oil primary deficit	-5.7	-0.9	-1.3	-5.6

Source: IMF staff based on authorities' data.

8. Against this backdrop, acute financing constraints translated into heavy reliance on monetary financing and a considerable accumulation of payables. Difficulties in rolling over amortizing domestic bonds pushed the government to rely increasingly on the BoG's monetization of debt and to finance its operations (Figure 2). Monetary financing through the BoG overdraft reached 7.2 percent of GDP last year. The large stock of payables that built up in 2021 continued to increase—to an estimated total stock of 7.2 percent of GDP by end-2022—due to these liquidity constraints but also weak expenditure commitment controls and insufficient budgetary allocations to cover the energy sector shortfall.

Ghana: Domestic Payables 2021-22
(in GHS billions, unless specified otherwise)

	2021	2022[1]
Stock of non-energy payables (end of year)	**17**	**25.5**
Payables buildup		20.2
Payables clearance		11.6
Stock of energy sector (end of year)	**7.2**	**19.0**
Stock of energy sector end of year (USD bn)	1.2	2.2
Energy sector payables buildup		8.6
Energy sector paybles clearance		0.0
Total stock of payables	**24.2**	**44.5**
Total stock of payables (percent of GDP)	**5.3**	**7.2**

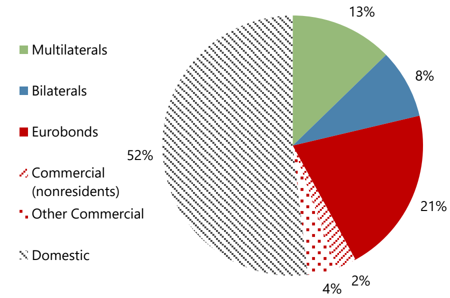
Source: IMF staff based on authorities' data.
[1] Estimations, possibly subject to revisions based on ongoing comprehensive stock-taking exercise.

9. Given the ongoing debt restructuring and large and protracted breaches to the Debt Sustainability Analysis (DSA) thresholds, Ghana is in debt distress, and debt is assessed as unsustainable. Public debt increased to 88.1 percent of GDP by end-2022, almost evenly split between external (42.4 percent of GDP) and domestic (45.7 percent of GDP), with the

[3] The e-levy is a tax on electronic transactions that was introduced in 2022. It applies to the amount of money transferred through mobile money services.

latter generating over 80 percent of overall debt service in 2022 due to high interest rates and short average maturity. Gross financing needs have reached about 19 percent of GDP. Under the proposed program's baseline projections, which do not consider the possible outcome of the ongoing debt restructuring, the ratios of present value of public and external debt to GDP, and the ratios of external debt service to revenues and exports are and would remain above their LIC-DSF thresholds over the medium and long term (see associated DSA).

Ghana: Public Debt by Creditor
(Percent of total public debt)



Sources: Ghanaian authorities and IMF staff calculations.

OUTLOOK AND RISKS

10. In the coming years, growth is expected to remain subdued, with inflation gradually returning to target. The current crisis, the envisaged fiscal consolidation path and domestic debt restructuring, as well as the difficult external environment are expected to lower growth to around 1.5 percent in 2023. This assumes expansion of 6.1 percent in extractive sectors (primarily oil, gas, and gold) supported by buoyant commodity prices, and 0.7 percent in non-extractive sectors—the lowest values since the 1980s. With population growing by more than 2 percent, this would imply a recession in per capita terms. Growth should gradually recover to its long-term potential level of around 5 percent from 2026 onwards. The relatively strong performance in extractive activities (about 6 percent annual growth in 2023-26) reflects the opening of large new gold mines, the ongoing recovery in small-scale gold mines, as well as the planned expansion in oil and gas production. Program implementation should help return inflation to single digits by 2025. The current account deficit would reach around 3 percent of GDP over the medium term.

11. The outlook is subject to significant downside risks (Annex II). The baseline projections are predicated on successful program execution and swift progress in implementing the authorities' comprehensive debt restructuring and plans to address the large stock of domestic arrears, including to independent power producers (IPPs). Notwithstanding mitigation strategies, the domestic debt exchange presents significant risks to domestic financial sector stability. Exchange rate, credit, and liquidity risks further add to the vulnerabilities. The authorities' debt restructuring plans still leave a substantial need for T-bill issuance in the near term and expose Ghana to the uncertainty in domestic market conditions, though program implementation and outreach may help mitigate financing risks. Domestic policy slippages represent a significant downside risk to the projections, further compounded by risks associated to the end-2024 general elections. Likewise, public discontent and social unrest could affect the program if the adjustment policies do not sufficiently shield the most vulnerable or reforms do not improve economic conditions of the population. The projections are also based on a gradual return to a more benign external environment. Intensifying spillovers from the war in Ukraine, commodity price shocks, persistent global inflation and monetary policy tightening would negatively impact Ghana through higher imported inflation and market risk aversion. Delays in the implementation of investment plans by oil and gold mining companies amid a difficult international and domestic context could also affect growth prospects.

PROGRAM OBJECTIVES AND POLICIES

12. The authorities' program aims to restore macroeconomic stability and debt sustainability, while laying the foundations for higher and more inclusive growth. It has been designed around two key anchors: (i) achieving moderate risk of debt distress over the medium term, and (ii) rebuilding BoG's international reserves to 3 months of imports by the end of the program. This requires the simultaneous implementation of ambitious and lasting fiscal adjustment—to complement the ongoing comprehensive debt restructuring—and appropriately tight monetary and flexible exchange rate policies. The program will also strive to address structural weaknesses that contributed to the current crisis, with responsible fiscal and monetary policies embedded in clear and binding multi-year frameworks to avoid a repeat of previous excessive policy fluctuations. The authorities also intend to foster a fair distribution of the adjustment burden, with measures to mitigate the impact on the most vulnerable, and to implement growth-enhancing structural reforms.

A. Fiscal Consolidation to Support Return to Sustainability

13. Significant efforts are needed to bring public finances back on a sustainable path. Notwithstanding efforts to curtail spending and raise revenue after the massive fiscal expansion in 2020, primary deficits have remained large in recent years—at close to 5 percent in 2021 and 3.6 percent in 2022 (Figure 3). Combined with an unsustainable rise in interest payments, which reached 7.4 percent of GDP in 2022—almost half of government revenue—this contributed to heightened fiscal and debt vulnerabilities.

14. The program is based on a large and frontloaded fiscal consolidation path. The government is targeting a primary balance on a commitment basis—the key fiscal anchor under the program—of 1.5 percent of GDP by 2025, to be maintained at least until 2028 (MEFP ¶7).[4] This entails an adjustment of about 5 percentage points of GDP over three years, about two thirds of which would be achieved in the first year to strengthen fiscal credibility and in recognition of the tight financing constraint. When combined with a comprehensive debt restructuring, this objective is consistent with restoring debt sustainability. It also strikes an appropriate balance between ambition and social and economic feasibility.

15. Staff supported the authorities' preference for a fiscal strategy based on a significant revenue increase. Given Ghana's low revenue-to-GDP ratio (see below) and the need to create space for higher development spending over the medium term, the authorities

[4] The primary balance on a commitment basis accounts for expenditure at the time it is committed by the government. Cash balances will be lower than balances on a commitment basis going forward, as the government clears its stock of payables.

intend to make domestic revenue mobilization a key plank of the program (MEFP ¶11). Their objective is to raise the public revenue-to-GDP to over 18.5 percent by the end of the program (from 15.7 percent in 2022)—hence contributing more than half of the total adjustment under the program. The authorities are laying out a strategy to achieve this objective (see paragraph 24). Outcomes will be monitored via an **indicative target** on non-oil revenue.

Ghana: Fiscal Adjustment path 2022-26

(Commitment basis, percent of GDP)

	2022	2023	2024	2025	2026	Adjustment 2022-26
Revenue and grants	15.7	16.8	17.3	17.8	18.7	3.0
Non-oil revenue	13.6	14.0	15.0	15.5	16.4	2.9
Oil revenue	2.0	2.5	2.1	2.0	2.0	0.0
Grants	0.2	0.2	0.2	0.2	0.2	0.0
Primary expenditure	19.3	17.3	16.8	16.3	17.2	-2.1
Non-oil primary balance	-5.6	-3.1	-1.7	-0.5	-0.5	5.1
Primary balance	-3.6	-0.5	0.5	1.5	1.5	5.1
Primary balance (cash basis)	-0.8	-1.2	-0.2	0.9	0.9	1.7
Memo item:						
Revenue and grants w/o DDE temporary impact [1]	15.7	17.3	17.8	18.3	18.7	3.0
Non-oil revenue w/o DDE temporary impact [1]	13.6	14.5	15.5	16.0	16.4	2.9

Source: IMF

[1] The domestic debt exchange (DDE) is assumed to temporarily reduce income taxes paid by financial institutions by 0.5 percent of GDP annually over 2023-25.

16. Expenditure savings, which are also critical to create the needed fiscal space, will stem from efficiency gains and a reduction of the large subsidy bill to the energy sector. The authorities have launched public expenditure reviews, including a review of statutory funds, to identify potential sources of savings and improve spending efficiency (MEFP ¶12). In addition, an ambitious reform agenda in the energy sector is expected to limit its growing fiscal cost (see below). The baseline assumes the stock of payables will be cleared over 7 years, which will entail a larger deficit on a cash basis. The authorities are designing a detailed clearance strategy to this effect (MEFP ¶13). They will produce quarterly reports on the evolution of payables to ensure the existing stock is cleared over time and that no new ones accumulate (**indicative target**).

17. The 2023 budget and associated bills, enacted as a prior action for the program, are consistent with these objectives. Revenue measures adopted in this context aim to permanently improve the non-oil revenue-to-GDP ratio by 1 percent of GDP. While the domestic debt exchange will likely temporarily reduce income taxes paid by financial institutions given its impact on their profit, this will be partly offset by the projected temporary increase in oil-related revenue in 2023.[5] Primary expenditure will be reduced by 2 percentage points of GDP, mainly by (i) lowering capital expenditures through project reprioritization (providing around 0.9 percent of GDP of savings); (ii) containing the wage bill by limiting wage increases and hiring (0.5 percent of GDP); (iii) rationalizing goods and services spending (0.3 percent of GDP); and (iv) reducing transfers to statutory funds through a reduction of the cap on the share of revenue that they can receive (0.4 percent of GDP). These measures are to be supported by steps to strictly tighten expenditure commitment controls of both MDAs and statutory funds. To protect the most vulnerable from the impact of the macroeconomic crisis and fiscal consolidation, the authorities are strengthening key targeted social programs (see below). Overall, these measures would allow for achieving a reduction in the primary balance (commitment basis) of about 3 percent of GDP. Considering the significant macroeconomic uncertainty, the authorities are committed to readjusting budgetary allocations at the time of the mid-year budget review and to deploying contingency measures should this become necessary to meet the program targets (MEFP ¶10).

Ghana: 2023 Revenue Measures
(Percent of GDP)

	Revenue impact
Increase of VAT rate from 12.5 to 15 percent	0.3
Removal of discount on benchmark values at custom	0.2
Revision of income-based tax [1]	0.2
Extension of National Fiscal Stabilisation Levy (NFSL)	0.1
Reform of the E-levy	0.1
Implementation of E-VAT	0.1
Revision of excise taxes and removal of VAT exemptions	0.1
Erosion of revenue-to-GDP ratio due to inflation [2]	-0.2
Total	**1.0**

Source: IMF staff based on authorities' data.
[1] The revision of the taxable value of benefits in kind for vehicles, new upper income tax bracket, revision of capital gains taxes and implementation of the minimum chargeable income concept.
2 Due to non-indexation to inflation of some revenues such as excise and some non-tax revenues.

18. In the context of the 2023 budget, the authorities also took important steps to improve budget credibility and transparency. While previous budgets were built on overly optimistic revenue projections and unrealistic spending cuts, the 2023 budget is based on realistic macroeconomic and fiscal assumptions. In addition, to ensure full transparency, the authorities acknowledged large extra-budgetary commitments taken by MDAs and payables to the energy producers (IPPs and fuel suppliers) accumulated in 2022. Importantly, the 2023 appropriation for transfers to energy producers has been calibrated to cover the energy sector's expected financial shortfall in full, as the authorities committed that no new payables would accumulate going forward.

B. Social Impact, Spending and Policies

19. The ongoing macroeconomic crisis has a significant socio-economic cost for the Ghanaian population. High inflation and slowing growth have hindered Ghana's efforts to reduce poverty (Box 1). After two years of acute financing constraints, the delivery of key public services in health, education and social protection has been increasingly challenging, with delayed access to benefits, increased out-of-pocket costs for households and a large buildup of arrears to suppliers. While restoring macroeconomic stability is the key priority to avoid

[5] Given the existing provisions to allow corporates to carry forward losses, the baseline builds in an associated temporary annual reduction in incomes taxes of 0.5 percent of GDP over 2023-25.

entrenching this setback in terms of poverty reduction, the authorities' crisis management policies and reforms may also entail costs in the short term.

20. To help mitigate these challenges, social protection will be strengthened to cushion the impact of the crisis on the most vulnerable. To immediately provide support to the poorest households, the 2023 budget has doubled the level of benefits of the existing targeted cash transfer program, the Living Empowerment Against Poverty (LEAP). An indexation mechanism will be designed and introduced before the end of the year (**structural benchmark**) to ensure the level of benefits remains commensurate with the cost of living and to further reinforce this key anti-poverty program. In addition, the coverage of the LEAP program will be expanded, and its targeting improved, to cover all the extreme poor by 2024 (MEFP ¶15). These measures will be closely coordinated with the World Bank. Through a project to strengthen social protection, the latter is helping the authorities update the list of LEAP beneficiaries by using the existing household registry. The budget also increased the allocation for the Ghana School Feeding Program to offset the impact of inflation. Social spending in health, social protection and education has suffered from severe disbursement delays over the last two years. The authorities will monitor key social programs in these areas to make sure funds are disbursed on time (**indicative target**).

21. A systematic framework will also be designed to protect vulnerable households from the impact of electricity tariff adjustments under the program (MEFP ¶47). Lifeline tariffs may be redefined to improve the incidence of this subsidized price on low-volume users and ensure it targets the poorest households. A mapping exercise will also be undertaken to measure the impact of the existing cash transfer program on poor households with electricity access and allow for a better calibration of the program.

22. To improve Ghana's human capital, social programs will be continuously strengthened over the medium term. The authorities, in close coordination with development partners such as the World Bank and UNICEF, will seek to increase the efficiency and coverage of this spending (MEFP ¶16). In the education sector, building on the government's ambitious agenda to increase access to higher education, efforts will focus on strengthening learning outcomes. In the health sector, the authorities will seek to expand the coverage of the National Health Insurance Scheme. These objectives are well aligned with the government's development goals of enhanced access to quality education, universal health insurance and poverty eradication, as stated in Ghana's Medium-Term National Development Policy Framework (2022-25).

Box 1. Poverty Reduction and Social Spending in Ghana

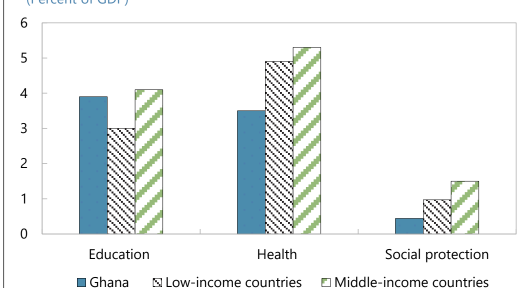
Over the past three decades, Ghana has made progress on poverty reduction, although regional inequalities have deepened. GDP per capita increased from US$400 to US$2,300 during 1990-2020. The share of the population living below the poverty line fell from 52.7 percent in 1991 to 23 percent in 2016. However, large regional disparities increased, with the Southern wealthiest regions seeing continuous poverty reduction, while poverty stagnated or increased in the North.

Ghana's efforts to reduce poverty have been hindered by the current crisis. High inflation is particularly detrimental to the poorest. At the same time, the cushioning impact of social protection programs has been limited over the last two years due the government's acute financing pressures, which have reduced the actual delivery of social spending, and the non-indexation of social benefits.

Ghana's social spending could be more efficient and targeted to the most vulnerable:

- **Social protection.** Targeted social protection programs are small with annual spending at less than 0.5 percent of GDP. The flagship targeted cash transfer program, the LEAP, has proven to be efficient in reducing poverty. However, it only covers 50 percent of the extreme poor, has seen an erosion of the real value of the benefits it provides and has been disbursed with considerable delays.
- **Education.** Ghana spends close to 4 percent of GDP on education with good results in terms of enrollment but poor learning outcomes. The flagship program Free Senior High School (SHS), which covers the full cost of secondary education, has helped increase enrollment but is poorly targeted. Key identified areas of potential improvement of education spending include strengthening primary education resources, better teacher training, and stronger performance-based funding practices.
- **Health.** Public health expenditures amount to 3.5 percent of GDP. While Ghana performs relatively well in terms health outcomes, disparities in access remains a key issue. The National Health Insurance Scheme (NHIS) is meant to be universal but only covers half of the population. Identified reform priorities include increasing the NHIS coverage, securing its long-term funding and expanding its basic care package.

Ghana: Social Spending Against Peer Country Groups
(Percent of GDP)

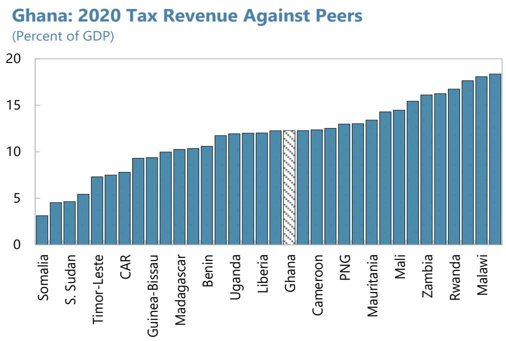


Sources: World Bank's ASPIRE Database, World Bank's World Development Indicators and IMF staff calculations.

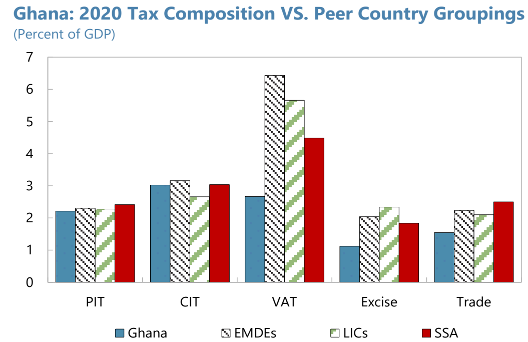
C. Structural Fiscal Reforms to Durably Anchor Sustainability

Domestic Revenue Mobilization

23. **Ghana's fiscal problems are rooted in structurally weak domestic revenue mobilization**. Ghana's tax-to-GDP ratio has been low compared to peers, with non-oil revenues stagnating in recent years. Tax policy design suffers from widespread tax expenditures (estimated around 4 percent of GDP), especially in VAT, and underexploited taxes (property tax, excises). Weaknesses in revenue administration continue to be reflected in limited compliance and recoveries.



Sources: IMF Internal World Revenue Longitudinal Database (WoRLD).



Sources: IMF Internal World Revenue Longitudinal Database (WoRLD).

24. To address these challenges and achieve the program's revenue mobilization objectives, the authorities are preparing a Medium-Term Revenue Strategy (MTRS) (MEFP ¶45). This strategy will focus on tax policy and revenue administration measures necessary to reach the authorities' program revenue objectives over the 2023-26 period. An IMF's Fiscal Affairs Department (FAD) tax diagnostic mission identified the following potential measures to sustainably generate significant revenue while addressing efficiency and equity concerns: (i) removing VAT exemptions (which are estimated at close to 2 percent of GDP), (ii) reforming the CIT by phasing out tax holidays and exemptions and strengthening safeguards against profit shifting, (iii) reducing customs exemptions, (iv) increasing progressivity in personal income taxes, (v) automatically adjusting fuel levies by exchange rate movement or inflation, and (vi) adopting the new fiscal regime for the extractive industries. FAD is also providing technical assistance in designing the MTRS and, along with Ghana's development partners, will continue supporting implementation of the strategy. The MTRS, which will be approved by Cabinet and published by end-September 2023 (**structural benchmark**), will serve as input into the 2024 budget.

25. Reforms will also aim at further strengthening revenue administration (MEFP ¶46). With technical support from the IMF, the authorities will accelerate the procurement of the Integrated Tax Administration System (ITAS) and fully operationalize the system by end-2023 (**structural benchmark**). For a successful ITAS rollout, a recent IMF technical assistance mission advised the authorities to set up the required project governance mechanisms and implement a robust change management plan. Annual tax expenditure reports will be published to promote accountability and transparency. The e-VAT invoicing system initiated last year will be expanded to cover all large taxpayers by mid-2023. The authorities will also develop The Ghana Revenue Authority's (GRA) capacity in the area of extractive industries while finalizing the new fiscal regime framework for the sector, strengthen compliance of e-commerce, complete the data warehouse and other transformation-related projects of GRA, and increase online filing and payment of taxes.

Public Financial Management (PFM)

26. Ghana's fiscal policy has been characterized by recurrent periods of overspending. Past budgets have been marked by overly optimistic forecasts despite the existence of a fiscal council. The fiscal rules adopted in 2019 lack a debt target and feature an overly complex double operational rules system, with poorly defined escape clauses and no effective enforcement mechanisms.

27. Ghana's fiscal framework is also weakened by persistent challenges in public financial management. Large revenue earmarking to statutory funds and retention of internally generated funds (IGFs) (18 percent of primary expenditures) are creating significant budget rigidities.[6] Statutory funds have independent governance structures and are responsible for a large share of capital expenditures (estimated at 70 percent of their spending). Spending by most statutory funds and IGF-reliant institutions is not integrated with the budget planning system (Hyperion) and the expenditure accounting and control system (GIFMIS), contributing to severe deficiencies in expenditure controls. There has been no centralized system to assess and prioritize public investment projects. The persistent accumulation of arrears is a sign of unrealistic budget formulation, weak expenditure controls, and poor cash management.

28. The authorities are committed to addressing these PFM weaknesses and to strengthen the fiscal framework and institutions under the program.

- *All central government expenditure will be integrated into the budget planning and accounting systems* (MEFP ¶35, 36). To this end, several important statutory funds (GETFund, Road Fund, and District Assemblies Common Fund) have started reporting their spending budgets in Hyperion at a disaggregated level to use all functionalities of GIFMIS (**prior action**). The planned rollout of the GIFMIS infrastructure with all available functionalities to over 265 large IGF-reliant institutions will be completed by end-2023 (**structural benchmark**). The authorities will also design a program with clear timelines to ensure that all IGF-reliant institutions start using GIFMIS for IGF receipts, for receiving payment warrants, and for processing their expenditure.

- *Statutory funds will be reformed and rationalized* (MEFP ¶39). The authorities are in the process of hiring an external consultant to undertake a comprehensive review of all the statutory funds. The objective is to (i) evaluate their spending and assess efficiency, value for money and relevance, as well as alignment of the earmarking formulae with spending needs, (ii) identify fiscal risk, (iii) identify possible duplication of efforts by government institutions, and (iv) make recommendations on streamlining or merging these institutions with line ministries. Based on this review, the authorities will publish (after Cabinet approval) by end-

[6] IGFs are the non-tax revenues which MDAs generate themselves and are allowed to retain to fund their own spending. Around 60-70 percent of IGFs are generated in the ministries of education and health in the form of college, university, and hospital fees and charges. Statutory funds are government funds created by statutory provisions of the Constitution or other legal instruments. They benefit from earmarked revenue sources (either earmarked taxes or transfers) which are used for specific purposes.

September 2023 a strategy that spells out the future course of action for each statutory fund (**structural benchmark**).

- *A strategy will be developed to tighten expenditure commitment controls and prevent arrears' build-up (*MEFP ¶37). Public procurement will be fully integrated with GIFMIS to ensure that only projects that benefit from approved budgets and quarterly allotments can obtain procurement approvals to award contracts. Enforcement of sanctions under the PFM Act will be strengthened, including penalties for covered entities committing spending above their allotments and allocations. The human resources information system (HRMIS), the bank clearing system (GHIPSS), and GRA's tax portals will be integrated with GIFMIS. The automatic bank reconciliation (ABR) functionality for GIFMIS-linked accounts will be rolled out, and the chart of accounts will be standardized if needed. With technical support from FAD, the authorities will develop a strategy to tighten commitment controls and prevent arrears' build-up. It will be approved by the Cabinet by June 2023 (**structural benchmark**).

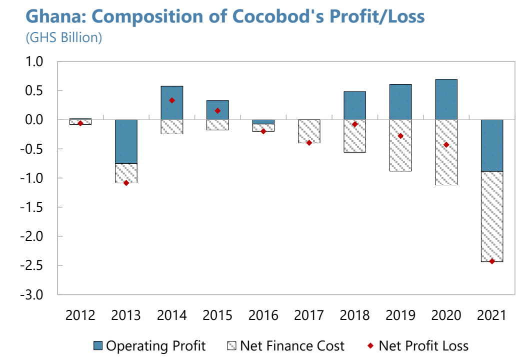
- *The Fiscal Responsibility Act will be amended to strengthen fiscal discipline* (MEFP ¶41). The fiscal rule will be reinforced by adding a debt target with a broad coverage to control extra-budgetary spending. It will also be simplified by focusing on a single operational rule. Escape clause and correction mechanisms will be further detailed. The existing Fiscal Advisory Council will be reformed to bolster the credibility of macro-fiscal projections and to ensure the fiscal rule is adequately implemented and enforced. IMF technical assistance could be deployed to support these reforms.

Fiscal Costs and Risks from SOEs

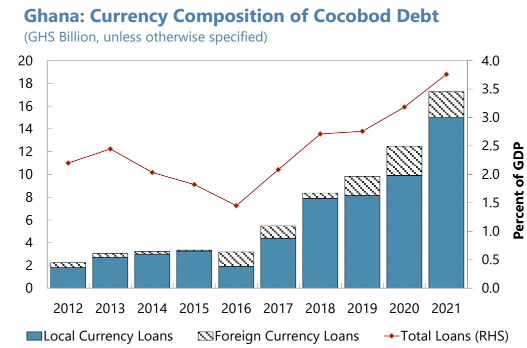
29. SOEs are imposing a direct fiscal cost to the central government and are a major source of fiscal risks. This reflects both weak institutional arrangements and unsustainable sectoral policies. Problems are particularly acute in the energy and cocoa sectors:

- *Shortfalls in the energy sector have been significant due to below-cost-recovery tariffs, large distribution losses, and excess capacity amid take-or-pay contracts.* This has cost the central government some 2 percent of GDP in transfers per year since 2019 and has also led to accumulation of payables to IPPs and fuel suppliers.

- *Ghana's Cocoa Board (Cocobod)—the state-owned entity mandated with facilitating cocoa production and exercising export monopoly—has accumulated annual losses for many years*, due to high rollover cost of outstanding cocoa bills, high purchase price to cocoa producers compared to its operational costs, and elevated quasi-fiscal operations (e.g., fertilizers provision, rural roads development) that have also been a burden on Board's administrative expenses.



Sources: Ghanaian authorities and IMF staff calculations.



Sources: Ghanaian authorities and IMF staff calculations.

30. The authorities' reform program includes important steps to tackle these challenges:

- *Institutional arrangements for managing and monitoring SOEs are to be reformed to foster competition and efficiency* (MEFP ¶49). Audited SOE financial statements are to be submitted to the MoF in a timely manner. Given the diversified nature of SOEs, strengthening the technical capacity of the State Interests and Governance Authority (SIGA) to evaluate sector-specific risks is crucial and already underway with technical assistance from the IMF. Fiscal Risk Statements that evaluate various macroeconomic and contingent liability risks and outline a clear mitigation strategy will be published regularly to enhance transparency and accountability (MEFP ¶43).

- *Designing and implementing comprehensive energy sector reforms constitutes a key plank of the authorities' program* (MEFP ¶47). The authorities aim at having updated their Energy Sector Recovery Plan (ESRP) by end-June 2023 (**structural benchmark**). This exercise, which is being conducted with the help of the World Bank, focuses on expediting Purchasing Power Agreements renegotiations (to reduce the take-or-pay liability), tariff adjustments, improving operational performance of energy SOEs, reforming subsidies to reduce the revenue shortfall, and formulating a strategy (with clear benchmarks) on the reduction of distribution losses and improving collections. The latter will entail estimating investment requirements for upgrading equipment and systems, finalizing the modalities of private sector participation in the distribution sector, and fast-tracking installation drive for pre-paid meters. The authorities will further enhance transparency in the tariff determination process, including by publishing technical notes explaining and justifying final tariff decisions. They will also develop and operationalize a framework to guide the granting of energy sector subsidies.

- *The Power Utilities Regulatory Commission (PURC) recently raised electricity tariffs by close to 30 percent* (**prior action**), bringing the cumulative increase since mid-2022 to 57 percent, to help reduce the cost-recovery gap and limit this year's shortfall to around 2.7 percent of

GDP, offsetting underlying upward pressures from a more depreciated exchange rate. Additional quarterly tariff adjustments will be implemented in 2023 to compensate for any exchange rate and price movements and to bring tariffs close to cost-recovery level, while efforts to improve operational efficiency of energy distribution as planned in the ESRP and the renegotiation of contracts with IPPs are expected to further reduce costs. Beyond 2023, the program's baseline projections conservatively assumes that the sector shortfall will be gradually reduced to reach 1.7 percent of GDP in 2026 (assuming modest tariff adjustments and slight improvement in grid/recovery losses).[7] Staff urges the authorities to aim at a more rapid reduction in the sector shortfall under the ESRP to create fiscal space for priority spending. This could be notably achieved through additional ad-hoc tariff increases while protecting vulnerable households.

- *The authorities will prepare a turnaround strategy to ensure Cocobod's financial viability* (MEFP ¶50). This strategy will include (i) designing a sustainable and legally binding framework for setting a producer purchase price (PPP) that guarantees an income stream sufficient to recover the Cocobod's operational and financial costs, (ii) announcing cost-rationalization measures, and (iii) phasing out quasi-fiscal activities.

D. Debt Management and Restructuring

31. To reestablish debt sustainability, the authorities have launched a comprehensive restructuring that involves both domestic and external debt. With the assistance of financial and legal advisors appointed in mid-2022, the authorities have designed a debt restructuring strategy based on the following key elements:

- *Objectives:* The authorities' debt restructuring strategy aims to restore a "moderate" risk of debt distress under the IMF-WB LIC-DSF such that from 2028 the restructuring will have lowered (i) the ratios of the external debt service to revenues and exports below their 18 percent and 15 percent thresholds, respectively; and (ii) the ratios of the present value of overall and external debt to GDP to below 55 percent and 40 percent thresholds, respectively. The restructuring also targets external debt service relief of US$10.5 billion during the program period (2023-26) to help close the external financing gap and its domestic component is designed to reduce domestic financing pressures significantly.

- *Perimeter:* The large share of domestic debt and the virtually frozen domestic debt market pushed the authorities to pursue domestic debt relief in addition to external debt restructuring, notwithstanding associated economic, financial, and social risks. The domestic debt restructuring covers all medium- and long-term domestic debt issued by the government and its special purpose vehicles (Daakye and ESLA), as well as Cocobills issued by Cocobod; it excludes short-term domestic government debt (T-bills). On the external side,

[7] Since the proposed IMF-supported program aims at ensuring full payment to IPPs against electricity purchases going forward, the baseline projections of the shortfall are purposely set conservatively to ensure that IPP liabilities and related FX requirements are fully funded.

it includes all commercial debt and almost all official bilateral debt—some financing lines already disbursing to a limited number of socially beneficial projects are to be exempted; it excludes multilateral debt.

- *Domestic debt exchange (DDE)*: The domestic debt restructuring is being conducted through a voluntary debt exchange of all domestic debt instruments other than T-bills. A substantial part of the DDE was completed in February 2023 (see Box 2); this is not reflected in the pre-restructuring baseline of this staff report and the accompanying DSA given the ongoing nature of the exercise.

- *External commercial debt restructuring*: The government announced a suspension of debt service on external commercial obligations on December 19. It has since then been engaging with external commercial debt holders (see below), who have formed representative creditor committees and hired financial and legal advisors.

- *Official bilateral debt restructuring*: Debt service has been suspended; the authorities applied for debt treatment under the G20 Common Framework for Debt Treatments beyond the DSSI (CF) on December 12.

Box 2. Domestic Debt Exchange (DDE)

The government launched on December 5, 2022, a DDE covering all medium- and long-term debt issued in local currency by the Government of Ghana, Daakye and ESLA. Government-issued T-bills have been excluded from the DDE perimeter. The initial exchange did not yet include domestic debt denominated in U.S. dollars and Cocobills issued by Cocobod. Over the course of discussions with bondholders the government also agreed that pension funds (representing about 20 of the debt eligible for the exchange) would not be expected to participate in the exchange, to protect domestic savings of pensioners.

The DDE settled on February 21, 2023. In total, 85 percent of the face value of bonds held by investors other than pension funds was exchanged in the DDE, equivalent to 28 percent of all outstanding domestic debt (which includes, among others, nonmarketable debt, verified arrears and Cocobills).. The government offered most bondholders a set of new bonds at fixed exchange proportions with a combined average maturity of 8.2 years and coupons of up to 10 percent (with part of the coupons capitalized rather than paid in cash in 2023 and 2024). At a 16-18 percent discount rate, the final terms of the DDE imply an average NPV reduction of about 30 percent for these bondholders. Individual bondholders[1/] were offered an exchange into shorter term debt with higher coupons. Crucially, the completed DDE has also produced very large cash debt relief for the government of almost GHS 50 billion in 2023, relieving pressure on the domestic financing market.

The government is pursuing further exchanges of domestic debt denominated in US dollars and Cocobills issued by Cocobod. While these two types of debt account for only about 5 percent of total domestic debt, they also represent about GHS 15 billion in debt service in 2023.

[1/] Individual bondholders refer to non-institutional investors.

32. Debt management in the near term will seek to maintain minimal functioning of domestic debt markets while developing a roadmap for the gradual resumption of activity. As T-bills were not included in the restructuring, the short-term domestic debt market should remain functional and a critical instrument for both investors and the government until the bond market is restored. Indeed, recent auctions have seen a significant decline in yields. Nonetheless, the need for the government to issue a substantial amount of T-bills in 2023 poses a domestic financing risk. Continued progress in implementing the reform agenda, combined with outreach to investors around such successes, should slowly restore confidence to the domestic debt market. The first few domestic bond issuances following the restructuring, which would likely not happen until 2024, will be carefully managed to prioritize successful execution, perhaps using placements rather than auctions and starting with small volumes. Once domestic market access is more firmly established, primary issuance will switch to competitive auctions. Non-resident investors in domestic bond markets will not be offered special incentives.

33. The authorities are committed to prudent debt management. The MoF will play a lead role in tracking debt issuance by SOEs and public SPVs, in limiting and monitoring collateralized debt issuance, in strictly limiting borrowing on non-concessional terms, and in ensuring that debt payments are made on time (**performance criteria**). It will also continue publishing a credible Medium-Term Debt Strategy and updated annual borrowing plans in line with international best practices and increase debt transparency and accountability (MEFP ¶21).

E. Monetary and Exchange Rate Policy

34. The BoG's monetary policy goal is to bring inflation back to the 6-10 percent target by the end of the program (MEFP ¶22). Notwithstanding the large monetary policy rate hikes and the increase in reserve requirements over the past year, inflation has remained high. This reflects the limited effectiveness of these monetary policy instruments in the face of large monetary financing of the government deficit and supply shocks (i.e., rising global commodity prices). Looking ahead, monetary financing will be eliminated (**performance criterion**). The BoG is committed to continue increasing its policy rate and maintain the tight monetary policy stance until inflation is on a firmly declining path. It will also undertake liquidity management operations consistent with the inflation objective, while taking into consideration financial stability risks. A **monetary policy consultation clause** will help monitor the BoG's performance in meeting the inflation objectives (MEFP ¶23). The BoG will continue enhancing its inflation targeting framework through enriched macroeconomic data including inflation expectations survey and projection model.

35. The program will also support BoG's aim to rebuild international reserve buffers (MEFP ¶24). With gross reserves falling rapidly, the BoG has started limiting foreign exchange (FX) interventions since mid-2022. More efforts to rebuild FX buffers will be critical to achieve the program's medium-term objective of an international reserve coverage ratio of at least 3 months of imports. The performance will be monitored through a net international reserve (NIR) target (**performance criterion**). Any unexpected FX inflows should be saved. In this respect, staff welcomes the commitment by the BoG to limit gross FX interventions to only smoothing exchange rate fluctuations associated with disorderly market conditions.

36. Achieving these goals will be underpinned by efforts to ensure a unified and flexible exchange rate and to create the conditions for FX market deepening (MEFP ¶25)**.** At times, the BoG has provided FX support at rates other than those prevailing in the market, leading to the emergence of multiple exchange rates. Going forward the BoG will ensure its FX liquidity is provided at prevailing market exchange rates and implement measures to further support unifying the exchange rates. In this respect, staff welcomes the authorities' commitment not to introduce measures that give rise to Multiple Currency Practices (MCPs). To support price discovery and efficient allocation, the BoG will employ auctions as the primary channel for any FX intervention. Any bilateral trades will be conducted at the market rate. The BoG will gradually phase out the special FX auctions for fuel distributors introduced in March 2022 and enhance the design of the regular FX auctions with the support of Fund technical assistance. The BoG will also gradually reverse the recently imposed surrender requirement on gold exports to BoG. These measures will help bolster FX liquidity in the banking sector and encourage price discovery and FX market deepening.

37. The BoG Act will be revised to strengthen central bank independence and mitigate fiscal dominance (MEFP ¶26). The amendments to the BoG Act will feature a stricter limit for monetary financing, mechanisms to monitor and enforce compliance, and a clear definition of emergency situations under which the limit can be temporarily lifted. Pending legislative changes, the BoG and the MoF signed an MoU (**prior action**) to eliminate monetary financing during the program. An ongoing updated Safeguards Assessment will provide additional support for designing changes to the BoG Act. It will review the authorities' gold purchase and gold-for-oil programs and associated risks for the BoG.[8] The BoG's balance sheet will be affected by the debt restructuring. The Government and the BoG will assess the impact and develop plans for its recapitalization with Fund technical assistance support.

F. Financial Sector Stability

38. Ghana's financial sector was relatively robust before the debt restructuring, thanks to the financial sector cleanup conducted in recent years. A thorough asset quality review had been conducted as part of the cleanup. The aggregate NPLs had declined from 17 percent in 2019 to about 15 percent at end-2022, and the sector had been well-capitalized except for a few institutions. However, several steps under the financial sector cleanup were yet to be implemented (see below).

39. The DDE presents a substantial challenge for the health of the financial sector given its exposure to government debt. Domestic bonds were widely distributed across the financial sector in Ghana, representing the most important asset class held by commercial banks,

[8] The authorities have launched a temporary gold-for-oil scheme to secure adequate fuel supplies at favorable prices in an environment of tight FX liquidity (MEFP ¶48).

pension funds, asset management companies, and insurance companies. Banks held 30 to 50 percent of their total assets in government securities before the DDE—with especially high exposures in the state-owned banks—and relied significantly on income from these securities. The coupon reductions and maturity extensions in the recently completed DDE mean that the value of these assets will decline to about 70 percent of the par value.[9] This revaluation represents a significant shock to the balance sheets of these financial institutions.

40. The authorities are determined to deploy all available instruments to preserve financial sector stability (MEFP ¶27). Temporary regulatory forbearance, including lower cash reserve requirements for banks and lower adjusted capital requirements for banks and other financial sector institutions, has been offered to help provide relief in the short term.[10] Existing repo and Emergency Liquidity Assistance (ELA) facilities will provide liquidity to the banking sector as needed. The authorities are developing the Ghana Financial Stability Fund (GFSF) to provide additional liquidity and/or solvency support to the banking and non-bank financial institution (NBFI) sectors, ensuring that the design of the GFSF—eligibility, cost of access, and additional central-bank supervision and reporting requirements—is fully aligned with the fund's intended purpose and best international practice. The World Bank is preparing an emergency operation to provide GFSF funding (US$ 250 million) to facilitate the build-up of capital buffers for qualifying banks.

41. Any capital support to qualifying institutions and other steps necessary to strengthen the financial sector in the wake of the debt exchange will be completed in a timely manner (MEFP ¶29). The authorities will develop a strategy by end-June 2023 (**structural benchmark**) for strengthening the financial sector and for rebuilding financial sector buffers, to be accomplished by the end of the program. Individual banks will be expected to submit their credible timebound plans to rebuild capital buffers on a phased basis in line with timelines set out in this financial sector strategy; those plans will be reviewed by BoG and finalized by banks for BoG approval by end-September 2023 (**structural benchmark**). As part of this process, regulatory forbearance, including on capital requirements, will be lifted as soon as possible. The BoG will monitor the expected capital shortfalls stemming from the ongoing recognition of debt restructuring losses in CAR calculations and ensure the plans on rebuilding capital buffers are implemented based on periodic milestones. Further incentives to banks to expedite the process will include the prohibition of distributing dividends, restrictions in risk exposures, and enhanced monitoring for those that do not meet minimum CAR, and support for early recapitalization from the GFSF. Any government support for recapitalization will be designed to incentivize private capital injection and will be conditional on reforms to improve long-term profitability.[11]

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[9] That estimate of the NPV reduction is based on the 16-18 percent discount rate that most banks intend to adopt following discussion with the Institute of Chartered Accountants, Ghana (ICAG).

[10] For Capital Adequacy Ratio (CAR) calculation, banks have been allowed to record a quarter of the DDE losses per year over a maximum of four years.

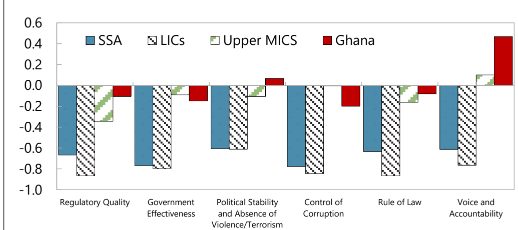
[11] The baseline builds in a possible fiscal cost of financial sector of up to 2.6 percent of GDP.

42. The authorities are also committed to completing the remaining tasks from the financial sector cleanup and to implement reforms to support credit to the private sector (MEFP ¶32). Those tasks include addressing the insolvency of NIB as well the long-standing undercapitalization of several special deposit taking institutions (SDIs). The authorities' strategy will include an assessment of these institutions' operational strategies and corrective actions to prevent the accumulation of further losses. The authorities will also complete ongoing reforms in areas related to financial sector stability, including the roll out of Basel II and III reforms, the strengthening of the nascent deposit insurance scheme, and efficiency enhancements at state-owned banks. In order to foster private sector development and to prevent the crowing out of credit to the sector, authorities will consider further measures to reduce the nexus between sovereign and financial institutions.

G. Reforms to Bolster Governance

43. While Ghana's governance indicators are relatively strong compared to peers, significant challenges remain. Ghana benefits from a vibrant civil society and well-established democratic political system. According to the World Bank's Worldwide Governance Indicators, Ghana is perceived to outperform most Sub-Saharan Africa and middle-income countries in many aspects of governance. However, these indicators also suggest that performance in government effectiveness, regulatory quality and control of corruption have deteriorated over the last 10 years.

Ghana: World Governance Indicators Against Selected Groups
(Score estimates in 2021 where -2.5 = lowest and 2.5 = highest)



Sources: World Bank Governance Indicators (2022).
Note: These indicators measure the perception of strength in governance. Estimates give the country's score on the aggregate indicator, in units of a standard normal distribution, i.e. ranging from approximately -2.5 to 2.5. Estimates of country groupings is the simple average of country estimates.

44. The authorities are committed to continue addressing some of these challenges under the Fund-supported program. They have requested IMF technical assistance to conduct a Governance Corruption Diagnostic Assessment (MEFP ¶52). They view this exercise as useful input into their ongoing efforts to update the National Anticorruption Action Plan (NACAP) adopted in 2014. The authorities are also committed to addressing weaknesses in the existing asset declaration system for public officials—which currently lacks an effective verification process—by enacting a new Conduct of Public Officers Act. The GRA, with the help of IMF technical assistance, is developing a strategic plan to reinforce its internal governance framework (internal audit, risk management, and internal affairs) with the aim to improve the professional standards of tax administration in Ghana. The authorities are also committed to full transparency and good governance in implementing their gold-for-oil program (MEFP ¶48).

45. A detailed audit of emergency COVID-19 spending was published in January 2023. The Auditor General's report, which was published as a **prior action** for the program, covers emergency expenditure undertaken between March 2020 and June 2022. It verifies the accuracy and completeness of the accounting of this spending as well as its compliance with existing PFM laws. The report identifies transactions for which PFM-related laws and regulations were flouted (e.g., processing outside GIFMIS, single source procurement without PPA approval, advance payments beyond legal threshold, finance lease process without recourse to MoF) and where losses could have been avoided and/or potential savings realized (e.g., undelivered goods despite advance payments, facilities built/developed but not in use, and provision of medical equipment without signed receipts and to facilities not treating COVID-19 patients). The report recommends seeking retroactive approvals for the identified transactions from PPA, MoF and other regulatory agencies, recovering some of the funds, putting unused facilities to use and generally improving compliance with PMF-related laws and regulations. The authorities have committed to follow up on the Auditor General recommendations, including by preparing new guidelines for Emergency Expenditure Management (MEFP ¶51).

46. Further progress will be made in upgrading Ghana's AML/CFT framework. The authorities have made efforts over the past few years toward strengthening their AML/CFT framework's effectiveness. This allowed the country to exit the Financial Action Task Force (FATF) gray list in June 2021. Under the program, they intend to continue to build the capacity of all reporting entities on various AML/CFT related area—including Customer Due Diligence (CDD), risk assessment, as well as current trends and typologies—and to ensure the enforcement of targeted financial sanctions (MEFP ¶53). Transparency of Beneficial Ownership (BO) of legal entities operating in Ghana will also be further strengthened, including through implementation of the recent updates to FATF's R.24. Measures will also include providing access to the BO register to all accountable institutions and competent authorities and complementing the registry with a requirement for companies to know their BO, and to strengthen CDD/BO.

H. Other Structural Reforms to Support Inclusive Growth

47. The authorities are developing a set of coherent and focused policies to support inclusive growth, economic diversification, private sector development and financial inclusion (MEFP ¶54), including:

- *Improving the business environment and export competitiveness.* The authorities will review local content legislations to encourage Foreign Direct Investment (FDI) and ensure that any revision of surrender/repatriation requirements in the export sectors will be consistent with their long-term goal of promoting FDI and the Institutional View (IV) on Liberalization and Management of Capital Flows. Specific measures will target improvements to export competitiveness, reducing trade barriers, including through implementation of the African Continental Free Trade Area, as well as establishing a one-stop shop for investors.

- *Promoting entrepreneurship to support private sector development* through initiatives such as the YouStart Program. An additional set of growth-oriented programs under the Ghana CARES Program will be accelerated. This includes the Economic Enclave Projects to enable self-sufficiency in rice, maize, vegetables, and poultry, and supporting large-scale agriculture and agribusinesses interventions through the Development Bank of Ghana.

- *Transitioning to a digital economy* to boost productivity, tax collection, and formality. The authorities plan to expand digital government services and introduce the BoG's digital currency to support digitalization and financial inclusion with adequate safeguards in place.

- *Strengthening policies to adapt to and mitigate climate change.* Investment in resilient public infrastructure—particularly in agriculture, urban development, and coastal protection—will mitigate the effects of climate stressors and enhance Ghana's resilience to climate change. The authorities will also explore investment opportunities in low-carbon energy production and preservation of the country's natural carbon sinks. They will accelerate discussions with development partners and the private sector to attract investment in critical areas such as agriculture, transportation and technology to mitigate climate change (such as renewable energy production and energy efficiency improvements). The authorities will also strengthen disaster risk management and information infrastructure to assess climate risks in order to strengthen Ghana's resilience to climate change.

PROGRAM ISSUES

48. The authorities have requested a 36-month arrangement under the Extended Credit Facility (ECF) in the amount of SDR 2.242 billion (304 percent of quota, about US$3 billion), reflecting both the size of Ghana's balance-of-payments needs and the strength of its policy commitments under the program. The prospective disbursements will be directed to the government to help finance the budget. A Memorandum of Understanding between the government and the BoG will be established to set their respective responsibilities for servicing financial obligations to the Fund. The proposed phasing entails limited frontloading to help, along with strong adjustment policies under the program, rebuild Ghana's gross foreign reserves to US$1.7 billion by the end of 2023.

49. The proposed access represents 20 percent of Ghana's balance-of-payments financing needs in 2023-26, estimated at US$15 billion. The authorities' debt restructuring aims to deliver US$10.5 billion in external debt service relief over the program period. The World Bank will provide US$1.6 billion in budget and balance-of-payments support financing.

50. Staff expects to receive in due time sufficient assurances that the ongoing debt restructuring will generate financing consistent with program parameters and will restore debt sustainability.

- Staff is comfortable that sufficient assurances will be delivered by official bilateral creditors under the Common Framework before consideration of Ghana's request for an arrangement under the ECF by the IMF Executive Board. The authorities intend to finalize the MoUs with all official creditors by the time of the first review.

- The authorities have engaged actively with external commercial creditors on the need for debt restructuring. They have recently made a public presentation on the current economic and financial situation, their reform program and debt restructuring strategy. The authorities' advisors have shared, under non-disclosure agreements, a comprehensive data pack with commercial creditors including the program macroeconomic framework, comprehensive debt and debt service data and key assumptions of the DSA. The authorities and their advisors also intend to hold technical calls with bondholder groups' advisors, as necessary. They have also presented their reform program and program targets and the DSA.

- The bulk of the domestic debt restructuring process has been completed. The combination of the authorities' debt restructuring strategy and reforms under the program is expected to deliver debt sustainability as it eliminates all threshold breaches under the LIC-DSF by 2028 and restores a moderate risk of debt distress. It also means that the program is fully financed during the first 12 months with good prospects for the remainder of the program.

Ghana: Proposed Program Financing
(USD million)

	2023	2024	2025	2026	**Total**
Financing Gap	**4,212**	**3,301**	**4,264**	**3,282**	**15,058**
Official Financing[1]	**1,730**	**1,140**	**1,070**	**610**	**4,550**
IMF	1,200	720	720	360	**3,000**
World Bank[2]	530	420	350	250	**1,550**
DPO	300	300	300	250	**1,150**
Emergency projects	230	120	50	0	**400**
Ghana Productive Safety Net Project	30	70	50	0	**150**
Emergency Financial Sector Support	200	50	0	0	**250**
Financing from external debt restructuring	**2,482**	**2,161**	**3,194**	**2,672**	**10,508**

[1] The AfDB may provide budget support, possibly in the form of grants, in addition to project financing already included in the baseline.
[2] 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 $1.45 billion for project loans during 2023-26, already included in the baseline.

51. Ghana has suspended external debt payments to official bilateral and external commercial creditors since December and has therefore been accumulating arrears to these creditors. Staff expects the financing assurances to be provided under the Common Framework to be adequately representative, allowing for arrears to other official bilateral creditors to be deemed away under the Lending into Official Arrears (LIOA) Policy. As required under the Fund's Lending into Arrears (LIA) policy, staff assesses that the authorities are making good faith efforts to reach a collaborative restructuring agreement through engagement in early dialogue, timely sharing of information and giving opportunity for creditors to input on the restructuring strategy. They are also pursuing appropriate policies, and prompt Fund support is essential for the successful implementation of Ghana's adjustment program.

52. Ghana's capacity to repay the Fund is adequate—assuming successful program and debt restructuring implementation and provided adequate market access is eventually restored—but it is subject to substantial downside risks. Under the baseline, which does not reflect debt restructuring, several capacity-to-repay indicators are consistently above the top quartile of past UCT-quality arrangements for PRGT programs (Figure 4). Outstanding credit is projected to peak at 5.3 percent of GDP (407 percent of quota) in 2026, and then to gradually converge towards the top quartile of past PRGT arrangements over the next 10 years. Capacity to repay is further constrained by Ghana's low level of reserves. At the start of the program Fund credit outstanding is at 161 percent of gross international reserves and remains close to 50 percent of reserves by the end of the program. Additionally, debt service as a share of revenue is expected to rise over the medium term, above the top quartile of past PRGT arrangements, and peak at 3.2 percent in 2029, which is 3-4 times the median PRGT country, putting a high strain on repayment capacity. Ghana's strong track record of debt service to the Fund and its share of de facto senior debt at 25 percent of total external debt—one of the lowest among LICs—also constitute important mitigating factors (Annex III). Crucially, the proposed program is predicated on restoring moderate risk of debt distress; combined with the fact that debt service to the Fund is a relatively small part of Ghana's overall external debt service this implies that Ghana's capacity to repay the Fund becomes adequate. Downside risks to Ghana's capacity to repay stem from the high proposed level of access driven primarily by large balance of payment needs, implementation of the complex Fund-supported program and uncertainties surrounding the outcome of the debt restructuring operation until completed despite the assurances expected to be obtained before program approval. Risks to regaining sufficient market access are also very high. Successful implementation of the authorities' debt restructuring strategy is not by itself sufficient to regain market access. There is also a need to restore market confidence in the sustainability of Ghana's economic policies, which requires significant fiscal adjustment amid political challenges. High prospective debt service to the Fund after the end of the program may itself make it more difficult to regain market access. Strong program commitment and ownership by the authorities and continuous engagement with them and their advisors before and following the program approval could help mitigate these risks.

53. The authorities have completed all five prior actions (MEFP Table 3) to partially mitigate the significant risks associated with the program, and as a demonstration of their commitment to program objectives.

54. Program performance will be monitored through semi-annual program reviews based on quarterly and continuous quantitative targets and structural benchmarks:

- *Semi-annual and continuous quantitative targets and quarterly indicative targets* (MEFP Table 2). The program will be monitored through quantitative performance criteria on net international reserves, new central bank credit to the central government, present value of newly contracted debt, and primary fiscal balance. Continuous performance criteria will cover new external debt arrears and the contracting of collateralized debt. Inflation will be monitored through a monetary policy consultation clause. Indicative targets will set a floor on non-oil public revenue and social spending as well as a ceiling on net change in the stock of government payables.

- *Continuous performance criteria regarding exchange restrictions and MCPs* (TMU ¶4) standard to all Fund arrangements.

- *Structural benchmarks* (MEFP Table 3) in the first year of the program focus on macro-critical reforms. The main areas include fiscal measures to enable front-loaded adjustment in 2023, structural reforms to strengthen budget execution and monitoring, bolster commitment controls, improve public sector governance and buttress social protection.

55. An updated safeguards assessment of the BoG is in progress and will be completed before the first review of the program. The last safeguards assessment, conducted in relation to the Rapid Credit Facility financing and completed in June 2021, reiterated the need to strengthen the BoG Act on autonomy, particularly in relation to monetary financing. This recommendation was not previously implemented but is being addressed under the proposed program (see ¶26).

CAPACITY DEVELOPMENT AND COMMUNICATION STRATEGY

56. As part of the authorities' strategy to tackle underlying structural weaknesses, staff and the authorities identified key capacity-development (CD) priorities. Ghana faces significant capacity and institution-building challenges. Addressing these is critical for program success. This is being done through tailored Fund TA (text table). Comprehensive support is also being provided through the Regional Technical Assistance Center for West Africa 2 located in Accra, including in other priority areas such as fiscal reporting, financial sector supervision, and real sector statistics. A resident advisor was recently deployed to support BoG on banking supervision and regulation. These CD activities are being closely coordinated with those of other partners, including the World Bank.

57. Building consensus through enhanced communication will be important to tackle deeply rooted economic challenges. The authorities are committed to developing and implementing a strategy to engage Ghanaians and all relevant stakeholders in building public awareness and broad support for the policies underpinning the Fund-supported program (MEFP ¶57). Strong public support for the program's objectives will enhance the prospects of program success and help build social cohesion.

Ghana: Identified Priorities for IMF Capacity-Development Activities

Area	Capacity Building Activity	Objective - Link to Program Priorities
Tax Policy	TA on tax diagnostics	Support the authorities' efforts to identify tax policy measures to increase domestic resource mobilization.
Revenue administration	TA on core functions of GRA and MTRS	Strengthen revenue administration to increase tax compliance. Help the authorities prepare their MTRS
Public financial management	TA on arrears stock taking and preventive measures	Help the authorities undertake a stock take of payables and design a clearance strategy. Prevent the accumulation of new arrears.
	TA on fiscal rule and fiscal council	Strengthen fiscal framework and institutions to underpin durable fiscal adjustment.
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 and to achieve the central bank policy mandate.
	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.
Governance	Governance and corruption diagnostic assessment	Bolster governance and strengthen anticorruption framework.
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.

STAFF APPRAISAL

58. The combination of large external shocks and preexisting fiscal and debt vulnerabilities have caused a deep economic and financial crisis. The Covid-19 pandemic, tightening global financial conditions, and the war in Ukraine increased fiscal and external pressures. Although some policy adjustment took place in response, spending rigidities, weak expenditure controls, a relatively low tax base and weaknesses in SOE management amidst large development needs and a complex social and political environment prevented an adequate response. Large deficits and fast-rising debt eventually shook investor confidence, with loss of market access precipitating the crisis.

59. A comprehensive recalibration of macroeconomic policies and wide-ranging structural reforms are necessary to reestablish macroeconomic stability and lay the foundations for an inclusive recovery. The authorities' immediate priority is to restore macroeconomic stability by tightening macroeconomic policies and restructuring public debt. The authorities' program also seeks to address long-standing structural weaknesses that have made the economy less resilient to shocks and have contributed to the crisis. While growth is expected to decline this year because of the crisis and the planned fiscal consolidation, a resolution of the debt crisis and resolute program implementation should eventually foster a recovery and reduce inflation. Key downside risks include slippages in program execution, delays in restructuring debt, and a deterioration in the external environment.

60. The envisaged substantial frontloaded fiscal adjustment is essential to relieve financing pressures and restore debt sustainability. Bringing down government deficits is of the essence to underpin a sustainable debt trajectory, regain market confidence, and enable sustainable fiscal and external financing. The 2023 budget is a bold first step towards the required adjustment, delivering a combination of new revenue measures and expenditure restraint with enhanced targeted social spending. To limit the negative social impact of the ongoing macroeconomic crisis and of the frontloaded adjustment, it is important that policies be deployed to protect vulnerable households, as envisaged under the program—through an immediate strengthening of key targeted social protection programs—and to create room for higher social and development spending in the medium-term.

61. Advancing structural fiscal reforms is key to underpin and ensure lasting fiscal discipline. The authorities have committed to an ambitious reform agenda focused on tax policy and administration to mobilize significant domestic revenue, improvements in public financial management, including strengthened expenditure control and management of arrears, enhancements to fiscal rules and institutions, and strengthened SOEs management to reduce fiscal risks. Tackling the deep challenges in the energy and cocoa sectors, including by fostering transparency and gradually eliminating subsidies and quasi-fiscal activities is also key.

62. Together with fiscal consolidation, the planned comprehensive debt restructuring is necessary to place public debt on a sustainable path. Fiscal adjustment would not in itself be sufficient to achieve debt sustainability and ensure the program could be financed. The authorities' planned debt restructuring strategy, which envisages contributions from most classes of debt holders, is of utmost importance to achieve these objectives. Resolute implementation, with support from creditors, needs to be accompanied by efforts to manage debt prudently going forward.

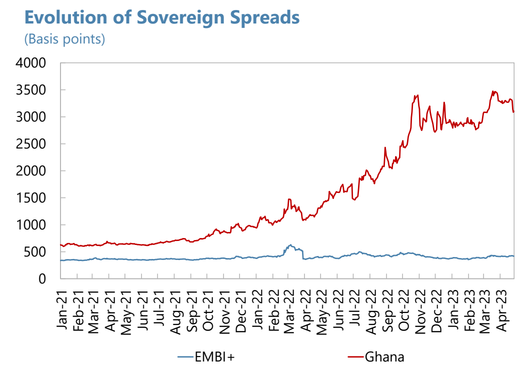
63. The authorities' enhanced focus on preserving financial sector stability is welcome. Given the impact of the domestic debt restructuring on balance sheets of financial institutions, temporary regulatory forbearance can help mitigate the shock, and adequate liquidity provision by BoG is of the essence. Nevertheless, the regulatory forbearance should be temporary and should be accompanied by a comprehensive strategy to maintain a healthy financial sector, one that draws on new resources from the private sector, government, and multilaterals to rapidly rebuild financial buffers.

64. Monetary and exchange rate policies need to focus on reining in inflation and rebuilding foreign reserve buffers. The BoG's intention to continue tightening monetary policy until inflation is on a firmly declining path is welcome. Eliminating monetary financing of the budget will further support achieving this objective. Enhanced exchange rate flexibility and limited FX interventions are key to rebuild external buffers. The BoG's commitments to unify the exchange rates, provide FX liquidity at the market rates, and not introduce any actions that give rise to multiple currency practices (MCPs) are welcome.

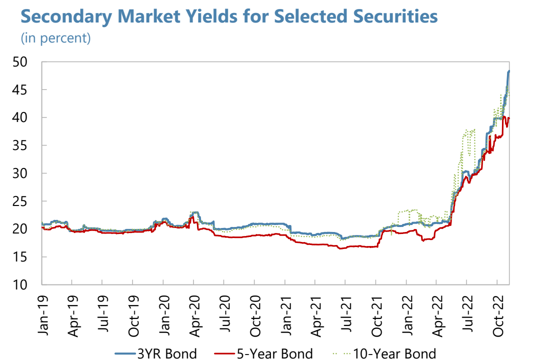
65. In view of Ghana's large balance of payments needs and based on the strength of the proposed program, the prior actions taken by the authorities, and conditional upon receipt of financing assurances from bilateral creditors, staff supports the authorities' request for a 36-month ECF arrangement in the amount of SDR 2.242 million (304 percent of Ghana's quota).

Figure 1. Ghana: Financial and FX Market Developments

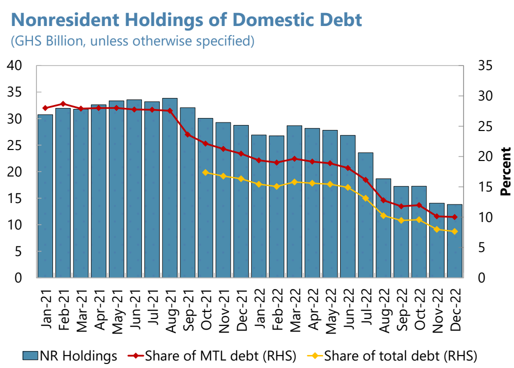
Ghana's Eurobond spreads have increased significantly since late 2021 amid concerns about debt and fiscal sustainability.



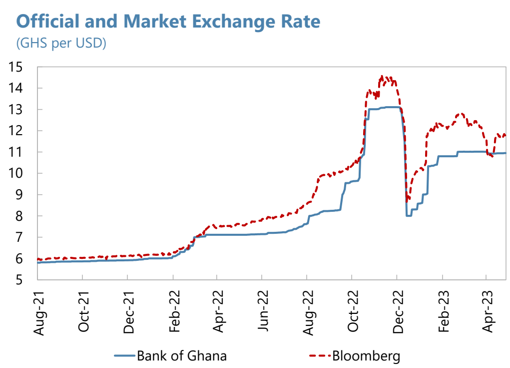
Acute domestic financing challenges soon followed the loss of international capital market access.



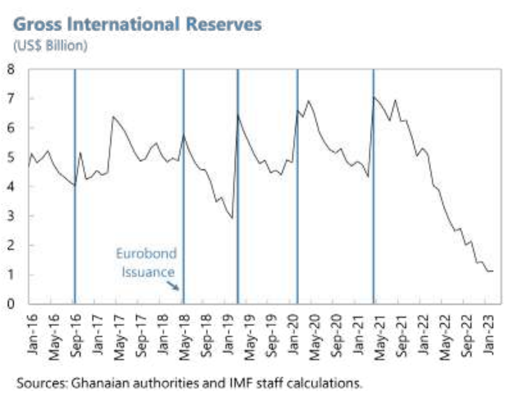
Non-resident investors exit from domestic debt market generated a surge in FX demand and BOP pressures.



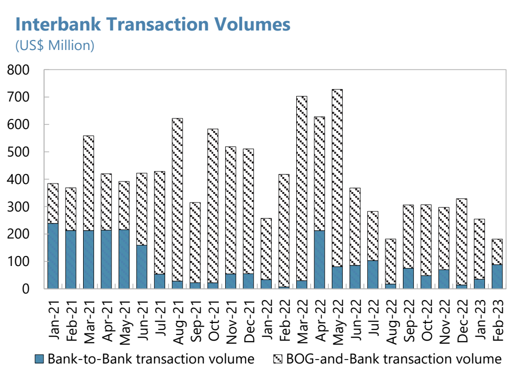
The Cedi has depreciated substantially despite BOG's heavy FX intervention (FXI).



The loss of government international capital market access, capital outflows, and higher FXI have reduced reserves to a critical level.



FX liquidity in the interbank market has been low, with BoG's FX provision representing most transactions since mid-2021.

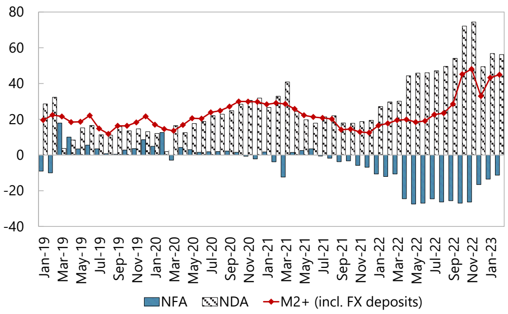


Sources: Bloomberg L.P., Ghanaian authorities, and IMF Staff calculations.

Figure 2. Ghana: Monetary and Financial Sector Developments

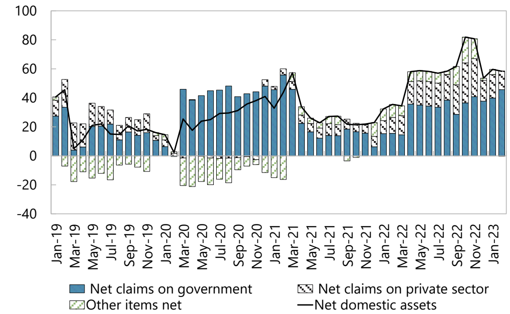
The heightened debt crisis in 2022 led to a decline in NFA and a surge in NDA…

Broad Money
(Contributions to year-on-year growth, percent))



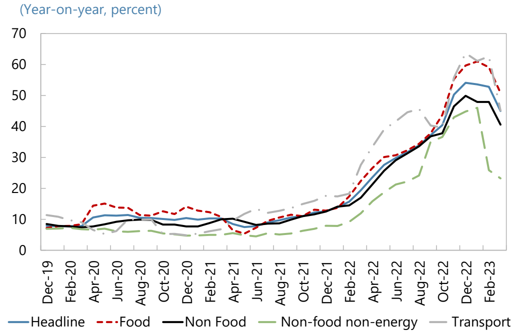
…primarily driven by central bank financing to the government.

Net Domestic Assets
(Contributions to year-on-year growth, percent)



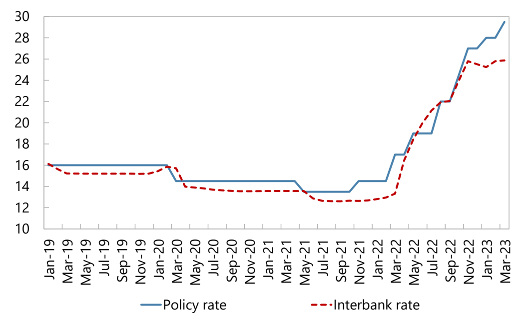
Inflation has accelerated since early 2022, due to compounding factors including energy price, monetary financing, and Cedi depreciation.

Inflation
(Year-on-year, percent)



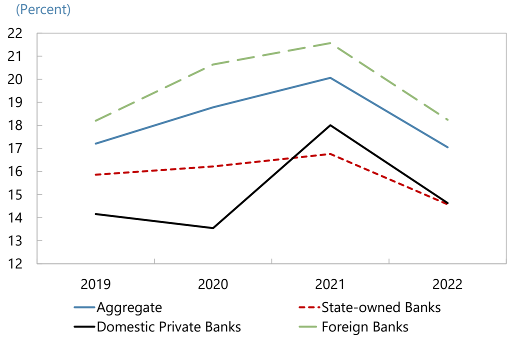
In response, the central bank has increased the policy rate by 1500 bps in total.

Policy Rate and Interbank Rate
(Percent)



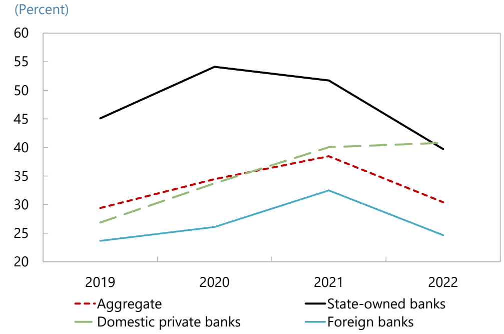
Banks have been well capitalized after the 2019 financial sector clean up…

Tier 1 Capital to Total Assets Ratio
(Percent)



…but are expected to incur significant losses from the domestic debt exchange given their large holdings of government securities.

Banks Holdings of Government Securities to Total Assets
(Percent)

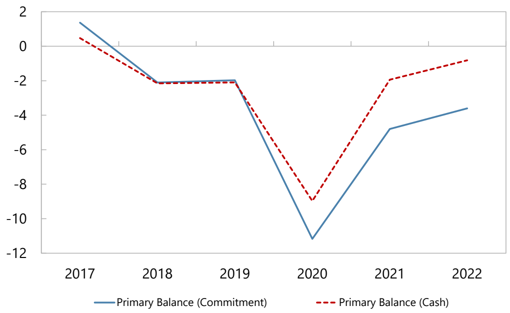


Sources: Ghanaian authorities, and IMF Staff calculations.

Figure 3. Ghana: Fiscal Developments

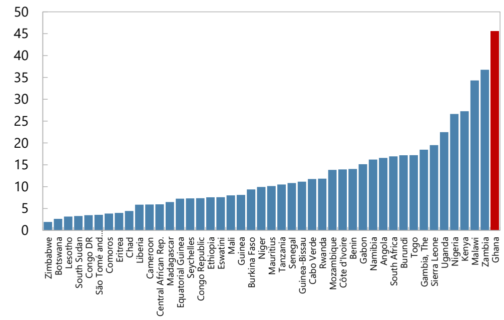
A massive fiscal expansion in 2020 has weakened public finances…

Ghana's Primary Balance 2017-22
(Percent of GDP)



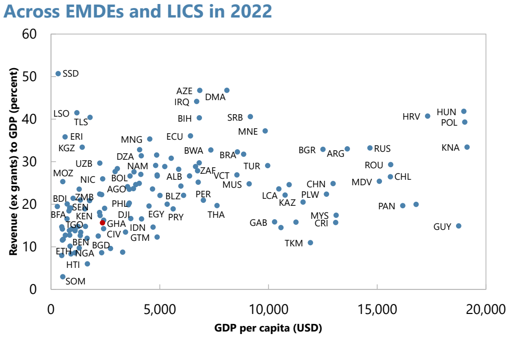
… while interest payments have reached unsustainable levels

2022 Interest Payments Across Sub-Saharan Africa
(Percent of revenues excluding grants)



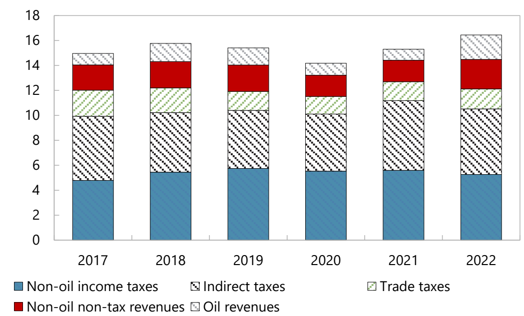
Public revenues are low compared to peers…

Revenue-to-GDP and GDP Per Capita Across EMDEs and LICS in 2022



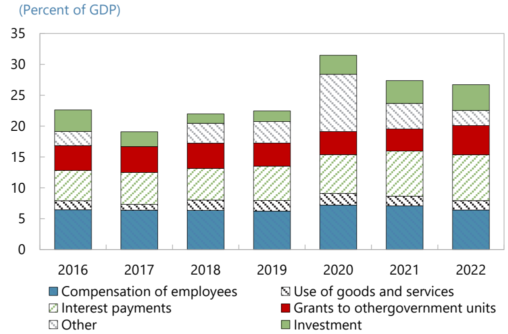
… and non-oil revenue have been stagnating

Revenue Excluding Grants, 2017-22
(Percent of GDP)



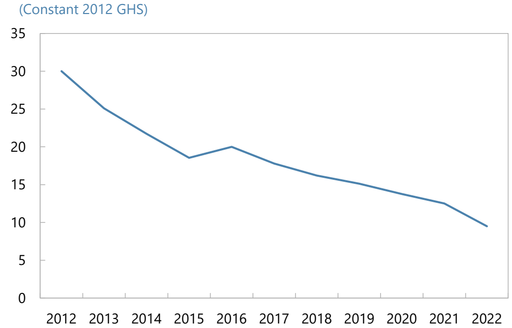
A large share of spending is earmarked or used to pay interest, limiting budget flexibility

Composition of Primary Expenditure
(Percent of GDP)



The real value of the targeted social transfer program has been eroded by inflation

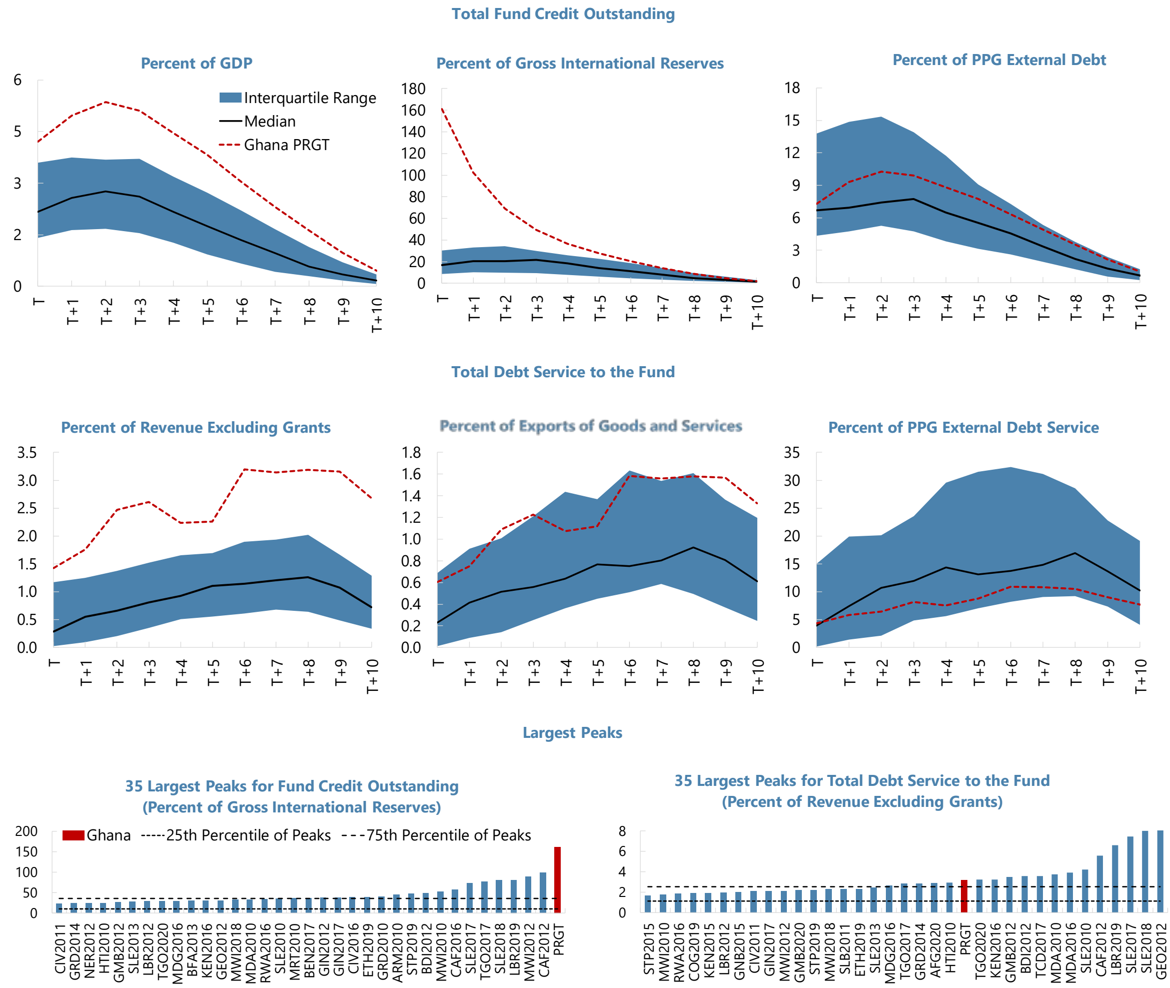
Real Value of LEAP Benefits
(Constant 2012 GHS)



Sources: Ghanaian authorities, IMF, and IMF Staff calculations.

Figure 4. Ghana: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(in percent of the indicated variable)



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

Table 1. Ghana: Selected Economic and Financial Indicators, 2021-27

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
	(annual percentage change, unless otherwise indicated)						
National accounts and prices							
GDP at constant prices	5.4	3.2	1.5	2.8	4.7	5.0	5.0
Non-extractive GDP	8.4	1.9	0.7	2.2	4.4	4.8	5.0
Extractive GDP	-12.1	12.7	6.1	6.4	6.5	5.9	5.0
Real GDP per capita	3.3	1.0	-1.1	0.2	2.1	2.3	2.4
GDP deflator	11.2	29.8	39.9	20.1	10.9	7.6	7.6
Consumer price index (end of period)	12.6	54.1	29.4	15.0	8.0	8.0	8.0
Consumer price index (annual average)	10.0	31.9	44.0	22.2	11.5	8.0	8.0
	(percent of GDP, unless otherwise indicated)						
Central government budget							
Revenue	15.3	15.7	16.8	17.3	17.8	18.7	18.7
Expenditure (commitment basis)	27.4	26.7	24.3	25.3	24.5	23.9	23.3
Overall balance (commitment basis)	-12.1	-11.0	-7.5	-8.0	-6.7	-5.2	-4.6
Primary balance (commitment basis)	-4.8	-3.6	-0.5	0.5	1.5	1.5	1.5
Non-oil primary balance (commitment basis)	-5.7	-5.6	-3.1	-1.7	-0.5	-0.5	-0.5
Public debt (gross)	79.6	88.1	98.1	92.0	90.2	88.4	86.1
Domestic debt	36.2	45.7	40.6	38.7	38.2	37.0	35.6
External debt	43.4	42.4	57.5	53.3	52.0	51.4	50.5
	(annual percentage change, unless otherwise indicated)						
Money and credit							
Credit to the private sector (commercial banks)	11.1	31.8	24.4	17.0	13.0	15.0	15.0
Broad money (M2+)	12.5	32.9	31.8	20.7	15.0	11.0	11.0
Velocity (GDP/M2+, end of period)	3.4	3.4	3.7	3.8	3.8	3.9	3.9
Base money	19.9	57.3	18.9	17.4	12.5	10.6	13.0
Policy rate (in percent, end of period)	14.5	27.0	…	…	…	…	…
	(US$ million, unless otherwise indicated)						
External sector							
Current account balance (percent of GDP)	-3.2	-2.1	-2.8	-2.3	-2.4	-3.0	-3.0
BOP financing gap [1]	…	…	4,212	3,301	4,264	3,282	1,743
IMF	…	…	1,200	720	720	360	0
World Bank	…	…	530	420	350	250	0
Residual gap	…	…	2,482	2,161	3,194	2,672	1,743
Gross international reserves (if financing gap is closed, program definition) [2]	5,200	1,441	1,733	3,270	5,524	7,824	9,833
in months of prospective imports of goods and services	2.4	0.7	0.8	1.4	2.2	3.0	3.6
Gross international reserves (BoG definition) [3]	9,695	6,238					
Memorandum items:							
Nominal GDP (millions of GHc)	459,131	615,259	873,138	1,077,423	1,251,506	1,413,822	1,597,076
National Currency per U.S. Dollar (period average)	5.8	8.4	…	…	…	…	…
National Currency per U.S. Dollar (end of period)	6.0	8.6	…	…	…	…	…

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

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

[2] Program definition excludes oil funds, encumbered and pledged assets.

[3] BoG definition includes oil funds, encumbered, and pledged assets.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2021-27
(GFS 2001, Commitment Basis, percent of GDP)

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
Revenue and grants	**15.3**	**15.7**	**16.8**	**17.3**	**17.8**	**18.7**	**18.7**
Taxes	13.2	13.1	14.0	14.7	15.3	16.2	16.2
Direct taxes	6.1	6.2	6.4	6.3	6.5	7.1	7.0
Indirect taxes	5.6	5.3	5.7	6.6	7.0	7.4	7.5
Trade taxes	1.5	1.6	1.8	1.8	1.8	1.7	1.7
Social security contributions	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-tax revenue [1]	1.7	2.4	2.5	2.3	2.2	2.2	2.2
Grants	0.3	0.2	0.2	0.2	0.2	0.2	0.2
Expenditure	**27.4**	**26.7**	**24.3**	**25.3**	**24.5**	**23.9**	**23.3**
Expense	23.7	22.5	21.0	22.0	21.2	20.3	19.7
Compensation of employees	7.1	6.4	5.9	6.0	6.0	6.3	6.3
Purchases of goods and services	1.6	1.5	1.2	1.3	1.3	1.5	1.5
Interest	7.3	7.4	7.0	8.5	8.2	6.7	6.1
Domestic	5.8	5.5	4.7	6.2	5.9	4.5	4.0
Foreign	1.5	1.9	2.3	2.3	2.2	2.2	2.1
Subsidies and transfers	2.2	2.3	2.7	2.1	1.9	1.7	1.6
o/w transfers to energy producers	1.5	0.9	2.7	2.1	1.8	1.7	1.6
o/w payables buildup to energy producers	0.7	1.4	0.0	0.0	0.0	0.0	0.0
Social benefits	0.0	0.0	0.1	0.2	0.3	0.5	0.5
Grants to other government units	3.6	4.7	4.2	4.0	3.7	3.7	3.7
Other expenses	2.0	0.2	0.0	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	3.7	4.2	3.3	3.3	3.3	3.5	3.6
Domestic financed	1.2	2.3	2.6	2.4	2.3	2.4	2.2
Foreign financed	2.5	1.9	0.7	0.9	1.0	1.2	1.4
Primary balance (commitment basis)	-4.8	-3.6	-0.5	0.5	1.5	1.5	1.5
Overall balance (commitment basis)	**-12.1**	**-11.0**	**-7.5**	**-8.0**	**-6.7**	**-5.2**	**-4.6**
Payables (net change)	2.9	2.8	-0.7	-0.7	-0.6	-0.6	-0.5
Primary balance (cash basis)	-1.9	-0.8	-1.2	-0.2	0.9	0.9	1.0
Overall balance (cash basis)	**-9.2**	**-8.2**	**-8.2**	**-8.7**	**-7.3**	**-5.8**	**-5.2**
Memorandum items:							
Public sector debt	79.6	88.1	98.1	92.0	90.2	88.4	86.1
Non-oil revenue (excl. Grants)	14.1	13.6	14.0	15.0	15.5	16.4	16.5
Oil revenue	0.9	2.0	2.5	2.1	2.0	2.0	2.0
Primary expenditure	20.1	19.3	17.3	16.8	16.3	17.2	17.2
Non-oil primary balance (commitment balance)	-5.7	-5.6	-3.1	-1.7	-0.5	-0.5	-0.5
Nominal GDP (GHS, million)	459,131	615,259	873,138	1,077,423	1,251,506	1,413,822	1,597,076

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

[1] Includes Internally generated Fund (IGF) retentions, transfers to statutory funds and transfers to ESLA.

Table 2b. Ghana: Summary of Budgetary Central Government Operations, 2021-27
(GFS 2001, Commitment Basis, GHS millions)

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
Revenue and grants	**70,097**	**96,561**	**146,597**	**186,494**	**222,598**	**263,948**	**298,412**
Taxes	60,557	80,533	122,014	158,735	191,196	228,683	258,895
Direct taxes	27,971	38,356	56,076	68,228	81,201	99,963	112,582
Indirect taxes	25,641	32,329	49,792	71,542	87,991	104,481	119,539
Trade taxes	6,945	9,848	16,146	18,964	22,004	24,240	26,775
Social contributions	448	350	681	943	1,047	1,183	1,336
Nontax revenue [1]	7,909	14,560	21,978	24,365	27,527	30,923	34,662
Grants	1,182	1,118	1,924	2,452	2,829	3,159	3,518
Expenditure	**125,636**	**164,408**	**212,017**	**272,820**	**306,138**	**337,660**	**372,458**
Expense	108,669	138,736	183,640	237,086	265,017	287,541	315,144
Compensation of employees	32,563	39,430	51,268	64,134	74,646	88,689	101,280
Purchases of goods and services	7,161	9,340	10,572	14,015	15,654	20,512	23,171
Interest	33,523	45,686	60,813	91,382	102,313	94,919	98,003
Domestic	26,422	33,881	41,153	66,541	74,214	64,184	64,051
Foreign	7,101	11,805	19,660	24,841	28,099	30,736	33,952
Subsidies and transfers	9,996	14,010	24,002	22,683	23,165	24,653	26,195
o/w transfers to energy producers	6,746	5,238	23,652	22,307	22,761	24,209	25,679
o/w payables buildup to energy producers	3,114	8,605	0	0	0	0	0
Social benefits	0	94	569	1,780	3,319	6,577	7,430
Grants to other government units	16,453	29,136	36,416	43,092	45,920	52,191	59,067
Other expenses	8,973	1,040	0	0	0	0	0
Net acquisition of nonfinancial assets	16,967	25,672	28,377	35,733	41,121	50,118	57,314
Domestic financed	5,330	14,134	22,679	25,969	29,006	33,812	35,522
Foreign financed	11,637	11,538	5,698	9,765	12,116	16,306	21,792
Primary balance (commitment basis)	-22,017	-22,161	-4,607	5,056	18,773	21,207	23,956
Overall balance (commitment basis)	**-55,540**	**-67,847**	**-65,420**	**-86,326**	**-83,540**	**-73,712**	**-74,046**
Payables (net change)	13,123	17,129	-6,000	-7,378	-7,786	-8,075	-8,367
Primary balance (cash basis)	-8,894	-5,031	-10,607	-2,322	10,986	13,133	15,589
Overall balance (cash basis)	**-42,417**	**-50,718**	**-71,420**	**-93,704**	**-91,326**	**-81,787**	**-82,414**
Oil revenue	4,079	12,035	22,107	22,917	25,363	28,224	31,276
Non-oil revenue (excl. Grants)	64,836	83,408	122,567	161,125	194,407	232,564	263,617
Non-oil primary balance (commitment basis)	-26,096	-34,196	-26,714	-17,861	-6,590	-7,017	-7,320

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

[1] Includes IGF retentions, transfers to statutory funds and transfers to ESLA.

Table 2c. Public Sector Gross Financing Needs and Sources 2021-27
(in GHS billions)

	2021	2022	2023	2024	2025	2026	2027
	Actual	Est.	Proj.	Proj.	Proj.	Proj.	Proj.
Gross financing needs (I)	**98.0**	**125.6**	**204.6**	**269.2**	**375.2**	**399.9**	**304.1**
Primary deficit (cash basis)	8.9	5.0	10.6	2.3	-11.0	-13.1	-15.6
Financial sector recapitalization			22.0	0.8			
Debt service [1]	89.1	120.5	171.9	266.0	386.2	413.1	319.7
External	14.9	22.1	41.3	52.0	81.0	76.9	85.3
Domestic	74.2	98.4	130.6	214.1	305.2	336.2	234.4
Gross financing sources (II)	**95.3**	**121.8**	**72.0**	**87.6**	**122.2**	**145.8**	**165.1**
External	25.2	19.4	3.8	7.3	9.3	23.5	49.2
Multilateral	2.3	5.4	3.4	6.5	8.4	9.4	14.2
World Bank	1.9	4.7	2.7	5.7	7.5	8.5	13.2
Others	0.3	0.7	0.7	0.8	0.9	0.9	1.0
IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	1.2	2.1	0.4	0.8	0.9	3.7	4.1
Paris Club	0.6	1.0	0.2	0.4	0.4	1.9	2.1
Non-Paris Club	0.6	1.1	0.2	0.4	0.4	1.9	2.1
Private sector	21.7	11.9	0.0	0.0	0.0	10.4	31.0
Eurobonds	17.4	0.0	0.0	0.0	0.0	0.0	19.8
Other commercials	4.3	11.9	0.0	0.0	0.0	10.4	11.2
Domestic	71.6	101.0	70.2	82.3	115.3	124.8	118.6
Bank of Ghana	-2.9	44.5	0.0	0.0	0.0	0.0	0.0
Short term debt	22.6	33.0	50.8	82.3	92.2	37.4	30.8
Medium term debt	51.9	23.5	0.0	0.0	23.1	87.3	87.8
Financial sector recapitalization bond			19.4				
Ghana Petroleum and Sinking Funds, net	-1.5	1.4	-2.0	-2.0	-2.3	-2.5	-2.7
Financing gap (II)-(I)	**0.0**	**0.0**	**132.6**	**181.6**	**252.9**	**254.1**	**139.0**
Exceptional financing	**0.0**	**0.0**	**22.7**	**18.2**	**18.7**	**11.4**	**0.0**
IMF	0.0	0.0	15.8	11.5	12.6	6.7	0.0
Other financial partners	0.0	0.0	7.0	6.7	6.1	4.7	0.0
Residual gap [2]	**0.0**	**0.0**	**109.8**	**163.4**	**234.2**	**242.8**	**139.0**
Discrepancy	2.7	3.7	0.0	0.0	0.0	0.0	0.0

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

[1] Includes debt service by ESLA, Daakye and Cocobills. Service on local currency debt held by non-residents is included in domestic.

[2] Residual gap to be filled under comprehensive debt restructuring through cash debt relief and savings on the interest bill on the relief amount that has to be borrowed in this pre-restructuring scenario.

Table 3. Ghana: Monetary Survey, 2021-27
(in GHS millions)

	2021 Act.	2022 Actual	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
I. Monetary Survey (Central Bank and Commercial Banks)							
Net foreign assets	10,303	-12,134	-35,551	-2,826	29,546	40,016	51,587
Net domestic assets	125,295	192,401	273,112	289,623	300,139	325,934	354,618
Net claims on central government	75,314	122,554	143,110	174,857	204,936	230,154	258,367
Credit	60,279	78,327	79,286	79,648	76,492	71,529	65,757
to other public sector	6,586	8,063	-6,542	-19,663	-34,882	-55,551	-79,408
to private sector	53,694	70,265	85,827	99,311	111,375	127,080	145,165
Other items (net)	-10,299	-8,481	50,717	35,118	18,710	24,252	30,493
Money and quasi-money (M3)	135,598	180,267	237,561	286,797	329,685	365,950	406,205
Broad money (M2)	105,780	135,142	178,095	218,568	251,253	283,916	320,825
Foreign exchange deposits	29,818	45,124	59,466	68,229	78,432	82,035	85,380
II. Central Bank							
Net foreign assets	11,019	-19,300	-60,904	-34,355	-9,036	-5,760	-2,038
Net domestic assets	32,281	87,404	141,856	129,385	115,952	124,058	135,715
Net claims on other depository corporations	2,725	-4,415	-3,719	-3,715	-4,016	-4,173	-4,316
Net claims on central government	29,390	73,910	68,246	68,246	68,246	68,246	68,246
Claims on other sectors [1]	6,512	8,327	8,327	8,327	8,327	8,327	8,327
Other items (net) [2]	-6,346	9,582	69,002	56,527	43,395	51,658	63,457
Base money [3]	43,300	68,104	80,952	95,030	106,916	118,298	133,677
III. Commercial Banks							
Net foreign assets	-716	7,166	25,352	31,530	38,581	45,775	53,625
Net domestic assets	110,250	136,724	181,362	229,351	273,895	317,459	366,771
Net claims on central bank	18,715	39,986	41,930	43,470	44,783	46,006	47,388
Net claims on central government	45,925	48,644	74,863	106,611	136,690	161,908	190,121
Credit to public non-financial corporations	5,382	6,247	7,159	8,376	9,465	10,883	12,515
Credit to private sector	48,386	63,753	79,316	92,799	104,863	120,569	138,654
Other items (net)	-8,158	-21,906	-21,906	-21,906	-21,906	-21,906	-21,906
Memorandum items:	(annual percentage change, unless otherwise indicated)						
Base money	19.9	57.3	18.9	17.4	12.5	10.6	13.0
M2	11.9	27.8	31.8	22.7	15.0	13.0	13.0
M3 [4]	12.5	32.9	31.8	20.7	15.0	11.0	11.0
Credit to private sector	11.1	31.8	24.4	17.0	13.0	15.0	15.0
M2 velocity	4.3	4.6	4.9	4.9	5.0	5.0	5.0
M3 velocity	3.4	3.4	3.7	3.8	3.8	3.9	3.9
Base money multiplier (M2/base money)	2.4	2.0	2.2	2.3	2.4	2.4	2.4
Credit to private sector (commercial banks, in percent of GDP)	10.5	10.4	9.1	8.6	8.4	8.5	8.7
Credit to public sector (commercial banks, in percent of GDP)	11.2	8.9	9.4	10.7	11.7	12.2	12.7

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

[1] Includes public enterprises and local government.

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

[3] Excludes foreign currency deposits.

[4] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2021-27

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
	(Millions of U.S. dollars)						
Current account	-2,541	-1,517	-1,852	-1,573	-1,741	-2,267	-2,431
Trade balance	1,099	2,873	3,287	4,001	4,452	4,674	4,980
Exports, f.o.b.	14,728	17,494	17,782	18,901	19,952	21,217	22,236
Imports, f.o.b	-13,629	-14,621	-14,494	-14,900	-15,499	-16,543	-17,256
Services (net)	-3,165	-3,458	-3,706	-4,236	-4,430	-4,792	-5,292
Income (net)	-3,831	-4,505	-5,078	-5,055	-5,554	-6,016	-6,064
Transfers	3,355	3,573	3,644	3,717	3,792	3,868	3,945
Capital and financial account	3,304	-2,141	-1,943	-33	-4	1,606	2,986
Capital account	204	142	147	154	162	170	178
Financial account	3,100	-2,283	-2,089	-186	-165	1,437	2,808
Foreign direct investment (net)	2,414	1,473	1,310	1,872	2,480	2,636	2,769
Portfolio investment (net)	2,069	-2,057	-350	-395	-1,549	-1,207	-374
Other investment (net)	-1,383	-1,699	-3,050	-1,663	-1,097	7	413
Medium and long term (net)	-2,116	-867	-2,440	-2,026	-1,434	-413	-11
Short-term (net)	733	-832	-609	363	337	420	424
Errors and omissions	-252	19	…	…	…	…	…
Overall balance	510	-3,639	-3,795	-1,605	-1,744	-661	554
Financing	-510	3,639	3,795	1,605	1,744	661	-554
Use of Fund credit (net)	-119	-121	-124	-159	-265	-321	-289
Increase in gross reserves (-)	-392	3,759	-293	-1,537	-2,254	-2,300	-2,008
Financing gap [1]	…	…	4,212	3,301	4,264	3,282	1,743
Memorandum items:	(Percent of GDP, unless otherwise indicated)						
Current account	-3.2	-2.1	-2.8	-2.3	-2.4	-3.0	-3.0
Capital and financial account	4.2	-2.9	-2.9	0.0	0.0	2.1	3.7
Foreign direct investment (net)	3.0	2.0	2.0	2.8	3.5	3.5	3.4
	(Millions of US dollars, unless otherwise indicated)						
If financing gap is closed:							
Gross foreign assets [2]	9,129	5,644	6,085	7,748	10,134	12,567	14,713
Months of imports	4.2	2.6	2.7	3.3	4.1	4.8	5.4
Gross international reserves [3]	5,200	1,441	1,733	3,270	5,524	7,824	9,833
Months of imports	2.4	0.7	0.8	1.4	2.2	3.0	3.6

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

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

[2] Includes encumbered or pledged assets and oil funds.

[3] Excludes encumbered or pledged assets and oil funds.

Table 5. Ghana: External Financing Needs and Sources, 2021-27

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

	2021 Actual	2022 Est.	2023 Proj.	2024 Proj.	2025 Proj.	2026 Proj.	2027 Proj.
I. Total Needs	**3,984**	**-440**	**5,648**	**5,361**	**7,181**	**7,389**	**7,225**
Current account deficit, excl. official transfers	2,541	1,517	1,852	1,573	1,741	2,267	2,431
PPG external debt amortization	820	1,608	1,769	1,614	2,787	2,369	2,361
Gross reserves accumulation, incl. SDR allocatio	392	-3,759	293	1,537	2,254	2,300	2,008
Repayments to the Fund	119	121	125	161	267	321	286
Other capital flows [1]	113	73	1,609	475	132	133	138
II. Total Sources	**3,984**	**-440**	**1,437**	**2,059**	**2,917**	**4,108**	**5,483**
Official transfers (current and capital)	0	0	0	0	0	0	0
Grants	204	142	147	154	162	170	178
Private capital flows, net	396	-2,885	1,003	1,446	2,225	2,676	2,812
Foreing direct investment, net	2,414	1,473	1,310	1,872	2,480	2,636	2,769
Other capital flows, net	-2,018	-4,358	-307	-425	-255	39	44
Loan disbursments	4,336	2,303	287	459	530	1,262	2,492
Multilateral	394	640	257	409	480	506	717
IMF	0	0	0	0	0	0	0
World Bank	334	555	207	359	430	456	667
Others	60	85	50	50	50	50	50
Bilateral	208	251	30	50	50	200	208
Paris Club	102	120	15	25	25	100	104
Non-Paris Club	106	131	15	25	25	100	104
Private sector	3,734	1,412	0	0	0	556	1,567
Eurobonds	3,000	0	0	0	0	0	1,000
Other commercial	734	1,412	0	0	0	556	567
III. Financing Gap (I-II)	**0**	**0**	**4,212**	**3,301**	**4,264**	**3,282**	**1,743**
IV. Expected Sources of Exceptional Financing	**0**	**0**	**4,212**	**3,301**	**4,264**	**3,282**	**1,743**
IMF	0	0	1,200	720	720	360	0
World Bank	0	0	530	420	350	250	0
Residual gap [2]	0	0	2,482	2,161	3,194	2,672	1,743
Memo Items							
Gross International Reserves	5,200	1,441	1,733	3,270	5,524	7,824	9,833
In months of prospective imports of G&S	2.4	0.7	0.8	1.4	2.2	3.0	3.6
Financing Gap (percent of GDP)	...	...	6.3	4.9	6.0	4.3	2.2

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

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

[2] To be covered under the envisaged debt restructuring.

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

	2015	2016	2017	2018	2019	2020	2021	2022
Capital Adequacy								
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	20.9	19.8	19.6	16.6
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.1	17.9	17.7	14.9
Asset Quality								
Nonperforming loans net of loan-loss provision to capital	14.7	15.8	14.9	11.5	5.7	5.2	6.4	4.5
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8	15.2	14.8
Bank provisions to nonperforming loans	69.4	72.5	77.7	70.8	82.7	84.3	80.7	87.9
Profitability and Earnings								
Return on assets (aftex tax)	3.3	2.5	2.4	2.3	2.9	3.0	2.9	1.9
Return on equity (after tax)	22.2	18.0	18.7	18.2	19.9	21.4	20.6	24.2
Liquidity								
Liquid asset to total assets	22.3	21.6	22.3	23.4	22.5	20.1	20.0	27.7
Liquid asset to short-term liabilities	28.9	27.9	28.6	31.2	29.0	26.3	25.9	35.3
Liquid assets/total deposits	34.3	33.9	35.8	36.8	35.2	28.9	29.7	38.8

Source: Ghanaian authorities.

Table 7. Ghana: Indicators of Capacity to Repay the Fund

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (in millions of SDRs)													
Principal	16.6	69.7	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0	0.0
Charges and interest	3.2	24.8	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2
Fund obligations based on existing and prospective credit (in millions of SDRs)													
Principal	16.6	69.7	119.6	198.3	238.9	214.0	232.6	368.4	388.8	421.8	448.4	403.2	240.9
Charges and interest	3.2	24.8	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2	33.2
Total obligations based on existing and prospective credit													
In millions of SDRs	19.8	94.6	152.7	231.5	272.1	247.2	265.8	401.5	421.9	455.0	481.6	436.4	274.1
In millions of US$	26.5	126.1	203.6	309.8	365.6	333.3	359.8	543.6	571.2	615.9	652.0	590.8	371.0
In percent of gross international reserves	1.8	7.3	6.2	5.6	4.7	3.4	3.0	4.0	3.5	3.1	2.8	2.3	1.3
In percent of exports of goods and services	0.1	0.5	0.7	1.1	1.2	1.1	1.1	1.6	1.6	1.6	1.6	1.3	0.8
In percent of debt service [1]	0.6	2.8	3.5	5.5	6.4	6.0	5.4	7.6	7.2	6.5	6.4	5.7	3.5
In percent of GDP	0.0	0.2	0.3	0.4	0.5	0.4	0.4	0.6	0.6	0.6	0.6	0.5	0.3
In percent of quota	2.7	12.8	20.7	31.4	36.9	33.5	36.0	54.4	57.2	61.6	65.3	59.1	37.1
Outstanding Fund credit													
In millions of SDRs	1286.0	2095.8	2514.4	2851.1	2878.1	2664.0	2431.4	2063.1	1674.3	1252.6	804.2	400.9	160.0
In millions of US$	1709.6	2792.8	3355.6	3824.6	3872.2	3600.5	3294.9	2795.8	2269.0	1697.4	1089.8	543.3	216.8
In percent of gross international reserves	118.7	161.1	102.6	69.2	49.5	36.6	27.7	20.4	14.0	8.7	4.7	2.1	0.8
In percent of exports of goods and services	6.6	10.7	12.3	13.5	13.0	11.6	10.3	8.1	6.2	4.4	2.6	1.2	0.5
In percent of debt service [1]	37.8	62.9	57.4	67.9	67.4	64.7	49.8	39.3	28.7	18.0	10.7	5.2	2.1
In percent of GDP	2.3	4.2	5.0	5.4	5.1	4.5	3.8	3.0	2.3	1.6	1.0	0.5	0.2
In percent of quota	174.3	284.0	340.7	386.3	390.0	361.0	329.5	279.6	226.9	169.7	109.0	54.3	21.7
Net use of Fund credit (in millions of SDRs)	-16.6	983.5	478.5	396.2	-238.9	-214.0	-232.6	-368.4	-388.8	-421.8	-448.4	-403.2	-240.9
Disbursements	0.0	1053.2	598.0	594.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	16.6	69.7	119.6	198.3	238.9	214.0	232.6	368.4	388.8	421.8	448.4	403.2	240.9
Memorandum items:													
Nominal GDP (in millions of US$)	72,839	66,499	67,621	71,480	75,920	80,851	86,225	92,042	98,349	104,651	111,705	119,188	127,190
Exports of goods and services (in millions of US$)	25,744	25,996	27,207	28,378	29,807	31,005	32,143	34,318	36,612	38,998	41,594	44,366	47,416
Gross international reserves (in millions of US$)	1,441	1,733	3,270	5,524	7,824	9,833	11,875	13,705	16,238	19,597	23,076	25,930	28,672
External debt service (in millions of US$)	4,523	4,441	5,842	5,631	5,744	5,566	6,617	7,118	7,895	9,436	10,193	10,359	10,495
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repayments.

Table 8. Ghana: Decomposition of Public Debt at end 2022[1]

	Debt Stock (end of period)		
	2022		
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)*
Total	**63,332**	**100.0**	**88.1**
External	**28,869**	**45.6**	**40.2**
Multilateral creditors	8,055	12.7	11.2
IMF	1,710	2.7	2.4
World Bank	4,750	7.5	6.6
African Development Bank	1,193	1.9	1.7
Other Multilaterals	401	0.6	0.6
Bilateral Creditors	5,438	8.6	7.6
Paris Club	2,867	4.5	4.0
o/w: Belgium	437	0.7	0.6
o/w United Kingdom	430	0.7	0.6
Non-Paris Club	2,572	4.1	3.6
o/w: China	1,900	3.0	2.6
o/w: India	475	0.7	0.7
Bonds	13,104	20.7	18.2
Commercial creditors	2,272	3.6	3.2
Domestic	**34,463**	**54.4**	**47.9**
Held by residents, total	32,849	51.9	45.7
Held by non-residents, total	1,614	2.5	2.2
Short-term bills	5,009	7.9	7.0
Medium-to-long term bonds	19,934	31.5	27.7
Loans	76	0.1	0.1
Arrears	3,186	5.0	4.4
Other (Overdraft and SDRs on-lent)	6,258	9.9	8.7
Memo items:			
Collateralized debt [2]	619	1.0	0.9
Contingent liabilities	308	0.5	0.4
o/w: Public guarantees	284	0.4	0.4
o/w: Other explicit contingent liabilities [3]	24	0.0	0.0
Nominal GDP (in GHS mn)	615,259		

1/ As reported by Country authorities based on disbursements.

2/ 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.

3/ 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).

Table 9. 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]
Board date	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: *The external position of Ghana in 2022 is assessed as having been broadly in line with the level implied by medium-term fundamentals and desirable policies. This assessment takes a holistic approach, considering the results of EBA-lite regression models and the country's exceptional circumstances—heightened external vulnerabilities and risks and exacerbated uncertainty given the very low buffers, loss of access to international capital markets, continued high inflationary pressures and necessary public debt restructuring. The current account deficit declined in 2022 on the back of higher commodity exports. The deficit, along with massive portfolio outflows and large external debt-service, was financed by a reserves' drawdown, amid loss of international market access and lower FDI. Over the medium term, the ongoing comprehensive debt restructuring and successful implementation of the Fund-supported program would restore debt sustainability and strengthen the external position.*

Recommendations:

- *The ongoing comprehensive debt restructuring and tight fiscal and monetary policies under the Fund-supported program would help restore debt sustainability, reduce the current account deficit and external financing needs significantly, and tame inflation.*
- *Limiting central bank FX interventions and allowing for greater exchange rate flexibility would enhance monetary policy effectiveness and help rebuild reserve buffers.*
- *Capitalizing on the program's reform agenda and implementing structural measures aimed at diversifying the economy and improving business environment would help bolster external competitiveness and shift financing for capital investment from debt to FDI.*

Foreign Assets and Liabilities: Position and Trajectory

- **The external assets and liabilities position deteriorated in 2022.** Although external debt remained virtually flat at 48 percent of GDP in 2022, gross foreign exchange reserves fell from 6.6 in 2021 to 2 percent of GDP on the back of large capital outflows and reserve drawdowns, suggesting a weaker external financial asset-liability balance (Ghana does not report NIIP statistics).
- **The external position is expected to improve over the medium term.** Gross reserves are projected to increase over the medium-term to reach 12 percent of GDP in 2027, equivalent to 3.6 months of prospective imports, while external debt is projected to follow a downward path—after peaking at 63 percent of GDP in 2023—to hover around 57 percent of GDP in 2027, reflecting the fiscal consolidation effort and as growth-enhancing structural reforms start bearing fruit. The ongoing external debt restructuring should bring external debt further down.
- **Greater exchange rate flexibility, deeper FX market and policies that support further revenue mobilization and more efficient spending**, together with shifting financing of capital spending from away from debt toward FDI would help contain the growth of external debt and help rebuilding reserves.

Current Account

- The current account had steadily improved in the five years to 2021 and stabilized around an average deficit of 2.7 percent of GDP, benefiting from growing volumes of exports and remittances. Imports of goods and services decreased from 36.6 to 32.8 percent of GDP between 2017-2021 despite persistent primary government deficits and robust FDI.

- **The current account deficit narrowed in 2022.** It reached 2.1 percent of GDP in 2022, down from 3.2 percent of GDP in 2021. This reflected higher exports, which more than offset the increase in imports, leading to an improvement in the trade surplus from 1.4 in 2021 to 3.9 percent of GDP in 2022. This covered a large part of investment income transfers after the resumption of net profits and dividends payments by mining and oil companies following the expiration of the distribution moratorium introduced during the pandemic.

- Oil and gold exports increased by 37.5 and 30 percent in 2022, respectively, reflecting soaring global energy prices and the resumption of gold production in a large gold mine after a technical shutdown in 2021. On the other hand, cocoa exports declined by around 20 percent compared to 2021, as the harvest for the year was severely affected by a drought. Exports of goods and services increased from 30.2 in 2021 to 35.3 percent of GDP in 2022.

- Imports of goods and services increased from 32.8 in 2021 to 36 percent of GDP in 2022, due to higher food and oil prices and a still robust domestic demand. Remittances slightly improved from 4.2 in 2021 to 5 percent of GDP in 2022.

- **The current account is expected to average 2.7 percent of GDP over the next five years**, with a lower primary deficit as reforms under the Fund-supported program start bearing fruit. With an expected increase in cocoa, oil and gold production in the medium-term, the trade balance is projected to remain in surplus and reach 6.2 percent of GDP by 2027. The ongoing external debt restructuring would bring the current account deficit lower.

- **A model-based approach indicates a positive current account gap in 2022.** The EBA-Lite CA model shows an adjusted current account balance of -2.1 percent of GDP that accounts for a 0.9 percent adjustment to reflect the negative output gap and the deviation of terms of trade and a -0.4 percent adjustment to strip out the transient residual component of the COVID-19 shock—particularly the impact on tourism. Comparing the cyclically adjusted current account balance to a norm based on fundamentals and desired policies estimated at -3.1 results in a positive current account gap of 1 percent of GDP; suggesting that the external position is broadly consistent with medium-term fundamentals and desirable policy settings. The price-based equilibrium REER model suggests an undervaluation of the real exchange rate by 30 percent.

- The policy gap estimated at -1.6 percent in the CA model is dominated by the impact of expected fiscal adjustment and further exchange rate flexibility through reducing FX interventions. Closing the policy gap would help improve the external position and build buffers.

- The debt restructuring, tight fiscal and monetary stances, and structural reforms aimed at improving business environment, diversifying the economy, and strengthening governance —especially in leading export sectors—and mobilizing larger fiscal revenues would also help further strengthen the external position by reducing dependence on debt financing and attracting FDI.

Ghana: EBA-lite Model Results, 2022		
	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-2.1**	
Cyclical contributions (from model) (-)	0.9	
COVID-19 adjustors (-) 2/	-0.4	
Natural disasters and conflicts (-)	-0.5	
Adjusted CA	**-2.1**	
CA Norm (from model) 3/	**-3.1**	
Adjusted CA Norm	**-3.1**	
CA Gap	**1.0**	**7.3**
o/w Relative policy gap	-7.0	
Elasticity	-0.2	
REER Gap (in percent)	**-4.1**	**-30.2**

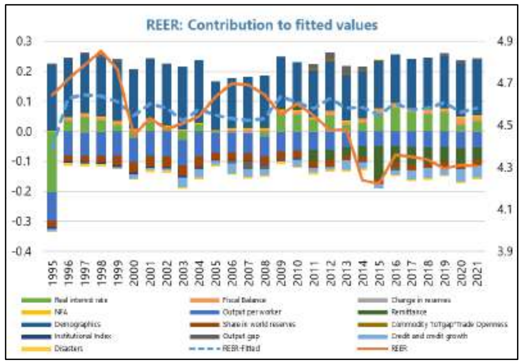
1/ Based on the EBA-lite 3.0 methodology
2/ Additional cyclical adjustment to account for the temporary impact of the pandemic on tourism (-0.4 percent of GDP).
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

- **The exchange rate depreciated in 2022, amidst extreme volatility.** The nominal exchange rate depreciated by around 31 percent on average against the US. Dollar in 2022. The debt crisis—including concerns about the impact of the domestic debt restructuring and the tightening of global financial conditions—triggered large capital outflows, which along with loose monetary policy and high inflation put substantial pressures on the exchange rate, leading to depreciation of the nominal effective exchange rate by 20 percent on average in 2022. With average inflation at 32 percent in 2022 (54 percent y-o-y in December), the average real effective exchange rate depreciated by 3.7 percent. Both the NEER and REER have been depreciating in the last 10 years by 68 and 19 percent, respectively.

Ghana. Exchange Exchange Rate
(Index, 2010 =100)

REER: Contribution to fitted values



- EBA-Lite exchange rate models point to an undervaluation of the real exchange rate. The CA model estimates an undervaluation of 4 percent, against 30 percent by the REER model.

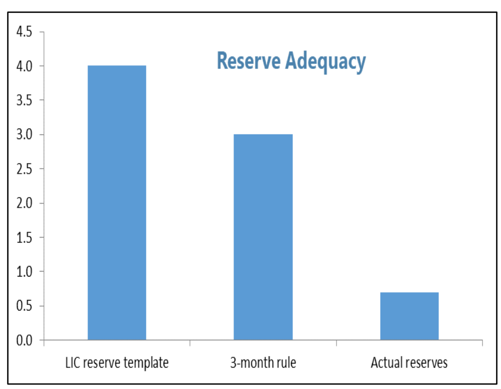
- There was significant intra-year exchange rate volatility in 2022, with large currency depreciation in October and November 2022 reflecting uncertainty about the debt restructuring, followed by sharp appreciation in after the launch of the debt restructuring and announcement of the staff-level agreement on the proposed IMF-supported program.

Capital and Financial Accounts: Flows and Policy Measures

- **The capital and financial account surplus declined from 4.2 percent of GDP in 2021 to a deficit of 3 percent of GDP in 2022 due to a fall in FDI and large portfolio outflows.** FDI fell by 39 percent in 2022. Large capital outflows—particularly by non-residents—and loss of market access weighed significantly on the portfolio investment and generated a net portfolio outflow of 2.8 percent of GDP in 2022 against a net inflow of 2.6 percent of GDP in 2021.
- Over the past five years the capital and financial account averaged 4 percent of GDP reflecting strong FDI and portfolio flows. FDI averaged 3.9 percent of GDP while net positive portfolio flows averaged 2.4 percent of GDP thanks to Eurobond issuances and non-resident purchases of local currency-denominated debt.
- Over the next five years, the capital and financial account is expected to gradually improve with FDI is expected to reach 3.5 percent of GDP by 2027 (from 2 percent in 2022) on the back of a successful implementation of reforms and improvement of economic sentiment, while portfolio inflows are expected to remain subdued assuming continued loss of international market access over the medium-term.
- A further tightening of global financial conditions or a delay in implementing the sovereign debt restructuring and/or a weak commitment to the reform program by the authorities could undermine the financial account.
- Implementing a growth-friendly fiscal consolidation, tighter monetary policy, and structural reforms to enhance business environment and strengthen governance and private sector competitiveness, is critical to diversify the economy and boost foreign investors interest in the domestic market.

FX Intervention and Reserves Level

- **Gross Foreign Assets, excluding the oil fund and encumbered and pledged assets, are estimated to have reached 0.7 months of prospective imports, 2 percent of GDP, and 48 percent of foreign currency deposits at end-December 2022**. Gross reserves declined from US$5.2 billion and are estimated to have reached US$1.4 billion at the end of the year. Frequent and broad-based FX interventions, failure to roll over central bank FX liabilities, larger profits and dividends distribution by oil and mining companies, the sharp decline in portfolio inflows and the surge in portfolio outflows from domestic debt market weighed significantly on reserves.



- **Reserve coverage is lower than adequate.** Gross reserves at 0.7 months of prospective imports represent only 18 percent of the IMF LIC reserve adequacy metric. The metric suggests that the adequate level of reserves would be equal to 4 months of prospective imports. This is based on model that assumes a cost of holding reserves of 8.5 percent (corresponding to the average effective interest rate on external debt for the past five years).

- In 2022, the central bank (BoG) has been intervening regularly in the foreign exchange market to smooth out exchange rate fluctuations in response to global financial tightening and heightening uncertainty and to meet sovereign obligations and satisfy FX demand for imports through regular FX auctions to cope with higher global energy and food prices.
- **The proposed Fund-supported program is targeting a buildup in reserves over the medium term to reach 3 months of prospective imports in 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 flexibility—including more limited FX interventions and a revision of the FX auction design to improve FX allocation and improve price discovery.

Assessment of the External Position

- **EBA-lite CA model-based approach indicating a positive current account gap of 1 percent and the current exceptional circumstances led staff to consider a holistic approach and assess the external sector position as broadly consistent with fundamentals and desirable policy settings.** In particular, external debt distress and the need for an external debt restructuring, combined with a very low level of the international reserves are indicative of a weaker external sector position.

Annex II. Risk Assessment Matrix[1]

Nature/Sources of Risk	Likelihood	Potential Impact	Policies to Mitigate Risks
Conjunctural risks			
Intensification of regional conflict(s). Escalation of the war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, refugee flows, FDI and financial flows, and payment systems.	***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
Social discontent. Supply shocks, high inflation, real wage drops, and spillovers from crises in other countries worsen inequality, trigger social unrest, and give rise to financing pressures and damaging populist policies with possible spillovers to other EMDEs. This exacerbates imbalances, slows growth, triggers market repricing.	***High***	***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.
Commodity price volatility. A succession of supply disruptions (e.g., due to conflicts and export restrictions) and demand fluctuations (e.g., reflecting China reopening) causes recurrent commodity price volatility, external and fiscal pressures, and social and economic instability.	***Medium***	***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
Systemic financial instability. Sharp swings in real interest rates, risk premia, and assets repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing markets dislocations and adverse cross-border spillovers.	***Medium***	***High***: Global factors exacerbate the impact of large domestic debt haircuts to banks holdings of sovereign claims on banks' capital adequacy and adversely affect their capacity to lend and dampen credit to the private sector and economic activity	• Strengthen financial safety nets and closely monitor bank and NBFIs liquidity as well as asset quality. • Design an adequate bank and NBFIs recapitalization strategy • Encourage acquisition, mergers if needed.
Domestic risks			
Delays in debt restructuring negotiation and implementation	***Medium***	***High***: Delayed financing would risk further lowering FX reserves, excessive depre-ciation and therefore inflation, resulting in social instability	• Engage with creditors and provide needed data and information to mitigate the risk of undue delay to Board approval of program reviews
Domestic policy slippages (e.g., due to election (2024) pressures.	***Medium***	***High***: With debt sustainability in question and IFI financing delayed, the exchange rate and FX reserves would come under pressure, inflation would rise.	• Firm commitment to program implementation to ensure full fiscal and external adjustment, continued exceptional 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 (12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex III. Enhanced Safeguards for Ghana

1. Ghana's de facto senior debt plus other multilaterals is one of the lowest among LICs. It accounts for 26.4 percent of total external debt, equivalent to 11.2 percent of GDP, leaving a significant buffer for restructurable junior debt. Ghana gained access to international capital markets in 2007 and implemented several reforms to attract foreign interest in domestic securities. This helped Ghana shift its borrowing from multilaterals to external and domestic bonds, resulting in a low ratio of senior debt. The IMF, World Bank and African Development Bank (AfDB) are the largest preferred creditors, holding US$7.7 billion altogether—about 95 percent of the outstanding senior debt at end-2022 (text table).

2. Collateralized debt, entirely held by China, accounts for only 2.0 percent of external debt. This corresponds to 4 loan agreements signed in 2007-18 that amount to US$619 million (0.9 percent of GDP) to finance infrastructure projects. These are collateralized against commodity production (cocoa, bauxite and oil) and electricity sales.

Ghana: Debt Composition

(in USD million, unless otherwise specified)

Creditor Profile	**2022**
Total Debt	63,332
External Debt	30,483
Multilateral Creditors	8,055
IMF and WB	6,460
AfDB	1,193
Other	401
Bilateral Creditors	5,438
Paris Club	2,867
Non-Paris Club	2,572
Private Creditors	16,990
o/w Bonds, incl. nonresident holders of local currency bonds	14,718
Domestic Debt	32,849
Memorandum items	
Collateralized debt	619
Nominal GDP (in GHS millions)	615,259
End-of-period exchange rate (GHS per USD)	8.56
Multilateral and Collateralized Debt	
Multilateral Creditors	8,055
Percent of external debt	26.4
Percent of GDP	11.2
IMF and WB	6,460
Percent of external debt	21.2
Percent of GDP	9.0
AfDB	1,193
Percent of external debt	3.9
Percent of GDP	1.7
Other	401
Percent of external debt	1.3
Percent of GDP	0.6
Collateralized debt	619
Percent of external debt	2.0
Percent of GDP	0.9

Appendix I. Letter of Intent

Accra, May 1st, 2023

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

Dear Madame Georgieva:

1. Following three years of strong and sustained macroeconomic performance, Ghana has been hit by major external shocks over the period 2020-22. These have heightened pre-existing vulnerabilities and pushed the economy into crisis. In particular, the twin impacts of the COVID-19 pandemic and the war in Ukraine have weakened public finances significantly and contributed to a rapid and steep increase in inflation. These shocks have also been compounded by a tightening of financing conditions both globally and locally, which in turn, have compromised efforts at attaining fiscal and debt sustainability. These developments have eventually resulted in a loss of international market access and increasing difficulties in rolling over maturing domestic public debt instruments, thus accelerating the negative feedback loop of decreasing international reserves, Cedi depreciation, rising inflation, and plummeting investor confidence, and making our public debt unsustainable.

2. Faced with this difficult situation, we have laid out a strong program to restore macroeconomic stability and lay the foundation for strong and more inclusive growth. Key areas of focus of our Post-Covid-19 Program for Economic Growth (PC-PEG) include ensuring public finance sustainability while protecting the vulnerable, bolstering the credibility of monetary and exchange rate policies to reduce inflation and rebuild external buffers, preserving financial sector stability, and taking extraordinary steps to promote entrepreneurship and private investments (domestic and FDI) to establish a dynamic export-driven economy and accelerate growth as a strong platform for the AfCFTA, while also ensuring further improvements in governance and transparency of the public sector.

3. We have already taken several important steps as part of the PC-PEG. Parliament has approved the 2023 budget which has jump-started our ambitious and frontloaded fiscal consolidation program, including through ambitious revenue measures. We have also launched and now implementing a comprehensive debt operation, which, together with our fiscal program, will put public finances and debt back on a sustainable path. We have taken steps to strengthen expenditure commitments controls. We have raised electricity tariffs as an essential step toward a full cost-recovery pricing regime, with a view to reducing the energy sector financial shortfall and ensuring the financial sustainability of the energy sector. The government and the Bank of Ghana have signed a Memorandum of Understanding (MOU) to end monetary financing to help reduce inflation. The Bank of Ghana has also tightened its monetary policy stance significantly in recent months and is committed to maintaining the appropriate policy stance to help steer inflation back to the medium-term target band of 8 ± 2 percent. As part of our efforts to enhance fiscal transparency and public sector accountability, the Auditor General has prepared and published an audit report on COVID-19 spending.

4. To support our objectives, we wish to request a 36-month arrangement under the Extended Credit Facility (ECF), with access at 304 percent of our SDR quota (SDR 2.242 billion) to be disbursed as budget support. Along with support from development partners and financing provided through the comprehensive debt restructuring that has been launched, the proposed financing arrangement will cover our fiscal and external financing gaps as we embark on a multi-year adjustment effort.

5. We believe that the policies and actions set out in the attached Memorandum of Economic and Financial Policies (MEFP) underpinned by the PC-PEG will enable us to achieve our program objectives. The proposed arrangement will be monitored through a series of quantitative performance criteria and indicative targets. It also includes a series of prior actions and structural benchmarks covering reform areas that are critical to bolster macro-economic performance and 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 Technical Memorandum of Understanding (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. We fully recognize the importance of completing an updated safeguards assessment of the Bank of Ghana before completion of the first review under the ECF. An IMF mission to conduct the safeguards assessment took place over March-April 2023. The Bank of Ghana provided Fund staff with all necessary information in preparation for that mission.

8. 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/
Kenneth Ofori-Atta
Minister for Finance

/s/
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

This memorandum provides information on the Government's assessment of recent macroeconomic developments and the current state of macroeconomic conditions and challenges facing the economy. It outlines policies and reforms to restore macroeconomic stability, achieve fiscal and debt sustainability, and support economic growth.

I. BACKGROUND, RECENT ECONOMIC DEVELOPMENTS, AND OUTLOOK

1. **We successfully steered the Ghanaian economy through the Covid-19 pandemic shock.** We took decisive fiscal and monetary policy measures to protect lives, livelihoods, support businesses, minimize job losses, and provide additional funding sources to industries to shore up domestic demand. These measures helped the non-extractive economy grow by 1 percent in 2020, far exceeding projections and outcomes by peers in the sub-region, followed by a strong rebound in 2021 (with non-extractive growth over 8 percent).

2. **More recently, global developments and pre-existing domestic vulnerabilities have weighed on Ghana's economy.** Structural weaknesses in Ghana's economic and financial systems and policy frameworks have over time eroded its resilience to external shocks. The Covid-19 shock led to a significant increase in fiscal deficit and debt and pushed inflation up. Against this backdrop, the fallout of the war in Ukraine, the tightening of global financial conditions and adverse climate developments have heightened economic and financial difficulties, with investor confidence deteriorating due to debt sustainability concerns. The resulting credit rating agency downgrades, loss of external capital market access and capital flight have led to heavy reliance on domestic financing, at increasingly high costs, and eventually deficit monetization in 2022. The foreign exchange outflows put pressure on the Cedi, whose sharp depreciation contributed to high inflation and exacerbated debt vulnerabilities.

- Growth in 2022 is estimated to have slowed to 3.2 percent as non-extractive growth declined to 1.9 percent in an unsettled macroeconomic environment with falling business and consumer confidence.
- The Cedi depreciated by about 30 percent in 2022 as it came under severe pressure reflecting challenging external financing conditions and de facto loss of market access, sharp portfolio flow reversals, including heightening speculative demand stemming from the concerns on the debt restructuring, and increased demand for forex to meet the soaring oil import bill due to increased global crude oil prices. The current account deficit declined to 2.1 percent of GDP on the back of an improvement in the trade balance. External reserve buffers declined by more than US$ 3 billion, bringing reserve cover below 1 month of prospective imports from over 2 months a year earlier.
- Inflation has risen sharply on account of rising global inflation, adjustments in ex-pump petroleum prices and utility tariff, persistent increases in global food prices, monetization of the fiscal deficit and large pass-through of exchange rate depreciation. It reached 54.1 percent in December 2022, sharply up from 12.6 percent a year earlier, but has since seen marginal declines to 53.6 percent in January 2023 and further down to 52.8 percent in February 2023.

3. Our fiscal and monetary policies in 2022 aimed to address these macroeconomic challenges. We lowered the fiscal primary deficit on a commitment basis by 1.2 percentage point of GDP through a combination of revenue measures and expenditure restraint to reduce government financing needs. The Bank of Ghana (BoG) increased the Monetary Policy Rate (MPR) rate by a cumulative 1500 basis points since early 2022 and raised the Reserve Requirements (RR) by a cumulative 600 basis points, to address rising inflation and exchange rate depreciation, and to re-anchor inflation expectations. More fundamental measures are necessary, however, to restore macroeconomic and financial market stability.

4. We expect growth to initially decline to 1.5 percent in 2023 on account of the frontloaded reform measures, before it begins to rise steadily in 2024 and beyond. Growth will then average around 5 percent in 2026-28 as macroeconomic stability is restored, investments plans are implemented, and structural reforms result in restoring confidence, and improving business environment and productivity. Inflation is projected to decline to 29 percent by end-2023, reflecting further tightening of monetary policy, and gains from fiscal consolidation. Inflation will be brought down to the BoG's medium-term target of 8±2 percent by end-2025. The primary balance on a commitment basis will improve to -0.5 percent of GDP in 2023 based on the reforms embedded in our 2023 budget and reach our target of 1.5 percent of GDP by 2025. The current account deficit is projected to hover around 2.5-3 percent of GDP over the medium term in a pre-debt restructuring scenario but should improve with our successfully negotiated debt restructuring, and supported in large part by the fiscal consolidation, as well as improved competitiveness. Reserve buffers will be gradually rebuilt to 3 months of import cover by the end of the program.

II. MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

5. Our program's overarching objectives are to restore macroeconomic stability and debt sustainability while laying the foundations for strong and inclusive growth. Our Post-Covid Program for Economic Growth (PC-PEG) is designed to address the challenges facing the economy and support structural reforms to promote efficiency and competitiveness. The key components of the program are:

- Restoring public debt sustainability through a combination of a comprehensive debt restructuring and an ambitious, growth-friendly, and lasting fiscal adjustment. In particular, we will anchor our policies on regaining a moderate risk of debt distress (based on the IMF-World Bank LIC-DSF) by 2028.
- Strengthening social safety nets to mitigate the impact of economic adjustment on the most vulnerable, including by enhancing existing well-targeted and far-reaching social programs such as the LEAP and the School Feeding Program.
- Implementing exchange rate policies that ensure greater flexibility, enhance price discovery and enable the rebuilding of foreign reserve buffers sufficient to cover at least three months of prospective imports of goods and services to cushion the economy against adverse external shocks and bolster market confidence.

- Continuing the appropriately tight monetary policy to firmly re-anchor inflation expectations and achieve low and stable inflation within our medium-term target band of 8±2 percent.
- Implementing deep structural reforms to address structural issues in the economy that contributed to the current challenges and to embed our fiscal and monetary policies in clear and binding multi-year frameworks.
- Bolstering Ghana's external competitiveness, promoting entrepreneurship and export-oriented growth strategy, generating higher levels of factor productivity and diversifying the economy through well-targeted structural reforms.

A. Fiscal Policy

6. **We are determined to pursue an ambitious and lasting fiscal adjustment to support our goal of restoring debt sustainability in the medium term.** The fiscal consolidation strategy will rely on strong revenue-enhancing measures both in the short and medium-term. Expenditure rationalization will be implemented at the start of the program while growth-enhancing and social spending will gradually increase in outer years as domestic revenue mobilization efforts create fiscal space. Macro-critical structural reforms will also be pursued to entrench the sustainability of public finances (see below).

7. **The fiscal effort and progress against our objectives will be assessed through the primary balance on a commitment basis.** This will ensure that the macroeconomic impact of fiscal policy is fully ascertained and accounts for any possible changes in expenditure payables. The program objective is to achieve a primary balance of 1.5 percent of GDP by 2025, to be maintained at least until 2028. Given the estimated 2022 primary deficit of 3.6 percent of GDP, the targeted total adjustment is 5.1 percentage points of GDP over 3 years, striking a balance between ambition and realism.

8. **In line with program objectives, we enacted a 2023 Budget that frontloads the adjustment effort (prior action).** We aim at a reduction in the primary balance (commitment basis) of 3.1 percent of GDP. This adjustment is underpinned by revenue-enhancing measures, which aim to increase the non-oil revenue to GDP ratio by 1 percentage points. The main elements of the revenue package include a 2.5 percentage point increase in the VAT rate, complete removal of discount on benchmark values, review of the E-levy, and revision of income-based taxes. Tax administration and compliance efforts will continue with the implementation of the E-VAT system. Given production volume and price projections set in accordance with the Petroleum Revenue Management Act, oil and gas revenue is projected to increase by 0.5 percentage point of GDP in 2023—hence boosting the primary balance. This increase is due to a rise of the corporate income tax paid by oil companies owing to the expiration of their 5-year capital allowances.

9. **Adjustment in 2023 will also come from a reduction of primary expenditure by 2 percent of GDP.** Compensation of Employees is reduced by 0.5 percent of GDP because of wage moderation and higher net attrition. The 30-percent cut in the salaries of the President, Vice President, Ministers, Deputy Ministers, MMDCEs, and political office holders including those in State-Owned Enterprises is maintained. The lower capping on transfers to earmarked funds from 25 percent of tax revenue to 17.5 percent reduces these transfers by 0.4 percent of GDP.

Budgetary allocations to the Use of Goods and Services and capital expenditures have been set at levels that will prevent the accumulation of arrears and are providing 0.3 and 0.9 percent of GDP of savings, respectively. To reach these savings objectives, current spending is being rationalized and capital expenditure projects prioritized. We are also strengthening expenditure commitment controls both for MDAs and statutory funds to ensure that budget appropriations are strictly respected. Budgetary allocation for transfers to independent power producers (IPPs) and fuel suppliers have been set to cover the full revenue shortfall of the sector. To cushion the impact of the crisis on the poorest, the 2023 Budget includes measures to strengthen targeted social spending (see below).

10. Given the uncertainties about the macroeconomic environment, we stand ready to deploy contingency measures should 2023 fiscal outturns be worse than expected. On the revenue side, some of the measures that will be identified in our Medium-Term Revenue Strategy (MTRS, see below) could be brought forward. On the spending side, MDAs budget allocations for Goods and Services or domestic capital expenditures would be strictly controlled by the quarterly budget allotment system and reduced during the year if need be.

11. Fiscal adjustment beyond 2023 will be underpinned by continuous domestic revenue mobilization efforts. The government's objective is to enact measures that will permanently raise the non-oil revenue-to-GDP ratio by at least 0.9 percent of GDP in 2024, 0.6 in 2025 and 0.4 percent of GDP in 2026. This significant revenue increase aims at creating fiscal space to improve the primary balance in the short term and to create fiscal space for growth-enhancing and social spending in the medium term. To reach this revenue objective, we will prepare a MTRS. The oil revenue-to-GDP ratio is projected to temporarily increase during the program years and return to its 2022 level in 2027.

12. We will work on improving the efficiency of public spending over the course of the program. The effort will be underpinned by a comprehensive public expenditure review undertaken with the World Bank and expected to be finalized by September 2023. Statutory Funds whose spending could be efficiently undertaken by their respective MDAs will be phased out and their activities will be merged with those of the latter. The government flagship programs including 1 Village 1 Dam, 1 District 1 Warehouse, and Infrastructure for Poverty Eradication Project (IPEP) will also be reviewed and streamlined. Agenda 111 will be reprogrammed to be completed over 5 years (2022-27) in line with budgeted allocations to GIIF from ABFA for Health Infrastructure. Wages of public sector workers will be calibrated to ensure a balance between burden sharing, productivity, and capacity to pay.

13. We will design a clearance plan for the stock of expenditure payables accumulated in recent years. As a **structural benchmark**, we will, by end-June 2023, (i) prepare a comprehensive stock-take of these payables; (ii), design, once verified, a clearance plan that strikes a balance between the need to rapidly clear these payables and the limited financing space in the short run; and (iii) prepare and adopt a structural reform plan to strengthen expenditure controls and avoid the accumulation of new arrears (see below).

B. Social Spending

14. We will strengthen social spending to protect the most vulnerable from the impact of the economic crisis and to invest in Ghana's human capital. While constrained by limited fiscal space in the short term, we will use existing targeted programs to cushion the impact of the shock on the most vulnerable. To mitigate the impact of increasing cost of living, the 2023 Budget has already doubled the amount of the Livelihood Empowerment Against Poverty (LEAP) grant. The budgetary allocation for the Ghana School Feeding Program has been increased to compensate for higher meal cost. In the medium term, our domestic revenue mobilization efforts will enable us to increase the overall social spending envelope for social protection, health, and education.

15. Improvements to Ghana's social safety net will focus on expanding the coverage and improving the targeting of the existing cash transfer program – the LEAP. By end-September 2023, we will introduce an indexation mechanism to ensure beneficiaries do not suffer from an erosion of the value of their benefits over time (**structural benchmark**). Payments delays will be reduced by prioritizing budget disbursement to the program from Ministry of Finance and the Controller and Accountant General, and by continually engaging the financial service providers and the Ghana Interbank Payment and Settlement System (GhIPSS) to ensure payments are delivered on time in the field. We are committed to reducing the number of extremely poor individuals. We will expand the coverage of the program to all 2,500,000 extremely poor individuals by 2024. The Ministry of Gender, Children and Social Protection will conduct a reassessment of LEAP beneficiaries in the first semester of 2023. In consultation with domestic stakeholders and development partners, we will also strengthen the National Social Protection Policy and its key programs such as the Ghana School Feeding Program.

16. We will reinforce the level and efficiency of social spending in health and education. Policy measures in this domain will be informed by the ongoing public expenditure review conducted with the help of the World Bank. In the education sector, while continuing our support to secondary and tertiary education, we will aim to improve foundational learning by increasing capitation grants, strengthening in-service training for teachers, investing in learning and teaching materials for primary schools and carrying out regular student assessments. Measures to further incentivize youth from the bottom wealth quintiles to enroll in senior high schools will also be broadened and expanded. In the health sector, we will further expand the National Health Insurance Scheme (NHIS) and make it more efficient. In the short run, this means clearing the stock of accumulated payables to healthcare service providers, ensuring that transfers from the Consolidated Fund are made on time, reducing the administrative cost and reviewing the package of benefits and the tariff structure. As domestic resource mobilization efforts materialize, increasing NHIS resources will allow to broaden its coverage and expand the benefits package.

C. Public Debt Management Strategy

17. We are committed to completing the comprehensive public debt restructuring operation launched in December 2022 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 cash debt relief from external debt restructuring also needs to contribute US$10.5 billion to program financing in 2023-26.

18. We have completed the restructuring of marketable domestic debt within the perimeter of the operation. We have successfully exchanged 85 percent of marketable public debt (including ESLA and Daakye) other than T-bills and held by investors other than pension funds for a set of instruments with the same total face value but lower coupons, especially in 2023 and 2024, and a combined maturity of up to 15 years. We carefully designed and executed the exchange so as to ensure the continued stability of Ghana's financial system (see below). The Government and the BoG will assess the impact of the debt restructuring on the BoG balance sheet and develop plans for its recapitalization.

19. We are expecting to obtain credible and specific assurances from our official bilateral creditors before the IMF Board consideration of our program request and are making good-faith effort to reach a collaborative agreement with our external commercial creditors. We applied for debt treatment under the G20 Common Framework for debt treatments beyond the DSSI (CF) in December 2022. The debt relief we are seeking from our bilateral creditors and credibly achievable through our engagement with the commercial creditors is sufficient to reduce all of the LIC-DSF debt ratios below their thresholds (starting in 2028) in combination with other program policies. Moreover, this external debt relief will generate sufficient financing over the program period to help close the overall program external financing gap. Beyond the restructuring, we will impose a limit on the present value of newly contracted external debt to further support restoring debt sustainability.

20. Debt management in the near term will seek to maintain basic functioning of markets while developing a roadmap for the gradual resumption of activity in the bond market. Our goal this year will be to maintain a functioning primary market in T-bills. We will carefully manage the first few domestic bond issuances following the restructuring to prioritize successful execution, favoring private placements. Once market access is more firmly established, our primary issuance would switch to competitive auctions. Efforts will be subsequently made to strengthen and deepen domestic capital markets to enhance secondary market activity and improve price discovery. We will continue publishing a credible Medium-Term Debt Strategy and an updated annual borrowing plan in line with international best practices.

21. We will also implement policies to increase debt transparency and accountability to enhance debt management effectiveness and efficiency. To achieve this, the current securities operation infrastructure used by the Debt Management Office (CD-RMS) will be completely upgraded to a modern system by end of 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 by reducing errors and omissions, and improve debt transparency among relevant state institutions. This system will enhance debt analysis, debt service projections and planning, and hence promote greater efficiency in public debt management. Debt reporting will include details on contingent liabilities, including key SOEs with substantial fiscal risks such as COCOBOD, ECG, VRA, GWCL, TOR, GNPC, GNGC, and BOST; any collateralized debt issuance will be limited and closely monitored.

D. Monetary and Exchange Rate Policy

22. Monetary policy will aim to bring inflation back to the medium-term objective of 8 ±2 percent and rebuild foreign exchange buffers to at least 3 months of imports by the end of the program. We will continue conducting monetary policy based on the inflation targeting framework underpinned by a flexible exchange rate regime. We are fully committed to the program's inflation and FX reserve accumulation objectives. Containing inflation will help protect the real income of the most vulnerable population. Rebuilding central bank FX buffers will bolster macroeconomic stability and resilience.

23. Decisive monetary policy tightening will continue until inflation is on a firmly declining path. We will frontload the tightening to ensure a fast-paced and orderly disinflation path towards the inflation target. We will absorb liquidity to meet the inflation objective, taking into account potential financial stability risks. A **monetary policy consultation clause** will provide a framework for assessing monetary policy implementation and further strengthen central bank credibility. We will continue to enhance our Inflation Targeting framework through improvements in our Forecast and Policy Analysis System, macroeconomic data collection including BoG inflation expectations survey, analytical capacity, and central-bank monetary policy communication.

24. We are committed to greater exchange rate flexibility to enhance resilience to shocks and help rebuild central bank reserves. We will gradually limit our FX interventions to avoid excess exchange rate volatility and adhere to a gross FX intervention budget consistent with achieving our reserve targets. In particular, we are firmly committed to limit monthly gross FX sales to a ceiling. In case of a need for higher interventions, we would consult IMF staff on the appropriate policy response. Central-bank FX liquidity will be provided at the prevailing market exchange rate. We will follow best practices in our plan to purchase gold from local mines to avoid distortions. To improve the quality of reserve statistics, we will adopt the latest IMF reserve report template with the support of IMF statistics experts.

25. We will take the necessary actions and reforms to ensure a unified exchange rate market. We will not introduce policies that create or intensify market segmentation or multiple exchange rates. FX auctions will be unified and serve as the primary mechanism of FX liquidity provision. The design of FX auctions will be enhanced to support price discovery, efficient allocation, and FX market deepening. We will work with Fund staff to do so. We will phase out the current temporary FX surrender requirement by mines to the central bank with a view to deepen FX market. Meanwhile, the Government of Ghana will engage key exporting companies on options to increase voluntary domiciliation of export proceeds.

26. To strengthen central bank independence and thus monetary policy credibility, the Bank of Ghana Act of 2002 (Act 612), as amended, will be revised with a view to reduce the overdraft limit, enhance compliance, refine the emergency conditions under which the limit can be temporarily breached, and the extent of the permissible breach under each emergency category. The changes will be proposed drawing on the recommendations of the safeguards assessment update. In the meantime, the MOF and the BOG have signed a Memorandum of Understanding (**prior action**) providing for zero monetary financing throughout the program. Regarding our involvement in the government's Gold-for-Oil program (see ¶48), we will conduct a thorough analysis of the risks that the BoG is facing under the program and report the findings to the Board. We will gradually exit from this program as the economy stabilizes.

E. Financial Sector

27. We are continuing to ensure financial sector stability in the aftermath of the domestic debt exchange. We are standing by to provide the necessary liquidity and other assistance to ensure financial sector stability. The BoG's existing liquidity facilities, including the repo window and Emergency Liquidity Assistance (ELA) are available to banks. The government will set a budget for potential solvency and liquidity support to viable financial or systemic institutions, subject to strict conditionalities. It is seeking funding support from Development Partners and Multilateral banks for this purpose. Temporary regulatory forbearance, including lower cash reserve requirement for banks and lower adjusted capital requirements for banks and other financial institutions, will also help provide relief in the short term.

28. We are also developing a Ghana Financial Stability Fund (GFSF) to provide additional support to the financial sector. The nature of the support (liquidity versus solvency), targeted institutions, eligibility criteria, conditionality, and sources of funding are still being established. The World Bank is preparing an emergency operation to provide GFSF funding to facilitate the build-up of capital buffers for qualifying banks. While BoG will not provide financing for the GFSF operations, some of the government resources set aside for solvency support could be channelled through the GFSF.

29. Any capital support to qualifying institutions and other steps necessary to strengthen the financial sector exchange will be completed in a timely manner. To bolster the sector's resilience, enhance market confidence, and encourage lending to private sector, we will develop a strategy by end-June 2023 (**structural benchmark**) for strengthening the financial sector and for rebuilding financial sector buffers, to be accomplished by the end of the program. Taking a forward-looking perspective and in line with our supervisory framework, individual banks will be expected to submit their credible timebound plans to rebuild capital buffers on a phased basis in line with timelines set out in our financial sector strategy. These plans will be reviewed by BoG and finalized by banks for BoG approval by end-September 2023 (**structural benchmark**). Similarly, special deposit taking institutions (SDIs) and non-bank financial institutions (NBFIs) regulated by BoG, and other financial institutions (securities firms and insurance firms) will be requested to submit—and adhere to—timebound recapitalization plans. Institutions' progress towards meeting their recapitalization targets and timelines will be subject to enhanced monitoring by relevant regulatory bodies. Additional stress tests will be used by BoG to closely monitor banking system vulnerabilities and to inform discussions of adjustments to the financial sector strategy.

30. Incentives will be developed for early recapitalization and for building capital buffers. This includes incentives embedded in the design of solvency support under the GFSF. In line with existing supervisory frameworks, other tools available for use include enhanced disclosure requirements, restrictions on activities and risk exposures for severely undercapitalized banks, and ban on dividend payments by banks and other financial institutions (including securities firms and insurance firms) until they can demonstrate that they have adequate capital buffers. On- and off-site supervision will be enhanced in line with the risk-based approach to supervision to help minimize excessive risk-taking in relation to available capital. Government solvency support will be designed to minimize costs and moral hazard, incentivize private capital injections, foster structural reforms improving operational efficiency, and allow for an orderly, early government exit. When acting in its capacity as shareholder, i.e., for state-owned banks, the government will frontload any necessary recapitalizations of state-owned banks, which will be underpinned by credible plans to ensure future viability and a level playing field with private banks.

31. We will lift the regulatory forbearance introduced in response to the domestic debt exchange as soon aspossible. We have introduced temporary forbearance on minimum capital adequacy ratios (CAR), recognition of debt exchange losses for the purpose of CAR computation, and other regulatory targets for banks that have participated in the domestic debt exchange. CAR of SDIs has also been temporarily reduced. Our goal is to phase out these forbearances in line with the timelines set out in our financial sector strategy, consistent with the goal of rapidly rebuilding financial sector buffers. We will closely monitor any unintended consequences of these forbearance measures, disclose their impact and adjust them as needed to mitigate undue effects.

32. We will also complete the legacy tasks from the 2017-19 financial sector clean-up, including addressing the insolvency of NIB. Long-standing undercapitalization of SDIs will be addressed. Our financial sector strategy will include an assessment of these institutions' operational strategies and corrective actions to prevent the accumulation of further losses. Plans to address these legacy tasks will be included in our financial sector strategy (end-June 2023).

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

F. Structural Fiscal Reforms

34. We are prioritizing a set of structural fiscal reforms to entrench fiscal discipline and bolster transparency. These reforms will be concentrated in the following broad areas: Strengthening Public Financial Management (PFM); Revenue Administration and Tax Policy; Energy Sector Reforms; and SOE Reforms. The measures will build on gains from earlier reforms such as the completion of the National ID program, the already-passed Tax Exemptions Act, the operationalization of the Human Resource Management Information System (HRMIS) and the e-VAT project during the fourth quarter of 2022.

Public Financial Management

a) Spending Controls and Prevention of Arrears' Build-Up

35. We will integrate all sources of funds into GIFMIS. The planned rollout of the GIFMIS infrastructure with all available functionalities to over 265 IGF-reliant institutions will be completed by end-2023 (**structural benchmark**). A program will be designed with clear timelines for including all IGF-reliant institutions in GIFMIS and ensuring the use of available functionalities.

36. GETFund, Road Fund, and District Assemblies Common Fund have started reporting provisional spending budgets in Hyperion at a disaggregated level to use all functionalities of GIFMIS for spending execution, including allotments, issuance of payment warrants and actual payments (**prior action**). These provisional entries will be updated once budgets have been approved by Parliament.

37. A strategy to tighten commitment controls and prevent arrears' build-up will be developed by June 2023 (structural benchmark). This strategy will be based on an ongoing IMF TA mission and be approved by the Cabinet. To reach this objective, we will integrate public procurement with GIFMIS to ensure that only those projects/purchase orders that have approved budgets and allotments can obtain procurement approvals to award contracts. This integration will be completed by end-June 2023. All the tenders should be placed and processed via E-tendering functionality. We will strengthen the enforcement of sanctions under the PFM Act, including penalties for covered entities committing spending above their quarterly allotments. A mechanism will be designed to ascertain how to gauge spending beyond budgetary allocations for each MDA/MMDA.

38. The HRMIS system will be integrated with GIFMIS and the Payroll system to strengthen control on "ghost names", promotions, hiring and payroll costs. This integration will be completed by end-December 2024. GIFMIS will be tightly integrated with other systems including Hyperion, E-procurement, bank clearing system (SWIFT and GHIPSS) and GRA's tax portals to ensure real time data exchange (end-December 2023). Automatic bank reconciliation (ABR) functionality for GIFMIS-linked accounts will be rolled out (end-December 2023). Where needed, chart of accounts will be standardized to support integration (end-June 2023).

39. A detailed strategy to streamline statutory funds will be published by end-September 2023 – following cabinet approval (structural benchmark). This will include a decision for each fund whether to phase it out or retain it with reforms/spending rationalization. The strategy document will include the following:

- Key findings of the review process for each statutory fund;
- Assessment of whether these funds are serving the stated purpose; and
- Well-articulated reasons to support retaining statutory funds rather than merging them under the line ministry.

To support this process, we have started an internal review of statutory funds to be conducted by an international audit firm.

40. Other reforms will include:

- *Statutory funds will not be allowed to collateralize revenue streams and issue debt.* No objection certificates will not be issued to any statutory fund by the governing authority in this regard.
- *We will review government flagship programs and publish a strategy to decide the future course of action.* The decision for rationalization will depend on the assessment of efficiency, effectiveness, and value for money for each program. For social programs, we will rationalize and align spending envelope with SDG targets.
- *We will institutionalize a framework where all Cabinet memos will include an assessment of the fiscal* impact *of the proposed policy* and the budget availability as part of measures to eliminate off-budget spending.
- *A treasury management system will be established to support effective cash management and promote* weekly *reporting of 3-month cashflow forecasts.* We will also finalize TSA reforms during the program period. To this end, we will integrate all MDAs, MMDAs and statutorty funds accounts in BOG and commercial banks to the TSA by end-December 2023.
- We will strengthen public investment management by (i) centralizing the appraisal and prioritization of public projects, (ii) developing a credible database of all ongoing projects (including age, time and cost overruns for legacy projects, and their status of completion), and (iii) securing financing within debt sustainability limits for ongoing projects before new projects are included under the Public Investment Plan (PIP).
- *We will restructure the Internal Audit Agency.* Government has initiated processes to restructure the operations of the Internal Audit Agency to enhance independence, provide adequate resources, strengthen technical capacity, and focus on the Internal Audit function to ensure the prevention of financial irregularities in public institutions.

b) Fiscal Framework

41. The Fiscal Responsibility Act will be amended to strengthen fiscal discipline. The fiscal rule will be reinforced by adding a debt target with a broad coverage to control for extra-budgetary spending and simplified by focusing on a single operational rule (either on the primary balance or the overall balance). Escape clause and correction mechanisms will be further detailed. We will consult with internal stakeholders and with the IMF's Fiscal Affairs Department to prepare this reform, which will be finalized in 2024.

42. To ensure the fiscal rule is correctly implemented and to bolster the credibility of macro-fiscal projections, we will reform the existing Fiscal Advisory Council. The Council will be engaged in assessing the realism of macro-fiscal projections ahead of the Budget approval, and to evaluate ex-post fiscal performance, including the fiscal rule. The Council will be provided with complete and timely information needed to perform its mandate. The Council will have a strong operational independence.

43. Our fiscal strategy document and fiscal risk statements will be published in line with the PFM Regulation and international best practice.

c) Fiscal Reporting and Budget Documentation

44. We will harmonize and ensure consistency of the different fiscal reports that we publish. We will address the differences in institutional coverage, classification, and basis of recording and presentation to ensure that budget execution reports, fiscal statistics, and financial statements are prepared and presented on the same basis as the fiscal forecasts, with any deviations explained.

Revenue Administration and Tax Policy

45. A Medium-Term Revenue Strategy (MTRS) will be published by end September 2023 after Cabinet approval (structural benchmark). This strategy will include tax policy and revenue administration measures that will ensure that we reach our revenue objectives over the 2023-26 period. Targets set under the strategy and policy measures will be developed through **consultation** with the Fund staff. We will organize public consultations to ensure that the objectives and means of this strategy are shared and understood.

46. We will prioritize upfront reforms to strengthen revenue administration and tax policies. These reforms include:

- *Preparing and publishing annual tax expenditure reports* to promote accountability and transparency in revenue management. We will publish a first tax expenditure report by September 2023 which will cover all tax expenditures of 2022 (including VAT exemptions), assess their cost and efficiency. From 2024, the publication of the tax expenditure report will reflect full implementation of the Tax Exemptions Act.
- *Completing the procurement process of the Integrated Tax Administration System (ITAS),* complete data migration from all existing portals to ITAS, and complete the implementation of different tax modules (including VAT, PIT, and CIT) in the system (and processes needed to be completed prior to that) by end December 2023 (**structural benchmark**).
- *Strengthening VAT compliance*. The e-VAT invoicing system (launched in October 2022) is to make electronic invoicing (e-invoicing) the sole medium for issuing VAT invoices and we are planning that e-VAT will cover all large taxpayers by end June 2023, and about 80 percent of all VAT revenue by end 2023. It is expected that by end 2024 all registered taxpayers will be onboarded. Pending the implementation of the ITAS, the e-VAT system will be used as a certified invoicing system for operations. We will also strengthen our program of VAT invigilation and mystery purchase at selected and significant VAT taxpayers nationwide.
- *Finalizing the new fiscal regime framework for extractive industries* in consultation with internal stakeholders and based on the work conducted with IMF technical assistance. We will submit the framework to Cabinet by July 2023 with the view to adopting it by end 2023.
- *Strengthening compliance of e-commerce*. GRA will adopt an e-commerce /digital service system before end December 2023, to maximize revenue collection.
- *Completing the data warehouse project by end 2023 and ensuring all relevant third-party data (including banks and professional bodies) are collected and analyzed.* We will also strengthen our existing data sharing arrangements with National Insurance Commission, Social Security and National Insurance Trust, Driver and Vehicle Licensing Authority, and Data Protection Commission, by fast-tracking the establishment and operationalization of Application Program Interface (API) with each entity.

- *Increasing online filing and payment of taxes* through the Ghana Integrated Tax Management Information System (GITMIS). We increased online filing of Large Taxpayers Office (LTO) to 100 percent in 2022. We will increase online filing of all corporate taxpayers of medium and small taxpayer offices to 80 percent by the end-2023 and self-employed persons and employees to 80 percent by end-2024.

Energy Sector Reforms

47. Our overarching goal is to introduce more efficiency in the energy sector and make energy pricing more cost reflective. Over the course of the medium term, we will fulfill this objective by fully implementing the Energy Sector Reform Programme to reduce power sector financial shortfall, improve ECG operational performance and fully implement tariff reforms to ensure quarterly adjustments for cost-recovery. Specific interventions which will be jointly overseen by MoF and MoEn include:

- *Implementing an upfront weighted-average electricity tariff adjustment of at least 29 percent in January* 2023 (**prior action**) to limit the size of the energy sector shortfall. This will be followed by quarterly tariff adjustments reflecting exchange rate, inflation and fuel price changes.
- *Publishing the new tariff setting guidelines for electricity distribution and supply (PURC)*.
- *Publishing technical notes to explain and justify quarterly tariff decisions* to promote transparency within 30 days of the decision announcement.
- *Publishing the updated Energy Sector Recovery Plan*, after Cabinet approval, with well-identified measures and timelines by June 2023 (**structural benchmark**). We will conclude PPA renegotiations (to reduce the take-or-pay liability), formulate a strategy to improve ECG's performance (with operational benchmarks), improve operational performance of other SOEs, and reform subsidies to reduce the revenue shortfall.
- *Publishing a new policy directive on procurement of new IPPs* to mitigate the commercial burden on the state by end-2023.
- *Establishing a framework to improve operational efficiency of ECG/PSP and NEDCo* to meet KPIs set by SIGA, EC, PURC and MoEn by end-March 2024. The guidelines for preparing the performance improvement plan will be completed and performance contract between SIGA and ECG (particularly aiming at reduction in grid and bills' recovery losses) will be completed by end-June 2023. Among other measures, the framework would entail estimating investment requirements for upgrading equipment and systems, finalizing the modalities of private sector participation (a concession agreement), and fast-tracking installation drive for pre-paid meters.
- *Ensuring transparency in gas supply agreements (GSA) by GNPC* and seek justification in case large variations are found in contracted prices for different customers by end-2023. In this context, we will put previous GSAs for a review, where substantially large discounts were given to certain customers/entities.
- *Developing and operationalizing a framework in consultation with the Fund staff to guide the granting of energy sector subsidies by end-June 2023.* The framework will also cover a mechanism to fully or partially insulate vulnerable population from large tariff increases. To this end, we will redesign lifeline tariffs, initiate a mapping exercise to measure the impact of

existing cash transfer program on poor households with electricity access, and expand the scope of the program if needed.

- *Publishing the integrated power sector masterplan* that lays out a clear strategy and actionable items synchronized with updated demand-supply forecasts by end-June 2023.

- *Implement an inter-utility debt settlement framework on a quarterly basis starting from June 2023*

- *IPP power plant verification audit will be completed* by end-June 2023 to ensure transparent billing. In addition, merit dispatch order will be monitored on a regular basis to ensure cheaper electricity goes first on the grid.

- *Establishing a framework to address payment of Volta Aluminium Company (VAlCo) electricity bills by end-June 2023*.

- *Completing the categorization of MDAs into strategic and non-strategic*, installation of pre-paid meters to non-strategic MDAs, and allocation of budget to pay for strategic MDAs by end-June 2023.

- *Developing and operationalizing a regulatory financial reporting framework by end-June 2023*.

- *Implementing a mechanism to enforce the guidelines of the CWM and NGC by end-June 2023*.

48. We recently introduced a temporary gold-for-oil scheme to secure adequate fuel supplies at favorable prices. We will ensure that (i) contractual volumes and pricing structure for commodities' export/import and intermediaries' margins are transparent, (ii) the scheme is implemented in line with the applicable legal framework, and fiscal risks discussed with the MoF (iii) the Auditor General conducts regular performance audits of the scheme, (iv) Bank of Ghana gold purchases follow best international practice and central bank safeguards standards, and (v) the gold-for-oil framework is in line with IMF Article VIII.

Improving SOE Competitiveness and Efficiency

49. We will take measures to reform the management and monitoring of SOEs to foster more competition and efficiency. In connection with this, the Cabinet will approve (by end-June 2023) a state ownership policy and related guidelines to be developed and submitted by the Ministers responsible for Finance and Public Enterprises. The policy and related guidelines will incorporate: (i) clearly articulated rationale, objectives, and guiding principles of state ownership; (ii) the roles and responsibilities of shareholder, board, and management; (iii) reporting and disclosure requirements; (iv) a performance monitoring system; (v) fiscal relations between government and SOEs including financing of SOEs, dividend payments, and quasi-fiscal activities; (vi) a framework for the remuneration of board members and executive management of SOEs; and (vii) a framework for the appointment of board members as well as the selection of executive management of SOEs based on technical capacity and sectoral expertise. A cap on salary adjustment of SOE employees to be lower than negotiated base pay increase on Single Spine Salary Structure for each year will be implemented.

Structural Reforms to Ensure Cocobod Financial Viability

50. We will publish a turnaround strategy, approved by Cabinet, for Cocobod by end June 2023. This strategy will include (i) an immediate announcement of joint ministerial supervision of COCOBOD by the MoF and the Ministry of Agriculture (ii) a legally binding framework for setting a producer purchase price (PPP) that guarantees a revenue stream sufficient to recover the Board's operational and financial costs, (ii) announcing cost rationalization measures, including a functional review of all departments and subsidiaries of the Board to identify the scope for cost cutting, and (iii) phasing out of quasi fiscal spending of the Board (this will require announcement of termination of the road concession agreement with the Ministry of Roads, and discontinuation/rationalization of fertilizer/input subsidy programs including Hi-Tech).

G. Governance

51. We will continue to improve governance and strengthen our anticorruption framework during the program period. The immediate priority was to finalize the audit of COVID-19 spending prepared by the Auditor General. The report was presented to Parliament and published in January 2023 (**prior action**). The audit report covers spending in the context of the COVID-19 crisis between March 2020 and June 2022. It identifies losses or potential savings that could have been made by a stricter adherence to PFM-related laws and regulations[1] and makes recommendations to recover some of the funds and improve PMF practices in the public sector. We will closely follow-up on the findings and recommendations in the audit, including by taking any necessary remedial actions. In particular, we will prepare new guidelines for Emergency Expenditure Management, proceed with the suggested transfers to AG's recoveries' account, settlement of unutilized funding with development partners, and procurement of goods/equipment against which payment had been made in advance. We will share the implementation status on these recommendations with the IMF staff by end-September. A public report on the follow-up actions that have been taken will be issued six months after the finalization of the audit report. Public procurement transparency will continue to be reinforced by the roll-out of the e-procurement system and its integration with GIFMIS. Transparency of procurement will be strengthened by facilitating the access to beneficial ownership information of companies awarded public procurement contracts.

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

- This will include improvements in the existing asset declaration system. The enactment of Conduct of Public Officers Act will notably seek to address current weaknesses of this system.
- The National Anticorruption Action Plan (NACAP), adopted in 2014 to cover the 2015-24 period, will continue to be implemented and updated during the program period. This will provide an opportunity to take stock of the strength and weaknesses of the current anticorruption framework and to work with internal and external stakeholders to strengthen

[1] Including Public Financial Management Act, 2016, Public Procurement Act, 2003, and Public Financial Management Regulations (2019).

its efficiency. In order to achieve this and with support from the IMF, we have requested a Governance and Corruption Diagnostic Assessment, to inform the preparation of the updated anti-corruption national strategy.

- Following the efforts by its board and management to improve professional standards of tax administration in Ghana, the Ghana Revenue Authority (GRA), with the help of IMF, is developing a strategic plan to, among other things, strengthen key integrity enhancement units, namely, the internal audit, risk management, and internal affairs and identify mechanisms to ensure efficiency and effective coordination among the units.

53. Building on the recent reforms which have culminated in the removal of Ghana from the FATF grey list, Ghana will continue to make further progress in upgrading its AML/CFT framework. The Financial Intelligence Center (FIC) will continue to engage, sensitize, train and build the capacity of all reporting entities on various AML/CFT related areas – including Customer Due Diligence (CDD), risk assessment, current trends and typologies – and to collaborate with all financial sector supervisors for the enforcement of targeted financial sanctions. 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. Measures will include providing access to the BO register to all accountable institutions and competent authorities and complementing the registry with a requirement to require companies to know their BO, and to strengthen CDD/BO.

H. Growth

54. We will develop a set of coherent and focused policies to support accelerated growth which is inclusive. The policies will support private sector development and financial inclusion and will focus on:

- *Improving the business environment and export competitiveness.* We will review local content legislations to encourage FDI. We will ensure that any revision of surrender/repatriation requirements in the export sectors will be consistent with our long-term goal of promoting FDI and in line with the Institutional View (IV) on Liberalization and Management of Capital Flows. We will focus on measures to improve export competitiveness and target reducing trade barriers, including through implementation of the African Continental Free Trade Area. To this end, we will build the capacity within the MDAs to facilitate investment through technology and linkages, i.e., a common platform and a one-stop shop for investors, and to reduce the cost of investment and business;
- *Promoting entrepreneurship to support private sector development* through initiatives such as the implementation of the YouStart Programme (creating about a million jobs in three years) with the Banking Sector and Faith Based Organizations (FBOs) to enable the Youth to harness local opportunities;
- *Fast-tracking the implementation of key growth-oriented programs* under the Ghana CARES (Obaatan Pa) Program. These programs include the Economic Enclave Projects to enable self -sufficiency in rice, maize, vegetables and poultry, and supporting large-scale agriculture and agribusinesses interventions through the Development Bank of Ghana, which has already approved GHC 500 million for targeted operations;

- *Transitioning to a digital economy* to boost productivity, tax collection, and formality. Expanding digital government services and introducing the BoG's digital currency will support digitalization and financial inclusion with adequate safeguards in place; and
- *Strengthening policies to adapt to and mitigate climate change for inclusive growth.* We will invest in resilient public infrastructure (particularly in agriculture, urban development, tourism, and technology) to prepare Ghana for the negative consequences of climate change. We will also explore investment in low-carbon energy production and preservation of the country's natural carbon sinks to mitigate climate change. We will accelerate our dialogue with the development community and the private sector to attract significant private sector investment with catalytic capital from the Multilateral Developments Banks in critical areas such as Agriculture, Transportation, Tourism and Technology.

I. Statistical Issues

55. We will work to improve the quality and timeliness of our official balance of payments statistics with the help of IMF technical assistance. The BoG has benefited extensively from IMF technical assistance to improve the quality of balance of payments and International Investment Position (IIP) statistics. Some challenges with the data timeliness, frequency and quality of data sources nonetheless remain. We will take advantage of further technical assistance to develop a quarterly survey of cross-border flows and address remaining gaps related to the identification and compilation of Independent Power Producers (IPPs) cross-border transfers.

III. PROGRAM MONITORING

56. The 3-year program will 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 this memorandum. A Memorandum of Understanding between the government and the BoG will be established to set their respective responsibilities for servicing financial obligations to the Fund. The quantitative performance criteria and indicative targets through end-2023 are set out in Table 2. The structural benchmarks are described in Table 3.

IV. COMMUNICATION

57. Ghana's current economic situation requires building consensus to tackle the socioeconomic challenges ahead. A robust communications strategy to build public support for the program's objectives will enhance the prospects of program success and help build social cohesion. To achieve this goal, we will develop and implement a strategy to engage Ghanaians and all stakeholders to build public awareness and broad support for the policies underpinning the Fund-supported program.

Table 1. 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]
Board date	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.

Table 2. Ghana: Performance Criteria and Indicative Targets Under the Extended Credit Facility, 2023-2024

	2023			2024
	June	September	December	March
	Performance Criteria		Performance Criteria	
	Proposed	Proposed	Proposed	Proposed
Performance Criteria:				
Net international reserves of the Bank of Ghana, cumulative change floor (millions of U.S. dollars) [1]	-98.5	270.7	655.0	107.0
Bank of Ghana claims on the central government and public entities, cumulative change ceiling (billions of cedis) [2,6]	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) [3,7]	66.2	66.2	66.2	84.7
Primary fiscal balance of the central government, commitment basis, cumulative floor (millions of cedis) [3,4]	-4,008.4	-5,756.4	-4,607.1	1,392.3
Non-accumulation of external debt payments arrears by the central government and the Bank of Ghana, continuous ceiling (millions of U.S. dollars) [5]	0.0	0.0	0.0	0.0
Newly contracted collateralized debt by the central government and public entities, continouous cumulative ceiling (millions of U.S. dolllars) [7]	0.0	0.0	0.0	0.0
Monetary Policy Consultation Clause				
Twelve-month consumer price inflation (percent)				
Outer band (upper limit)	48.1	45.6	33.4	30.9
Inner band (upper limit)	45.1	43.6	31.4	28.9
Central target rate	**42.1**	**40.6**	**29.4**	**26.9**
Inner band (lower limit)	39.1	37.6	27.4	24.9
Outer band (lower limit)	36.1	35.6	25.4	22.9
Indicative Targets:				
Non-oil public revenue, cummulative floor (millions of Cedis) [3]	49,843	79,871	116,365	32,952
Social spending, cumulative floor (billions of cedis) [3,7]	2,034	3,051	4,068	1,298
Net change in the stock of payables of the central government and of payables to IPPs, ceiling (million of cedis)	0	0	0	0

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 Public entities comprise of ((i) Tema Oil Refinery, (ii) Ghana National Petroleum Company, (iii) Ghana National Gas Company, (iv) Volta River Authority, (v) Electricity Company of Ghana, (vi) Ghana Grid Company Ltd (GRIDCO), (vii) Ghana Water Company Limited, (viii) Ghana Infrastructure Investment Fund (GIIF), (ix) Ghana Educational Trust Fund (GETFund/Daakye), (x) Energy Sector Levy Act (ESLA). PLC, (xi) the Road Fund, (xii) Mineral Income Investment Fund (MIIF/Asanti Gold Corporation), (xiii) Cocobod, (xiv) Ghana Integrated Aluminium Development Corporation (GIADEC), and (xv) Bulk Oil Storage and Transportation (BOST).
7 Public entities comprise of ((i) Tema Oil Refinery, (ii) Ghana National Petroleum Company, (iii) Ghana National Gas Company, (iv) Volta River Authority, (v) Electricity Company of Ghana, (vi) Ghana Grid Company Ltd (GRIDCO), (vii) Ghana Water Company Limited, (viii) Ghana Infrastructure Investment Fund (GIIF), (ix) Ghana Educational Trust Fund (GETFund/Daakye), (x) Energy Sector Levy Act (ESLA). PLC, (xi) the Road Fund, (xii) Mineral Income Investment Fund (MIIF/Asanti Gold Corporation), (xiii) Cocobod excluding the annual syndicated trade financing facility, (xiv) Ghana Integrated Aluminium Development Corporation (GIADEC), and (xv) Bulk Oil Storage and Transportation (BOST).

Table 3. Ghana: Proposed Structural Conditionality Under the Extended Credit Facility, 2023-24

Prior Actions	*Objective*	Date / Status
• **Enact any legislation and/or executive order necessary to achieve the 2023 fiscal objective --** an adjustment of the non-oil primary balance (measured on a commitment basis) of at least 2 percent of GDP, with revenue measures that will permanently improve the non-oil revenue-to-GDP ratio by at least 1 percent of GDP.	*Ensure a front-loaded and credible fiscal adjustment in order to restore fiscal and debt sustainability.*	Prior action
• **Implement an upfront weighted-average electricity tariff adjustment of at least 29 percent**.	*Bring electricity tariffs closer to cost recovery and reduce the power sector shortfall*	Prior action
• **Ensure that GETFund, Road Fund, and District Assemblies Common Fund start reporting provisional spending budgets in Hyperion at a disaggregated level** to use all functionalities of GIFMIS for spending execution, including allotments, issuance of payment warrants and actual payments .	*Strengthen budget execution, commitment control and reporting*	Prior action
• **Sign a Memorandum of Understanding (MoU) between Ministry of Finance and the Bank of Ghana to eliminate monetary financing of the Central Government**.	*Address fiscal dominance, strengthen central bank independence, and enhance monetary policy transmission*	Prior action
• **Publish the Auditor General report on the audit of COVID-19 spending** undertaken between March 2020 and June 2022.	*Ensure transparency and accountability of COVID-19 emergency spending*	Prior action

Structural Benchmarks	*Objective*	Date
• **Finalize the comprehensive stock-take of payables accumulated by all MDAs, design a payable clearance plan and lay out a structural reform plan to reduce future accumulation of arrears.**	*Get clarity on the current situation regarding stock of payables of the central government (including of statutory funds) and ensure that payables are cleared with appropriate prioritization and in a timely manner*	End-June 2023
• **Finalize strategy to strengthen the financial sector and rebuild financial institutions' buffers** in collaboration with Fund staff. The strategy will lay out steps and timelines to (i) address the impact of the domestic debt exchange and the ongoing macroeconomic challenges on the financial system, including by rebuilding financial sector buffers by the end of the program; and (ii) complete the legacy tasks from the 2017-19 financial sector cleanup.	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-June 2023
• **Publish the updated Energy Sector Recovery Plan**, after Cabinet approval, with well-identified measures and timelines in the following areas: (i) removal of subsidies, (ii) reduction in transmission and distribution losses, (iii) improvement in recoveries, (iv) a credible solution to cut idle capacity cost (including excess capacity as well as reserve margin), and (v) improvement in operational performance of SOEs. These will have been established in consultation with Fund staff.	*Sustainably reduce losses in the energy sector*	End-June 2023
• **Publish a strategy - after cabinet approval - to streamline statutory funds. The strategy should include the following:** (i) Key findings of the review process for earch statutory fund; (ii) Assessment of whether these funds served the stated purpose; and (iii) Well-articulated reasons to support retaining statutory funds (and not merging them under the line ministry - this should justify why the line ministry cannot serve the objectives of statutory fund).	*Reduce budget expenditure rigidities*	End-September 2023
• **Publish a medium-term revenue strategy - approved by cabinet -** that is consistent with the agreed fiscal adjustment under the program, delivers permanent non-oil public revenue increase of at least 1.5 pp of GDP over the 2024-27 period, and clearly identifies measures related to tax policy, compliance and administration (with estimated yields and timelines). These will have been established in consultation with Fund staff.	*Enable revenue-based fiscal adjustment and increase fiscal space for development spending*	End-September 2023
• **Approve plans of all banks, negotiated during the previous quarters, to rebuild capital buffers and initiate corrective actions on institutions whose plans are not deemed credible.**	*Promote financial stability and bolster financial sector contribution to medium-term growth*	End-September 2023
• **Introduce an indexation mechanism of the benefits under the Livelihood Empowerment Against Poverty**, approved by Cabinet, to ensure the benefits value is not eroded by inflation.	*Stengthen the social safety net and protect the most vulnerable from the impact of inflation.*	End-September 2023
• **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*	End-December 2023
• **Expand GIFMIS infrastructure to 265 IGF-reliant institutions with all the avalaible functionalities**	*Strengthen budget execution, commitment control and reporting*	End-December 2023

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 May 1 and their attached tables. It also describes the methods to be used in assessing the program's performance and the information requirements to ensure adequate monitoring of the targets.

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

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

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

Source: Bank of Ghana, Bloomberg, and IMF

I. 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.

4. In addition to the performance criteria listed in Table 2 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 of 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 four performance criteria will be monitored continuously.

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

Definition

5. Net International reserves (NIR) of the Bank of Ghana for program monitoring purposes[1] are defined as reserve assets (RA) 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 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.

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

Adjustors

6. The net international reserve (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 excluding the IMF's budget support, 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 excluding the IMF's budget support. Budget grants and loans assumptions of the program NIR target are specified in the Table below.

7. The net international reserve (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 excluding the IMF's budget support, 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 excluding the IMF's budget support. Budget grants and loans assumptions of the program NIR target are specified in the Table below.

Ghana: Expected Budget Grants and Loans in 2023

in mn USD	Q1	Q2	Q3	Q4	Total
Grants	0	0	0	0	0
Loans	0	600	530	600	1730
of which					
IMF	0	600	0	600	1200
World Bank (DPO and GFSF)	0	0	530	0	530
Other multilaterals	0	0	0	0	0
Bilaterals	0	0	0	0	0

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, excluding the annual syndicated trade financing facility (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, 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 that do not result in a change of security ownership, and (iii) BoG loans to the central government from the on-lending IMF resources through the SDR allocations and PRGT loans.

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

Definition

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

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

(iii) leases, i.e., arrangements under which property is provided which the lessee has the right to use for one or more specified period(s) of time that are usually shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purpose of the guideline, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement excluding those payments that cover the operation, repair, or maintenance of the property.

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

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

11. For 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 of external debt; (ii) debt contracted from the IMF, World Bank and AfDB; and (iii) Government of Ghana securities issued in domestic currency, placed in the domestic primary or secondary markets, and held by non-residents.

12. 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).

13. 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).

14. 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.

15. 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. Given the ongoing transition away from LIBOR, once operationally feasible, this TMU can be updated to reflect the benchmark replacement for JPY LIBOR, the Tokyo Overnight Average Rate (TONAR).

16. 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 contracted or guarantees issued. Otherwise, detailed data on all new external debt (concessional and non-concessional) contracted or guaranteed by the central government and the public entities mentioned in ¶8 will be provided by the MOF on a monthly basis, within 30 days from the end of each month. The information will include (i) amounts contracted or guaranteed; (ii) currencies; and (iii) terms and conditions, including interest rates, maturities, grace periods, payments per year, commissions and fees, and collaterals.

Adjustors

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

Ghana: Expected PV of contracted project loans

(in mn USD)	June-2023	September-2023	December-2023	March-2024
Baseline PV of contracted concessional project loans (cumulative from begining of the year)[1/]	0.0	0.0	0.0	0.0

1/ Excluding World Bank and African Development Bank project loans as per the debt PC definition.

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

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

Definition

18. The program's primary fiscal balance is cumulative from the beginning of the fiscal year and is measured as the difference between the primary balance on cash basis from the financing side and of the net change in the stock of payables ("outstanding payments") of the central government reported in GIFMIS, including all payables of statutory funds whose expenditure execution is done through GIFMIS (Road Fund, NHIS, GETFund and DACF). For statutory funds whose expenditure execution is not done through GIFMIS, the payables of these institutions are measured as the payables of the consolidated fund to these statutory funds. 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 needs to be adjusted downward to obtain the primary balance on a commitment basis).

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

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

21. Net domestic financing of central government is defined as the change in net credit to central government by the banking system (i.e., the Bank of Ghana plus deposit money banks) plus the net change in holdings of treasury bills and other Government of Ghana securities by the nonbank sector, excluding divestiture receipts.

Adjustors

22. The primary balance floor for 2023-26 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

(in mn USD)	June-2023	September-2023	December-2023	March-2024
Baseline concessional project loans disbursement (cumulative from begining of the year)	136.2	204.3	272.4	108.5

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

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

Definition

24. For the purpose of the ceiling on the accumulation of external debt service payment arrears, external payment arrears will accrue when payments such as interest or amortization on debts of the government (as defined in paragraph 6) to non-residents are not made within the terms of the contract, taking into account all applicable grace periods. The definition excludes arrears relating to debt subject to renegotiation (dispute or ongoing renegotiation) or rescheduling. This performance criterion will be monitored on a continuous basis.

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

Definition

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

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

II. MONETARY POLICY CONSULTATION CLAUSE

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

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

III. INDICATIVE TARGETS

A. Non-Oil Public Revenue, Cumulative Floor (Millions Of Cedis)

Definition

29. The central government's total non-oil revenue includes total tax revenue—all revenue collected by the GRA, whether they result from past, current, or future obligations such as Direct Taxes (taxes on income and property), Indirect Taxes (excises, VAT, National Health Insurance Levy (NHIL), GETFund Levy, Covid-19 Health Levy, E-Levy, and Communication Service Tax (CST)), and Trade Taxes— and total non-tax revenue—including IGFs retention, Fees and Charges, Dividend/interest and profits from oil and others, Surface rental from oil/PHF interest, property rate collection and yield from capping policy— and excludes grants, oil revenue as defined in paragraph 25, social security contributions and ESLA proceeds. Total non-oil revenue is recorded on a cash basis.

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

Adjustors

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

B. Social spending, Cumulative Floor (millions of cedis)

Definition

32. Expenditures on poverty-reducing social programs of the central government will include actual disbursements for the National Health Insurance System, the Ghana School Feeding Program, the Livelihood Empowerment Against Poverty Program and the Capitation Grant financed by the central government or from internally generated funds. Accordingly, actual poverty spending will exclude all donor-supported expenditure. For the NHIS, the floor will measure budgetary disbursements used to pay for medical claims. For the LEAP, the floor will measure budgetary disbursements used to pay for benefits. For the Ghana School Feeding

Program and the Capitation Grant, the floor will measure the actual disbursements for these two programs.

C. Net change in the stock of payables of the central government and of payables to IPPs, ceiling (millions of cedis)

Definition

33. Stock of payables is the sum of two components. First, the stock of payables of the central government reported by CAGD at the end of each quarter. CAGD payables report will cover the stock of payables of all MDAs—including MDA's unreleased claims—and the consolidated stock of payables of all statutory funds and of selected IGFs (National Pension and Regulatory Authority, National Petroleum Authority, National Communication Authority, Gaming Commission, Securities and Exchange Commission). Second, the stock of payables to Independent Power Producers (IPPs) and fuel suppliers. This comprises unpaid amount against energy sector related payment invoices received by MoF (alternatively, ECG and GNPC can also provide the data on payables to IPPs and fuel suppliers; the mission will finalize the definition after discussion with the authorities).

Provision of Data to the Fund

34. 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. The authorities will share any prospective external loan agreements 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")	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	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of unreleased claims as defined in para 28	Quarterly, within six weeks of the end of each quarter
The stock and quarterly flows of buildup/clearance of payables to Independent Power Producers (IPPs)	Quarterly, within six weeks of the end of each quarter
Updated list of (prioritized) projects to be financed by non-concessional loans and concessional loans.	Monthly, within six weeks of the end of each month.
Cash flow of the central government and cash flow projections.	Monthly, within six weeks of the end of each month
Monetary data (to be provided by the BoG)	
Detailed balance sheet of the monetary authorities including the usual monetary bridge data.	Monthly, within four weeks of the end of each month.
Monetary survey detailing the consolidated balance sheet of commercial banks.	Monthly, within six weeks of the end of each month.
Summary position of central government and public entities committed and uncommitted accounts at BoG, and total financing from BoG, including the details of BoG financing to the central government and public entities: central government and public entities overdrafts, central government local-currency and FX deposits, SDR on lent, etc.	Monthly, within four weeks of the end of each month. (continued)
Composition of banking system and nonbanking system net claims on central government.	Monthly, within four weeks of the end of each month.

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

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

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

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

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

Item	Periodicity

Monthly services, credit and debit	Monthly, within four weeks from the end of each month.
Export and import data on value, volume, and unit values, by major categories and other major balance of payments variables.	Quarterly, with a maximum lag of two months.
External and Domestic Debt Data (to be provided by MoF)	
Total debt stock of the central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt by creditor: loan-by-loan database for external debt and by tenor for domestic debt.	Monthly, within four weeks from the end of each month.
Total debt service due and debt service paid by creditor. Perimeter is central government, Daakye, ESLA, GIADEC, Cocobills, and central government-guaranteed debt.	Monthly, within four weeks from the end of each month.
Information on the concessionality of all new external loans contracted by the central government, Daakye, ESLA, GIADEC, or with a central government guarantee.	Monthly, within four weeks from the end of each month.
Short-term liabilities to nonresidents (maturity in one year or less), including overdraft positions and debt owed or guaranteed by the government or the BoG. Data on the BoG short-term liabilities to nonresident commercial banks on accounts 1201 plus 301 plus Crown Agent).	Monthly, within four weeks from the end of each month.

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

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

INTERNATIONAL MONETARY FUND

GHANA

REQUEST FOR AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

May 2, 2023

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

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

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

Given the ongoing debt restructuring and large and protracted breaches to the DSA thresholds, Ghana is currently in debt distress and the debt sustainability analysis shows that debt is unsustainable.

Ghana's fiscal and external positions have deteriorated significantly in the wake of the Covid-19 pandemic, the tightening in global financial conditions and the war in Ukraine. These external shocks, combined with pre-existing fiscal and debt vulnerabilities, have pushed public and external debt up. Ghana lost international market access in late 2021, and the macroeconomic situation became more challenging in 2022, with large losses in international reserves, sharp depreciation of the exchange rate and soaring inflation. The deterioration of market sentiment widened Eurobond spreads to above 2900 bps at end-December 2022, and they have remained in distressed territory. Domestic financing

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

[2] The Composite Indicator (CI) score of 2.82 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 macro-economic variables from the October WEO 2022 vintage.

conditions also deteriorated markedly. In this context, the authorities requested support from the IMF in July 2022; they hired financial and legal advisors; and they launched a comprehensive debt restructuring strategy in December 2022.

Under the baseline, which does not incorporate the impact of the ongoing debt restructuring, the present value (PV) of external debt-to-GDP and external debt service-to-revenues exceed their respective thresholds throughout the full-time horizon of the DSA. The external debt service-to-exports breaches its thresholds in 2025 for one year and breaches it again in 2029 to remain above it throughout the full remaining horizon. The PV of external debt-to-exports ratio remains below its threshold under the baseline throughout the full-time horizon of the DSA, while temporarily breaching the threshold under the exports shock scenario—the most extreme shock for this indicator. The PV of public debt-to-GDP breaches its 55 percent benchmark throughout the full-DSA horizon. Stress test results show that a one standard deviation deterioration in the primary balance would put overall public debt well above the current unsustainable trajectory throughout the full DSA horizon. Developments over the past few years and stress tests highlight the sensitivity of the debt ratios to growth and exchange rate shocks.

Absent comprehensive debt restructuring and a credible reform plan, underpinned by a feasible and growth-friendly fiscal adjustment, Ghana's public debt is unsustainable. Strong ownership of the IMF-supported program and commitment to reforms by the authorities are key.

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. Key among those are Energy Sector Levy Act (ESLA) debt in the energy sector; Ghana Educational Trust Fund (GETFund/Daakye) debt for education infrastructure; and debt related to the financing of infrastructure projects by Sinohydro, which account altogether for 2.1 percent of GDP. For the first time, the DSA includes: (i) Cocobills which are issued domestically by Cocobod—one of the largest SOEs operating on non-commercial terms and largely engaging in quasi-fiscal activities—and add 1.4 percent of GDP to the public debt as of end-2022 and, (ii) the stock of domestic arrears to suppliers estimated at 4.4 percent of GDP—including 1.7 percent of GDP of reconciled debts to independent power and gas producers (IPPs).[3] A medium-term clearance plan of these arrears is incorporated in the baseline as part of the above-the-line spending projections.

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. Additional recapitalization costs are expected in the coming years resulting from the domestic debt restructuring envisaged in 2023—some 2.6 percent of GDP are included in the DSA's baseline. 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 large stock of arrears, estimated at 3.1 percent of GDP at end-2022.[4] 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 a tailored stress test.** These shocks assume an increase of the PPG debt by adding: (i) 2

[3] In the line with the treatment of SOEs laid out in the LIC DSF GN (appendix III), the debt coverage was expanded to cover Cocobills. Indeed, Cocobod operations pose fiscal risks related to its heavy involvement in extra-budgetary spending. In line the LIC DSF GN (¶25-29), only the end-2021 domestic arrears were included in the stock of debt, as they were recognized by the government and reconciled on this basis. Hence, they are not in dispute anymore and should be included in the debt coverage. However, the increase in the stock of arrears in 2022, tentatively estimated at 2.8 percent of GDP at end-December 2022—of which 1.4 percent constitute unpaid bills to IPPs; and the remaining accounts for unpaid bills to other domestic suppliers—is not included in the stock of debt as the underlying payables build-up has not been verified yet. The DSA baseline assumes repayments over 7 years (with a discount in the case of payables to Independent Power Producers (IPPs), consistent with the authorities' working assumptions, as negotiations with IPPs have been launched).

[4] These arrears cover verified arrears at end-2021 which amount to 1.7 percent of GDP and newly-accumulated non-verified arrears in 2022 which are tentatively estimated at 1.4 percent of GDP.

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.

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

	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

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%.

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 $1.6 billion in 2022 (2.2 percent of GDP;5.3 percent of public external debt).

B. Debt Developments and Profile

5. **The compounded effects of large external shocks and pre-existing vulnerabilities have caused a deep economic and financial crisis.** The impact of the COVID-19 pandemic, the tightening in global financial conditions, and the war in Ukraine have exacerbated fiscal and debt vulnerabilities. Faced with large development needs and complex social and political situations, the government's fiscal policy response has been 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 government has requested Fund financial support.

6. **These shocks have led to a sharp deterioration in Ghana's fiscal positions.** 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 at 4.8 percent in 2021

[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.

and 3.6 percent in 2022.[6] Rising interest payments (to more than 7 percent of GDP) brought the overall fiscal deficit to 12.1 percent of GDP in 2021 and 11 percent in 2022.

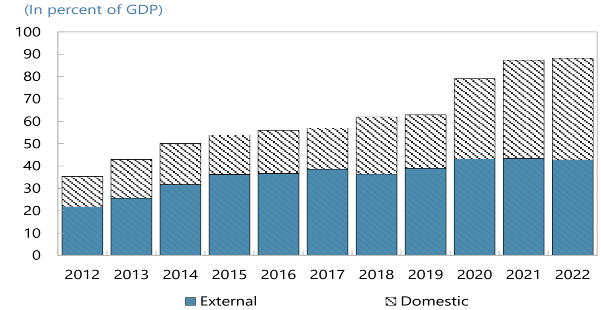
Text Table 2. Ghana: Decomposition of Public Debt at end-2022 [1]

	Face Value			Present Value[2]	
	(In US$ mn)	*(Percent total debt)*	*(Percent GDP)*	*(In US$ mn)*	*(Percent total debt)*
Total	**63,332**	**100.0**	**88.1**	**64,882**	**100.0**
External	**30,483**	**48.1**	**42.4**	**32,033**	**49.4**
Multilateral creditors	8,055	12.7	11.2	5,529	8.5
IMF	1,710	2.7	2.4	1,379	2.1
World Bank	4,750	7.5	6.6	3,132	4.8
African Development Bank	1,193	1.9	1.7	715	1.1
Other Multilaterals	401	0.6	0.6	303	0.5
Bilateral Creditors	5,438	8.6	7.6	4,982	7.7
Paris Club	2,867	4.5	4.0	2,484	3.8
o/w: Belgium	437	0.7	0.6	425	0.7
o/w United Kingdom	430	0.7	0.6	421	0.6
Non-Paris Club	2,572	4.1	3.6	2,498	3.8
o/w: China	1,900	3.0	2.6	1,816	2.8
o/w: India	475	0.7	0.7	496	0.8
Bonds	13,104	20.7	18.2	16,490	25.4
Commercial creditors	3,886	6.1	5.4	5,033	7.8
o/w local-currency government debt held by non-resider	1,614	2.5	2.2	2,481	3.8
Domestic	**32,849**	**51.9**	**45.7**	**32,849**	**50.6**
Short-term bills	5,009	7.9	7.0	5,009	7.7
Medium-to-long term bonds	18,320	28.9	25.5	18,320	28.2
Loans	76	0.1	0.1	76	0.1
Arrears	3,186	5.0	4.4	3,186	4.9
Other (Overdraft and SDRs on-lent)	6,258	9.9	8.7	6,258	9.6
Memo items:					
Collateralized debt[3]	619				
Contingent liabilities	308				
o/w: Public guarantees	284				
o/w: Other explicit contingent liabilities[4]	24				
Nominal GDP (in GHS mn)	615,259				

1/ As reported by Country authorities based on disbursements.
2/ The PV of external debt is discounted at 5 percent.
3/ 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.
4/ 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).

7. Against this backdrop, public debt has increased dramatically over the last three years. 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 88.1 percent of GDP at end-2022. Domestic debt reached 45.7 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 42.4 percent of GDP.

Public Debt
(In percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations

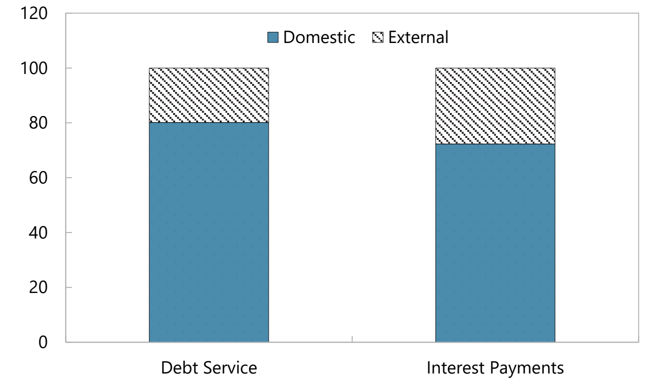
[6] The fiscal deficit on a commitment basis takes into account the spending that has been committed but remained unpaid, leading to accumulation of payables to domestic suppliers and to IPPs. On a cash basis, the primary deficit declined from 9 percent of GDP in 2020 to close to 1 percent of GDP in 2022.

[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.

8. Liquidity pressures have 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 117.6 percent in 2022 reflecting mainly higher government revenues due to the resumption of the economic activity after the pandemic and higher inflation. Debt-service to private external creditors constitutes the largest share of the external debt service payments in 2022 and accounts for 69 percent, followed by debt service to bilateral creditors that represents 20 percent. Gross financing needs (GFN) reached 19.3 percent of GDP in 2022 and are expected to remain well above the market financing risks benchmark of 14 percent over the medium term.

Public Debt Burden

(in percent, at end-2022)

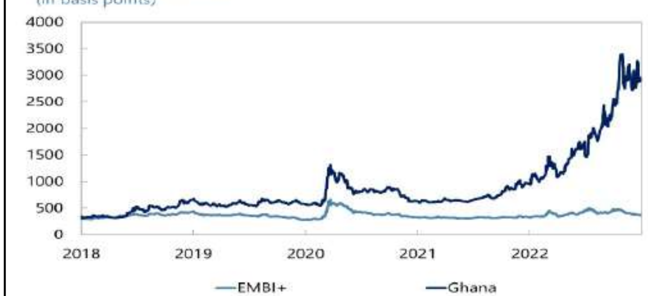


Sources: Ghanaian authorities and IMF staff calculations

9. These developments led to higher borrowing costs and shorter maturities. Domestic debt increased from 24 percent of GDP in 2019 to 45.7 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 7.2 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.

Sovereign Spreads

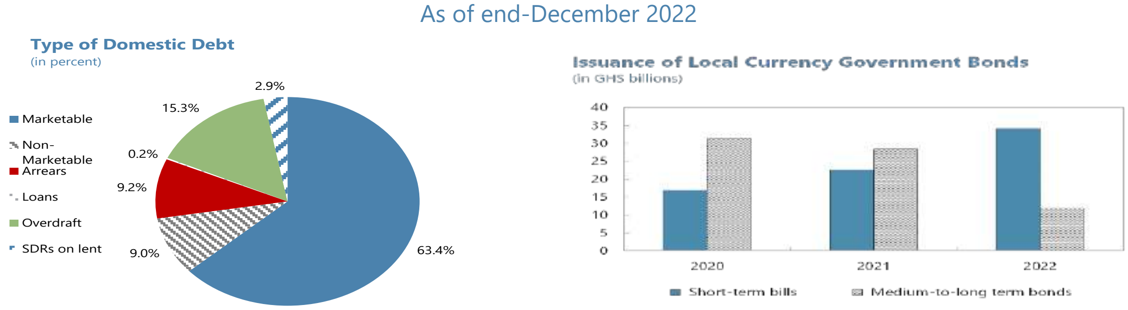
(in basis points)



Sources: Bloomberg L.P.

Composition of Domestic Debt

As of end-December 2022



Sources: Ghanaian Authorities; and IMF staff calculations

C. Macroeconomic Assumptions and Risks

The macroeconomic framework underpinning this DSA—staffs' baseline scenario—is based on the macroeconomic trajectory envisaged under the proposed Fund supported program starting from 2023, intending to restore macroeconomic stability and debt sustainability in the medium term. Particularly, this involves implementing a realistic and feasible fiscal adjustment, appropriately tightening monetary policy, enhancing exchange rate flexibility, and implementing growth-enhancing structural reforms. This DSA is based on a pre-restructuring scenario and does not model any debt relief which would be needed to restore debt sustainability.

10. The deepening economic crisis has led to a significant downgrade in growth and a surge in inflation. With the deterioration in consumer and business confidence, real GDP growth is estimated to have slowed from 5.4 percent in 2021 to 3.2 percent in 2022 on the back of weaker domestic demand. Headline inflation reached 54 percent in December, 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 (about 50 percent since end-2021), and the ongoing monetary financing of the deficit. Inflation subsequently declined marginally to 53 percent in February 2023. Gross international reserves have declined by about \$5 billion since mid-2021 to \$1.1 billion at end-February 2023, corresponding to 0.5 months of prospective imports, on the back of large capital outflows, loss of market access and failure to roll over central bank FX liabilities.[8]

11. Under the proposed Fund-supported program's baseline, there would be a gradual improvement in macroeconomic conditions. Non-extractive growth is projected to dip in 2023 to 0.7 percent—reflecting the impact of the domestic debt restructuring and the proposed fiscal tightening under the program (see below)—before recovering to its long-term potential starting from 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 recovers. Growth in extractive activities is expected to remain robust at about 6 percent on average in the next five years, buoyed by high commodity prices, recovery in the small-scale gold mining sector and the development of new gold and oil fields. Overall, real GDP growth is expected to slow down to 1.5 percent in 2023—the lowest on record since the 1980s—and to recover gradually to reach 5 percent in 2026. 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 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 6-10 percent target range by 2025, while the fiscal and external positions strengthen. The current account deficit is projected to stabilize at around 2.6 percent of GDP over the medium term; and official reserves would gradually rise to 3 months of prospective imports (US\$7.8 billion) by 2026.

[8] International reserve data exclude oil funds, encumbered and pledged assets.

Text Table 3. Ghana: Macroeconomic Assumptions, 2021–43

	2021	2022	2023	2024	2025	2026	2027	2028-43 1/
				Annual Percentage Change				
Real GDP growth								
2021 Article IV	4.7	6.2	4.7	5.0	5.8	5.2	5.1	4.5
2023 Program	5.4	3.2	1.5	2.8	4.7	5.0	5.0	5.0
Inflation GDP deflator								
2021 Article IV	11.2	7.7	7.2	6.9	6.1	6.4	5.9	6.2
2023 Program	11.2	29.8	39.9	20.1	10.9	7.6	7.6	7.7
Nominal GDP (in Billion of USD)								
2021 Article IV	75.5	82.0	87.7	94.0	101.0	108.4	115.9	198.3
2023 Program	79.2	72.8	66.5	67.6	71.5	75.9	80.9	146.7
Exports, Goods & Services								
2021 Article IV	12.5	4.8	1.9	3.7	8.5	7.5	8.0	6.5
2023 Program	9.1	7.7	1.0	4.7	4.3	5.0	4.0	6.6
Imports, Goods & Services								
2021 Article IV	6.6	8.8	5.1	5.0	4.4	6.7	5.9	6.5
2023 Program	5.8	1.4	0.2	3.9	3.3	5.5	4.5	6.5
				In percent of GDP				
Non-interest Current Account Deficit								
2021 Article IV	-0.6	0.8	1.6	1.9	1.0	1.1	0.7	0.1
2023 Program	-0.4	-0.2	-0.1	-0.5	-0.3	0.3	0.4	1.0
Revenue and Grants								
2021 Article IV	14.9	15.0	15.0	15.2	15.3	15.5	15.9	16.4
2023 Program	15.3	15.7	16.8	17.3	17.8	18.7	18.7	18.7
Primary Expenditure 2/								
2021 Article IV	20.8	16.4	15.2	14.9	14.0	14.2	14.1	14.2
2023 Program	17.2	16.5	18.0	17.5	16.9	17.7	17.7	17.7
Primary Deficit 2/								
2021 Article IV	5.9	1.4	0.2	-0.3	-1.3	-1.4	-1.8	-2.2
2023 Program	1.9	0.8	1.2	0.2	-0.9	-0.9	-1.0	-1.0
				In percent				
Average real interest rate on domestic debt								
2021 Article IV	6.7	9.8	9.9	10.3	10.4	9.4	9.3	6.2
2023 Program	3.5	-12.8	-20.6	-1.0	6.3	5.5	4.6	4.8
Average real interest rate on external debt								
2021 Article IV	3.3	3.3	3.8	4.2	4.4	4.4	4.6	4.9
2023 Program	4.5	-2.5	1.6	2.9	3.0	2.9	2.8	3.6

Source: Ghanaian Authorities; and IMF staff estimates and projections.
1/ For 2021 Article IV: 2028-41
2/Primary expenditure and deficit are computed on a cash basis.

12. The DSA's baseline scenario assumes a large and frontloaded, yet feasible, fiscal adjustment. The primary balance on a commitment basis—the key fiscal anchor under the proposed IMF-supported program—would improve by 5 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 consolidation would be based on a large revenue mobilization over the program period, given Ghana's low tax-to-GDP ratio compared to its potential. The authorities' objective is to raise the government revenue-to-GDP ratio to over 18.5 percent by the end of the program from 15.7 percent in 2022. Possible revenue measures, beyond those included in the 2023 Budget, could include the streamlining of large VAT exemptions (estimated at around 2 percent of GDP), the strengthening of excise taxes, measures to improve the extractive industry tax regime and reforms to reinforce tax compliance and revenue administration. Expenditure will need to be streamlined, particularly in the short term, while preserving growth-enhancing public investment, expanding social safety nets and eliminating extra-budgetary spending and arrears buildup. Additional savings over the medium term will come from a more efficient spending allocation and a reduction in the large subsidies to the energy sector through tariff adjustments and cost reduction measures—with the latter included in the baseline's projected spending.[9] A plan to clear the large stock of domestic arrears to suppliers is being prepared.

13. The 2023 Budget is consistent with the proposed IMF-supported program's fiscal policy objectives. Revenue measures adopted in this context aim to permanently improve the non-oil revenue-to-GDP ratio by 1 percent of GDP—including (i) increasing the VAT rate by 2.5 percent, (ii) strengthening personal and corporate income taxes as well as the existing levy on mobile money transactions (the e-levy), (iii) removing customs exemptions, and (iv) strengthening some excise taxes and improving VAT compliance. While the domestic debt exchange will likely temporarily reduce income taxes paid by financial institutions given its impact on their profit, this will be partly offset by the projected temporary increase in oil-related revenue in 2023.[10] Primary expenditure will be reduced by 2 percent of GDP, with most savings coming from (i) lower capital expenditures thanks to reprioritization of projects, (ii) a compression of real public sector wages, (iii) a reduction of transfers to statutory funds, and (iv) streamlining of purchases of goods and services. To achieve these objectives, the authorities will strictly tighten expenditure commitment controls of both MDAs and statutory funds. The government has also taken steps—including through an upfront electricity price increase of close to 30 percent implemented in January 2023—to reduce the size of the energy sector shortfall, and thus of budgetary transfers to energy producers. Overall, the primary balance (on a commitment basis) will be reduced by about 3 percent of GDP in 2023.[11]

14. The DSA's baseline scenario does not include the impact of the ongoing debt restructuring, although returning to debt sustainability will require the combination of a successful implementation of the Fund-supported program and debt restructuring. The authorities have announced a comprehensive debt restructuring—covering domestic as well as external commercial and bilateral debt—that 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. On the domestic front, the government launched a debt exchange program in early-December, opting for a voluntary approach, seeking to swap outstanding medium- and long-term domestic bonds for lower-coupon and longer maturity bonds. The exchange, which covered about 65 percent of total outstanding domestic bonds (and excluded bonds held by pension funds to protect pensioners' savings), received about 85 percent participation. The government is pursuing further exchanges of domestic debt denominated in US dollars and Cocobills issued by Cocobod. (see Box 1

[9] Transfers to the energy sector are projected to increase in 2023, despite the reforms, due to the large depreciation of the currency relative to 2022. In subsequent years they will decrease gradually thanks to continuous reform efforts.

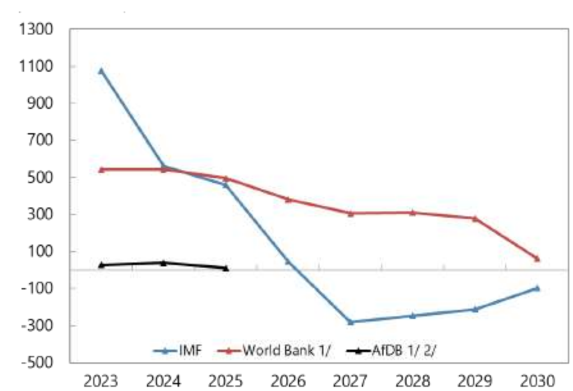
[10] Given the existing provisions to allow corporates to carry forward losses, the baseline builds in an associated temporary annual reduction in incomes taxes of 0.5 percent of GDP over 2023-25.

[11] Under the Sustainable Development Finance Policy (SDFP), the FY23 World Bank Performance and Policy Actions (PPAs – in the process of being approved) promote fiscal sustainability through supporting the adoption of the 2023 Budget (including key revenue mobilization measures), the completion of the COVID-19 spending audit and Cabinet approval of the sales of assets of identified defunct SOEs. A non-concessional debt ceiling will be designed with alignment with the IMF Debt Limits Policy for FY24.

below). The authorities have also made progress with respect to their external debt restructuring process. They announced a standstill on external commercial and bilateral debt in late December and formally requested a debt treatment under the G20's Common Framework.

15. Financing assumptions under the baseline scenario are conservative. The DSA scenario assumes that the government will not regain external market access until 2027. External disbursements over the period 2023-26 are thus limited to the World Bank, IMF, and other bilateral development partners (see text Table 4). The World Bank[12] is assumed to disburse US$3 billion of which US$1.45 billion for project loans, US$1.15 billion for budget support, US$ 0.15 billion for support to social safety nets and US$0.25 billion for emergency support to the financial sector[13]. The scenario assumes new exceptional financing of US$3 billion from the IMF in 2023-26, conditional on the receipt of credible and specific financing assurances from official creditors and a credible process towards debt restructuring of private claims. Other bilateral development partners are expected to contribute by US$0.33 billion. Under the-pre-restructuring baseline, the residual financing gap is assumed to be filled through accumulation of further arrears.[14] The Central Bank financing is assumed to end in 2023. Given the current situation in the domestic debt market and the government's ongoing debt operation, domestic financing needs in 2023 and 2024 are assumed to be met through issuance of T-bills[15] as the T-bill market remains functional. Starting in 2025, a gradually increasing share of domestic financing needs is projected to be met through issuance of longer-term Cedi debt as the T-bond market functionality is restored.

Net Official External Financing
(In $US, million)



Source: IMF and World Bank staff projections.
1/ Includes project grants.
2/ Financing commitment unavailable beyond 2025. This does not include possible additional budget support.

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12 Consistent with IDA20's new financing terms, 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.

13 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.

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

15 Domestic interest rates are expected to decline over time as inflation is expected to return to its target by end-2025, with real interest rate remaining positive.

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

(January - December 2023)

PPG external debt	Volume of new debt in 2023		Present value of new debt	
	USD million	Percent	USD million	Percent
Sources of debt financing	80	100	66	100
Concessional debt, of which	0	0	0	0
Multilateral debt	0	0	0	0
Bilateral debt	0	0	0	0
Non-concessional debt, of which	80	100	66	100
Semi-concessional debt	65	81	51	77
Commercial terms	15	19	15	23
Uses of debt financing	80	100	66	100
Infrastructure	80	100	66	100
Budget financing	0	0	0	0
Memorandum items				
Indicative projections				
Year 2	100		85	
Year 3	100		85	

[1/] The proposed Fund-supported program will include 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 and projected issuances of local currency debt to non-residents. They reflect only debt from bilateral development partners with commercial terms.

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

Box 1. Ghana: Domestic Debt Exchange (DDE)

The government launched on December 5, 2022, a DDE covering all medium- and long-term debt issued in local currency by the Government of Ghana, Daakye and ESLA. Government-issued T-bills have been excluded from the DDE perimeter. The initial exchange did not yet include domestic debt denominated in U.S. dollars and Cocobills issued by Cocobod. Over the course of discussions with bondholders the government also agreed that pension funds (representing about 20 of the debt eligible for the exchange) would not be expected to participate in the exchange.

The DDE settled on February 21, 2023. In total, 85 percent of the face value of bonds held by investors other than pension funds was exchanged in the DDE, equivalent to 28 percent of all outstanding domestic debt (which includes, among others, nonmarketable debt, verified arrears and Cocobills). The government offered most bondholders a set of new bonds at fixed exchange proportions with a combined average maturity of 8.2 years and coupons up to 10 percent (with part of the coupons capitalized rather than paid in cash in 2023 and 2024). At a 16-18 percent discount rate, the final terms of the DDE imply an average NPV reduction of about 30percent for these bondholders. Individual bondholders[1/] were offered an exchange into shorter term debt with higher coupons. Crucially, the completed DDE has also produced very large cash debt relief for the government of almost GHS 50 billion in 2023, relieving pressure on the domestic financing market.

The government is pursuing further exchanges of domestic debt denominated in US dollars and Cocobills issued by Cocobod. While these two types of debt account for only about 5 percent of total domestic debt, they also represent about GHS 15 billion in debt service in 2023.

[1/] Individual bondholders refer to non-institutional investors.

D. Projections Realism

16. **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 2017 DSA, total public debt exceeded estimates by 28 percentage points of GDP on average due to higher-than-expected fiscal deficits and other factors. This is a reflection of the unexpected impact of the COVID-19 pandemic and other 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 amounts to 9 percentage points of GDP in 2022. External debt has also exceeded the 2017-DSA 5-year projections by 6.3 percentage points of GDP due mainly to higher-than-expected external borrowing costs and currency depreciation.[16]

17. **The baseline's projected primary balance adjustment of 5 percent of GDP over three years is feasible.** Under the program, projections assume achievement of a primary balance surplus of 1.5 percent

[16] Relatively large unexplained residuals are significantly contributing to the accumulation of PPG debt and external debt during 2017-22. 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).

of GDP by 2025 on a commitment basis—expected to be maintained over the medium term. The consolidation falls within the top quartile for peers, but is 4 percent of GDP lower than the top of the distribution, underlining the consolidation plan's realism.[17] Moreover, the authorities firmly committed to the fiscal adjustment to restore fiscal sustainability and macroeconomic balances. This has been evidenced by 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.

18. Downside risks to the baseline are significant. Baseline projections are contingent on successful program implementation and adequate financing from development partners. Delays in implementing the needed adjustment and reforms, compounded with weak interagency coordination, lower agricultural and commodity production and deterioration in global conditions may lead to a further weakening of the macro-financial situation. Policy slippages and reversals also represent risks that could be exacerbated by the upcoming 2024 elections. Finally, the need to support Cocobod and larger-than-expected needed financial sector support due to the domestic debt exchange program could also adversely affect debt dynamics. However, strong political support for the program constitutes an important mitigating factor.

E. Debt-Carrying Capacity and Determination of Stress Tests

19. 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 2.82 remains between the cut-off values for weak and strong debt-carrying capacity, 2.69 and 3.05, respectively, suggesting a medium debt carrying capacity. The CI is the weighted average of the 10-year average of the World Bank's Country Policy and Institutional Assessment (CPIA) score and macro-economic variables from the October WEO 2022 vintage.

Text Table 5. Ghana: Debt Carrying Capacity

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.569	1.37	49%
Real growth rate (in percent)	2.719	4.765	0.13	5%
Import coverage of reserves (in percent)	4.052	30.335	1.23	44%
Import coverage of reserves^2 (in percent)	-3.990	9.202	-0.37	-13%
Remittances (in percent)	2.022	3.173	0.06	2%
World economic growth (in percent)	13.520	2.898	0.39	14%
CI Score			2.82	100%
CI rating			Medium	

Final	Classification based on current vintage	Classification based on the previous vintage
Medium	Medium 2.82	Medium 2.73

Source: CI score calculations based on LIC DSF.

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

20. Stress tests applied to public and external debt show that the primary balance, exchange rate and exports 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 2024 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 70 percent of exports; and on market access due to a 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 400 bps 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.

F. External DSA Assessment

21. Under the baseline, three external debt burden indicators breach their thresholds, with one of them doing so over the full horizon and by large margins (Figure 1). The debt service-to-revenue ratio exceeds its thresholds of 18 percent by large margins throughout the entire forecast horizon, while the PV of PPG external debt-to-GDP remains above its 40 percent threshold under the baseline until 2040. The debt service-to-exports ratio breaches its 15 percent threshold briefly in 2025 and breaches it again in 2032 to remain above it throughout the projection horizon. The one-off 30-percent nominal depreciation of the cedi is the most extreme shock for the PV of PPG external debt-to-GDP and the debt service-to-revenue ratios, while the exports shock seems to have the highest impact on the debt service-to-exports indicator. The fourth indicator—the PV of external debt-to-exports ratio—does not breach its 180 percent threshold under the baseline, while it breaches it in 2025-31 under an exports shock scenario—the most extreme shock for this indicator.

G. Public DSA Assessment

22. Under the baseline, the PV of total PPG debt-to-GDP breaches its 55 percent benchmark throughout the medium and long term (Figure 2). Although public debt declines gradually over time, it remains above 55 percent throughout the full horizon. A one standard deviation deterioration in the primary balance has the most severe impact on public debt to GDP indicator, followed by an adverse exports shock and a one standard deviation decline in real GDP growth. For other public debt indicators, the commodity price shock is the most severe.

23. With the loss of market access, the market financing risks are assessed as "high", signaling further liquidity pressures amid worsening market sentiment over the forecasting horizon. Both market financing risks indicators breach their respective thresholds. Gross financing needs (GFN), at 19.3 percent of GDP in 2022, are expected to remain significantly above the 14 percent benchmark over 3-year baseline projection horizon and increase further to reach 30 percent of GDP in 2025 and start declining gradually towards 16.8 percent of GDP in 2028. Eurobond spreads surged since mid-2021 and surpassed 2900 bps by end 2022, well above the 570 bps benchmark, as rollover and liquidity risks have materialized (see Figure 5).

SUSTAINABILITY ASSESSMENT AND CONCLUSION

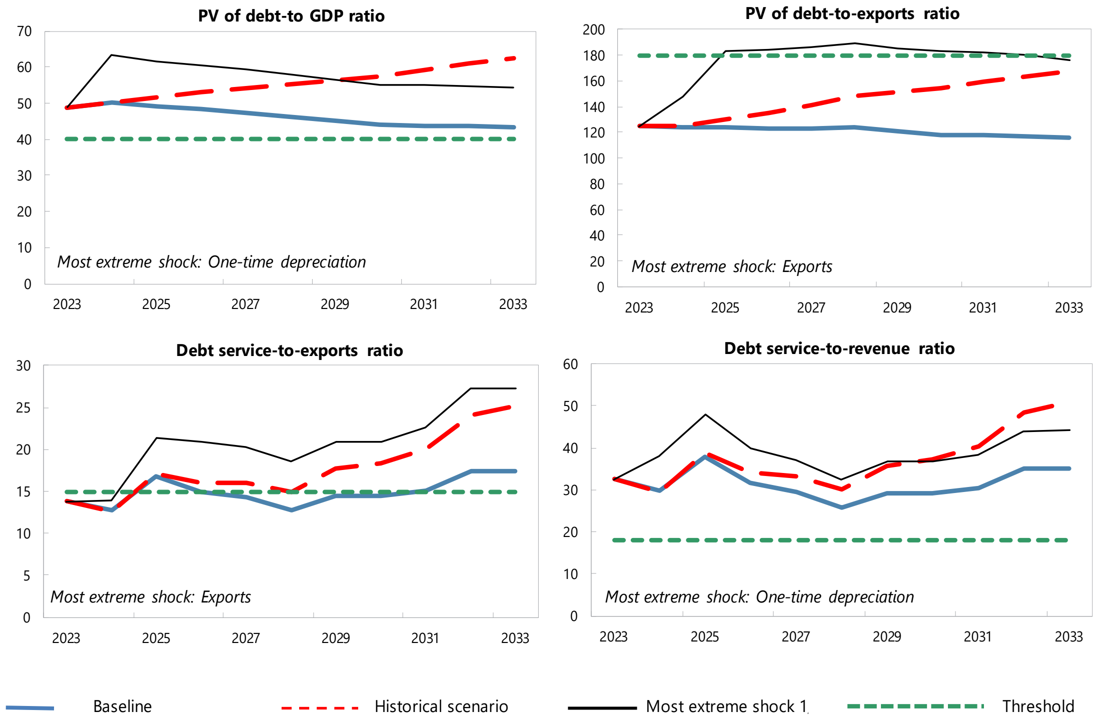
24. Ghana's external and overall public debt are assessed to be in distress and debt to be unsustainable. There are extended and large breaches of most debt burden indicators, despite the assumption of maximum feasible fiscal adjustment under the baseline, which does not incorporate the impact of the ongoing debt restructuring. The country lost international market access in 2021 amid a sharp deterioration in market sentiment and a surge in market spreads. The sovereign bond spread accelerated from 660 bps in mid-2021 to exceed 2900 bps at end-December 2022, with several consecutive downgrades by global rating agencies reflecting the continued deterioration of Ghana's public finances and external position. The authorities requested financial support from the IMF in July 2022. They have hired financial and legal advisors and have launched a comprehensive debt restructuring strategy. Progress is being made on domestic debt restructuring. An external debt service standstill is in place.

25. A comprehensive public debt restructuring, and the successful implementation of a credible reform program underpinned by a feasible and growth-friendly fiscal adjustment, will be necessary to restore debt sustainability. The baseline assumes strong program ownership and the authorities' full commitment to implement the Fund-supported program in order to restore debt sustainability and bring the debt risk rating to "moderate" in the medium term. This includes in particular reducing the PV of total debt-to-GDP and external debt service-to-revenue ratios to 55 and 18 percent, respectively, by 2028. This entails a revenue-based fiscal consolidation with higher spending efficiency and stronger social safety nets and structural reforms to support greater exchange rate flexibility, a more diversified economy and more inclusive growth.

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

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

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2023–33 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	5.3%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	6	6

* 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.

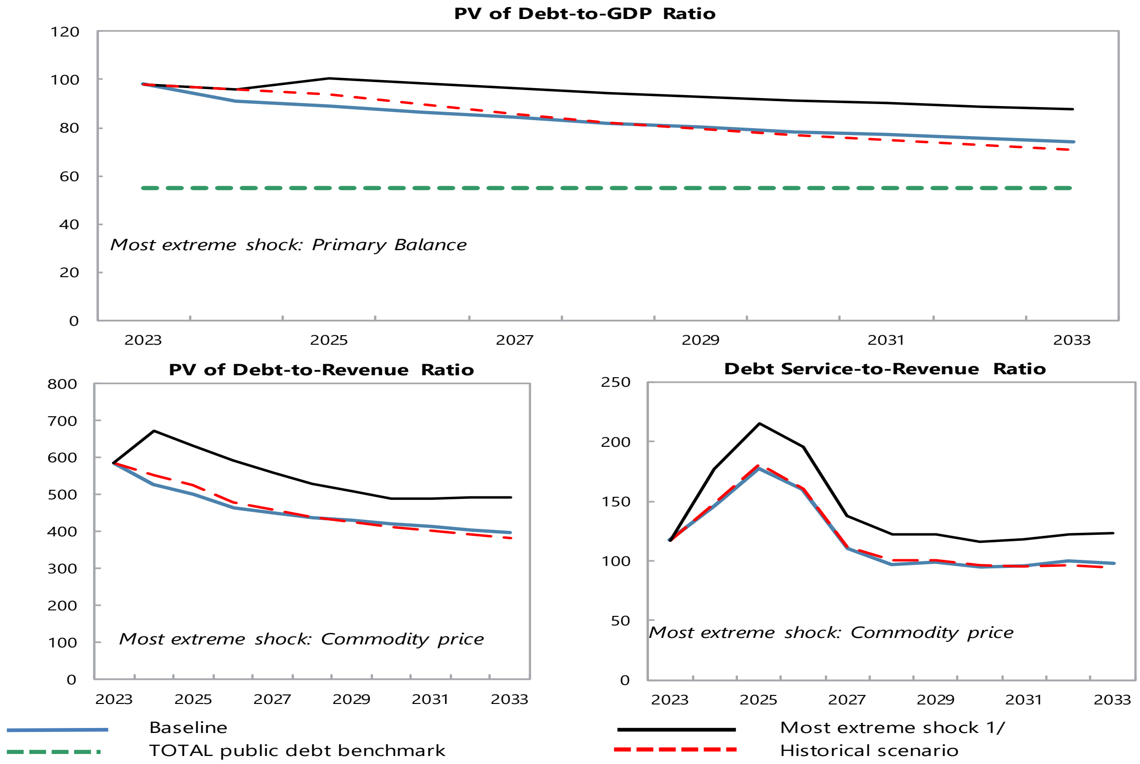
Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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, 2023-33



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	29%	29%
Domestic medium and long-term	41%	41%
Domestic short-term	30%	30%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	5.3%	9%
Avg. maturity (incl. grace period)	14	14
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	1.8%	5.0%
Avg. maturity (incl. grace period)	6	6
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	2.8%	2.8%

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

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2033. 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.

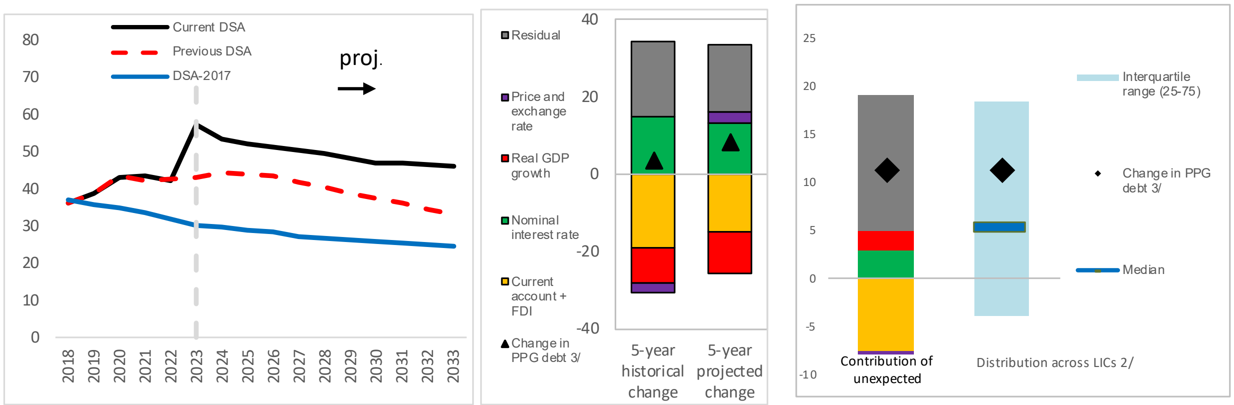
Note: Interest rate on additional borrowing resulting from the stress test is estimated at 9 percent (higher than the default rate of 4.9 percent) to reflect deterioration in Ghana's creditworthiness and loss of market access.

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

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages)

Debt-creating flows (percent of GDP)

Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)

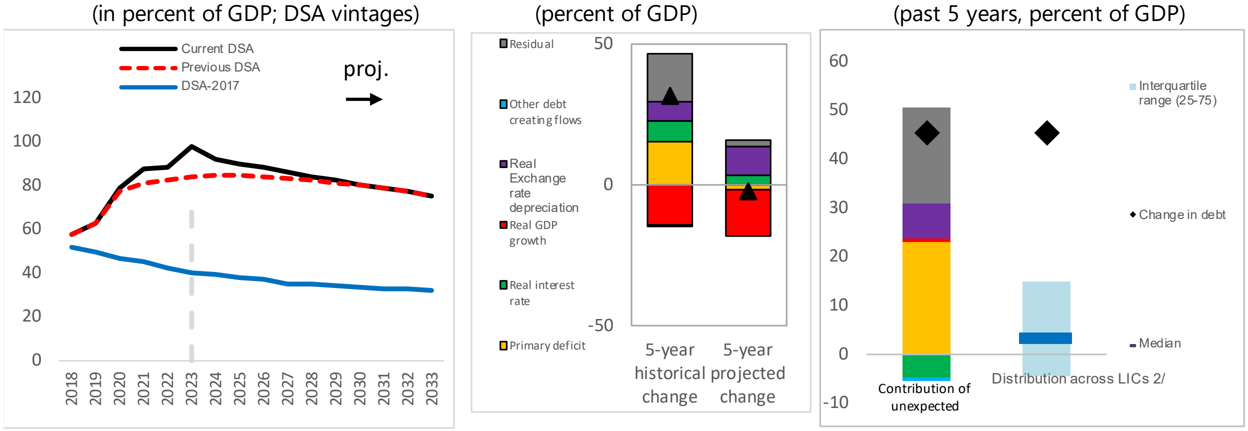


Public debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages)

Debt-creating flows (percent of GDP)

Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



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

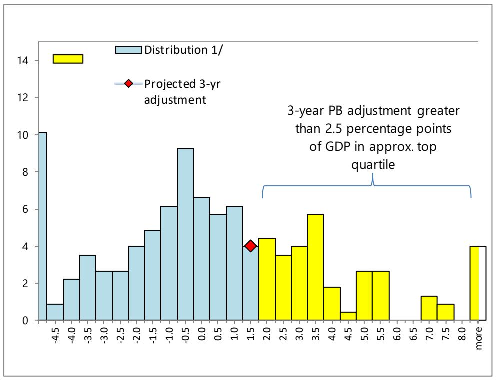
2/ Distribution across LICs for which LIC DSAs were produced.

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.

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.

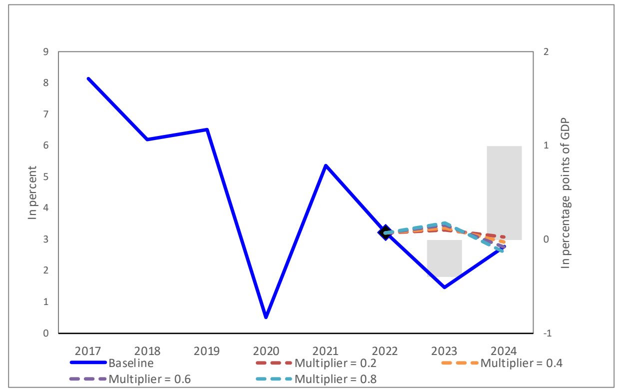
Figure 4. Ghana: Realism Tools

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



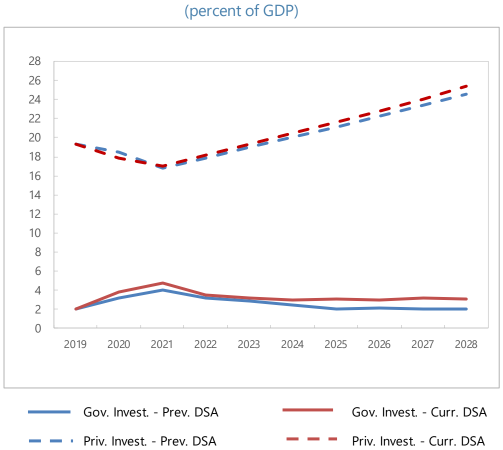
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

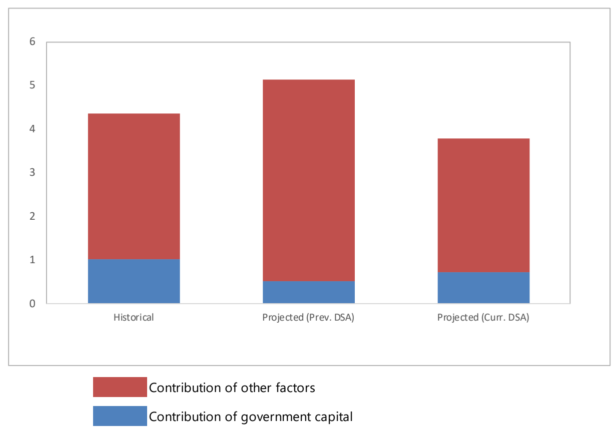
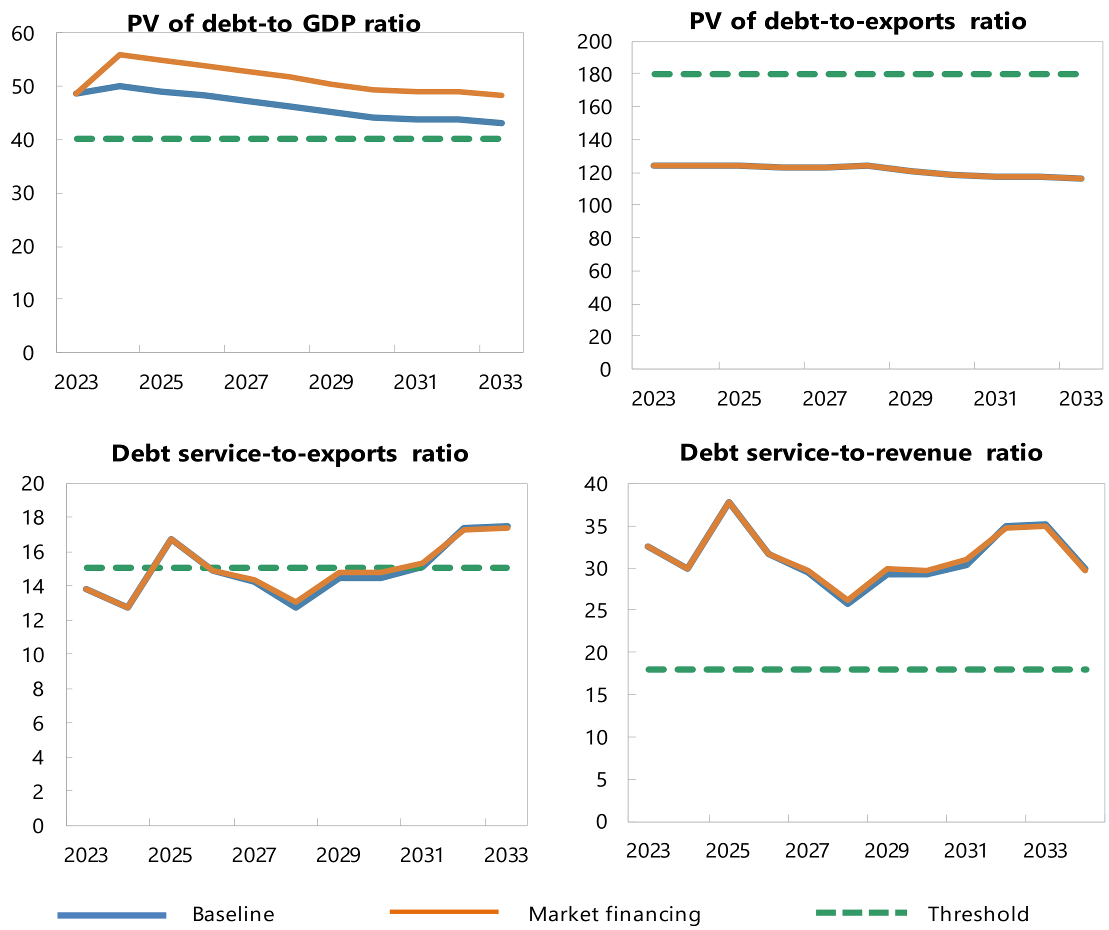


Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	30	2936
Breach of benchmark	Yes	Yes
Potential heightened liquidity needs	High	

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



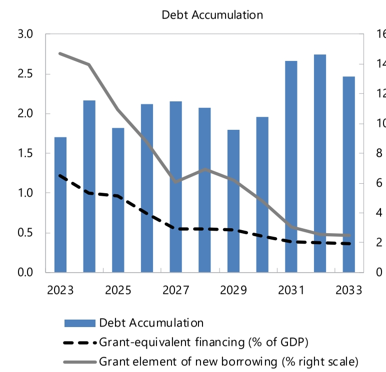
Sources: Country authorities; and staff estimates and projections.

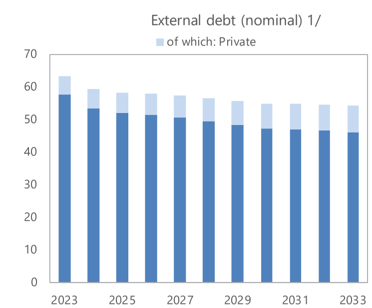
Note: Both the baseline and market financing shock scenarios display very similar paths for PV of debt-to-exports, debt service-to-exports and debt service-to-revenue ratios due to the low level of new envisaged commercial borrowing in the 3 years from the second year of the projection (2024-26).

Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2022–43
(In percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 8/	
	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	47.8	63.2	59.2	58.2	57.9	57.3	56.6	54.4	49.6	41.7	56.9
of which: public and publicly guaranteed (PPG)	42.4	57.5	53.3	52.0	51.4	50.5	49.6	46.0	39.6	37.3	49.9
Change in external debt	-0.8	15.4	-4.0	-1.0	-0.4	-0.6	-0.7	-0.3	-1.0		
Identified net debt-creating flows	2.1	0.1	-2.2	-3.7	-3.2	-3.1	-3.0	-2.5	-1.8	-2.0	-2.6
Non-interest current account deficit	-0.2	0.0	-0.4	-0.2	0.4	0.5	0.6	0.9	1.3	2.0	0.4
Deficit in balance of goods and services	0.8	0.6	0.3	0.0	0.2	0.4	0.4	0.5	0.1	4.2	0.4
Exports	35.3	39.1	40.2	39.7	39.3	38.3	37.3	37.2	37.4		
Imports	36.1	39.7	40.6	39.7	39.4	38.7	37.7	37.7	37.5		
Net current transfers (negative = inflow)	-4.9	-5.5	-5.5	-5.3	-5.1	-4.9	-4.7	-4.1	-3.2	-4.2	-4.8
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)	3.9	4.8	4.7	5.1	5.3	5.0	4.9	4.5	4.3	2.0	4.8
Net FDI (negative = inflow)	-2.0	-2.0	-2.8	-3.5	-3.5	-3.4	-3.4	-3.4	-3.4	-4.5	-3.2
Endogenous debt dynamics 2/	4.3	2.1	1.0	0.0	-0.1	-0.2	-0.2	0.0	0.4		
Contribution from nominal interest rate	2.3	2.8	2.8	2.7	2.6	2.5	2.5	2.6	2.7		
Contribution from real GDP growth	-1.7	-0.8	-1.7	-2.6	-2.7	-2.7	-2.7	-2.6	-2.4		
Contribution from price and exchange rate changes	3.7	...	...	...	...	...	...	...	...		
Residual 3/	-2.8	15.3	-1.8	2.7	2.8	2.5	2.3	2.2	0.8	4.4	3.2
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	42.8	48.7	50.1	49.1	48.2	47.3	46.3	43.2	37.4		
PV of PPG external debt-to-exports ratio	121.1	124.7	124.4	123.6	122.8	123.3	124.1	116.1	100.1		
PPG debt service-to-exports ratio	12.3	13.8	12.7	16.8	14.9	14.2	12.7	17.5	13.1		
PPG debt service-to-revenue ratio	28.1	32.5	29.9	37.9	31.6	29.6	25.7	35.2	26.4		
Gross external financing need (Million of U.S. dollars)	2554.8	3186.2	2275.5	3197.7	3300.2	3397.9	3149.8	7188.0	11870.4		
Key macroeconomic assumptions											
Real GDP growth (in percent)	3.2	1.5	2.8	4.7	5.0	5.0	5.0	5.0	5.0	4.6	4.4
GDP deflator in US dollar terms (change in percent)	-10.9	-10.0	-1.1	0.9	1.2	1.4	1.6	1.6	1.7	-1.5	0.2
Effective interest rate (percent) 4/	4.3	5.4	4.4	4.8	4.7	4.6	4.6	5.1	5.8	5.6	4.8
Growth of exports of G&S (US dollar terms, in percent)	7.7	1.0	4.7	4.3	5.0	4.0	3.7	6.7	6.9	4.8	5.1
Growth of imports of G&S (US dollar terms, in percent)	1.4	0.3	3.9	3.3	5.5	4.7	3.8	6.7	6.6	2.0	5.0
Grant element of new public sector borrowing (in percent)	...	14.7	13.9	10.9	8.8	6.0	6.9	2.5	2.2	...	7.3
Government revenues (excluding grants, in percent of GDP)	15.5	16.6	17.1	17.6	18.4	18.5	18.5	18.5	18.5	13.6	18.1
Aid flows (in Million of US dollars) 5/	132.4	884.0	932.9	942.0	875.6	845.2	883.8	692.8	842.9		
Grant-equivalent financing (in percent of GDP) 6/	...	1.2	1.0	1.0	0.7	0.6	0.5	0.4	0.3	...	0.6
Grant-equivalent financing (in percent of external financing) 6/	...	17.4	17.3	13.8	12.1	9.7	11.0	5.3	6.0	...	10.6
Nominal GDP (Million of US dollars)	72,839	66,499	67,621	71,480	75,920	80,851	86,225	119,188	228,880		
Nominal dollar GDP growth	-8.0	-8.7	1.7	5.7	6.2	6.5	6.6	6.7	6.8	3.0	4.7
Memorandum items:											
PV of external debt 7/	48.2	54.4	56.0	55.3	54.7	54.0	53.3	51.6	47.4		
In percent of exports	136.2	139.1	139.1	139.2	139.2	140.8	142.9	138.6	126.8		
Total external debt service-to-exports ratio	16.1	17.4	16.3	20.6	18.9	18.5	17.3	23.0	19.7		
PV of PPG external debt (in Million of US dollars)	31165.9	32404.8	33846.3	35080.0	36591.8	38223.2	39901.6	51510.3	85666.2		
(PVt-PVt-1)/GDPt-1 (in percent)		1.7	2.2	1.8	2.1	2.1	2.1	2.5	1.6		
Non-interest current account deficit that stabilizes debt ratio	0.6	-15.4	3.5	0.8	0.8	1.1	1.3	1.2	2.3		

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.

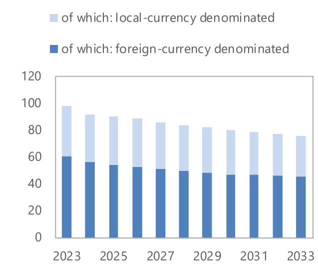
8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

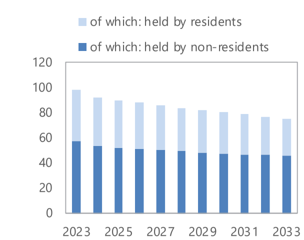
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2022–43
(In Percent of GDP, unless otherwise indicated)

	Actual	Projections								Average 6/	
	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	88.1	98.1	92.0	90.2	88.4	86.1	83.9	75.5	61.8	63.3	84.8
of which: external debt	42.4	57.5	53.3	52.0	51.4	50.5	49.6	46.0	39.6	37.3	49.9
Change in public sector debt	0.8	10.0	-6.1	-1.8	-1.8	-2.3	-2.2	-1.6	-1.5		
Identified debt-creating flows	-2.2	-8.2	-1.1	-1.3	-1.8	-2.2	-2.2	-1.8	-1.6	2.9	-2.4
Primary deficit	0.8	1.2	0.2	-0.9	-0.9	-1.0	-1.0	-1.0	-1.0	2.4	-0.7
Revenue and grants	15.7	16.8	17.3	17.8	18.7	18.7	18.7	18.7	18.7	14.1	18.3
of which: grants	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2		
Primary (noninterest) expenditure	16.5	18.0	17.5	16.9	17.7	17.7	17.7	17.7	17.7	16.5	17.7
Automatic debt dynamics	-3.0	-9.4	-1.3	-0.4	-0.9	-1.3	-1.2	-0.8	-0.6		
Contribution from interest rate/growth differential	-9.6	-9.4	-1.3	-0.4	-0.9	-1.3	-1.2	-0.8	-0.6		
of which: contribution from average real interest rate	-6.9	-8.2	1.4	3.8	3.4	2.9	2.9	2.9	2.4		
of which: contribution from real GDP growth	-2.7	-1.3	-2.7	-4.2	-4.3	-4.2	-4.1	-3.7	-3.0		
Contribution from real exchange rate depreciation	6.6	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	0.0
Privatization receipts (negative)	0.0	0.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	3.0	18.2	-5.0	-0.6	0.0	-0.1	0.0	0.2	0.0	2.4	1.3
Sustainability indicators											
PV of public debt-to-GDP ratio 2/	89.1	98.1	91.2	88.8	86.7	84.3	82.0	74.0	60.8		
PV of public debt-to-revenue and grants ratio	567.5	584.5	527.2	499.3	464.3	450.9	438.6	396.1	325.3		
Debt service-to-revenue and grants ratio 3/	117.6	117.3	146.6	177.0	159.6	110.0	97.3	97.8	72.0		
Gross financing need 4/	19.3	23.1	24.9	30.0	28.3	19.0	16.8	17.3	12.5		
Key macroeconomic and fiscal assumptions											
Real GDP growth (in percent)	3.2	1.5	2.8	4.7	5.0	5.0	5.0	5.0	5.0	4.6	4.4
Average nominal interest rate on external debt (in percent)	4.3	5.5	5.2	5.0	4.8	4.7	4.7	5.3	6.2	5.9	5.0
Average real interest rate on domestic debt (in percent)	-12.8	-20.6	-1.0	6.3	5.5	4.6	4.6	4.8	3.8	5.0	2.1
Real exchange rate depreciation (in percent, + indicates depreciation)	17.5	...	...	...	...	...	...	...	...	4.4	...
Inflation rate (GDP deflator, in percent)	29.8	39.9	20.1	10.9	7.6	7.6	7.7	7.7	7.8	14.7	12.0
Growth of real primary spending (deflated by GDP deflator, in percent)	-0.9	10.6	0.0	1.0	10.1	4.8	4.7	5.0	5.0	4.1	5.1
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.0	-8.8	6.3	1.0	0.8	1.3	1.2	0.6	0.5	-4.5	0.5
PV of contingent liabilities (not included in public sector debt)	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.
2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2023–33

(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of debt-to GDP ratio											
Baseline	**49**	**50**	**49**	**48**	**47**	**46**	**45**	**44**	**44**	**44**	**43**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**49**	**50**	**52**	**53**	**54**	**55**	**56**	**57**	**59**	**61**	**62**
B. Bound Tests											
B1. Real GDP growth	**49**	**52**	**53**	**52**	**51**	**50**	**49**	**48**	**47**	**47**	**47**
B2. Primary balance	**49**	**51**	**54**	**54**	**54**	**53**	**52**	**52**	**52**	**52**	**52**
B3. Exports	**49**	**55**	**62**	**61**	**61**	**60**	**59**	**58**	**58**	**57**	**56**
B4. Other flows 3/	**49**	**54**	**57**	**56**	**55**	**55**	**53**	**53**	**52**	**52**	**51**
B5. Depreciation	**49**	**63**	**62**	**61**	**59**	**58**	**56**	**55**	**55**	**55**	**54**
B6. Combination of B1-B5	**49**	**55**	**59**	**58**	**57**	**57**	**56**	**55**	**54**	**54**	**53**
C. Tailored Tests											
C1. Combined contingent liabilities	**49**	**52**	**52**	**52**	**52**	**52**	**51**	**50**	**51**	**51**	**51**
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	**49**	**51**	**52**	**52**	**52**	**51**	**50**	**49**	**49**	**48**	**48**
C4. Market Financing	**49**	**56**	**55**	**54**	**53**	**52**	**50**	**49**	**49**	**49**	**48**
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	125	124	124	123	123	124	121	118	118	117	116
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	125	124	130	135	141	149	151	154	159	164	167
B. Bound Tests											
B1. Real GDP growth	125	124	124	123	123	124	121	118	118	117	116
B2. Primary balance	125	126	135	137	140	143	141	140	140	140	139
B3. Exports	125	147	**183**	**184**	**186**	**189**	**186**	**183**	**182**	180	176
B4. Other flows 3/	125	134	143	143	144	146	143	141	140	139	136
B5. Depreciation	125	124	122	121	122	123	119	117	116	116	115
B6. Combination of B1-B5	125	142	144	158	160	162	159	156	155	153	151
C. Tailored Tests											
C1. Combined contingent liabilities	125	130	132	133	136	139	137	135	136	136	136
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	125	125	129	131	134	137	134	131	130	130	128
C4. Market Financing	125	124	124	123	123	124	121	118	118	117	116
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	14	13	**17**	15	14	13	15	14	**15**	**17**	**17**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	14	13	**17**	**16**	**16**	15	**18**	**18**	**20**	**24**	**25**
B. Bound Tests											
B1. Real GDP growth	14	13	**17**	15	14	13	15	14	**15**	**17**	**17**
B2. Primary balance	14	13	**17**	**16**	**16**	14	**16**	**16**	**17**	**20**	**20**
B3. Exports	14	14	**21**	**21**	**20**	**19**	**21**	**21**	**23**	**27**	**27**
B4. Other flows 3/	14	13	**18**	**17**	**16**	15	**16**	**16**	**18**	**21**	**21**
B5. Depreciation	14	13	**17**	15	14	13	14	14	15	**17**	**17**
B6. Combination of B1-B5	14	13	**20**	**18**	**18**	**16**	**18**	**18**	**20**	**23**	**23**
C. Tailored Tests											
C1. Combined contingent liabilities	14	13	**17**	**16**	**15**	14	**16**	**16**	**17**	**19**	**19**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	14	13	**17**	**16**	**15**	14	**16**	**16**	**17**	**19**	**19**
C4. Market Financing	14	13	**17**	15	14	13	15	15	**15**	**17**	**17**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**32**	**30**	**38**	**32**	**30**	**26**	**29**	**29**	**30**	**35**	**35**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**32**	**30**	**39**	**34**	**33**	**30**	**36**	**37**	**40**	**48**	**51**
B. Bound Tests											
B1. Real GDP growth	**32**	**31**	**41**	**34**	**32**	**28**	**32**	**32**	**33**	**38**	**38**
B2. Primary balance	**32**	**30**	**39**	**34**	**32**	**29**	**33**	**32**	**35**	**40**	**41**
B3. Exports	**32**	**30**	**41**	**38**	**36**	**32**	**36**	**36**	**39**	**47**	**47**
B4. Other flows 3/	**32**	**30**	**40**	**35**	**33**	**29**	**33**	**33**	**36**	**42**	**42**
B5. Depreciation	**32**	**38**	**48**	**40**	**37**	**32**	**37**	**37**	**38**	**44**	**44**
B6. Combination of B1-B5	**32**	**30**	**41**	**36**	**34**	**30**	**34**	**34**	**38**	**44**	**44**
C. Tailored Tests											
C1. Combined contingent liabilities	**32**	**30**	**39**	**33**	**31**	**28**	**32**	**32**	**33**	**38**	**38**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**32**	**37**	**47**	**40**	**37**	**31**	**34**	**32**	**34**	**39**	**39**
C4. Market Financing	**32**	**30**	**38**	**32**	**30**	**26**	**30**	**30**	**31**	**35**	**35**
Threshold	18	18	18	18	18	18	18	18	18	18	18

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

Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt, 2023–33
(In Percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	**98**	**91**	**89**	**87**	**84**	**82**	**80**	**78**	**77**	**75**	**74**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	**98**	**96**	**94**	**90**	**86**	**82**	**79**	**77**	**75**	**73**	**71**
B. Bound Tests											
B1. Real GDP growth	**98**	**95**	**97**	**97**	**95**	**95**	**94**	**94**	**94**	**94**	**94**
B2. Primary balance	**98**	**96**	**101**	**99**	**96**	**94**	**93**	**91**	**90**	**89**	**88**
B3. Exports	**98**	**95**	**100**	**98**	**96**	**94**	**92**	**91**	**90**	**87**	**85**
B4. Other flows 3/	**98**	**95**	**97**	**95**	**93**	**90**	**89**	**87**	**86**	**84**	**82**
B5. Depreciation	**98**	**100**	**96**	**92**	**89**	**86**	**84**	**81**	**80**	**78**	**76**
B6. Combination of B1-B5	**98**	**92**	**96**	**94**	**92**	**90**	**89**	**87**	**86**	**85**	**83**
C. Tailored Tests											
C1. Combined contingent liabilities	**98**	**100**	**98**	**96**	**94**	**91**	**90**	**88**	**87**	**86**	**85**
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	**98**	**97**	**94**	**93**	**92**	**91**	**91**	**91**	**91**	**92**	**92**
C4. Market Financing	**98**	**91**	**89**	**87**	**84**	**82**	**80**	**78**	**77**	**76**	**74**
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	585	527	499	464	451	439	429	420	412	404	396
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	585	554	527	480	458	440	426	413	401	391	381
B. Bound Tests											
B1. Real GDP growth	585	549	547	517	510	506	504	502	503	503	503
B2. Primary balance	585	554	566	528	516	505	497	488	483	475	469
B3. Exports	585	550	562	526	514	503	495	487	479	467	456
B4. Other flows 3/	585	551	544	508	495	484	476	467	459	448	438
B5. Depreciation	585	577	538	495	477	461	448	436	427	417	409
B6. Combination of B1-B5	585	533	539	504	492	481	474	466	460	453	446
C. Tailored Tests											
C1. Combined contingent liabilities	585	580	551	514	501	490	482	473	467	460	453
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	585	671	633	591	558	530	508	488	490	491	493
C4. Market Financing	585	527	499	464	451	439	430	420	413	404	396
Debt Service-to-Revenue Ratio											
Baseline	117	147	177	160	110	97	99	95	96	100	98
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	117	148	181	160	112	100	101	96	96	97	95
B. Bound Tests											
B1. Real GDP growth	117	149	191	176	126	115	119	117	119	125	125
B2. Primary balance	117	144	188	182	128	116	118	114	115	119	117
B3. Exports	117	147	179	165	115	102	104	101	103	110	108
B4. Other flows 3/	117	147	179	163	114	101	103	99	102	107	105
B5. Depreciation	117	139	174	159	114	102	105	102	103	109	108
B6. Combination of B1-B5	117	140	176	167	118	106	109	105	106	109	107
C. Tailored Tests											
C1. Combined contingent liabilities	117	144	199	174	124	112	114	111	110	113	111
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	117	177	216	196	138	123	122	116	118	123	123
C4. Market Financing	117	147	177	160	110	98	100	96	97	99	98

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.

GHANA

May 12, 2023

REQUEST FOR AN ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—SUPPLEMENTARY INFORMATION

Approved By
Annalisa Fedelino and Guillaume Chabert

Prepared by the Ghana team of the African Department

This supplement provides additional information to the Staff Report circulated to the Executive Board on May 3, 2023. Specifically, it includes an update on financing assurances from official bilateral creditors and recent data releases.

This supplement includes a proposed decision approving the arrangement under the Extended Credit Facility as well as the text of such ECF arrangement in an attachment to this Supplement.

FINANCING ASSURANCES

1. As foreseen in the staff report, staff's assessment is that there are sufficient assurances regarding the debt restructuring needed to restore debt sustainability and generate financing consistent with program parameters. Official bilateral creditors are being engaged through an Official Creditor Committee (OCC) formed under the G20 Common Framework for Debt Treatments beyond the DSSI (CF) and have provided financing assurances through creditor discussions and a joint statement (published on May 12).

2. With the provision of the financing assurances, the thrust of the staff appraisal contained in the staff report remains appropriate and staff recommends approval of the arrangement under the Extended Credit Facility.

RECENT DATA RELEASES

3. Economic data recently released by the Ghana Statistical Service are broadly consistent with staff's estimates and projections. The preliminary 2022 national accounts data indicate that real GDP grew by 3.1 percent in 2022, slightly lower than estimated in the Staff Report (3.2 percent). The 2022 nominal GDP was GHS 610 billion, about 0.8 percent below the GHS 615 billion estimated in the Staff Report. Staff assesses that updating the macroeconomic framework for this recently released data would not have a material impact on the program design and the analysis and conclusions presented in the Staff Report. Consistent with staff's projections, inflation has continued to decrease in April 2023, with recently-released information pointing to a further decrease in the CPI year-over-year growth from 45 percent in March to 41.2 percent.

Statement by Mr. Bijani, Mr. Sassanpour, and Mr. Akosah
May 17, 2023

INTRODUCTION

On behalf of the Ghanaian authorities, we thank Mr. Roudet and the mission team for their tireless efforts and constructive dialogue with the authorities, and for the comprehensive set of reports. Our authorities share staff's assessment of the difficult challenges facing the country and the policy priorities going forward.

Ghana is facing a deep economic, financial, and social crisis due to combined effects of large consecutive global shocks and pre-existing domestic vulnerabilities. Despite the authorities' success in steering the economy through the pandemic leading to a strong recovery in 2021, the underlying domestic vulnerabilities over time have weakened Ghana's resilience to external shocks. Notably, the Covid-19 shock elevated Ghana's fiscal and debt sustainability concerns which prompted sovereign downgrades, deteriorated investor confidence, and eventually triggered loss of access to international capital markets. The subsequent fallouts of the war in Ukraine together with the tightening of global financial conditions and adverse climatic developments further compounded Ghana's economic and financial difficulties. This resulted in a sharp *Cedi* depreciation, rising inflation despite substantial monetary policy tightening, heightened financing need, significant loss of FX reserves, and escalated social and political tensions.

Ghana is now in debt distress and its debt is assessed to be unsustainable. As part of broader efforts to restore medium-term debt sustainability, the authorities launched a comprehensive public debt restructuring program, involving both domestic and external debt. They successfully completed the domestic debt exchange program (DDEP) on February 21, 2023, securing 85 percent voluntary participation of holders of all marketable domestic debt—excluding T-bills and those held by pension funds—with a combined average maturity of 8.2 years. On externa debt, the authorities announced a suspension of debt service to external commercial and bilateral obligations on December 19, 2022 and proceeded to engage the official bilateral creditors (OBCs) under the G20 Common Framework (CF). The

Official Creditor Committee of the OBCs provided the needed financing assurances on May 12, 2023 to close the financing gap.

In support of their domestic policy and reform agenda, the authorities are requesting a 36-month arrangement under the IMF's Extended Credit Facility (ECF) in the amount of SDR 2.242 billion (304 percent of quota or about US$3 billion) for budget support. The authorities are of the view that the program incorporates adequate safeguards and should help catalyze mobilization of much-needed financing from development partners to back their Post Covid-19 Program for Economic Growth (PC-PEG) and enhance the country's resilience to shocks. They are strongly committed to undertaking appropriate and timely corrective actions to achieve the program's objectives, if and when needed. As a demonstration of their strong commitment and ownership of the program, the authorities have fully implemented all the five prior actions.

RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

The authorities agree with the staff's assessment of subdued growth in the near-term. After rebounding sharply to 5.1 percent in 2021, real GDP growth slowed to 3.1 percent in 2022, as growth of non-extractive sectors declined to 1.9 percent amid an unsettled macroeconomic environment with plummeting business and consumer confidence. Economic growth for 2023 is projected to moderate further to 1.5 percent, largely due to tighter macroeconomic policies and a dim global outlook affecting Ghana's commodity exports. Growth is however expected to pick up from 2024 with the economy growing at a sustainable average annual rate of around 5 percent over the medium term.

Inflation remains elevated despite recent easing price pressures. Headline inflation accelerated sharply from 7.5 percent in May 2021 to a more than two decades high of 54.1 percent in December 2022, reflecting surging global fuel and food prices, monetary financing of the budget and sharp *Cedi* depreciation, and adverse climatic conditions. In response, the Bank of Ghana (BoG) has tightened monetary conditions, including a cumulative increase in the policy rate of 1500 basis points since January 2022 and sharply increased the reserve requirement to help contain the rise in inflation and re-anchor inflation expectations. The headline CPI inflation subsequently eased for the fourth consecutive month to 41.2 percent in April 2023, with core inflation also decelerating, reflecting a gradual easing of underlying price pressures. Inflation is projected to decline further to 29 percent by end-2023 and gradually to fall within the BoG's medium-term target band of 6-10 percent by end-2025, as monetary tightening and multi-year fiscal consolidation take hold. This macroeconomic outlook however hinges on successful execution of the ECF-supported program and swift conclusion of the comprehensive debt restructuring.

Ghana's external sector performance deteriorated markedly in 2022. In particular, the overall balance of payments turned to a deficit, underpinned by a larger current account deficit, a lower FDI flows and a significant portfolio reversal in the financial and capital accounts. As a consequence, FX reserves declined significantly. The loss of reserves together with a significant portfolio reversal, concerns about DDEP, sovereign rating downgrades and seasonal factors intensified the pressure on the *Cedi* as it depreciated by 30.0 percent against the US dollar in 2022 following a depreciation of 4.1 percent in 2021.

MEDIUM-TERM MACROECONOMIC POLICIES AND STRUCTURAL REFORMS

The Fund-supported ECF program will anchor the authorities' core objective of building on the progress of its home-grown PC-PEG to ensure that the economy quickly emerges from the crisis stronger and more resilient. The PC-PEG primarily seeks to reestablish macroeconomic stability and debt sustainability while supporting structural reforms to foster efficiency, competitiveness, and broad-based diversification as well as bolstering private-sector-led, inclusive green growth. Protection of the vulnerable groups will be high on the authorities' agenda.

Fiscal Policy and Debt Management

The authorities are committed to pursuing an ambitious and credible multi-year fiscal consolidation program, anchored by strong domestic revenue mobilization and high spending efficiency, to restore debt sustainability while building buffers for social protection. In line with the program's objectives, the authorities enacted the 2023 budget and associated bills that frontload adjustment aimed reducing the primary deficit (on commitment basis) by 3.1 percentage points. The adjustment hinges on increasing the share of both non-oil (excluding grants) and oil revenues to GDP and reducing primary expenditures to GDP ratio by 2 percentage points. The main elements of the 2023 revenue package include an increase in the VAT rate; complete removal of discount on benchmark values at customs; review of the E-levy and income-based taxes.

To achieve the planned primary expenditure savings in 2023, the authorities have also introduced several measures, including: (i) reducing the cap on transfers to statutory funds and reviewing the earmarked funds to improve efficiency, relevance and value for money; (ii) a 30 percent cut in the salaries of political office holders; (iii) rationalizing financial clearance and negotiating wage adjustment within budgetary constraint to realize a reduction in Compensation of Employees by 0.5 percentage points of GDP; (iv) setting budgetary allocations to the Use of Goods and Services and capital expenditure at a level that will prevent the accumulation of arrears; and (v) calibrating the 2023 appropriations for transfers to energy producers to cover the energy sector's expected financial shortfall in full. The authorities are also committed to strengthening expenditure controls for both Ministries, Department and Agencies, and statutory funds to ensure strict adherence to budget appropriations and to avoid accumulation of new payables. They are resolved to deploy emergency measures, whenever and to the extent necessary, to meet program targets if downside risks materialize.

Beyond 2023, the authorities are targeting a primary surplus (on commitment basis) of 1.5 percent of GDP by 2025 through to 2028. The medium-term fiscal adjustment is contingent on significant domestic revenue mobilization while strengthening the efficiency and quality of public spending. That said, the authorities' objective is to raise the public revenue-to-GDP to over 18.5 percent by the end of the program from 15.7 percent in 2022. To help achieve this, the authorities will develop a Medium-Term Revenue Strategy (MTRS) aimed at progressively raising non-oil revenue. In addition, the oil revenue is expected to increase during the program years—primarily due to higher prices—and return to 2022 levels by 2027. On expenditure, the authorities will prioritize, within fiscal bounds, growth enhancing capital projects and undertake a comprehensive review of Government's flagship programs, in line with the country's development needs, and with a view to ensuring value for money. They are designing a comprehensive clearance strategy for the stock of expenditure payables accumulated in recent years and will negotiate public sector wages in manner to ensure a balance between burden sharing, productivity, and capacity to pay.

On the structural fiscal reforms, the authorities plan to deepen PFM, accelerate energy sector reforms, and strengthen SOE competitiveness and efficiency. In particular, they are advancing works to integrate all sources of funds, HRMIS, GHANEPS and Payroll systems into the GIFMIS platform to facilitate the centralization of budgetary oversights and to mitigate associated risks. With Fund TA support, they will amend the fiscal rule to include a debt target with a broad coverage to further strengthen fiscal discipline. They will also leverage digitization to reduce informality and enhance financial inclusion with a view of achieving the revenue objectives over the program period.

Social protection ranks very high on the authorities' priority list as they plan to mitigate the impact of the planned fiscal adjustment on the vulnerable. In this regard, the authorities will step up efforts to better target social spending towards the most vulnerable households, and to strengthen the social safety nets, including the Livelihood Empowerment Against Poverty (LEAP) and the School Feeding Program. To provide an immediate cushion to the poorest households, the 2023 budget doubled the level of benefits of the existing well-targeted LEAP. The coverage and efficiency of social spending in health and education will also be increased to help achieve the government's development objectives of enhancing access to quality higher education, universal health insurance and poverty eradication, as stated in Ghana's Medium-Term National Development Policy Framework (2022-25). In line with the program, the authorities will also redefine lifeline tariffs and design a systematic framework—after proper mapping—to shield the vulnerable households from the impact of higher electricity tariffs.

On debt, the authorities will remain resolute in restoring moderate risk of debt distress over the medium term. They will develop a medium-term debt strategy (MTDS) aimed at: (i) prioritizing concessional financing for projects; (ii) building buffers to reduce exposure to volatilities from debt markets; and (iii) strengthening SOE governance—particularly in the financial and energy sectors including COCOBOD—to minimize potential fiscal risks arising from contingent liabilities. Additional critical debt management reforms will focus on deepening the domestic debt market to improve secondary market activity and price discovery, strengthening debt accountability and transparency among state institutions, and addressing associated risks to safeguard medium-term debt sustainability. In line with international best practices, they will continue to publish the MTDS and an updated annual borrowing plan.

Monetary and Exchange Rate Policies

Monetary policy will aim to secure price stability with a view to firmly anchor inflation expectations and create conditions for sustainable non-inflationary growth. The Bank of Ghana (BoG) is resolved to continue tightening monetary policy—within its inflation targeting framework—until inflation is firmly on a declining path and securely within its medium-term target band. The authorities will adopt a monetary policy consultation clause to monitor inflation developments and to ensure that inflation stays on track. They will also continue their efforts to strengthen the monetary policy framework and the transmission mechanism with TA support from the Fund. The BoG will also step up sterilization to absorb excess liquidity, while considering potential financial stability risks. To mitigate fiscal dominance and enhance central bank independence, the authorities will revise the Bank of Ghana Act 2002 (Act 612), as amended, with a view to reduce the overdraft limits, enhance compliance and clearly specify the extent of permissible breach under emergency situations. Relatedly, an MoU to eliminate monetary financing of the government deficit has already been signed between the BoG and Ministry of Finance and the ongoing Safeguard Assessment is expected to inform designing appropriate changes to the BoG Act.

The authorities prioritize greater exchange rate flexibility and rebuilding FX reserves to at least 3 months of imports by the end of the program. In this context, the authorities will restrict FX market interventions to periods of excessive market volatility. To avoid MPCs, the authorities will take the requisite reforms to unify the FX market—including by enhancing FX auctions design and promoting price discovery and efficiency of FX allocation, with Fund TA support. The BoG will also maintain its recent policy of no forex financing for non-critical imports which could be produced locally and jettison the recent temporary surrender requirement by mining firms. Furthermore, it will continue to engage key exporting companies—especially mining firms and international oil companies—to purchase all foreign exchange through voluntary repatriation to help shore up the country's FX reserves and promote *Cedi* stability.

Financial Sector Policies

The authorities recognize the need for vigilance to safeguard domestic financial stability in the aftermath of DDEP. The banking sector remains relatively resilient, thanks to financial sector cleanup conducted in recent years (2017-2019), though the DDE presents significant challenges to the profitability of the financial sector given its sizeable exposure to the public sector. Against this backdrop, the authorities will continue to strengthen the governance and oversight of banks—including accelerating the execution of ongoing banking sector reforms—and are poised to deploy all available instruments to safeguard financial sector stability. Notably, the BoG has granted temporary regulatory forbearance by lowering cash reserve requirement for banks and reducing adjusted capital requirement for banks and other financial institutions to help provide relief in the short term. In addition, the existing Repo and Emergency Liquidity Assistance facilities will provide liquidity to the banking sector, if, when and to the extent needed.

To provide additional support to the financial sector, the authorities are developing a Ghana Financial Stability Fund (GFSF) and will ensure that its scope—including the nature of the support (liquidity vs solvency), targeted institutions, eligibility criteria, conditionality, and funding sources—is consistent with international best practices. The World Bank will provide funding of US$250 million to facilitate the build-up of capital buffers for qualifying banks. The authorities will also develop a Financial Sector Strategy (FSS) by end-June 2023, aimed at strengthening the financial sector and rapidly rebuild buffers. Under the FSS, the authorities will require banks, special deposit taking institutions and non-bank financial institutions to submit a time-bound recapitalization plan, while providing incentives for early recapitalization and for building capital buffers. The BoG will further carry out additional stress tests to closely monitor banking sector risks and to apprise discussions of modifications to the FSS.

Structural Reforms

The authorities are committed to address macro-critical gaps in Ghana's governance framework, enhance accountability and fight corruption forcefully. They will enact the Conduct of Public Officers Act to address identified weaknesses in the existing asset declaration system and continue to implement and update the National Anticorruption Action Plan (NAAP), adopted in 2014 for the period 2015-25. In this context, they have requested a Governance and Anticorruption Diagnostic Assessment from the Fund to inform updating of the NAAP. The authorities also remain steadfast to implementing the recommendations of the audit report of the Covid-19 spending and are preparing new guidelines for Emergency Expenditure Management. They also recognize the criticality of continuously strengthening the AML/CFT framework to ensure steady alignment with FATF standards and to safeguard financial stability.

Laying the foundations for private-sector-led inclusive growth is a medium-term priority enshrined in the PC-PEG. The authorities remain focused on diversifying the economy to reinforce competitiveness and economic resilience, while strengthening the agriculture sector to safeguard food security and boost long-term growth. They also recognize the necessity to bolster private sector participation and productivity growth by improving business environment and entrepreneurship.

The authorities are committed to strengthening climate adaptation and mitigation policies considering Ghana's significant vulnerabilities to climate shocks. They will prioritize investment in climate-responsive public infrastructure, particularly in agriculture, urban development, transportation, energy efficiency, and coastal protection. In this context, they will step-up efforts to build the requisite capacity to effectively design innovative financial solutions and bankable climate-related projects and scale up projects to help attract institutional investors and private sector. They will also improve the disaster risk management and information infrastructure to strengthen their assessment of climate risks.

CONCLUDING REMARKS

Ghana is currently at a difficult crossroads and is facing overwhelming challenges to restore macroeconomic stability and debt sustainability. The current crisis reflects a set of extraordinary and successive global shocks, and long-standing domestic fragilities. Despite the current challenges and elevated downside risks to the outlook, the authorities are confident that the proposed Fund-supported ECF program will help improve the fiscal and economic outlook and transmute the macroeconomic gains into building stronger social safety nets to combat poverty. In view of the strength of Ghana's policy and reform agenda and the authorities' resolute commitment to the program objectives, we would appreciate the Board's approval of the ECF program which is also expected to unlock additional financing from development partners.