IMF Country Report No. 21/165

GHANA

July 2021

2021 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR GHANA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2021 Article IV consultation with Ghana, the following documents have been released and are included in this package:

- A **Press Release** summarizing the views of the Executive Board as expressed during its July 19, 2021 consideration of the staff report that concluded the Article IV consultation with Ghana.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on July 19, 2021, following discussions that ended on May 12, 2021, with the officials of Ghana on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 1, 2021.
- An **Informational Annex** prepared by the IMF staff.
- A **Debt Sustainability Analysis** prepared by the staff[s] of the IMF and the World Bank.
- 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

PR21/221

IMF Executive Board Concludes 2021 Article IV Consultation with Ghana

FOR IMMEDIATE RELEASE

Washington, DC – **July 20, 2021:** The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] with Ghana on July 19, 2021.

Ghana was hit hard by the COVID-19 pandemic. The government response helped contain the pandemic and support the economy, but at the cost of a record fiscal deficit. The economic outlook is improving, even though risks remain, including from the evolution of the pandemic and rising debt vulnerabilities.

The pandemic had a severe impact on economic activity. Growth slowed to 0.4 percent in 2020 from 6.5 percent in 2019, food prices spiked, and poverty increased. The fiscal deficit including energy and financial sector costs worsened to 15.2 percent of GDP, with a further 2.1 percent of GDP in additional spending financed through the accumulation of domestic arrears. Public debt rose to 79 percent of GDP. The current account deficit widened slightly to 3.1 percent of GDP as the decline in oil exports was partially offset by higher gold prices, resilient remittances, and weaker imports. The Ghanaian Cedi remained stable against the US dollar, partly due to central bank intervention, and gross international reserves remained at 3.2 months of imports. External and domestic financing conditions tightened considerably at the start of the pandemic, but have improved since, and Ghana successfully returned to international capital markets for a US$3 billion Eurobond issuance in March 2021.

An economic recovery is underway. Growth is expected to rebound to 4.7 percent in 2021, supported by a strong cocoa season and mining and services activity, and inflation remaining within the Bank of Ghana target. The current account deficit is projected to improve to 2.2 percent of GDP, supported by a pickup in oil prices, and gross international reserves are expected to remain stable. The 2021 budget envisages a fiscal deficit of 13.9 percent of GDP in 2021, including energy and financial sector costs, and a gradual medium-term fiscal adjustment which would support a decline in public debt starting in 2024. However, this outlook is subject to significant uncertainty, including from new pandemic waves and risks associated with large financing needs and increasing public debt.

Executive Board Assessment[2]

Executive Directors agreed with the thrust of the staff appraisal. They noted that the pandemic had a severe impact on Ghana's economy, with slower growth, higher food prices, and increased poverty. Directors commended the Ghanaian authorities for their proactive response to the COVID-19 pandemic, which mitigated its economic impact, but contributed to a record fiscal deficit and increased public debt vulnerabilities. While there are encouraging signs of an

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

economic recovery, they noted that it remains uneven across sectors. In this context, Directors stressed the importance of entrenching prudent macroeconomic policies, ensuring debt sustainability, and pressing ahead with structural reforms to deliver a sustainable, inclusive, and green economic recovery.

While noting that risks to Ghana's capacity to repay have increased, Directors concurred that they are still manageable and that Ghana's capacity to repay the Fund remains adequate.

Directors welcomed the fiscal adjustment envisaged in the 2021 budget. They stressed that fiscal consolidation is needed to address debt sustainability and rollover risks, as Ghana continues to be classified at high risk of debt distress. To protect the most vulnerable, considerations could be given to more progressive revenue measures and a faster return to the pre-pandemic level of spending, with a shift towards social, health, and development spending. Directors also encouraged the timely completion of the planned audit of COVID-19 emergency spending and new expenditure arrears.

Directors agreed that the monetary policy stance remains broadly appropriate, while noting that tighter policy would be needed if inflationary pressures materialize. Although gross international reserves are relatively high, Directors stressed the need to guard against erosion of external buffers and remain committed to a flexible exchange rate regime. Directors also encouraged the authorities to limit monetary financing of the deficit.

Directors noted that the financial sector cleanup had made the sector more resilient but stressed that banks' growing holdings of sovereign debt creates risks and crowds out private sector credit. In this regard, they took positive note of ongoing supervisory and regulatory reforms, which are important steps to protect financial stability. Directors also welcomed the improvements in the AML/CFT framework that allowed Ghana to exit the FATF "grey list".

Directors emphasized that the authorities' structural transformation and digitalization agendas are critical to support the recovery. They noted that the structural transformation can be complemented by the ongoing energy sector review, diversification in tourism, and the digital transition, which has the potential to reduce corruption, boost tax revenues, and improve service delivery. Directors supported continued capacity development efforts in these areas.

It is expected that the next Article IV consultation with Ghana will be held on the standard 12-month cycle.

Ghana: Selected Economic and Financial Indicators, 2019–22

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.
National accounts and prices	*(annual percentage change)*			
GDP at constant prices	6.5	0.4	4.7	6.2
Non-oil GDP	5.8	0.9	6.4	5.9
Oil and gas GDP	14.4	-4.6	-14.6	10.3
Consumer price index (p.a.)[1]	7.1	9.9	8.9	8.5
Central government budget (cash basis)	*(percent of GDP)*			
Revenue	14.3	12.9	14.9	15.0
Expenditure	21.8	28.2	28.9	25.4
o/w financial and energy sector costs	2.7	4.7	3.9	1.0
Overall balance[2]	-7.5	-15.2	-13.9	-10.5
excl. financial and energy sector costs[2]	-4.7	-11.4	-10.0	-9.5
Primary balance[2]	-1.8	-8.8	-5.9	-1.4
excl. financial and energy sector costs[2]	0.9	-4.1	-2.0	-0.3
Public debt (gross)	62.9	78.9	83.5	84.9
Domestic debt[3]	23.9	34.2	39.3	40.1
External debt	39.0	44.7	44.2	44.8
Money and credit	*(annual percentage change)*			
Credit to the private sector	4.7	10.6	8.6	7.8
Broad money (M2+)	21.6	29.7	22.1	13.5
External sector				
Current account balance (percent of GDP)	-2.7	-3.1	-2.2	-3.5
Gross international reserves (US$ millions)	6,607	6,962	7,494	7,435
in months of prospective imports	3.4	3.2	3.2	3.0
Net international reserves (US$ millions)[4]	5,247	4,559	5,212	5,285
in months of prospective imports	2.7	2.1	2.2	2.1
Memorandum items:				
Nominal GDP (GHS millions)	356,544	383,486	446,662	510,652
Government debt excl. ESLA (% GDP)	61.2	76.9	81.9	83.5

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

[1] The CPI was rebased in September 2019. The historical figures reflect assumptions by IMF staff.

[2] Excludes discrepancy.

[3] Includes Energy Sector Levy Act bond.

[4] Does not subtract liabilities from currency forwards or swaps with residents.

GHANA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION

July 1, 2021

KEY ISSUES

Context. Ghana has been hit hard by the pandemic. The government's proactive response helped contain the spread of COVID-19, protecting lives and limiting the impact on economic activity. However, partly because of the pandemic, the fiscal position worsened considerably last year, with a sharp increase in public sector debt.

Outlook and risks. Medium-term prospects remain favorable, driven by opportunities in digitalization, structural transformation, and the expansion of extractive industries. However, the ongoing recovery is threatened by possible new pandemic waves and rising debt vulnerabilities, including large financing needs that leave government exposed to rollover and solvency risks.

Focus of the Article IV consultation. Discussions centered on policies to support the economic recovery and reduce fiscal vulnerabilities.

- *Growth.* The digitalization agenda will boost growth, formality, and tax revenue potential. Given limited fiscal space, the CARES recovery program should prioritize sectors with potential to innovate, achieve economies of scale and create jobs.

- *Fiscal policy.* A more ambitious fiscal adjustment, centered on progressive revenue measures, a gradual return to pre-pandemic spending levels, and improved expenditure composition, is urgently needed to reduce risks to debt sustainability while protecting vulnerable households. The adjustment path could be explicitly anchored on debt targets.

- *Monetary policy.* A tighter policy stance would be needed if inflation pressures increase. Further monetary financing should be avoided, while greater exchange rate flexibility can help protect reserves and reduce FX borrowing needs.

- *Structural reforms.* The Energy Sector Recovery Program (ESRP) review will clarify the sector's financial position and help avoid the build-up of further liabilities. New financial sector payments should be contained to limit costs to the budget.

Approved By
Catriona Purfield (AFR) and Guillaume Chabert (SPR)

Discussions on the 2021 Article IV consultation took place by virtual meetings during April 28 to May 12, 2021. The IMF staff team included Carlo Sdralevich (head), Gomez Agou, Vanessa Banoni and Frederico Lima (all AFR), Yahia Said (SPR), Alpa Shah (FAD), Abdullah Haron (MCM), Albert Touna Mama (resident representative), Osa Ahinakwah (local economist) and Alyss Ben-Smith (local office). Mr. Kwasi Osei-Yeboah (Advisor, ED office) participated in the discussions. The IMF team met with Vice President Bawumia; Finance Minister Ofori-Atta; Bank of Ghana Governor Addison; other senior officials; and representatives of the donor community and private sector. Jean Vibar and Christelle Ndome-Yandun (AFR) contributed to the preparation of this report.

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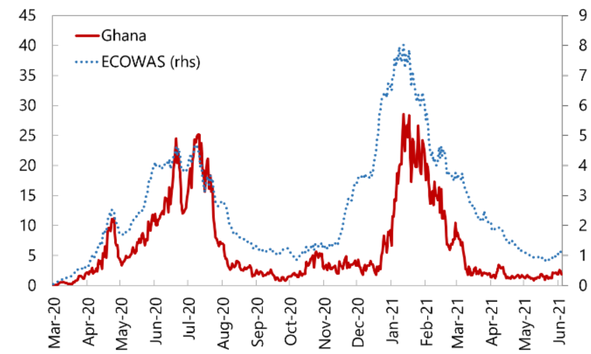
CONTEXT

1. **Ghana entered the COVID-19 pandemic with a favorable economic outlook.** Before the pandemic hit, the economy had been expected to grow at 5.8 percent in 2020. The authorities had maintained macroeconomic stability following the successful completion of the Extended Credit Facility program in 2019. An extensive banking sector cleanup, together with an improved supervisory and regulatory framework, had laid the foundations for financial stability.

2. **The government's response to the pandemic helped save lives and safeguard livelihoods**. To contain the spread of COVID-19, the government implemented social distancing restrictions, including a partial lockdown in April 2020 and school and border closures. Growth slowed, food prices spiked, and exports were affected by a large decline in oil prices. However, a major monetary and fiscal policy relaxation cushioned the pandemic impact on economic activity.

Ghana: Covid-19 cases

(New daily confirmed cases per million, 7-day rolling average)



Sources: Our World in Data and IMF staff calculations.

3. **Against this difficult background, a general election was held in December 2020.** President Nana Akufo-Addo was re-elected for a second term, but neither major political party gained a majority in Parliament, which is evenly split.

4. **An economic recovery is underway, but fiscal rigidities and debt vulnerabilities have increased**. The rebound in activity coincided with the gradual easing of social distancing restrictions and the launch of an ambitious vaccination campaign. Government policies contributed to a record 2020 fiscal deficit, a sharp increase in public sector debt, and rising debt service costs. The 2021 budget undertook a difficult but important shift towards medium-term fiscal consolidation. The economic impact of the pandemic is fueling social demands on the government to reverse the decline in living standards and address youth unemployment.

5. **The 2021 Article IV consultation focused on the impact of the COVID-19 pandemic and discussed policies for a sustainable recovery.** The consultation follows the US$1 billion emergency support provided under the Rapid Credit Facility in April 2020. In a challenging context, the authorities only followed part of the past 2019 Article IV advice (Annex I).

POLICY RESPONSE TO COVID-19

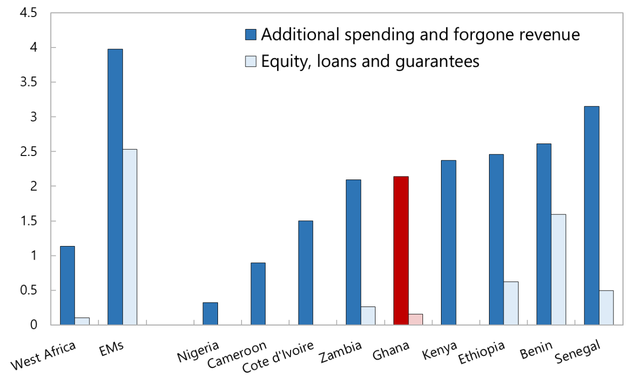
6. **The authorities took several fiscal, monetary, and regulatory measures in 2020 to mitigate the social and economic impact of the pandemic (Figure 1 and Annex II):**

- **Health spending** increased by about GHS 2 billion (0.5 percent of GDP), partly financed by the World Bank, to: (i) provide PPE, medical equipment and treatment; (ii) procure testing kits;

(iii) initiate community engagement; (iv) build health infrastructure; and (iv) quarantine inbound travelers. In addition, the government also recruited 37,000 health workers and granted an income tax waiver and life insurance to government health personnel.

- **Fiscal support,** amounting to GHS 6.8 billion (1.8 percent of GDP), included: (i) subsidized water and electricity tariffs to households and provision of food packages and hot meals; (ii) soft loans to SMEs; (iii) security-related spending, including evacuations of Ghanaians abroad; (iv) seed funding for a new development bank; (v) payments to contractors; and (vi) transfers to statutory funds. The authorities also launched the ambitious, four-year Ghana CARES program to support the economic recovery.

SSA Frontier Markets: Covid-19 support packages
(Percent of GDP)



Sources: IMF Fiscal Monitor April 2021. Group averages weighted by country GDP.

- **Monetary policy easing,** with the Bank of Ghana (BOG) cutting the policy rate twice—by 150bps in March 2020, and another 100bps in May 2021—and lowering reserve requirements from 10 to 8 percent. The central bank also increased lending to government by 4.4 percent of GDP, including 2.6 percent of GDP under the new Asset Purchase Program (APP).

- **Relaxation of macro and micro-prudential requirements,** with the BOG halving the capital conservation buffer to 1.5 percent, easing loan provisioning and classification rules, suspending bank dividend distributions, delaying new capital requirements for special deposit-taking institutions (SDIs), and taking steps to promote digital payments. Individual banks also unilaterally extended temporary moratoria for specific loans and sectors.

7. **These measures contributed to a record fiscal deficit and sharp increase in public debt in 2020.** On a cash basis, the budget deficit including energy and financial sector costs, rose from 7.5 percent in 2019 to 15.2 percent of GDP last year. As a result, public sector debt rose from 63 percent of GDP to 79 percent of GDP. The government also incurred additional arrears-financed spending for 2.1 percent of GDP.

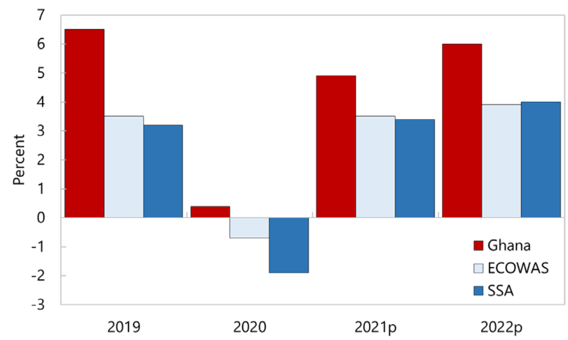
RECENT ECONOMIC DEVELOPMENTS

8. **The pandemic had a severe impact on economic activity, but a recovery is underway:**

- **COVID-19 cases** peaked in July 2020, and again in a more deadly second wave in early 2021. Ghana was the first country to receive a COVAX vaccine shipment in early March and had administered 852,047 vaccines by early May (2.8 percent of population). However, the rollout has been constrained by vaccine availability through the COVAX facility, which led government to procure additional vaccines from costlier sources.

- **Growth** slowed from 6.5 percent in 2019 to 0.4 percent in 2020, due to lower mining production and the impact of COVID-19 restrictions, equivalent to an income per capita decline of 1.7 percent. Poverty increased, and half of all households reduced food spending during the partial lockdown. However, the economy avoided the contractions seen across the region. Growth should rebound to 4.7 percent in 2021, supported by a strong cocoa season and a recovery in mining and services, although the government fight against illegal mining may affect small-scale gold production while delayed well-drilling will continue to affect oil production this year.

Real GDP Growth Projections in Sub-Saharan Africa
(Percent)

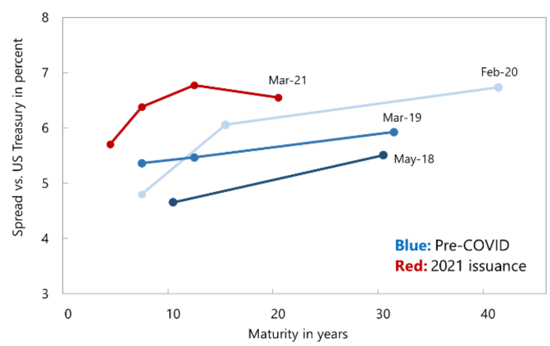


Sources: Ghanaian authorities, IMF April 2021 WEO database, IMF staff estimates.

- **Inflation** spiked to double digits in April 2020 because of rising food prices due to the lockdown, before falling to 7.5 percent (y-o-y) in May 2021 (Figure 2). Pressures from higher fuel and import prices and budget revenue measures could push inflation to 9.6 percent by the end of 2021, before returning to target next year.

- **External financing conditions** tightened at the start of the pandemic, but as global liquidity surged, Eurobond spreads stabilized close to their pre-pandemic levels. Ghana returned international markets in March 2021 with a US$3.025 billion Eurobond, but at higher interest rates and shorter maturities than before the pandemic.

Ghana: Eurobond Spreads at Issuance
(Percent)



Sources: Ghanaian authorities, US Treasury, and IMF staff calculations.

- **Domestic financing conditions** in 2020 were also tested with several uncovered auctions, recourse to BOG financing and non-competitive issuances, and domestic arrears accumulation, despite a strong uptake of government bonds by local banks and nonbanks.

- The **current account** deficit widened to 3.1 percent of GDP in 2020, with the decline in oil exports offset by higher gold prices, stable remittances, and import contraction due to weaker demand and COVID-19-related trade disruptions. The deficit is projected to decline to 2.2 percent of GDP in 2021 as the pickup in oil prices offsets a gradual resumption in imports.

- The **cedi** depreciated 3.9 percent against the US dollar in 2020, less than in 2019, due to lower FX demand, structural reforms (including higher use of forward FX auctions), and BOG intervention. It remained stable in the first half of 2021, as portfolio inflows resumed.

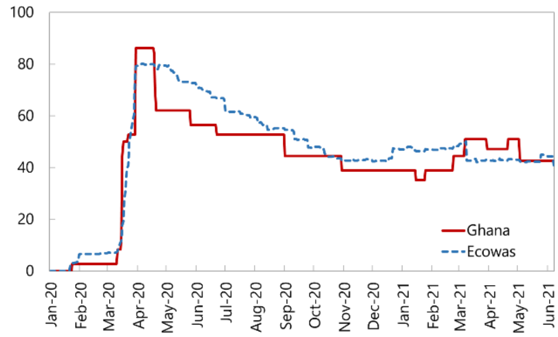
- **Gross international reserves** rose from US$6.6 billion in 2019 to US$7 billion in 2020, and are expected to reach US$7.5 billion (3.2 months of imports) by end-year.

Figure 1. Ghana: Impact and Recovery from COVID-19

The government implemented social distancing restrictions to contain the spread of the virus…

Ghana: Covid-19 Restrictions Stringency Index

(100 = strictest)

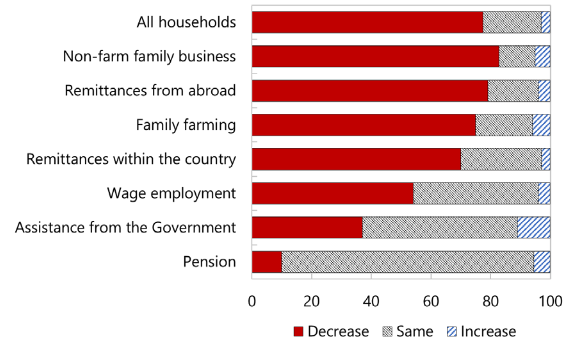


Sources: Oxford Covid-19 Government Response Tracker

…including a partial lockdown in April 2020, which led to widespread temporary business closures and income loss.

Ghana: Lockdown Impact on Housefold Income

(Percent of households)

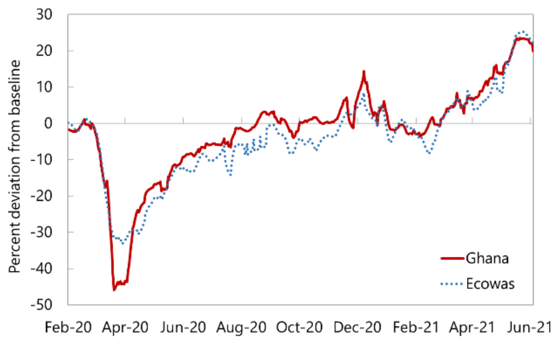


Sources: Ghana Statistical Service (Household and Job Survey Tracker)

Mobility bounced back strongly in H2 2020, as restrictions were eased, and has picked up further in recent months…

Ghana: Mobility Indicators

(Percent deviation compared to pre-pandemic baseline)

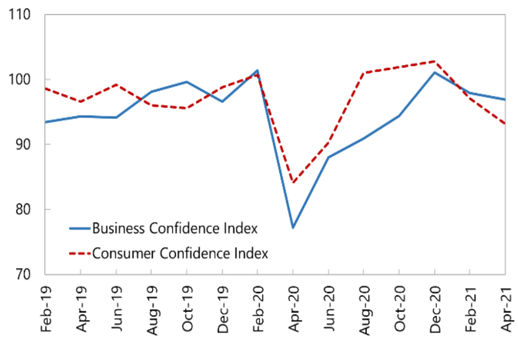


Sources: Google Community Reports. Average excluding residential mobility

…matched by rising business and consumer confidence.

Ghana: Business and Consumer Confidence

(Index)

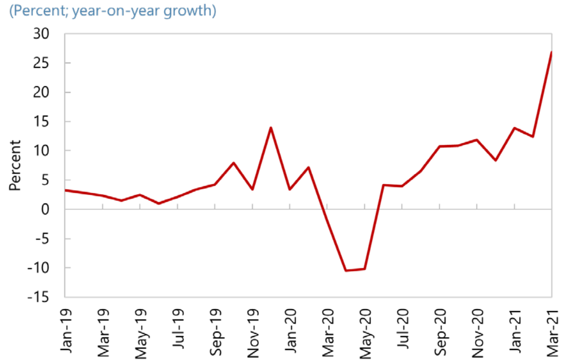


Sources: Bank of Ghana

There has been a strong rebound in economic activity, which is expected to continue in 2021…

Ghana: Composite Indicator of Economic Activity

(Percent; year-on-year growth)

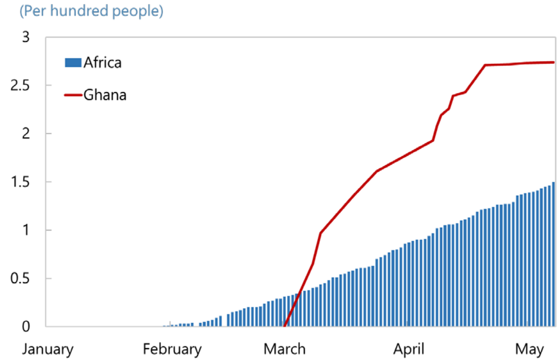


Sources: Ghanaian authorities.

…supported by an effective vaccine rollout that is a leader in the region, although constrained by available supply.

Ghana: Covid-19 vaccinations

(Per hundred people)



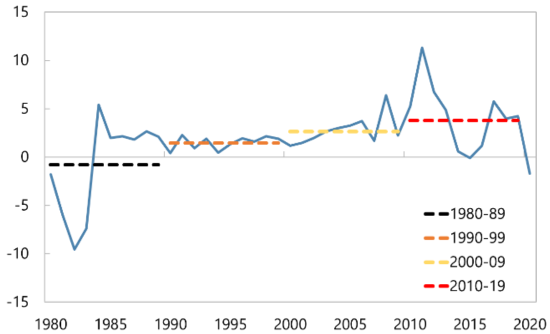
Sources: Our World in Data and IMF staff calculations.

Figure 2. Ghana: Recent Economic Developments

Ghana experienced significant economic growth and improvement in living conditions over the last decades…

Ghana: Real GDP per capita growth

(Percent)

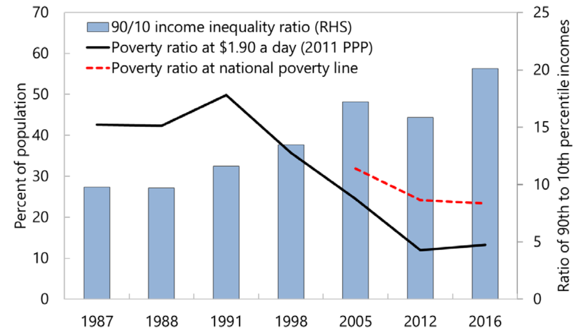


Sources: Ghanaian authorities and IMF staff calculations.

…but growth in recent years was less inclusive, with rising inequality and slower poverty reduction.

Ghana: Poverty and Inequality

(Percent)

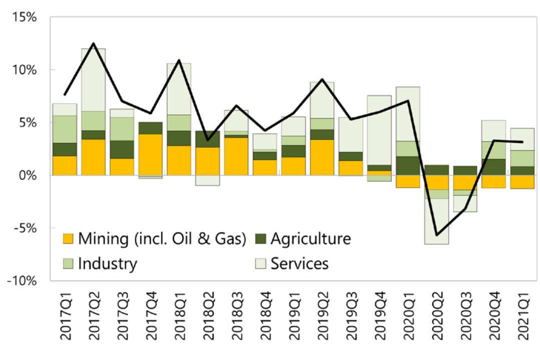


Sources: World Bank Poverty & Equity database and IMF staff calculations.

Economic activity declined substantially in Q2 2020, but rebounded as COVID-19 restrictions were eased…

Ghana: Quarterly Real GDP Growth

(Percent)

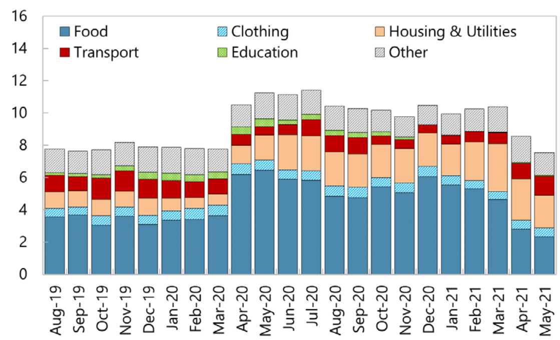


Source: Ghanaian authorities and IMF staff calculations.

…while food prices spiked after the April 2020 lockdown, but have moderated since then.

Ghana: Contributions to CPI Inflation

(Percent, year-on-year)

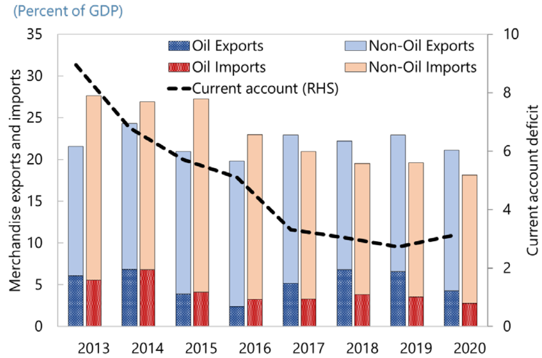


Sources: Ghanaian authorities and IMF staff calculations

The current account has improved in recent years thanks to a trade surplus and remittances…

Ghana: Current Account Deficit

(Percent of GDP)

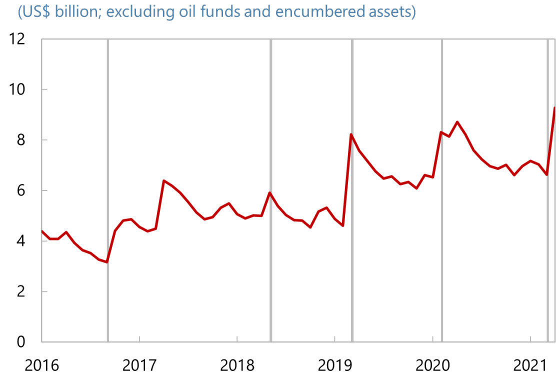


Sources: Ghanaian authorities and IMF staff calculations.

…and gross reserves reached 4 months of prospective imports after the March 2021 Eurobond issuance.

Ghana: Gross International Reserves

(US$ billion; excluding oil funds and encumbered assets)



Sources: Ghanaian authorities. Eurobond issuances indicated by vertical lines.

OUTLOOK AND RISKS

Ghana: Key Macroeconomic Indicators, 2019-25

	2019	2020	2021	2022	2023	2024	2025
	Act.	Prel.	Proj.	Proj.	Proj.	Proj.	Proj.
	(annual percentage change, unless otherwise indicated)						
GDP at constant prices	6.5	0.4	4.7	6.2	4.7	5.0	5.8
Consumer price index (annual average)	7.1	9.9	8.9	8.5	8.0	6.9	6.1
Overall fiscal balance (in percent of GDP)1/	-7.5	-15.2	-13.9	-10.5	-9.5	-9.3	-8.1
Overall balance excl. financial and energy sector related costs (in percent of GDP)	-4.7	-11.4	-10.0	-9.5	-8.5	-8.2	-7.0
Central government debt (gross, in percent of GDP)	62.9	78.9	83.5	84.9	86.4	87.4	87.0
Domestic debt	23.9	34.2	39.3	40.1	41.0	40.7	40.9
External debt	39.0	44.7	44.2	44.8	45.4	46.8	46.1
Current account balance (in percent of GDP)	-2.7	-3.1	-2.2	-3.5	-4.5	-4.8	-4.1
Gross international reserves (millions of US$)	6,607	6,962	7,494	7,435	6,886	6,971	7,052
in months of prospective imports of goods and services	3.4	3.2	3.2	3.0	2.6	2.6	2.4

Sources: Ghanaian authorities; and Fund staff estimates and projections.
1/ Cash basis, excluding domestic arrears of 2.1 percent of GDP in 2020.

9. **The baseline scenario assumes a V-shaped economic recovery, gradual fiscal consolidation, and an exit from monetary easing**. Supported by expansion of extractive industries—including a gradual start of oil production in the Pecan field from 2024 onwards—but also by the CARES program and the wide-ranging digitalization reforms, annual growth would average 5.2 percent over the medium term. The authorities would pursue the fiscal consolidation path envisaged in the 2021 budget, implying a 9 percent of GDP primary balance adjustment based on revenue measures in 2021 and expenditure cuts in 2022-24 that would result in a primary surplus by 2024. Public debt would peak at 87.4 percent of GDP in 2024, and gross financing needs would average 22 percent of GDP. The baseline scenario assumes continued access to international markets and no further recourse to central bank financing, allowing inflation to remain close to target, while gross reserves would gradually decline below three months of imports coverage.

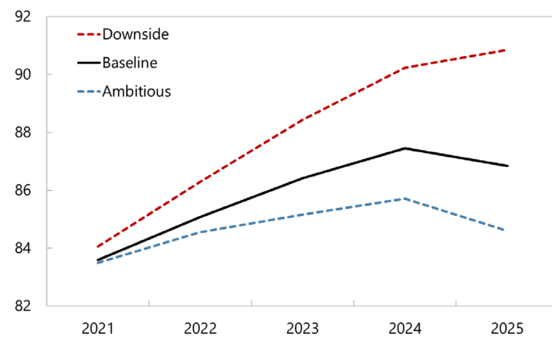
10. **These projections are subject to significant uncertainty (Annex III):**

- **The pace of economic recovery depends on the evolution of the pandemic.** Faster vaccination will accelerate the recovery, especially in services. However, new COVID-19 waves—including from more transmissible variants—could trigger additional restrictions. These could slow economic activity, increase spending needs, lead to social tensions, and, ultimately, possibly delay fiscal consolidation and exacerbate debt vulnerabilities.
- **Debt rollover difficulties could constrain budget financing and hurt growth**. Slow progress towards fiscal adjustment or tighter global financing conditions could undermine investor confidence and result in portfolio outflows and higher sovereign yields, which would also affect banks' balance sheets given their large exposure to the sovereign. In this regard, the expected domestic market capacity to absorb new government debt may not fully materialize. Regional security concerns could also create additional spending pressures. In this context, budget

financing could become challenging, requiring sharp spending cuts that hurt growth, further BOG support that could feed depreciation and inflation pressures, and new domestic arrears.

- **Higher-than-projected contingent liabilities could further worsen the debt outlook.** Energy and financial sector cleanup costs added 7 percent of GDP to public debt over the past three years. Higher than expected costs from these sectors, but also materialization of liabilities in the SOE sector, could burden public finances in the medium term and increase public debt.
- **Climate change could reduce growth and exacerbate economic inequality.** More extreme weather is contributing to shorter growing seasons and, together with deforestation, could limit land suitable for cocoa production. Droughts could also affect hydropower generation and water resources in the Volta basin, which are shared with neighboring countries.
- **On the upside, structural transformation and new oil or mining discoveries could boost medium-term growth and tax revenues over the baseline.** Export-oriented industrialization would support job creation, reduce poverty, and diversify the economy, which would help mitigate the impact of commodity terms-of-trade shocks on growth and the current account.

Ghana: Public Debt
(Percent of GDP)

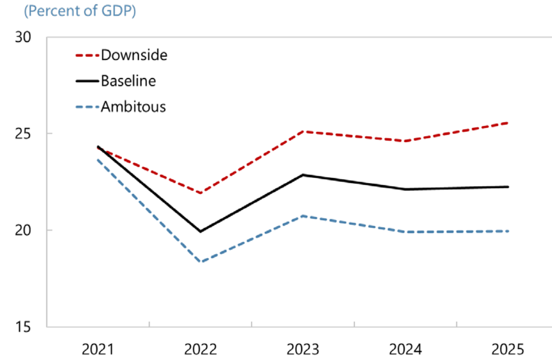


Sources: IMF staff projections.

11. Alternative scenarios based on different fiscal consolidation trajectories illustrate pitfalls and opportunities:

- An *ambitious scenario* assumes stronger fiscal consolidation, with additional revenue measures of 2.4 percent of GDP from 2021 to 2023 over the baseline, for an overall fiscal adjustment of 3.4 percent of GDP per year over the period. Public debt would peak at about 85.7 percent of GDP in 2024 and then decline decisively. Debt-service indicators would improve, but annual gross financing needs would still remain around 20 percent of GDP. A stronger fiscal contraction would have a negative short-term effect on growth, but would decrease bond spreads and government borrowing costs. The current account would improve through lower import demand. The consolidation would also allow a shift in the policy mix over the medium-term, with a more relaxed monetary policy stance which would cut domestic debt service costs and spur private-sector credit growth.

Ghana: Gross Financing Needs
(Percent of GDP)



Sources: IMF staff calculations

- In contrast, a *downside scenario* reflects the baseline revenue projections but assumes that the planned spending cuts would not be implemented, in line with the experience of some countries in similar fiscal situations. Public debt would reach 91 percent of GDP in 2025, with gross financing needs rising to 26 percent of GDP. The expansionary fiscal stance would push growth temporarily above the baseline, but would also lower reserves, weaken the exchange rate, increase borrowing costs, crowd out private-sector credit, and keep inflation above target.

Authorities' Views

12. The authorities broadly agreed with the outlook and risks, and underscored the importance of balancing fiscal consolidation efforts with growth-enhancing expenditures aimed at supporting the economic recovery whilst mitigating the impact of the COVID-19 pandemic. Faced with an unprecedented pandemic, the government took extraordinary measures to save lives and protect livelihoods, albeit at a high fiscal cost. The authorities view the Ghana CARES program as the propelling anchor for a broad-based, inclusive and sustainable economic recovery. Recent high-frequency indicators already point to a recovery underway. The authorities expect that their structural transformation and digitalization agenda, which is fast becoming embedded in their development framework, will accelerate Ghana's growth potential over the coming years, as well as create jobs, reduce corruption and boost tax revenues.

CAPACITY TO REPAY THE FUND

13. **Ghana's capacity to repay is adequate under the baseline (Table 6)**.[1] Following the April 2020 RCF disbursement, the total amount of outstanding credit from the Fund reached SDR 1.459 billion (197.8 percent of quota and 30.1 percent of gross international reserves) at end-2020. While repayments to the Fund are projected to rise over the medium-term, peaking at SDR 239.1 million in 2026, under the baseline scenario they would remain below 1.1 percent of exports, 4.6 percent of gross international reserves and 5.9 percent of external debt service.

14. **The external position in 2020 was stronger than the level implied by fundamentals and desirable policies, but the large external financing needs create risks (Annex IV and Table 7).** The current account benefitted from lower imports due to the pandemic, stable remittances, and a weak correlation between the main export prices (gold, oil, cocoa), which mitigated the impact of commodity price volatility. However, Ghana's large external financing needs leave it exposed to sudden changes in global liquidity conditions or loss of confidence.

15. **Public finances are a source of vulnerabilities**. Ghana's public debt has increased rapidly, gross financing needs are large, and increasing reliance on commercial debt has contributed to a growing debt service burden. The recent cleanup strengthened financial sector stability, but the exposure of domestic banks to government bonds creates risks.

16. **But, while risks to Ghana's capacity to repay have increased, they are still manageable.** Ghana's strong track record of servicing its debts to the Fund, the expected recovery from the

[1] This section reports on discussions under the Post-Financing Assessment (PFA) policy which was initiated for Ghana on June 10, 2019 (and previously called Post-Program Monitoring), as its outstanding Fund credit exceeded 100 percent of quota. For a description of the PFA policy, see Policy Paper No. 2021/026.

pandemic, the commitment to fiscal discipline over the medium-term, and the potential for Ghana's exchange rate to act as a shock absorber, all suggest that repayment risks are contained. For example, in the downside scenario above, scheduled repayments to the Fund would peak in 2026 at 1.1 percent of exports, 5.1 percent of reserves and 6.1 percent of external debt service, still within Ghana's capacity to repay. In addition, a possible SDR allocation this year could further strengthen reserves, while a more ambitious fiscal adjustment, as discussed below, would help reduce debt vulnerabilities. At the same time, the uncertainty about the course of the pandemic and high debt vulnerabilities mean that financing needs could increase and additional official support could be needed, including from the Fund.

Authorities' Views

17. The authorities expressed confidence in their ability to fully meet their debt obligations, including to the Fund. They highlighted their strong track record with official and commercial creditors, continued commitment to macroeconomic stability, and their view of the Fund as a trusted advisor and development partner. They also emphasized that Ghana's sovereign ratings remain stable and that Eurobond spreads had reverted to their pre-pandemic levels. This, in their view, represents a mark of investor confidence.

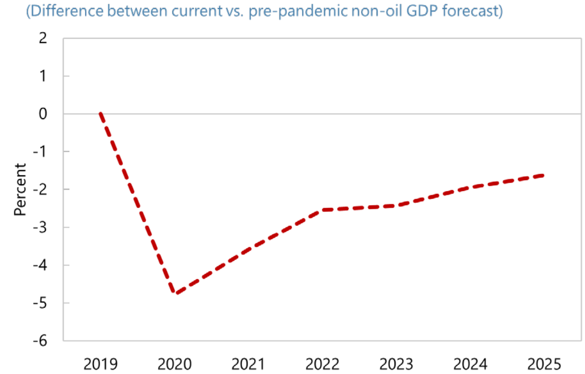
POLICY DISCUSSIONS

Policy discussions focused on (i) how to support the economic recovery given limited fiscal space; (ii) the need for faster fiscal adjustment to lower debt sustainability risks, while protecting vulnerable households; (iii) steps to manage growing fiscal risks in state-owned enterprises, especially in the energy sector; (iv) the importance of a prudent monetary policy stance and avoiding fiscal dominance; and (v) reforms to preserve financial stability and address banks' growing exposure to the sovereign.

A. Supporting the Economic Recovery

Ghana: GDP loss after Covid-19

(Difference between current vs. pre-pandemic non-oil GDP forecast)



Sources: IMF staff calculations.

18. The recovery has been uneven across sectors, which could lead to economic scarring (Annex II and Figure 3). The April 2020 partial lockdown led to the temporary closure of many businesses, and a large decline in earnings. Many schools remained closed until early 2021, and routine healthcare services (such as childhood vaccinations) were disrupted. Most firms reopened within a few months as social distancing restrictions were eased. However, the education, retail and hospitality sectors face a slower recovery—tourism and business travel in particular may suffer from a multi-year reduction in demand.

19. The Ghana CARES program seeks to make the recovery stronger and more inclusive, but is constrained by limited fiscal space. The program seeks to invest in multiple sectors across agribusiness (including food import substitution), manufacturing (textiles, pharmaceuticals, automotive), heavy industry and petrochemicals, as well as creating a thriving technology ecosystem and financial services hub in Ghana. The overall financing needs are GHS 100 billion over 2020–2023 (26 percent of 2020 GDP), of which at least 70 percent to be covered by the private sector. However, given limited fiscal space, implementation of the program will likely need to focus on a few, export-oriented industries in a first stage, following the example of other countries that achieved growth accelerations.

20. CARES also includes an ambitious infrastructure agenda. The agenda encompasses roads, rail, water, electrification, hospitals and housing and would be supported by US$3 billion in PPP investments, increasing FDI, venture capital financing, and strategic partnerships with donors and other partners. An example is the establishment of a new development bank to boost access to long-term credit, with support from the World Bank, KfW and the European Investment Bank.

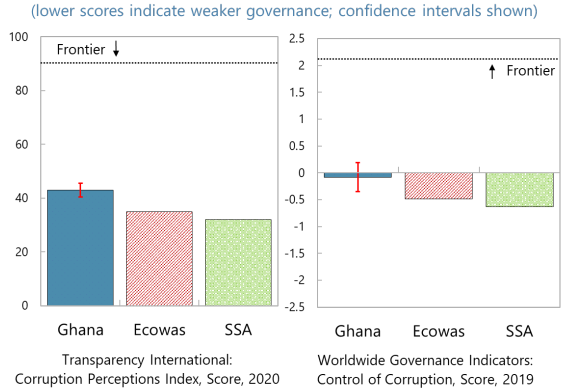
21. The transition to the digital economy can boost productivity, tax collection, and formality (Box 1). Rapid growth in digital payments, data traffic, and online government services reflects a subtle, but pervasive transformation of the economy that has accelerated during the pandemic. Digital addresses and universal biometric ID numbers will help formalize workers and firms, and support the development of new businesses and products, like e-commerce. Biometric IDs can also function as tax identification numbers, vastly increasing the number of potential taxpayers and allowing the integration of government databases to support tax administration.

22. Improvements in the business environment have contributed to economic growth. Ghana continues to score well in sub-Saharan Africa across a range of business environment indicators, and the CARES program is seeking to maintain that status by accelerating business regulatory reforms, digitizing registry and licensing processes, and rationalizing SME support programs under a single institution. However, there is still scope for improvement to close the gap with the best performers across emerging markets.

23. The coverage of social protection programs is being expanded. This year, the authorities will scale up the beneficiary households under the existing Livelihood Empowerment Against Poverty (LEAP) from 334,438 to 350,000. In addition, they are working on a new Complementary Livelihood and Asset Support Scheme (CLASS) to allow graduation of the LEAP beneficiaries whose livelihood has improved and provide access to other potential beneficiaries. The CLASS will assist beneficiaries who start new microenterprises or expand existing ones. Also, the government has put in place a COVID-19 training and retraining programs targeting active population who lost their

Ghana: Governance Indicators

(lower scores indicate weaker governance; confidence intervals shown)



Note: These indicators are derived from expert-based judgments and should be considered carefully.

jobs during the pandemic, particularly in the education and hospitality sector. Such dedicated social protection programs will help Ghana make progress towards achieving the sustainable development goals (SDGs).

24. Ghana has a strong legal and institutional framework to combat corruption, but challenges remain. The country performs comparatively well in survey-based measures of governance and control of corruption (Text Figure), anchored by a vibrant civil society. However, there is scope for increasing the effectiveness of the anti-corruption regime, including by addressing the governance issues highlighted in the Corruption Risk Assessment report by the Office of the Special Prosecutor, and by better coordinating the work of the various related agencies and entities. In this regard, the 2020 probe of the former Auditor General (AG) by the Economic and Organized Crime Office (EOCO) and the lack of support of the Board of the Audit Service towards the AG raised concerns on the credibility of the anti-corruption framework.

Authorities' Views

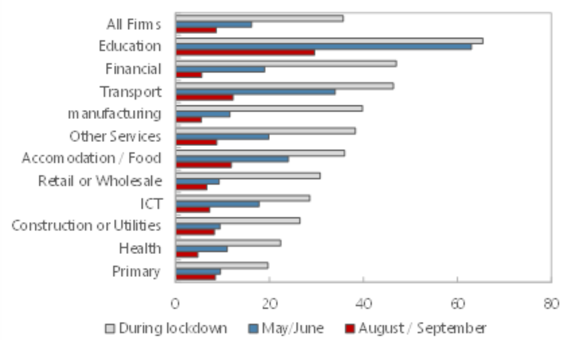
25. The authorities are of the strong view that the Ghana CARES program will deliver a stronger, more resilient and transformed economy. Guided by the "Ghana Beyond Aid" agenda, the CARES program is anchored on an ambitious domestic revenue mobilization agenda, consolidating private-sector investment into productive sectors of the economy and leveraging on calls for a new ecosystem that enables cheaper access to global capital for emerging and developing countries like Ghana. The authorities remain upbeat about the fact that their aggressive digitalization agenda can propel the economy by formalizing the economy to a higher degree, help reduce corruption, and improve government service delivery. The attractiveness of Ghana as an investment destination and recent moves by technology firms like Twitter and Google to set up an operating base in Ghana is testament to the investor-friendly climate of Ghana over peers in the sub-region. On governance, the authorities stressed their commitment to increased budget allocations to institutions mandated to deal with corruption.

Figure 3. Ghana: Sectoral Impact of COVID-19

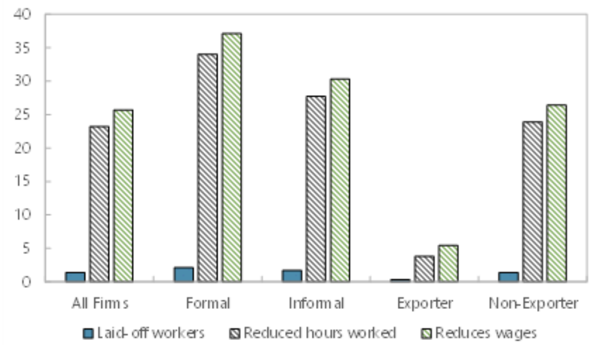
The pandemic and the April 2020 partial lockdown led many businesses to suspend operations…

…resulting in a large decline in labor earnings and hours worked, and higher unemployment.

A. COVID-19 Impact on Business Closure
(in percent of firms)



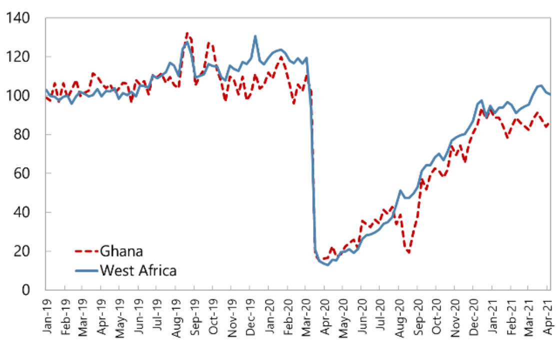
B. Lockdown Impact on Labor
(in percent of workers)



Border closures and mobility restrictions affected some sectors disproportionately, like tourism…

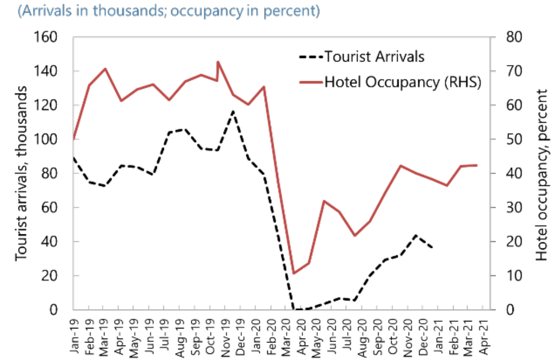
…where activity is expected to remain below trend until international and business travel normalizes.

Ghana: International Flights
(Index, Jan 2019 = 100)



Sources: Flightradar24. International departures and arrivals.

Ghana: Tourist arrivals and hotel occupancy
(Arrivals in thousands; occupancy in percent)

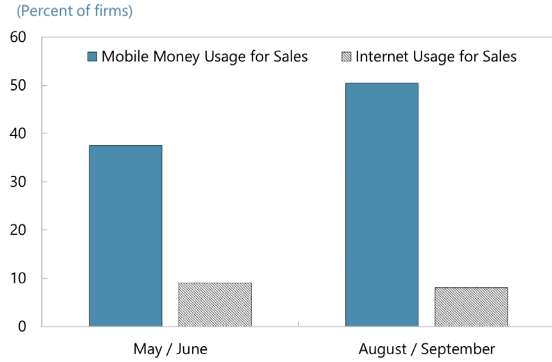


Sources: Ghanaian authorities and IMF staff calculations

However, the pandemic also accelerated the transition to digital technologies…

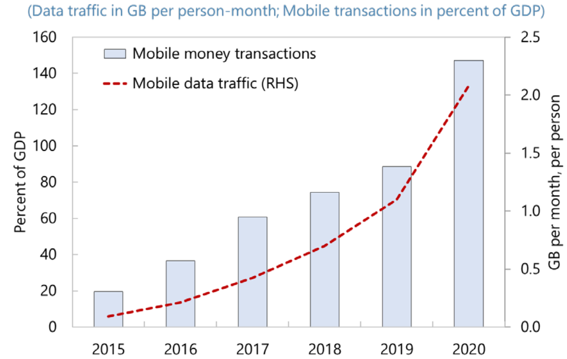
…contributing to the rapid increase in mobile money and data usage seen in recent years.

Ghana: New or Increased Used of Technology, 2020
(Percent of firms)



Sources: Ghana Statistical Service (Business Tracker Survey)

Ghana: Digital Trends
(Data traffic in GB per person-month; Mobile transactions in percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations.

Box 1. Digital Transformation in Ghana

Ghana is transitioning rapidly to the digital economy. Mobile money has overtaken other retail payment instruments, supported by recent improvements in interoperability, which allows seamless transfer of funds across networks. Mobile data usage is increasing exponentially, and is now over one-third of the OECD per capita average.

Fast-tracking digitalization is a government priority. The CARES program seeks to position Ghana as a hub for digital services and innovation in the region, building on an educated workforce and private-sector entrepreneurship. Key government initiatives include:

- **National Digital Property Addressing System (Ghana PostGPS)**. An effort to tag 7.5 million properties with unique GPS addresses, it is supporting growth in online and financial services, such as opening bank accounts, accessing loans, or e-deliveries. Linking addresses to property and credit registries can also improve land tenure, reduce title disputes, raise tax collection, improve provision of basic public services, and reduce loan default rates.
- **Paperless port system**. Streamlined customs procedures aim to cut down the cost and time required to clear customs, and reduce bribery. The goal is to facilitate cross-border trade, especially in the context of the AfCFTA, and increase revenue mobilization.
- **Biometric national ID cards (Ghana cards)**. With 16 million people registered, they allow merging of separate databases with tax identification numbers, digital addresses, SIM cards and other government data (social security, driver licenses, public payroll, criminal records).
- **Universal QR code payments (GhQR),** the first in Africa, aim to facilitate payments to merchants from multiple funding sources (including mobile wallets, cards and bank accounts).
- **Government e-services**, including vehicle registration, driver licenses, passport and health card renewal, together with the transition of all payments to government to digital, and a digital 2021 Census, will expand access, reduce waiting times, and improve service delivery.
- **BOG FinTech and Innovation office**, established in May 2020 as a key regulatory structure to manage and supervise the FinTech industry and promote the use of digital financial services.

The 2021 Population and Housing Census is going digital. The "paperless" census relies on electronic questionnaires on mobile devices and geospatial data to deliver a faster and more accurate count. Census data is critical for development planning, and will help formalize the economy and complement the government's digital initiatives.

Digitalization could increase economic growth. Recent research suggests that expanding internet access in sub-Saharan Africa by an extra 10 percent of the population could raise real per capita GDP growth by 1 to 4 percent.[1] In Ghana, the growth potential from digitalization and internet connectivity also requires adequate investment in electrification (16 percent of the population still lack access to electricity) and transport networks, especially in rural areas.

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[1] IMF Regional Economic Outlook: SSA. Digitalization in Sub-Saharan Africa. April 2020.

B. Faster Consolidation to Reduce Debt Vulnerabilities

Fiscal Performance and Medium-Term Fiscal Framework

26. The pandemic shock contributed to the 2020 deficit increase. The overall fiscal deficit of 15.2 percent of GDP represents a deviation of 8.8 percent of GDP relative to staff's projections based on the initial 2020 (pre-COVID) budget, due to a revenue shortfall of 3.1 percent of GDP, driven by the growth slowdown, and an expenditure increase of 5.7 percent of GDP. The latter reflects direct and indirect spending on the COVID-19 response (2.3 percent of GDP), additional energy and financial sector costs (2.3 percent of GDP), and higher interest payments (0.8 percent of GDP). The government spent an additional 2.1 percent of GDP, financed with domestic arrears which are yet to be audited but are scheduled to be paid in the coming years. Inclusive of this spending, the fiscal deficit on commitment basis would reach 17.4 percent of GDP.

Ghana. 2020 pre-Covid budget vs. post-Covid outcome
(percent of GDP)

	Budget (1)	Actual (2)	(2)-(1)
Total Revenue & Grants	**17.5**	**14.4**	**-3.1**
Tax Revenue	12.8	11.6	-1.3
Non-tax revenue	3.4	1.7	-1.7
Total Expenditures	**24.0**	**29.7**	**5.7**
Compensation of Employees	6.9	7.4	0.4
Use of Goods and Services	2.2	1.9	-0.2
Interest Payments	5.7	6.4	0.8
Subsidies	0.1	0.0	0.0
Grants to Other Government Units	4.1	3.1	-1.0
Other Expenditure	0.7	3.1	2.4
Covid related spending	0.0	2.3	2.3
Capital Expenditure	2.4	2.9	0.4
Energy sector costs	1.0	1.7	0.7
Financial sector costs	0.5	2.1	1.6
Overall balance excl. fin/energy sector costs	-4.9	-11.4	-6.5
Overall balance	**-6.5**	**-15.2**	**-8.8**
Arrears-financed spending	0.0	2.1	2.1
Overall balance incl. arrears-financed spending	**-6.5**	**-17.4**	**-10.9**
Nominal GDP	383,486	383,486	

Source: Ministry of Finance and IMF staff calculations

27. The 2021 budget starts fiscal consolidation. The budget law introduces new revenue measures yielding 1.4 percent of GDP, including VAT and NHIS rate hikes, higher fuel excises, a new bank profit levy, and more effective tax administration thanks to large taxpayer audits, especially in mining sector, and the establishment of special courts to speed up case settlements and payment collections. The budget also reduces COVID-related spending by 1.3 percent of GDP compared to 2020, but these savings are offset by domestic arrears clearance of 0.9 percent of GDP and higher interest payments. Compared to the budget law, staff projects a 0.5 percentage point of GDP lower yield from tax administration measures, in light of the experience of past compliance efforts and the complexity and delays inherent to large taxpayer audits. As a result, staff projects a budget deficit of 13.9 percent of GDP in 2021, including energy and financial sector costs.

Ghana. 2021 Budget Revenue Measures (GHc million)

	Authorities	IMF
Revenue measures	**6,098**	**4,098**
COVID health levy	900	900
National Health Insurance Levy (NHIS) increase of 1pp	450	450
VAT flat rate increase of 1pp	450	450
Sanitation and pollution levy (GHc 0.1 per liter)	326	326
Energy sector recovery levy (GHc 0.2 per liter)	652	652
Financial sector cleanup levy (5 percent of bank gross profit)	220	220
Tax administration (enhanced compliance)	4,000	2,000
Memo: Revenue measures in percent of GDP	*1.4*	*0.9*

Source: Ghanaian authorities and IMF staff calculations.

28. The budget also envisages medium-term consolidation for a return to a primary surplus. The medium-term plan includes no new revenue measures after 2021, with fiscal consolidation to bring the government balance into surplus resting solely on spending cuts. These measures assume nominal salary reductions, no growth in the civil service workforce, and lower intragovernmental grants and capital expenditures, all of which could be politically and socially challenging to adopt. The budget targets a return to a positive primary balance (excluding energy and financial sector costs), in line with the now-suspended Fiscal Responsibility Act, by 2022. Staff projects a primary surplus (including energy and financial sector) starting in 2024.

29. Consolidation should be accelerated to reduce solvency and rollover risks. A more aggressive fiscal tightening—starting already with the forthcoming Mid-Year Budget Review—is needed to entrench debt sustainability and reduce debt vulnerabilities. However, given the need to continue addressing the social and economic impact of the pandemic and support the recovery, the adjustment also has to focus on burden sharing. This consolidation strategy—exemplified in the "ambitious" scenario above—could be anchored on debt targets (possibly formalized in a revised Fiscal Responsibility Act) to clarify its objective, facilitate communication and capture all contingent liabilities. A fair and more robust adjustment would rely on revenue and spending measures:

- **Revenue mobilization** can be increased while prioritizing a pro-poor fiscal adjustment (Annex V). Policies can prioritize tax levers that improve fairness and burden sharing. Measures that could be implemented relatively quickly include rationalizing VAT and import duty exemptions, restoring the top income tax bracket, replacing statutory CIT tax holidays with cost-based incentives, redesigning alcohol and tobacco excise rates, increasing the telecommunication tax rate, launching property tax reform, and strengthening tax administration through audits and digitalization, including with IMF technical assistance on customs administration and the transformation program of the Ghana Revenue Authority (GRA).

- **Spending** should be rapidly brought to pre-pandemic spending levels while shifting expenditure composition towards social protection. A spending review can help separate COVID-related transitory items from structural increases, analyze the effectiveness of spending items, and prepare spending cuts. Untargeted COVID-19 support schemes could be phased out to free up resources to strengthen social spending, which is still low in Ghana (Figure 4), such as boosting the LEAP cash-transfer program and the new CLASS program. In addition, government could achieve immediate savings from linking new financial sector payments to the proceeds from claim recoveries and accelerating energy sector reform, including by aligning electricity tariffs with cost-recovery levels. However, the overall space for spending cuts is limited by budget rigidities, in particular debt service and other incompressible items.

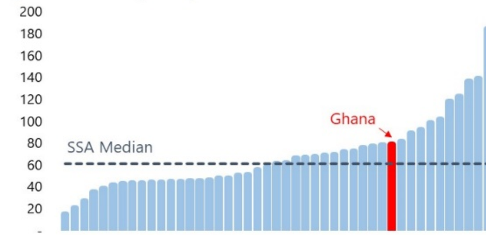
Public Financial Management

30. While overall budgetary reporting practices continue in line with PFM legislation, more detailed public reporting of COVID-19 spending is needed. The so-far limited reporting on COVID-related exceptional spending hampers transparency and accountability and raises governance risks. The disclosure of information on emergency procurement has also been partial, with no publication of procurement contracts or beneficial ownership information (existing legislation envisages that this information should be kept in a register and available upon request to the Registrar General). To address these concerns, the authorities are planning a special external audit of COVID-19 spending, in addition to the regular Auditor General's annual report to Parliament in June 2021. A rigorous audit of domestic arrears and related spending is also crucial to correctly measure the deficit, understand how the funds were spent and address control weaknesses.

Public Debt Management

31. Ghana's public debt has been rising fast (Figure 5). Public debt grew from 23 percent of GDP in 2007, the year of the first Eurobond issuance, to 79 percent of GDP in 2020, pushing gross financing needs above 25 percent of GDP and debt service (including amortization) above 129 percent of revenues. The adverse debt dynamics were driven by large and persistent government deficits (including financial and energy sector costs) and rising interest costs relative to economic growth, reflecting an increasing share of external non-concessional and domestic debt.

Ghana vs. SSA: Public Debt
(Percent of GDP, 2020)



Source: IMF World Economic Outlook. Each bar represents a country.

32. The Debt Sustainability Analysis (DSA) shows that Ghana remains at high risk of external and overall debt distress under the baseline, even though public debt is assessed as sustainable going forward. Public debt is assessed as sustainable provided that the authorities credibly and rigorously implement a medium-term fiscal adjustment such as the fiscal consolidation plan announced in the 2021 budget. The plan is expected to stabilize the debt path in the medium term, even though key DSA indicators—the present value (PV) of overall public debt to GDP, the PV of external debt to GDP, external debt service to exports, and external debt service to revenues—are still projected to exceed their threshold values in the baseline, confirming the assessment of high risk of external and overall debt distress. The forecast—and debt sustainability—are also vulnerable to significant macroeconomic risks, which are illustrated both by the downside scenario (in terms of fiscal policies) and by the DSA's standard modeling of shocks to exports, growth, and interest rates. Therefore, a deeper consolidation effort is crucial to safeguard debt sustainability.

33. The 2021 budget financing strategy relies heavily on the domestic market, which creates risks. Despite the recent Eurobond issuance, most financing would be provided by local commercial banks and non-bank institutions. This could push domestic absorption capacity to the limit, and raise the risk of interest rate pressures, private-sector crowding out, and a second round of central bank financing and/or further accumulation of arrears. The authorities are exploring

Ghana. Gross financing needs and sources
(percent of GDP)

	2020	2021
Gross financing needs	**25.6**	**24.3**
Overall balance	-15.2	-14.0
Primary balance	-8.8	-5.9
Interest payment	6.4	8.0
Amortization	10.4	10.4
Domestic	5.0	5.6
External	5.3	4.8
Financing	**25.6**	**24.3**
External	7.3	5.5
Emergency financing	1.6	0.0
Eurobond	4.4	4.0
Domestic	18.3	17.4
Marketable	15.6	17.0
Non Marketable	2.7	0.4
o/w Central Bank	2.6	0.0
Use of cash buffers	0.0	1.4

Source: Ghanaian authorities and IMF staff calculations.

additional sources of external financing this year, including up to US$1 billion in sustainable ("green") bonds to refinance domestic debt. They may also consider reviving the "Agyapa Royalties" deal—which involves selling a minority share in a special purpose vehicle that would receive rights to future gold royalties owed to the government—which has received considerable opposition from civil society. While these alternatives can relax the financing constraint, it is important they are pursued in a market based, fully-transparent manner that ensures value for money.

34. The pandemic resulted in higher domestic interest payments and shorter maturities. Domestic interest payments increased from 4.3 to 4.8 percent of GDP in 2020, while residual maturities shortened from 5.8 to 4.8 years. This reflected a large increase in domestic borrowing, and excessive reliance on non-competitive issuances. For 2021, the government is planning to use about US$400 million from the Eurobond issuance to repay domestic debt to smooth debt payments and reduce costs. The authorities also aim to increase the share of non-bank, long-term investors to reduce volatility and liquidity pressure. At the same time, the authorities are cautious to rapidly increase maturities to avoid locking in high interest costs.

35. Expanding the coverage of government debt statistics would provide a better understanding of debt vulnerabilities. The government's headline measure excludes liabilities that pertain to the central government, including ESLA debt, education (GETFund/Daakye) and extrabudgetary funds such as Sinohydro, and which are included in staff's definition of public debt. Given Ghana's debt vulnerabilities, fiscal policy should be guided by a more comprehensive coverage of government debt that would also include the liabilities of non-financially autonomous state-owned enterprises such as Cocobod; other energy sector debt, which was last reconciled in 2018; and new domestic arrears incurred in 2020, once they are audited.

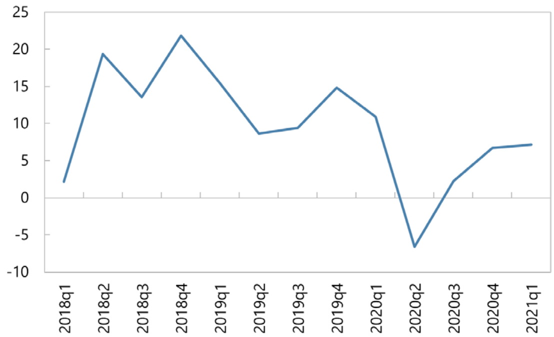
Authorities' Views

36. The authorities noted that the large fiscal deficits reflected a decision to protect lives and livelihoods, and underscored their commitment to follow through its fiscal consolidation agenda to guarantee macroeconomic stability. In addition to the expenditures identified by IMF staff, the authorities indicated that other 2020 expenditures were indirectly related to addressing the adverse impact of the COVID-19 pandemic, including higher interest payments which arose as a result of increased borrowing, additional energy-related costs, and additional financial sector costs to provide liquidity to economic agents given the devastating impact of COVID-19 pandemic on their livelihoods. On the basis of these factors, direct and indirect COVID-19 spending reached 4.6 percent of GDP in 2020. The authorities stressed the non-inclusion of expenditure arrears in the 2020 fiscal deficit, noting that these arrears were yet to be audited and that the 2021 budget and fiscal medium-term projections already include an above-the-line arrears clearance plan. They emphasized the need that a comprehensive view of debt vulnerabilities should also take into consideration a forward-looking assessment, and remained confident that rapid growth, together with the government's strong commitment to macroeconomic stability, ongoing structural reforms and track record with capital markets, will allow Ghana to address its fiscal and debt vulnerabilities.

Figure 4. Ghana: Fiscal Indicators

Government revenue contracted in H1 2020 due to the impact of the pandemic, but has begun to recover…

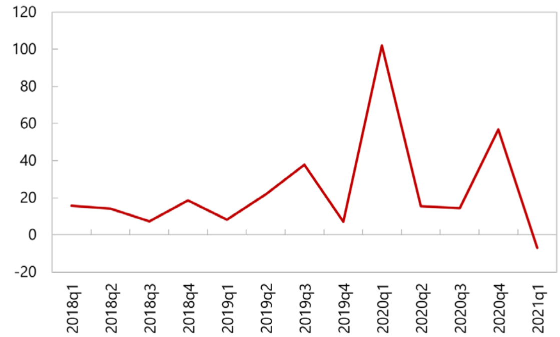
Ghana: Quarterly Government Revenue Growth
(Year-on-year growth; percent)



Sources: Ghanaian authorities and IMF staff calculations.

…while government expenditure grew rapidly throughout last year.

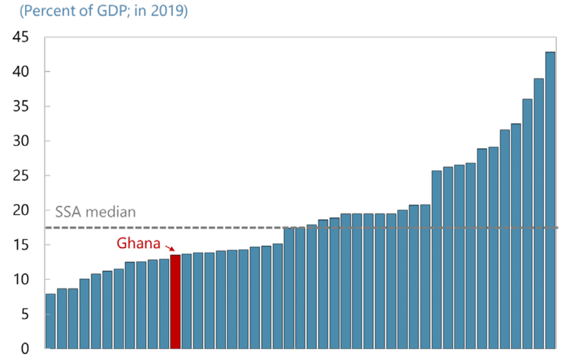
Ghana: Quarterly Government Expenditure Growth
(Year-on-year; percent; excluding energy and financial sector costs)



Sources: Ghanaian authorities and IMF staff calculations

With domestic revenue mobilization in Ghana still 4 percent of GDP below the SSA median (as of 2019)…

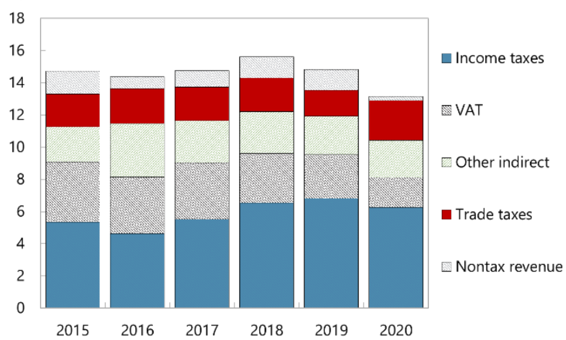
Ghana vs. SSA: Government Revenue excl. Grants
(Percent of GDP; in 2019)



Sources: IMF. Each bar represents a country.

…there is potential to increase tax revenues, especially in the VAT, excises, and corporate and property taxes.

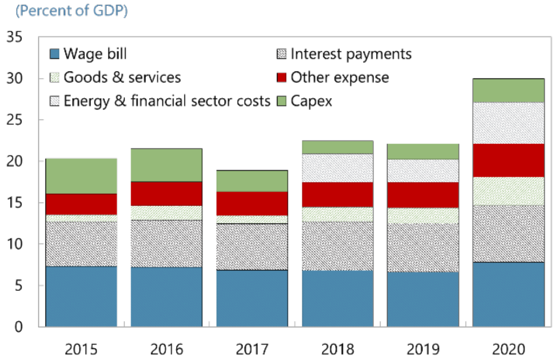
Ghana: Government Revenue by Source
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations.

High debt service, energy and financial sector costs reduce fiscal space for capital expenditures…

Ghana: Government Expenditure
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations. Excluding arrears.

…and for social and development spending, where there is scope and need for further increases.

Total Social Assistance Spending (percent of GDP), Most Recent Available Year

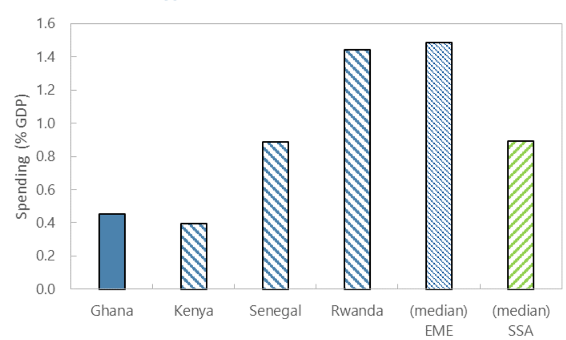
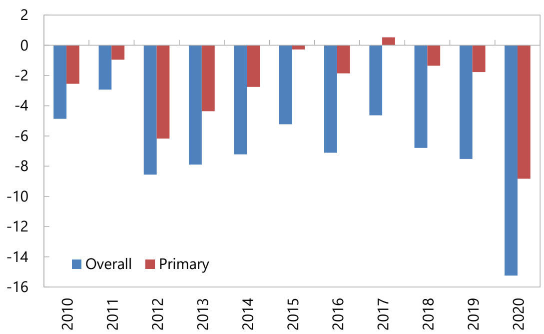


Figure 5. Ghana: Public Debt Developments

A record fiscal deficit in 2020, driven partly by pandemic-related revenue losses and emergency spending…

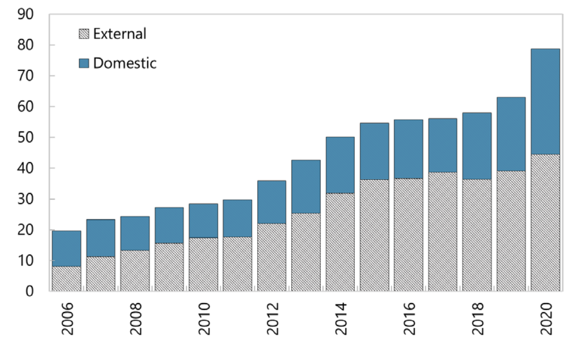
Ghana: Central Government Budget Deficit
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations. Cash basis.

…increased public debt from 63 percent of GDP in 2019 to 79 percent of GDP in 2020.

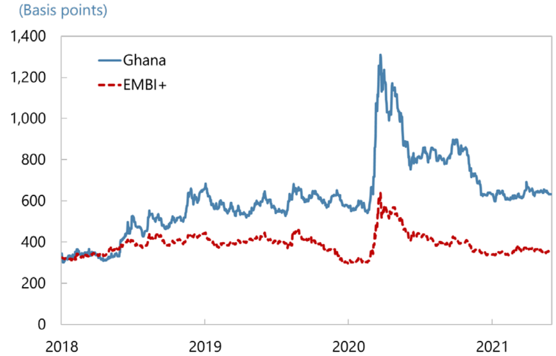
Ghana: Public Sector Debt
(Percent of GDP)



Sources: Ghanaian authorities and IMF staff calculations. Residency basis.

Ghana's Eurobond spreads spiked at the onset of the pandemic, more than other EMs, but have normalized…

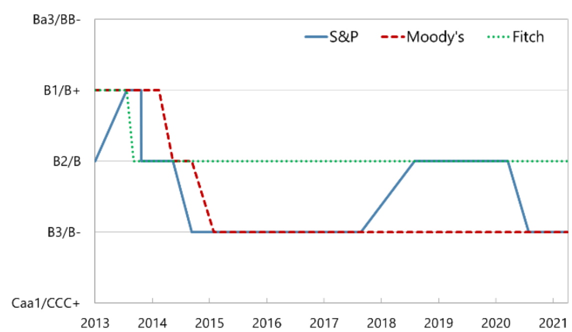
Ghana: Eurobond spreads
(Basis points)



Source: Bloomberg.

…while Ghana's sovereign credit ratings worsened slightly but remain stable.

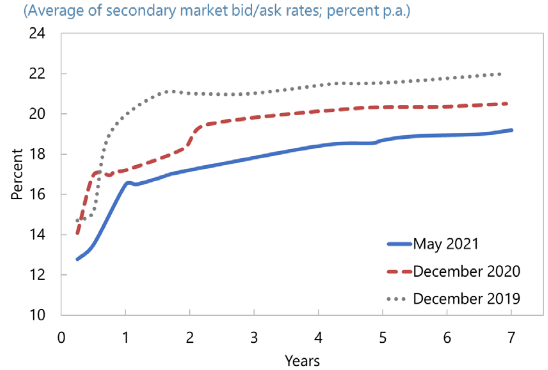
Ghana: Sovereign Credit Ratings
(Long-term foreign currency sovereign credit rating)



Sources: Bloomberg.

Monetary policy rate cuts have lowered the yield curve, but domestic borrowing remains expensive…

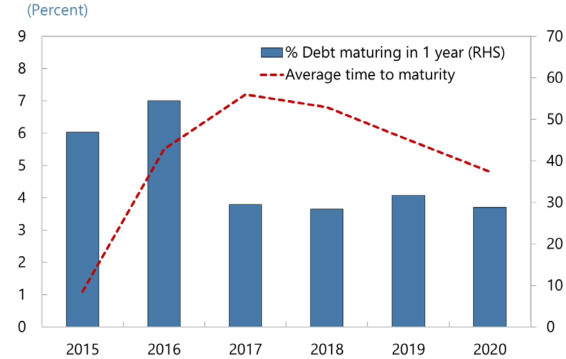
Ghana: Domestic Yield Curve
(Average of secondary market bid/ask rates; percent p.a.)



Sources: Reuters and IMF staff calculations.

… and though the authorities managed to lengthen maturities, it still has a frontloaded repayment profile.

Ghana: Domestic Debt Refinancing Risk
(Percent)



Sources: Ghanaian authorities.

C. Managing SOE Risks

37. Energy sector costs continue to weigh on the government budget (Box 2). These leakages stem from excess power generation capacity and gas supply, limited transmission capacity, large distribution losses, and low and subsidized electricity tariffs. The government paid over 2 percent of GDP last year to support the sector, and the sector shortfall under business as usual assumptions is projected to remain over US$1 billion per year until at least 2024. As of the end of 2018, the sector's losses had translated into cumulative sector arrears of US$2.75 billion, of which US$851 million owed to the private sector. A new debt reconciliation is underway.

38. Implementation of the Energy Sector Reform Program (ESRP) has been slow, also due to the pandemic. The government achieved some important early wins in power generation and gas distribution, but momentum has stalled. The IPP renegotiations underway could reduce electricity costs by about 30 percent (a saving of US$220 million in 2022), but involves government refinancing of IPP debt at below market rates. Electricity tariffs remain significantly below cost recovery levels, and business tariffs significantly cross-subsidize household tariffs. With World Bank support, a review of the ESRP is in progress, and is expected to be completed in July 2021.

39. The Living Income Differential (LID) has raised cocoa farming incomes, but creates balance sheet risks for Cocobod. Launched in 2019 by Ghana and Côte d'Ivoire, the LID is a surcharge of US$400 per ton of cocoa exports that aims to capture a larger share of the chocolate global value chain and increase the income of cocoa farmers, many of whom live in poverty. While the surcharge was fully passed through to farmers, the higher export price and lower global demand slowed down cocoa shipments significantly. This implicit subsidy to farmers creates a net operating loss for Cocobod, adding to its domestic debt. Cocobod is exploring options to refinance this debt, which was 2.5 percent of GDP at end-2020, including through a longer-term, FX collateralized loan.

40. The oversight entity (SIGA) charged with monitoring and disclosure of SOE financial performance is now operational. A board of directors is in place, and a framework for financial oversight, a state ownership policy and a code of corporate governance, as well as a dividend policy framework are under development. For the 2020 financial year, the performance and financial results of 50 entities will be reviewed in the State Ownership Report, a critical tool for fiscal risk analysis.

Authorities' Views

41. The authorities expressed their commitment to implement the ESRP. They are progressing with renegotiation of the take or pay contracts with seven IPPs, which is expected to be completed this year. Recognizing the increasing financial pressures posed by the sector, the authorities introduced an additional tax on petrol and diesel of GHS 0.2/l and on LPG of GHS 0.18/kg to fund payments to IPPs. They are also exploring domestic and regional outlets to offload their holdings of excess gas supply. Cocobod has introduced cost control measures, including a freeze on capital expenditures until the next fiscal year, and sees debt refinancing as a step to regain sounder financial footing, and believes its strong track record and collateralized receivables could support a longer-term external issuance.

Box 2. Energy Sector Developments

There were positive steps in ESRP implementation, such as the Karpower relocation and the reverse gas flow arrangement, and the adoption of the cash waterfall mechanism and natural gas clearing house. However, many reforms were delayed, in part due to the pandemic, and new sources of potential fiscal liabilities have emerged that were not foreseen in the ESRP.

- **New ESLA bonds were issued to settle legacy debts.** These securities are backed by fuel and electricity levies. The total amount outstanding was GHS 7.63 billion at end-April 2021.

- **The power sector shortfall remains large and growing**. Electricity tariffs represent only 73 percent of cost recovery levels, with a large differential between household and business tariffs, and have increased just 5 percent since 2015. A tariff review is scheduled for July. The authorities' modeling analysis suggests that adjusting tariffs to inflation would be needed to bring the annual financial shortfall from electricity generation under US$500 million by 2024.

- **Government is renegotiating seven power purchasing agreements (PPAs).** Government signed 32 PPAs with independent power producers (IPPs) in recent years, resulting in over supply and high fixed costs. Ongoing renegotiations could reduce costs by 30 percent (saving US$220 million in 2022), but involve refinancing IPP debt worth US$900 million at a lower rate than the 2020 Eurobond issuance that raised these funds, implying a 3 percent interest rate subsidy. The contract with GPGC Limited was recently canceled, at a cost of US$170 million.

- **The electricity distribution company (ECG) continues to suffer large technical losses**, reaching GHS 3 billion in 2018, a significant deterioration compared with 2016 and 2017. To address these losses, a private concession was agreed in April 2019, but subsequently terminated due to governance concerns, and ECG continues to manage electricity distribution, without a clear reform plan. A metering system is being put in place to address power theft and losses. The cash waterfall mechanism now distributes revenues more evenly across the sector, but is creating new cashflow issues for SOEs across the supply chain. The increase in power consumption in 2020 exacerbated technical and commercial leakages in distribution.

- **The financial shortfalls in the gas sector are a growing challenge**, exacerbated by infrastructure bottlenecks, and tariffs that do not reflect cost recovery. Government has paid US$168 million in outstanding take-or-pay obligations to the Sankofa project contractors. However, new arrears of US$170 million have accumulated, and in April 2021 the contractors drew on a letter of credit for a second time. The cancellation of the Takoradi LNG contract is a positive step, but could create new fiscal liabilities, as settlement with the contractor is still pending. The new Tema LNG project, set to start production in June 2021, will increase gas oversupply and cost US$200-300 million per year under a 17-year take or pay agreement. New infrastructure will be needed to find buyers for the excess gas, either in-country or regionally.

- **Information on the performance of the sector remains patchy and outdated**. The latest publicly available debt data is from 2018. The ESRP itself calls for transparency, yet there has been limited public reporting on progress. There appears to have been limited stakeholder consultation on the IPP renegotiation or procurement of new contracts in the sector.

D. Maintaining a Prudent Monetary Policy Stance

42. A tighter monetary policy stance could be needed if inflationary pressures increase. Inflation moderated recently as the jump in food prices linked to the April 2020 lockdown was fully incorporated. However, inflation risks, including from rising import prices, higher fuel and transportation fares, and budget revenue measures, must be monitored closely, also by leveraging the IMF technical assistance on monetary policy analysis and forecasting. Slow progress towards fiscal adjustment could also eventually de-anchor inflation expectations, although survey-based expectation remain within the inflation target range for now (Figure 6). Likewise, pressures from rising US treasury yields have not materialized so far, with over US$1 billion net portfolio inflows in the first five months of 2021, but additional global rate increases could lead to exchange rate pressures.

43. Exceptional BOG lending to government in 2020 had little impact on inflation, but further monetary financing could undermine the financial autonomy of the central bank. The BOG provided GHS 10 billion in direct budget financing under the APP through two 10-year bonds indexed to the policy rate, with a two-year grace period. It also monetized the costs of reimbursing depositors in failed SDIs and securitized government overdrafts and interest payments due on nonmarketable debt. The impact of monetary financing on inflation was muted due to lower nominal demand as a result of COVID-19, exchange rate stability, and the one-off nature of the APP. However, continued monetary financing could quickly lead to inflation and exchange rate pressures. The financial and personal autonomy of the BOG should be strengthened by expediting the renewal of the BOG-MOF memorandum of understanding limiting monetary financing that expired last year, and appointing without further delays a new BOG Board, which was dissolved after the elections in line with the law.

BOG net lending to government, 2020

	Percent of GDP
10-year APP bonds	2.6
Bond monetization	1.5
Securitized GOG overdraft	0.6
Securitized interest	0.2
Increase in GOG deposits at BOG	-0.6
Total	**4.4**

Sources: Bank of Ghana, and IMF staff calculations.

44. Government spending is creating FX borrowing pressures, leading to risks to reserves and the exchange rate. The BOG's main source of FX inflows are cocoa exports, although there are tentative plans to purchase monetary gold domestically. Its FX outflows are larger and mostly incompressible, driven by government debt service, energy payments and FX sales to domestic banks. The result is a sizeable FX cash flow deficit, which so far has been covered through borrowing. While pressures appear contained for the moment, these large FX gross borrowing needs can quickly deplete reserves and lead to a sudden depreciation if market access was curtailed. Greater exchange rate flexibility, with interventions limited to smoothing sharp fluctuations, can help reduce FX borrowing needs, as well as lower the FX risk premium in domestic interest rates.[2]

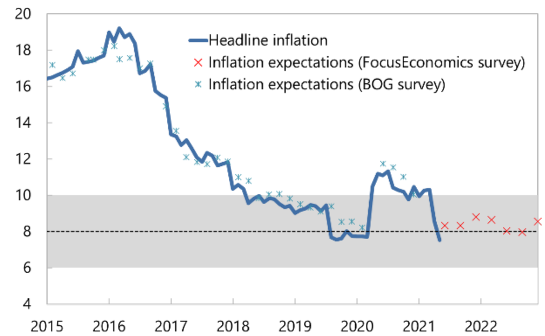
[2] A limit of US$10,000 withdrawal per trip and per annual transfer without documentation—a capital flow management measure (CFM)—remains in place. Removal of this CFM would be consistent with the Fund's Institutional View on CFMs.

Figure 6. Ghana: Monetary Developments

Inflation expectations remain aligned with target, despite a jump in food prices linked to the April 2020 lockdown.

Ghana: Inflation Expectations

(Headline inflation, y-o-y, percent)

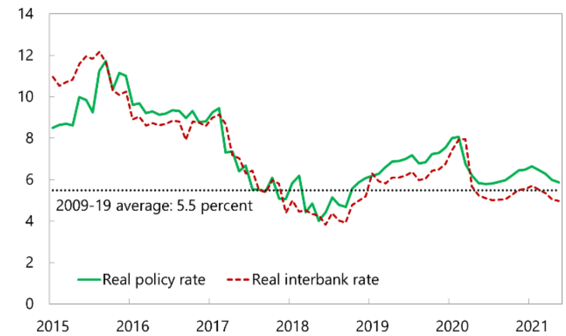


Sources: FocusEconomics, Ghanaian authorities and IMF staff calculations

Short-term real rates are expected to move below their historical average after the May 2021 rate cut.

Ghana: Short-Term Real Interest Rates

(Nominal rates minus 3-year average inflation, percent)

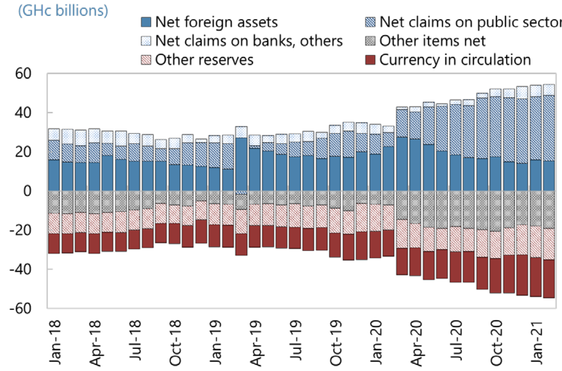


Sources: Ghanaian authorities and IMF staff calculations.

The BOG balance sheet expanded rapidly after the pandemic hit...

Ghana: Central Bank Balance Sheet

(GHc billions)

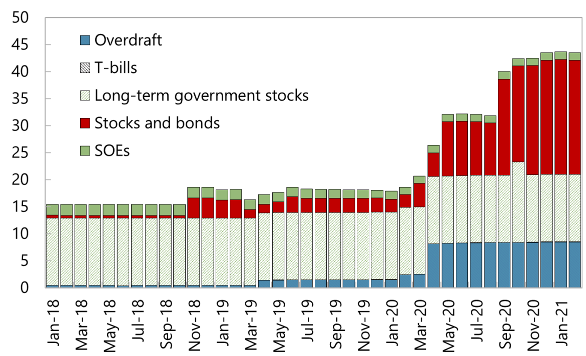


Sources: Bank of Ghana

...with increased lending to government through direct budget financing and financial sector bond monetization.

Ghana: BOG Credit to the Public Sector

(Ghc billions)

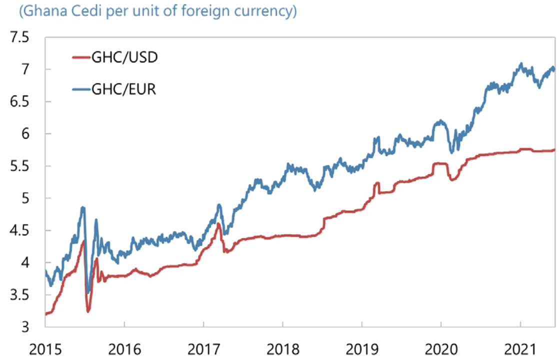


Sources: Bank of Ghana

Lower FX demand, resilient inflows, structural reforms (incl. FX auctions) and BOG support led to a stable Cedi...

Ghana: Cedi Reference Rates

(Ghana Cedi per unit of foreign currency)

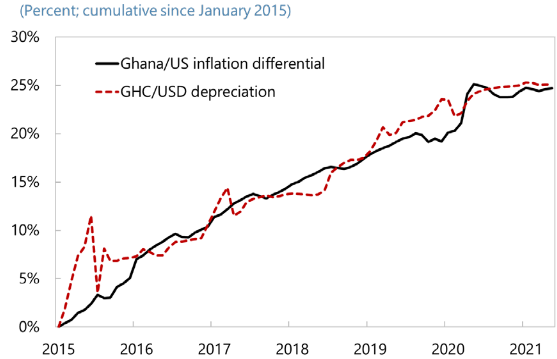


Sources: Bank of Ghana.

...although, over a longer horizon, Cedi depreciation remains closely aligned with the inflation differential.

Ghana: Cedi Depreciation and Inflation Differential

(Percent; cumulative since January 2015)



Sources: BLS, Ghanaian authorities and IMF staff calculations

Authorities' Views

45. The authorities agreed with the need to maintain price stability and indicated their commitment to enforce the MOU on zero financing of the budget. The authorities believe that inflation pressures will be contained in the near-term, but are closely monitoring the inflation outlook. They are of the view that recent exchange rate stability reflects confidence in their strong economic management track record, as well as the impact of structural reforms, including FX market auctions which are shifting demand away from the spot market. They view the relatively stable level of gross reserves as evidence of low-scale FX interventions. Mechanisms are being put in place to ensure that gold purchases are consistent with central bank independence and best reserves management practice.

E. Preserving Financial Stability

46. The clean-up helped stabilize the financial sector, but at a high cost to the budget. The financial sector bailout reached GHS 22.7 billion by end of 2020, or 6.8 percent of GDP. New operations are expected in 2021, including additional payments to investors in failed asset management companies and the recapitalization of the state-owned National Investment Bank (NIB). The government is recouping some costs through recoveries and the 5 percent levy on bank profits announced in the 2021 budget.

Ghana: Financial Sector Bailout Costs (GHS billion)

	2017	2018	2019	2020	2021p	Total
Banks	2.2	8.1	1.4			11.7
Savings and Loans, MFIs			0.9	5.1		6.0
Asset Management Companies				3.4	5.5	8.9
GAT (Banks)			0.8			0.8
NIB				0.8	1.2	2.0
Total	**2.2**	**8.1**	**3.1**	**9.3**	**6.7**	**29.4**
Percent of GDP	*0.8*	*2.6*	*0.9*	*2.4*	*1.5*	*8.3*

Source: Ghanaian authorities and IMF staff estimates. The amount projected for NIB in 2021 is not included in 2021 budget, but corresponds to the recapitalization gap previously identified for NIB.

47. Banks are well-capitalized despite the COVID-19 shock (Figure 7). Capital adequacy is well above the minimum regulatory threshold of 11.5 percent, and compares favorably with peers. Regulatory relaxation, including forbearance, helped mitigate asset quality deterioration and associated provisioning needs. While the central bank took steps to ensure that loss recognition was not unduly delayed and that capital buffers were not eroded (e.g., by imposing restrictions on dividend distributions), regulatory easing will have to be rolled back carefully as the economy recovers, to manage any delayed impact on bank asset quality.

48. Government lending supported the banking sector through the pandemic, but is crowding out private-sector credit and increasing balance sheet risks. The share of government lending to total bank assets reached 44.7 percent in February 2021, from 36.3 percent a year before, driven by the large budget deficit, and the pandemic-induced credit risks and slowdown in credit demand. This growing sovereign exposure, a trend that started even before the pandemic, props up bank profitability but undermines private-sector credit growth. Moreover, the exposure could create bank balance sheet losses if government yields were to increase, amplifying the impact of potential debt rollover difficulties or other exogenous shocks on credit growth and economic activity.

49. The BOG is pushing ahead with regulatory reform. The central bank is drafting Pillar II regulations and completing accompanying risk management guidelines. It is also conducting a review of the SDI subsector with technical support from the World Bank, to identify gaps in the legal, regulatory, and supervisory framework and the practices that led to systemic distress and resolution of over 400 failed SDIs in 2019. The BOG has also recently revised the Emergency Liquidity Assistance framework and is finalizing new directives, including on liquidity management, supervisory review and evaluation process, and corporate governance disclosure under its ongoing Basel II/III reforms. Finally, improvements in the AML/CFT framework, with IMF technical assistance, helped Ghana exit the FATF "grey list" in June 2021 following an on-site assessment by the International Co-operation Review Group (ICRG). Implementation of these reforms should be sustained, developed and enhanced in the future.

50. The central bank took several steps to promote digital payments at the onset of the pandemic, including by reviewing transaction size limits and KYC requirements, and reducing mobile money transaction fees. Other ongoing efforts include digitizing government and utility payments, increasing proximity to financial access points by promoting agent banking, supporting FinTech innovations to lower remittance costs and promote digital crowdfunding, improving interoperability through lower fees and switching to a receiver-pay model, piloting a central bank digital currency, and introducing universal QR payment codes. Under their Financial Sector Development and Inclusion Strategy, the authorities are aiming to reach 85 percent of the population with access to formal financial services by 2023, focusing on underserved demographics (women, rural and poor citizens).

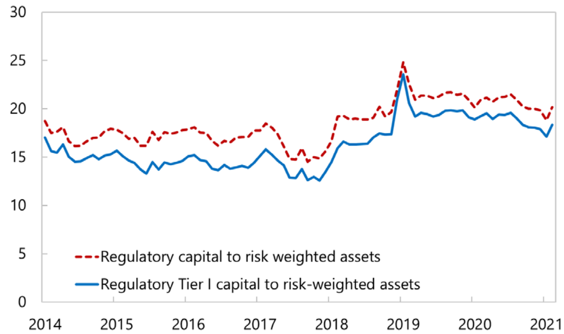
Authorities' Views

51. The authorities highlighted several fiscal and monetary interventions that contributed to the resilience of the financial sector during the pandemic. While the financial sector bailout was costly, it helped position financial institutions to weather the adverse impact of the pandemic on the economy. Faced with weaker credit demand from the private sector, bank lending to government increased and this helped boost profitability to the banks and SDI sector. The regulatory relief to banks, granted by the BOG, and which were in line with international response, helped banks and SDIs to remain resilient during the pandemic. The authorities are of the view that the timing and manner of rolling back these reliefs will be guided by the need to support the economic recovery and maintain financial sector stability. The central bank's longstanding policy and regulatory reforms and investments in payments infrastructure over the years has laid the foundation for the shift into a digital financial services economy, and helped firms and consumers cope with doing business during the pandemic.

Figure 7. Ghana: Banking Sector Developments

The banking sector is well capitalized following the cleanup that started in 2017…

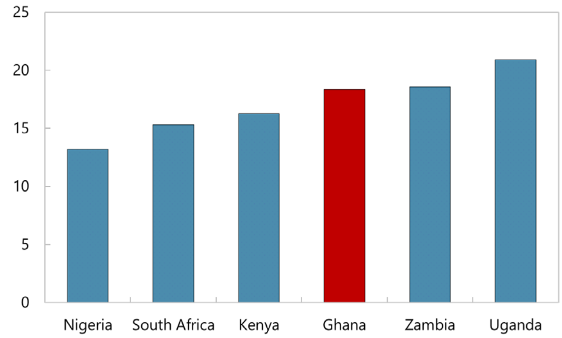
Ghana: Banking Sector Capital
(Percent)



Sources: Bank of Ghana.

…with capital ratios that compare favorably against peers.

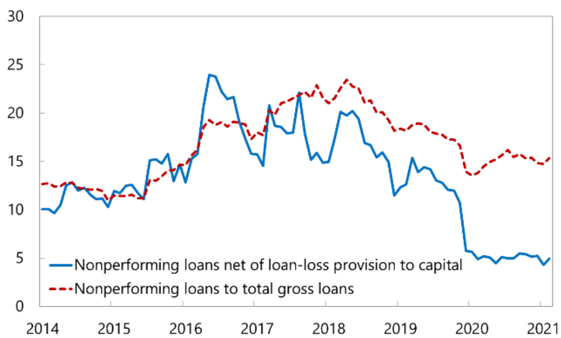
Tier 1 Capital Ratio for Selected Countries at Q3-2020
(Percent)



Sources: International Monetary Fund

Bank balance sheets improving as NPLs decline.

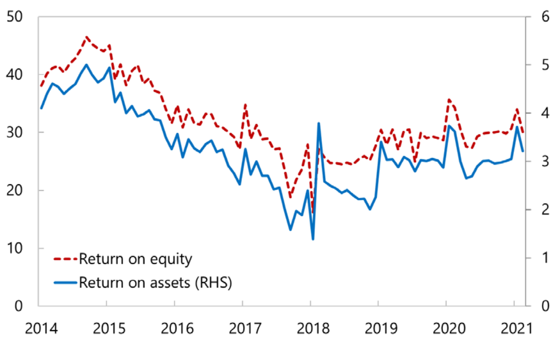
Ghana: Non-Performing Loans
(Percent)



Sources: Bank of Ghana.

Banks have become more profitable, although this partly reflects higher credit to government.

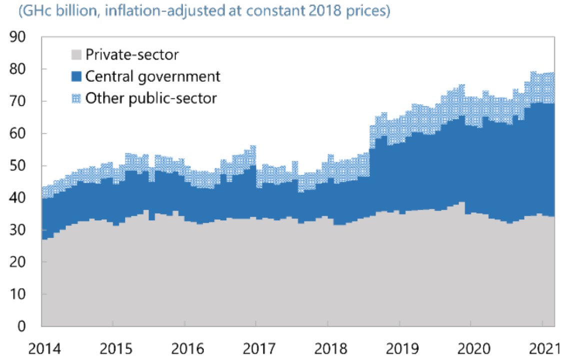
Ghana: Banking Sector Earnings
(Percent)



Sources: Bank of Ghana.

After adjusting for inflation, private-sector credit has stagnated in recent years…

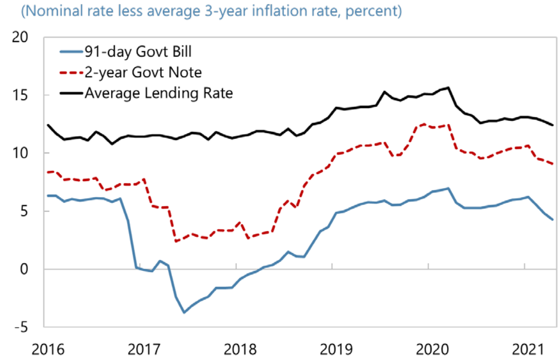
Ghana: Bank Credit by Sector
(GHc billion, inflation-adjusted at constant 2018 prices)



Sources: Ghanaian authorities and IMF staff calculations.

…discouraged by public sector crowding out and high real interest rates.

Ghana: Real Interest Rates
(Nominal rate less average 3-year inflation rate, percent)



Sources: Ghanaian authorities and IMF staff calculations.

STAFF APPRAISAL

52. Ghana has been hit hard by the pandemic, and the authorities responded proactively to save lives and livelihoods. Faced with an unprecedented shock, the government took extraordinary measures, including a lockdown, border and school closures, and social distancing restrictions that contained the spread of the coronavirus. Although Ghana avoided the severe contractions seen across the region, growth slowed down, food prices spiked, many households suffered large income declines, and children lost months of learning. Economic activity is now rebounding strongly but unevenly across sectors, pointing to lasting scarring effects.

53. The government's response mitigated the economic impact of COVID-19, but contributed to a record fiscal deficit in 2020. Unprecedented fiscal and monetary support helped cushion the impact on economic activity. However, the policy response contributed to a record fiscal deficit of 15.2 percent of GDP in 2020, plus 2.1 percent of GDP in arrears-financed spending. As a result, public debt reached 79 percent of GDP, not including the debt of some large SOEs, the energy sector, and the 2020 domestic arrears.

54. A stronger fiscal consolidation is required to address growing debt sustainability risks. The adjustment envisaged in the 2021 budget is an important first step, and a difficult one in a pandemic. However, with average annual gross financing needs of 22 percent of GDP over the medium term, solvency and rollover risks would still remain high, and a more ambitious adjustment is needed to shore up fiscal sustainability. An effective strategy would involve additional and more progressive revenue measures and a faster return to the pre-pandemic level of spending, with a shift in composition towards social, health, and development spending. These measures would need to be accelerated if fiscal risks or budget financing challenges materialize.

55. The planned audit of COVID-19 emergency spending and new expenditure arrears is welcome. The audit, which would be additional to routine budget controls, and the publication of crisis-related procurement contracts and associated beneficial ownership information are essential to help account for the increase in spending, identify less effective expenditures, detect potential misuse, and improve spending controls.

56. Reporting and monitoring of SOEs financial performances is improving, but the sector—particularly energy—is still a source of fiscal risks. The ongoing review of energy sector performance and debt reconciliation, including new gas projects, will help update the ESRP and avoid the build-up of further liabilities. Stronger central controls and capacity to manage risks from other SOEs are also urgently needed. For example, Cocobod's plans to issue a collateralized external loan should be closely coordinated with government and included in public debt.

57. The central bank should closely monitor emerging inflationary pressures. The monetary policy stance after the recent policy rate cut is still broadly appropriate provided that the fiscal consolidation proceeds as planned, and that appropriate exchange rate flexibility is allowed. But space for further cuts is limited and the BOG should stand ready to tighten if inflationary pressures materialize, including if progress towards fiscal adjustment is slower than anticipated.

58. The BOG should also remain alert to the erosion of external buffers. While gross international reserves are at an all-time high, they are still dependent on external borrowing. A gradual reduction in FX borrowing needs, supported by greater exchange rate flexibility and a smaller financing needs, can help mitigate FX rollover risks. A potential SDR allocation could be used to shore up international reserves, and, if concessional financing sources are not available, finance the critical vaccination rollout.

59. An updated safeguards assessment of the BOG was finalized in June 2021. The governance gap created by the BOG Board's hiatus presents challenges to independent oversight. Vulnerabilities in the legal framework remain, including with respect to limits on monetary financing, but the recommended legal reforms did not get political support in the past. These should be revisited at an opportune time. The BOG has strengthened other areas of its institutional arrangements, including a framework for liquidity assistance that is aligned with leading practices.

60. The financial sector cleanup made the sector more resilient, but the banks' increasing exposure to the sovereign creates risks. Ongoing supervisory and regulatory reforms are important steps to protect financial stability. The improvements in the AML/CFT framework that allowed Ghana to exit the FATF "grey list" are also welcome. Efforts to reduce government financing needs and diversify the investor base in government bonds can reduce crowding out of private sector credit and help manage risks to banks' balance sheets, including from potential volatility in government yields.

61. The CARES program has the potential to accelerate growth but needs to be prioritized given limited fiscal resources. In a first stage, the government could focus on a few export industries in agro-processing or manufacturing that could achieve economies of scale and create jobs, giving preference to solutions that do not add to public debt. This structural transformation can be complemented by diversification in tourism, finance and IT, and by the digital transition, which has potential to reduce corruption, boost tax revenues, and improve service delivery.

62. Ghana's capacity to repay the Fund remains adequate. All indicators of Ghana's capacity to repay remain adequate in both the baseline and downside scenarios. Ghana's growing external financing needs, driven by debt service, create risks, but these risks are manageable given the authorities' strong track record, commitment to macroeconomic stability, and potential to use exchange rate flexibility as a shock absorber.

63. Capacity development continues to be central to the Fund's engagement with Ghana (Annex VI). To support of the authorities' ambitious structural reform agenda, recent IMF technical assistance has focused on domestic revenue mobilization, banking supervision, liquidity management, stress testing, macro-forecasting, AML/CFT, and statistics, among others.

64. It is proposed that the next Article IV consultation take place on the standard 12-month cycle.

Table 1. Ghana: Selected Economic and Financial Indicators, 2019–25

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
	(Annual percentage change; unless otherwise indicated)						
National accounts and prices							
GDP at constant prices	6.5	0.4	4.7	6.2	4.7	5.0	5.8
Non-oil GDP	5.8	0.9	6.4	5.9	4.9	5.3	5.2
Oil and gas GDP	14.4	-4.6	-14.6	10.3	1.8	0.3	15.6
Real GDP per capita	4.3	-1.7	2.6	4.0	2.6	2.9	3.8
GDP deflator	8.5	7.1	11.2	7.7	7.2	6.9	6.1
Consumer price index (annual average)[1]	7.1	9.9	8.9	8.5	8.0	6.9	6.1
	(Percent of GDP)						
Gross capital formation	19.4	19.2	18.6	18.7	19.4	19.9	20.5
Government	1.7	2.6	3.4	2.6	2.4	2.0	1.7
Private	17.7	16.6	15.2	16.1	17.0	17.9	18.8
National savings	16.7	16.1	16.3	15.2	14.9	15.1	16.4
Government	-5.5	-13.1	-11.1	-8.5	-7.9	-8.1	-7.3
Private[2]	22.1	29.2	27.5	23.7	22.8	23.2	23.7
Foreign savings	-2.7	-3.1	-2.2	-3.5	-4.5	-4.8	-4.1
Central government budget (cash basis)							
Revenue	14.3	12.9	14.9	15.0	15.0	15.2	15.3
Expenditure	21.8	28.2	28.9	25.4	24.5	24.5	23.4
o/w financial and energy sector related costs	2.7	4.7	3.9	1.0	1.0	1.0	1.0
Overall balance[3]	-7.5	-15.2	-13.9	-10.5	-9.5	-9.3	-8.1
Overall balance excluding financial and energy sector related costs[3]	-4.7	-11.4	-10.0	-9.5	-8.5	-8.2	-7.0
Primary balance[3]	-1.8	-8.8	-5.9	-1.4	-0.2	0.3	1.3
Primary balance excluding financial and energy sector related costs[3]	0.9	-4.1	-2.0	-0.3	0.8	1.4	2.3
Public debt (gross)	62.9	78.9	83.5	84.9	86.4	87.4	87.0
Domestic debt[4]	23.9	34.2	39.3	40.1	41.0	40.7	40.9
External debt	39.0	44.7	44.2	44.8	45.4	46.8	46.1
	(Annual percentage change; unless otherwise indicated)						
Money and credit							
Credit to the private sector (commercial banks)	4.7	10.6	8.6	7.8	8.6	10.0	13.4
Broad money (M2+)	21.6	29.7	22.1	13.5	12.1	13.2	14.1
Velocity (GDP/M2+, end of period)	3.8	3.2	3.0	3.1	3.1	3.0	3.0
Base money	33.6	25.8	26.9	6.8	9.4	12.6	13.6
Policy rate (in percent, end of period)	16.0	14.5	…	…	…	…	…
	(Percent of GDP)						
External sector							
Current account balance	-2.7	-3.1	-2.2	-3.5	-4.5	-4.8	-4.1
Gross international reserves (millions of US$)	6,607	6,962	7,494	7,435	6,886	6,971	7,052
in months of prospective imports of goods and services	3.4	3.2	3.2	3.0	2.6	2.6	2.4
Net international reserves (millions of US$)[5]	5,247	4,559	5,212	5,285	4,873	5,135	5,512
in months of prospective imports of goods and services	2.7	2.1	2.2	2.1	1.9	1.9	1.9
Memorandum items:							
Nominal GDP (millions of GHc)	356,544	383,486	446,662	510,652	573,143	643,429	722,163
National Currency per U.S. Dollar (period average)	5.2	5.6	…	…	…	…	…
GDP per capita (US$)	2,271	2,229	2,406	2,562	2,686	2,823	2,974
Central Government Debt excluding ESLA bond	61.2	76.9	81.9	83.5	85.1	86.3	86.0

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

[1] The CPI was rebased in September 2019. The historical figures reflect assumptions by IMF staff.

[2] Including public enterprises.

[3] Excludes discrepancy.

[4] Includes Energy Sector Levy Act bond.

[5] Does not subtract liabilities from currency forwards or swaps with residents.

Table 2a. Ghana: Summary of Budgetary Central Government Operations, 2019–25
(GFS 2001, Cash Basis, Percent of GDP)

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
	(In percent of GDP, unless otherwise specified)						
Revenue[1]	14.0	12.9	14.9	15.0	15.0	15.2	15.3
Taxes	12.5	12.0	13.4	13.5	13.7	14.0	14.2
Direct taxes	6.3	5.8	6.1	6.1	6.1	6.2	6.0
Indirect taxes	4.6	3.9	4.6	4.7	4.9	5.1	5.4
Trade taxes	1.5	2.3	2.7	2.7	2.7	2.7	2.7
Other tax revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other revenue	1.2	0.2	1.0	1.1	1.0	1.1	0.9
Grants	0.3	0.6	0.4	0.3	0.3	0.1	0.1
Expenditure	21.2	28.2	28.9	25.4	24.5	24.5	23.4
Expense	19.5	25.5	25.5	22.8	22.1	22.5	21.7
Compensation of employees	6.2	7.3	6.9	6.6	6.2	6.2	6.1
Wages and salaries	5.5	6.4	5.8	5.7	5.3	5.3	5.3
Social contributions	0.7	0.9	1.0	1.0	0.9	0.9	0.9
Purchases of goods and services	1.7	3.3	1.7	1.5	1.4	1.4	1.4
Interest	5.5	6.4	8.0	9.1	9.3	9.6	9.4
Domestic	4.3	4.8	6.4	7.4	7.4	7.6	7.1
Foreign	1.3	1.6	1.7	1.7	1.9	2.0	2.2
Subsidies and transfers	1.0	2.7	2.7	1.0	1.0	1.0	1.0
Social transfers	0.0	0.1	0.1	0.1	0.1	0.1	0.1
Grants to other government units	3.2	3.3	4.0	4.1	3.8	3.8	3.6
Other expenses [2]	1.9	2.5	2.1	0.3	0.2	0.3	0.0
o/w: financial sector related costs	1.7	2.1	1.2	0.0	0.0	0.0	0.0
Net acquisition of nonfinancial assets	1.7	2.6	3.4	2.6	2.4	2.0	1.7
Domestic financed	0.7	1.0	1.1	0.3	0.3	0.2	0.2
Foreign financed	1.0	1.6	2.3	2.4	2.2	1.8	1.5
Overall balance	-7.3	-15.2	-13.9	-10.5	-9.5	-9.3	-8.1
Overall balance excluding financial and energy sector related costs	-4.6	-11.4	-10.0	-9.5	-8.5	-8.2	-7.0
Discrepancy	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial transactions	7.3	15.2	13.9	10.5	9.5	9.3	8.1
Net acquisition of financial assets	0.1	0.1	-0.1	0.0	0.0	-0.1	0.0
Currency and deposits	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0
Net incurrence of liabilities	7.4	15.4	13.9	10.5	9.5	9.2	8.1
Domestic	4.2	11.3	10.4	6.8	6.4	5.5	5.9
Bank of Ghana	0.0	2.6	0.0	0.0	0.0	0.0	0.0
Deposit Money Banks	3.2	3.8	3.9	2.6	2.4	2.1	2.2
Nonbanks	1.1	4.8	6.4	4.2	4.0	3.4	3.6
Foreign	3.2	4.1	3.5	3.7	3.2	3.7	2.2
Memorandum items:							
Public debt (gross)	62.9	78.9	83.5	84.9	86.4	87.4	87.0
Public debt amortization	8.5	9.5	10.4	8.9	13.2	12.6	14.1
Oil revenue	1.2	0.8	1.4	1.4	1.2	1.4	1.2
Proceeds from Energy Sector Levies Act (ESLA)	0.5	0.5	0.6	0.7	0.8	0.9	1.0
Primary balance (excl. discrepancy)	-1.7	-8.8	-5.9	-1.4	-0.2	0.3	1.3
Primary balance excluding energy and financial sector related costs	0.9	-4.1	-2.0	-0.3	0.8	1.4	2.3
Nominal GDP (millions of GHc)	356,544	383,486	446,662	510,652	573,143	643,429	722,163

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

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

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

Table 2b. Ghana: Summary of Budgetary Central Government Operations. 2019–25
(GFS 2001, Cash Basis, GHS Millions)

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
				(In millions of GHc)			
Revenue[1]	49,767	49,565	66,620	76,409	85,890	97,912	110,388
Taxes	44,417	46,174	59,853	68,992	78,407	89,905	102,540
Direct taxes	22,598	22,347	27,304	31,161	34,722	39,581	43,687
Indirect taxes	16,320	14,804	20,626	24,060	28,237	33,053	39,185
Trade taxes	5,346	8,850	11,922	13,771	15,448	17,271	19,668
Other tax revenues	153	173	201	229	258	291	326
Other revenue	4,364	954	4,640	5,487	5,718	6,873	6,817
Grants	986	2,437	1,926	1,700	1,508	844	706
Expenditure	75,707	108,023	128,879	129,844	140,491	157,544	168,699
Expense	69,555	97,882	113,757	116,473	126,553	144,479	156,406
Compensation of employees	22,033	28,176	30,657	33,951	35,648	39,926	44,349
Wages and salaries	19,521	24,621	26,097	28,894	30,339	33,926	37,937
Social contributions	2,512	3,555	4,559	5,057	5,309	6,000	6,412
Purchases of goods and services	6,170	12,480	7,469	7,795	7,804	9,218	10,330
Interest	19,756	24,599	35,863	46,341	53,439	61,706	67,524
Domestic	15,157	18,352	28,368	37,878	42,629	48,586	51,493
Foreign	4,599	6,247	7,495	8,463	10,810	13,120	16,032
Subsidies and transfers	3,417	10,184	12,063	5,336	5,979	6,682	7,500
Grants to other government units	11,424	12,577	17,905	20,885	21,951	24,146	25,825
Other expenses[2]	6,630	9,528	9,409	1,720	1,231	2,241	252
Net acquisition of nonfinancial assets	6,152	10,141	15,122	13,371	13,938	13,064	12,293
Domestic financed	2,529	3,963	4,740	1,282	1,508	1,431	1,667
Foreign financed	3,623	6,178	10,381	12,089	12,430	11,633	10,626
Additional measures	0	0	0	0	0	0	0
Net lending / borrowing (overall balance)	-25,940	-58,457	-62,259	-53,436	-54,600	-59,631	-58,311
Overall balance excluding financial and energy sector related costs	-20,040	-43,757	-44,696	-48,329	-48,869	-53,197	-51,090
Discrepancy	0	0	0	0	0	0	0
Net financial transactions	25,940	58,457	62,259	53,436	54,600	59,631	58,311
Net acquisition of financial assets	443	446	-263	119	83	-367	10
Currency and deposits	0	0	-420	0	0	-414	0
Shares and other equity	443	446	156	119	83	47	10
Net incurrence of liabilities	26,383	58,903	61,996	53,554	54,684	59,264	58,322
Domestic	15,051	43,322	46,343	34,801	36,524	35,437	42,511
Bank of Ghana	0	10,000	0	0	0	0	0
Deposit Money Banks	11,289	14,730	17,610	13,224	13,879	13,466	16,154
Nonbanks	3,763	18,593	28,733	21,577	22,645	21,971	26,357
Foreign	11,332	15,580	15,653	18,753	18,160	23,828	15,810
Memorandum items:							
Public debt (gross)	224,365	302,664	373,146	433,363	495,194	562,594	628,119
Amortization of debt	30,957	147,000	0	0	0	0	0
Oil revenue	4,194	2,918	6,052	7,057	7,129	8,926	8,449
Revenue excl. oil, grants, and ESLA	42,832	42,455	56,123	64,238	72,836	82,545	94,289
Primary balance (excl. discrepancy)	-6,184	-33,858	-26,396	-7,095	-1,162	2,074	9,213
Primary balance excluding energy and financial sector related costs	3,133	-15,674	-8,833	-1,759	4,818	8,756	16,712
Nominal GDP	356,544	383,486	446,662	510,652	573,143	643,429	722,163

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

[1] Revenues in this presentation differs from the authorities' as it is net of retentions of the revenue agency.

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

Table 3. Ghana: Monetary Survey, 2019–25

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
I. Monetary Survey (Central Bank and Commercial Banks)							
Net foreign assets	20,594	18,598	23,573	25,219	25,026	29,418	33,444
Net domestic assets	72,316	101,924	123,642	141,847	162,320	182,700	208,554
Domestic claims	83,974	121,909	141,460	159,664	180,138	200,517	226,371
Net claims on central government	34,215	68,966	83,227	96,171	110,735	123,842	139,584
Claims on other sectors	49,759	52,943	58,233	63,493	69,403	76,675	86,787
Claims on public non-financial corporations	6,964	5,396	6,284	7,184	8,063	9,052	10,159
Claims on private sector	42,605	47,358	51,729	56,058	61,059	67,308	76,273
Other	190	188	219	251	282	316	355
Other items (net)	-11,657	-19,985	-17,817	-17,817	-17,817	-17,817	-17,817
Money and quasi-money (M3)	92,910	120,522	147,216	167,066	187,346	212,117	241,998
Broad money (M2)	69,908	94,492	119,219	137,078	155,279	177,894	205,578
Foreign exchange deposits	23,002	26,030	27,997	29,988	32,067	34,223	36,421
II. Central Bank							
Net foreign assets	19,923	14,121	18,853	20,262	19,829	23,981	27,771
Net domestic assets	8,798	22,003	27,000	28,694	33,716	36,323	40,754
Net domestic claims	15,046	39,253	40,099	41,792	46,814	49,421	53,853
Claims on other depository corporations	1,988	2,348	1,921	2,752	6,930	8,589	11,958
Net claims on central government	8,469	31,731	32,151	32,151	32,151	32,151	32,151
Claims on central government (BOG)	16,575	42,101	42,101	42,101	42,101	42,101	42,101
Liabilities to central government (BOG)	8,106	10,370	9,951	9,951	9,951	9,951	9,951
Claims on other sectors[1]	4,589	5,174	6,027	6,890	7,733	8,681	9,744
Other items (net)[2]	-6,248	-17,250	-13,098	-13,098	-13,098	-13,098	-13,098
Base money[3]	28,721	36,125	45,853	48,956	53,544	60,303	68,526
Currency in circulation (net of cash in vaults)	14,336	20,890	23,913	26,861	29,611	32,650	35,992
Currency in banks (cash in vault)	1,934	2,493	2,928	3,170	3,391	3,667	4,000
Bank deposits at BOG[3]	9,806	9,368	14,729	14,353	15,541	18,354	22,133
Liabilities to other sectors	2,645	3,374	4,283	4,573	5,001	5,633	6,401
III. Commercial Banks							
Net foreign assets	670	4,477	4,720	4,957	5,197	5,437	5,673
Net domestic assets	75,260	91,781	114,299	130,675	147,537	168,398	193,932
Net domestic claims	80,953	95,637	115,995	129,091	143,362	162,508	185,967
Net claims on central bank	10,038	10,633	12,713	8,468	3,108	2,824	1,491
Claims on central bank	11,741	11,861	14,634	11,220	10,038	11,412	13,449
Liabilities to central bank	1,703	1,227	1,921	2,752	6,930	8,589	11,958
Net claims on central government (ODCs)	25,746	37,234	51,076	64,020	78,584	91,691	107,433
Net claims on public non-financial corporations	5,805	4,236	4,933	5,638	6,328	7,105	7,974
Claims on private sector	39,365	43,533	47,273	50,965	55,342	60,889	69,070
Other items (net)	-5,694	-3,856	-1,696	1,584	4,175	5,889	7,965
Memorandum items:	(annual percentage change, unless otherwise indicated)						
Base money	33.6	25.8	26.9	6.8	9.4	12.6	13.6
M2	16.0	29.7	22.1	13.5	12.1	13.2	14.1
M2+[4]	15.4	28.9	17.5	8.3	7.0	8.1	9.1
Credit to the private sector (commercial banks)	4.7	10.6	8.6	7.8	8.6	10.0	13.4
M2-to-GDP ratio (in percent)	19.6	24.6	26.7	26.8	27.1	27.6	28.5
Base money multiplier (M2/base money)	2.4	2.6	2.6	2.8	2.9	3.0	3.0
Credit to the private sector (commercial banks, in percent of GDP)	11.0	11.4	10.6	10.0	9.7	9.5	9.6

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

[1] Include public enterprises and local governments.

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

[3] Excludes foreign currency deposits.

[4] Includes foreign currency deposits.

Table 4. Ghana: Balance of Payments, 2019–25

	2019 Act.	2020 Prel.	2021 Proj.	2022 Proj.	2023 Proj.	2024 Proj.	2025 Proj.
	(In millions of U.S. dollars)						
Current account	-1,835	-2,133	-1,680	-2,869	-3,923	-4,550	-4,160
Trade balance	2,282	2,044	2,739	1,649	435	-322	309
Exports, f.o.b.	15,634	14,472	16,638	17,773	18,242	19,125	21,342
Imports, f.o.b	-13,352	-12,428	-13,899	-16,125	-17,807	-19,446	-21,034
Services (net)	-3,569	-4,509	-4,060	-4,092	-3,828	-3,570	-3,253
Income (net)	-3,954	-3,400	-3,659	-3,792	-3,963	-4,161	-4,787
Transfers	3,406	3,733	3,300	3,366	3,433	3,502	3,572
Official transfers	18	168	0	0	0	0	0
Other transfers	3,388	3,565	3,300	3,366	3,433	3,502	3,572
Capital and financial account	3,426	1,859	2,332	2,942	3,511	4,813	4,537
Capital account	189	250	241	193	154	123	99
Financial account	3,237	1,609	2,091	2,749	3,357	4,689	4,438
Foreign direct investment (net)	3,292	1,333	2,598	2,871	3,509	4,232	5,051
Portfolio investment (net)	2,618	1,562	3,000	2,739	2,372	3,609	2,509
Other investment (net)	-2,673	-1,286	-3,507	-2,861	-2,525	-3,152	-3,123
Medium and long term (net)	-3,135	-1,056	-3,094	-3,277	-2,663	-3,332	-3,356
Short-term (net)	462	-230	-413	417	138	180	233
Errors and omissions	-40	-359	0	0	0	0	0
Overall balance	1,552	-614	652	73	-411	262	377
Financing	-1,552	614	-652	-73	411	-262	-377
Changes in net reserves (-, incr.)[1]	-1,552	782	-652	-73	411	-262	-377
of which: Use of Fund credit (net)	330	939	-120	-132	-137	-177	-296
Memorandum items:	(Percent of GDP, unless otherwise indicated)						
Current account	-2.7	-3.1	-2.2	-3.5	-4.5	-4.8	-4.1
Capital and financial account	4.6	2.7	3.1	3.6	4.0	5.1	4.5
Foreign direct investment (net)	4.9	1.9	3.4	3.5	4.0	4.5	5.0
Overall balance	1.8	-0.9	0.9	0.1	-0.5	0.3	0.4
Gross foreign assets[2]							
Millions of U.S. dollars	8,422	8,624	9,339	9,429	9,024	9,249	9,491
Months of imports	4.3	4.0	3.9	3.8	3.4	3.4	3.3
Gross international reserves[3]							
Millions of U.S. dollars	6,634	6,962	7,494	7,435	6,886	6,971	7,052
Months of imports	3.4	3.2	3.2	3.0	2.6	2.6	2.4
Net international reserves[4]							
Millions of U.S. dollars	5,247	4,559	5,212	5,285	4,873	5,135	5,512
Months of imports	2.7	2.1	2.2	2.1	1.9	1.9	1.9

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

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

[2] Includes foreign encumbered assets and oil funds.

[3] Excludes foreign encumbered assets and oil funds.

[4] Does not subtract liabilities from currency forwards or swaps with residents.

Table 5. Ghana: Financial Soundness Indicators

	December 2015	December 2016	December 2017	December 2018	December 2019	December 2020
Capital Adequacy						
Regulatory capital to risk weighted assets	17.8	17.8	15.6	21.9	20.9	19.8
Regulatory Tier I capital to risk-weighted assets	14.6	14.4	13.5	21.0	19.1	17.9
Asset Quality						
Nonperforming loans net of loan-loss provision to capital	14.7	15.8	14.9	11.5	5.7	5.2
Nonperforming loans to total gross loans	14.7	17.3	21.6	18.2	13.9	14.8
Bank provisions to nonperforming loans	69.4	72.5	77.7	70.8	82.7	84.3
Profitability and Earnings						
Return on assets	3.3	2.5	2.4	2.3	2.9	3.0
Return on equity	22.2	18.0	18.7	18.5	19.9	21.4
Liquidity						
Liquid asset to total assets	22.3	21.6	22.3	23.4	22.5	20.1
Liquid asset to short-term liabilities	28.9	27.9	28.6	31.2	29.0	26.3
Liquid assets/total deposits	34.3	33.9	35.8	36.8	35.2	28.9

Source: Ghanaian authorities.

Table 6. Ghana: Indicators of Capacity to Repay the Fund

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Fund obligations based on existing credit (in millions of SDRs)															
Principal	64.1	83.2	90.3	93.0	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Fund obligations based on existing and prospective credit (in millions of SDRs)															
Principal	64.1	83.2	90.3	93.0	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0	0.0
Charges and interest	0.0	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total obligations based on existing and prospective credit															
In millions of SDRs	64.1	83.4	90.4	93.2	119.7	198.5	239.1	214.2	187.6	161.0	74.0	0.2	0.2	0.2	0.2
In millions of US$	89.3	120.2	132.1	137.3	177.6	295.9	356.4	319.3	279.7	240.1	110.3	0.3	0.3	0.2	0.3
In percent of gross international reserves	1.3	1.6	1.8	2.0	2.5	4.2	4.6	3.7	2.8	2.0	0.9	0.0	0.0	0.0	0.0
In percent of exports of goods and services	0.4	0.5	0.5	0.5	0.6	1.0	1.1	0.9	0.7	0.6	0.3	0.0	0.0	0.0	0.0
In percent of debt service[1]	2.8	3.2	3.9	3.4	4.0	5.1	5.9	5.6	5.0	4.1	1.8	0.0	0.0	0.0	0.0
In percent of GDP	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.2	0.2	0.1	0.0	0.0	0.0	0.0
In percent of quota	8.7	11.3	12.3	12.6	16.2	26.9	32.4	29.0	25.4	21.8	10.0	0.0	0.0	0.0	0.0
Outstanding Fund credit															
In millions of SDRs	1459.4	1376.2	1286.0	1193.0	1073.4	875.1	636.2	422.1	234.7	73.8	0.0	0.0	0.0	0.0	0.0
In millions of US$	2098.8	1997.2	1887.2	1763.3	1595.9	1307.0	950.2	630.5	350.5	110.2	0.0	0.0	0.0	0.0	0.0
In percent of gross international reserves	30.1	26.6	25.4	25.6	22.9	18.5	12.2	7.4	3.5	0.9	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	9.1	7.8	7.1	6.5	5.6	4.3	2.9	1.8	0.9	0.3	0.0	0.0	0.0	0.0	0.0
In percent of debt service[1]	65.8	52.7	56.3	44.1	36.1	22.7	15.7	11.1	6.3	1.9	0.0	0.0	0.0	0.0	0.0
In percent of GDP	3.1	2.6	2.3	2.0	1.7	1.3	0.9	0.5	0.3	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	197.8	186.5	174.3	161.7	145.4	118.6	86.2	57.2	31.8	10.0	0.0	0.0	0.0	0.0	0.0
Net use of Fund credit (in millions of SDRs)	673.9	-83.2	-90.3	-93.0	-119.6	-198.3	-238.9	-214.0	-187.5	-160.9	-73.8	0.0	0.0	0.0	0.0
Disbursements	738.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	64.1	83.2	90.3	93.0	119.6	198.3	238.9	214.0	187.5	160.9	73.8	0.0	0.0	0.0	0.0
Memorandum items:															
Nominal GDP (in millions of US$)	68,498	75,487	82,018	87,736	94,045	101,028	108,370	115,947	124,216	132,489	141,281	150,636	161,165	172,431	184,484
Exports of goods and services (in millions of US$)	23,180	25,442	26,633	27,233	28,266	30,655	32,934	35,527	38,097	39,771	41,537	43,598	46,099	49,319	51,698
Gross international reserves (in millions of US$)	6,962	7,494	7,435	6,886	6,971	7,052	7,796	8,545	9,908	11,888	12,713	14,218	14,784	15,627	16,804
Debt service (in millions of US$)	3,189	3,789	3,352	3,996	4,416	5,752	6,046	5,660	5,601	5,797	6,002	5,888	6,003	6,227	5,963
Quota (millions of SDRs)	738	738	738	738	738	738	738	738	738	738	738	738	738	738	738

Sources: IMF staff estimates and projections.

[1] Total debt service includes IMF repayments.

Table 7. Ghana: External Financing Requirements, 2019–25

	2019	2020	2021	2022	2023	2024	2025
I. Total financing requirements	-7,201	-5,355	-7,131	-7,372	-7,726	-9,450	-8,929
Current account balance (excl. official transfers)	-1,894	-2,301	-1,680	-2,869	-3,923	-4,550	-4,160
Debt amortization[1]	-1,520	-1,019	-1,706	-1,229	-1,340	-1,395	-1,522
Private financing (net)	-2,892	-1,451	-2,800	-3,750	-3,150	-3,600	-3,400
Short-term (net)[2]	394	-230	-413	417	138	180	233
Gross reserves accumulation	-1,290	-355	-532	59	549	-85	-81
II. Total financing	6,975	5,665	7,131	7,373	7,727	9,450	8,929
Project grants	257	250	241	193	154	123	99
Program grants	18	168	0	0	0	0	0
Disbursement from external creditors	1,027	1,201	1,473	1,720	1,834	1,626	1,431
Fund programs	184	1,028	0	0	0	0	0
Foreign direct investment (net)	3,292	1,333	2,598	2,871	3,509	4,232	5,051
Portfolio investment (net)	2,302	1,562	3,000	2,739	2,372	3,609	2,509
Oil Funds (net)	-103	123	-182	-150	-144	-140	-161
III. Errors and ommissions	225	-310	0	0	0	0	0
Memorandum items:							
Gross international reserves							
Millions of U.S. Dollars	6,607	6,962	7,494	7,435	6,886	6,971	7,052
Months of imports	3.2	3.2	3.2	3.0	2.6	2.6	2.4
Net international reserves[3]							
Millions of US dollars	5,192	4,559	5,212	5,285	4,873	5,135	5,512
Months of imports	2.5	2.1	2.2	2.1	1.9	1.9	1.9
Current account balance (in percent of GDP)	-2.7	-3.1	-2.2	-3.5	-4.5	-4.8	-4.1
Nominal GDP (USD million)	68,353	68,498	75,487	82,018	87,736	94,045	101,028

Sources: Ghanaian authorities and IMF staff estimates and projections.

[1] Including repayments to IMF.

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

[3] Does not subtract liabilities from currency forwards or swaps with residents

Annex I. Recommendations of the 2019 Article IV Consultation

Policies	2019 Article IV Recommendations	Progress since the 2019 Article IV Consultation
Fiscal Policy	Achieve primary surplus in 2020 and the medium term	Primary surplus not achieved in 2020, partly due to the pandemic.
	Increase domestic revenue mobilization	The 2020 tax ratio declined. The 2021 budget targets an ambitious increase. DRM efforts continue, with support from IMF TA.
	Implement PFM reforms	The fiscal rule was suspended in 2020, and the authorities aim to return to it by 2024. Limited progress on PFM reforms, with weaker spending controls.
	Clear arrears	The 2021 budget includes a plan to clear GHS 8.2 billion in arrears over the next 4 years.
	Improve public debt redemption profile	Several LMOs have been conducted, including through Eurobond issuances in 2020 and 2021.
Monetary and FX Policy	Refrain from monetary financing	The MOF-BOG memorandum expired in 2020. The BOG provided GHS 13.4 billion in budget financing in 2020 in response to the pandemic. It also monetized GHS 5.6 billion financial sector bailout bonds.
	Limit FX intervention and deepen FX market	The BOG has conducted forward FX auctions since Oct 2019 to mitigate exchange rate volatility.
	Review liquidity assistance framework	The BOG issued a new ELA framework, developed with support from IMF technical assistance.
	Remove capital flow measures (CFMs)	The limit of US$10,000 withdrawal per trip and per annual transfer without documentation is still in place, and is inconsistent with the Fund's Institutional View on CFMs.
Financial Sector Policy	Restore financial sector stability	The financial sector clean-up is nearly completion except for NIB and asset management companies. A review of the SDI sector is ongoing. The BOG introduced measures to reduce NPLs and other legal and regulatory reforms.
	Strengthen AML/CFT framework	FATF placed Ghana on its "grey list" in October 2018. Since then, it determined that Ghana substantially completed its action plan, and Ghana exited the "grey list" in June 2021.
Structural Polices	Restore energy sector SOE viability	The ESRP has made limited progress. Some take-or-pay contracts were renegotiated, and discussions on new PPAs are suspended. ESLA bonds were issued in 2020 to repay legacy debts.
	Improve SOE governance and transparency	The creation of the single entity (SIGA) has helped to foster the oversight of SOEs.
Governance	Close gaps in the legal framework criminalizing corruption	Progress has stalled. Several challenges were faced by the Auditor General office.

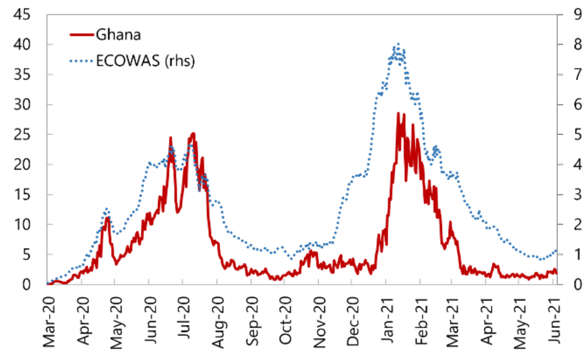
Annex II. Impact of the COVID-19 Pandemic on Ghana

Health Toll and Response

1. **The COVID-19 outbreak in Ghana has been largely contained for now.** As of June 7, 2021, a total of 94,444 cases had been confirmed, and 789 people had unfortunately died from the virus. The metropolitan area around the capital city Accra has remained the epicenter of the spread in Ghana, accounting for more than half of recorded cases. The fatalities nearly doubled in the early months of 2021, with a second wave dominated by the Alpha variant.

Ghana: Covid-19 cases

(New daily confirmed cases per million, 7-day rolling average)



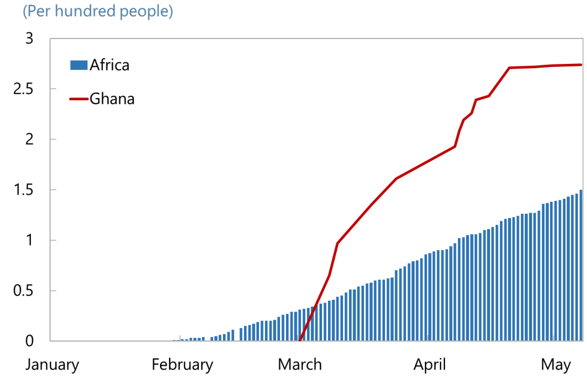
Sources: Our World in Data and IMF staff calculations.

2. **The government response combined sweeping public health measures and innovative approaches.** Starting from March 16, 2020, the government gradually imposed restrictions on mass gatherings, a partial lockdown, travel restrictions, as well as border and school closures. Early on, the adoption of a pooled testing approach—testing multiple samples together—boosted testing capacity. In addition, drones were used to collect COVID-19 samples from more than 1,000 health facilities across the country. On September 2, 2020, restrictions on international travels were finally eased.

3. **Ghana is scaling up vaccine procurement.** The government's initial plan was to vaccinate 20 million Ghanaians, about two-thirds of the population, by the end of 2021. To do so, it announced a US$200 million vaccination plan, including US$51 million in operational costs and with support from the World Bank and the COVAX Facility, to procure vaccines for 13 million people. The plan assumes an average vaccine cost of US$7 per dose and around 5 percent wastage rate. Another 6 million vaccines would be financed by the private sector.

Ghana: Covid-19 vaccinations

(Per hundred people)



Sources: Our World in Data and IMF staff calculations.

4. **Ghana kick started the COVID-19 vaccination campaign in Sub-Saharan Africa.** The mass vaccination rollout started on March 1, 2021, backed by the first-ever COVAX vaccine shipment, which includes 600,000 doses of the Oxford/AstraZeneca (AZ) vaccine. Ghana also received 314,850 and 50,000 more AZ doses from the telecom giant MTN and India, respectively, as well as 16,000 doses of the Sputnik V vaccine from the United Arab Emirates (UAE). On May 7, Ghana took delivery of an additional 350,000 AZ doses through the COVAX Facility. These vaccines form part of the larger 1.7 million consignment of doses allotted earlier to the Democratic Republic of Congo. The limited shipments through COVAX have

also led the authorities to procure vaccines from alternative, costlier sources. In particular, they are in the process of receiving a delivery of 300,000 more doses of the Sputnik V vaccine out of 3 million doses procured from the UAE.

Fiscal Support

5. In 2020, the government responded proactively through the Coronavirus Alleviation Program (CAP), amounting to 2.3 percent of GDP. Adopted during the mid-year budget review, the CAP focused on health care spending (0.5 percent of GDP) and economic support (1.8 percent of GDP) to households and firms.

6. Healthcare support. The government adopted the National COVID-19 Emergency Preparedness and Response Plan (EPRP) to channel the support on the health front. This program was mainly financed by the World Bank for about US$100 million. The program aimed at (i) managing and containing the spread of the virus, and (ii) strengthening the country capacity for surveillance, diagnosis, and case management. Through the EPRP, Ghana hired about 37,000 new health workers, increased testing facilities from two to sixteen facilities by end-2020, acquired Personal Protective Equipment (PPE) for health workers and test kits, and provided training and allowances to health workers. The EPRP also supported the information campaign on the disease, allowing to proactively engage the national community to adhere with the restrictions and safety measures. Finally, the program also financed a national sanitization program of schools along with the provision of millions of masks and sanitizer allowing a quick reopening of schools.

7. Economic support. This support rested on two pillars: (i) protecting the most affected households and (ii) smoothing the shock for the private sector to allow a faster recovery in the post-pandemic period.

- **Households**. Key measures, supplementing Ghana's insufficient social protection, were taken through the CAP. The government subsidized the water and electricity bills from April to December 2020. The government also fully covered the electricity consumption for 1 million consumers while paying half of the electricity bill for the rest of the consumers. More than 10 million Ghanaians received free water. About 470,000 families received dry foods, while 2 million cooked foods were distributed in the region of Accra and Kumasi.

- **Private sector.** Support measures focused on Small Medium Enterprises (SMEs), with about 270,000 SMEs benefiting from government subsidies to avoid closures, saving about 677,000 jobs. More than two-thirds of the beneficiary firms were female-owned. In addition, the CAP provided technical training to about 8,000 firms to manage the crisis. SMEs involved in the production of healthcare equipment and medication received financial support and exemptions. Finally, in coordination with the Bank of Ghana, guarantees were made available to firms, allowing access to loans of about GHS7 billion.

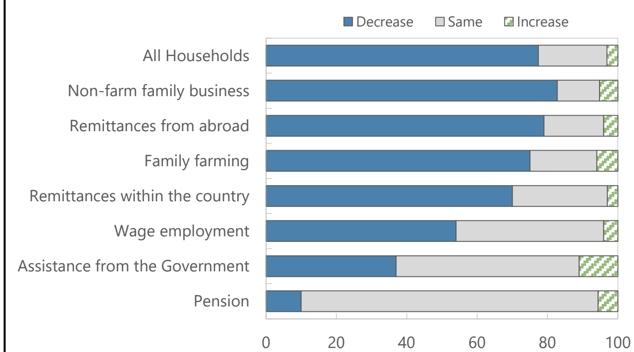
8. In 2021, the government continued its support to household and enterprises with the adoption of COVID-19 Alleviation and Revitalization Enterprise Support (CARES). The CARES program is expected to cost about US$16 billion over 4 years. With at least 70 percent of the program relying on private-sector funds, the authorities signaled that the implementation of this spending program will be contingent on available financing. Under the CARES, the 2021 budget will spend about 1 percent of GDP, of which 0.7 percent of GDP for healthcare and 0.3 percent of GDP for economic support, including the creation of a development bank. The CARES spending is expected to gradually be phased out over the medium term.

Economic and Social Impact

9. The April 2020 lockdown had a severe economic and social impact. A partial lockdown of major urban areas was implemented between March 30 and April 23, 2020. A household survey conducted by the Ghana Statistical Service (GSS) found that 77 percent of households saw a decrease in income between March and June 2020, and an equal number experienced higher food prices over the same period (Figure 1).[1] Income reductions affected a majority of households across all 16 regions in Ghana, and were more prevalent among households involved in non-farm family businesses, primary-sector activities (including agriculture), and those relying on remittances or financial assistance from family and friends (aggregate data suggests that remittances picked up in the later part of the year). While some households were able to use savings or credit, over half of all households (52 percent) reported lowering food consumption to cope, indicating a significant reduction in welfare from pandemic-related income shocks.

Figure 1. Lockdown Impact on Household Income

(in percent of households)



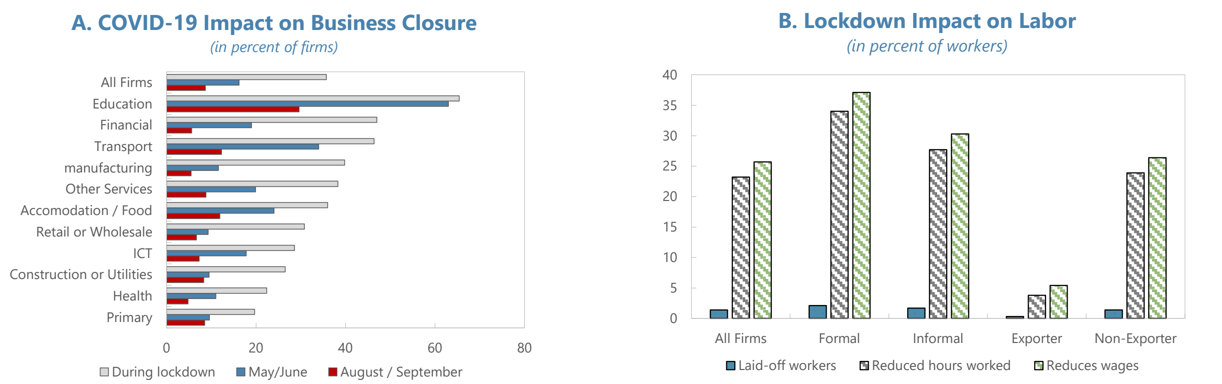
Source: Ghana Statistical Service (Household Survey)

10. Mobility restrictions impacted other dimensions of daily life, including healthcare and schools. According to the survey, about 17 percent of all children missed a scheduled vaccination appointment between March and June 2020, and just over a third of primary school-age children did not engage in any form of learning whatsoever while at home. Almost 43 percent of children enrolled in school feeding programs (nearly one-third of all school-age children) stopped receiving subsidized meals once schools closed. In addition, more than one-third of localities surveyed in Ghana reported an increase in crime, including almost half of urban localities affected by the partial lockdown.

[1] GSS conducted several surveys in collaboration with UNDP, World Bank, UNICEF, and Innovations for Poverty Action, to track the impact of COVID-19. They include a nationally-representative, panel household survey, with 3,265 completed phone interviews for the first wave between June 10-25, 2020; a nationally-representative, panel business survey conducted in two waves (the first wave interviewed 4,311 business establishments and household firms between May 26–June 17, 2020, and second wave followed-up with 3,658 of those firms between August 15–September 10, 2020); and a survey of key opinion leaders in 2,770 Ghanaian localities conducted during May and June 2020. More information is available at https://statsghana.gov.gh/

11. The partial lockdown also had a dramatic impact on business activity (Figure 2). More than one-third of surveyed business establishments reported temporary or permanent closures during March and April 2020, and 91 percent experienced lower sales during that period. Firms adjusted to the pandemic shock in large part on the intensive margin of labor demand, by reducing hours and pay—for example, 46 percent of firms reduced wages, affecting more than one-quarter of employed workers. However, relatively few firms (4 percent) reported layoffs, and these impact only 1.4 percent of workers. Responses were similar across formal and informal firms, but exporters reduced wages by more than non-exporters.

Figure 2. COVID-19 Impact on Business and Labor

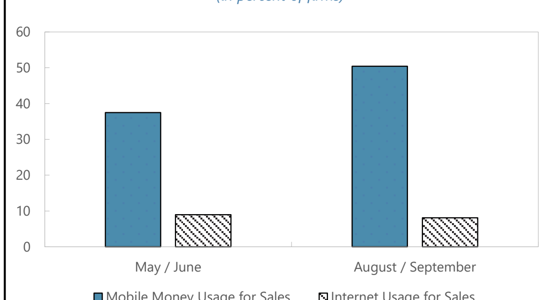


Source: Ghana Statistical Service (Business Tracker Survey)

12. Economic activity began to recover as pandemic containment measures were eased. By late summer, only 8 percent of businesses reported still being temporarily and permanently closed. Those firms were concentrated disproportionately in the education (lower and middle schools remained closed until January 2021), food and accommodation, and transportation sectors. While about one-quarter of firms still operated with reduced wages, this affected only 10 percent of workers, suggesting these were mostly smaller firms. The share of firms reporting layoffs remained low at 1 percent (corresponding to 0.4 percent of workers).

13. The transition to digital solutions accelerated during the pandemic (Figure 3). Digitalization was increasing rapidly in previous years, and this trend accelerated throughout the pandemic period. About 38 percent of firms reported a new or increased use of mobile money for sales in the months after the lockdown, and that share had grown to 50 percent by late summer. In addition, 9 percent started or increased the use of internet for sales, suggesting that digitalization was changing not just means of payment, but also how businesses in Ghana interact with their customers.

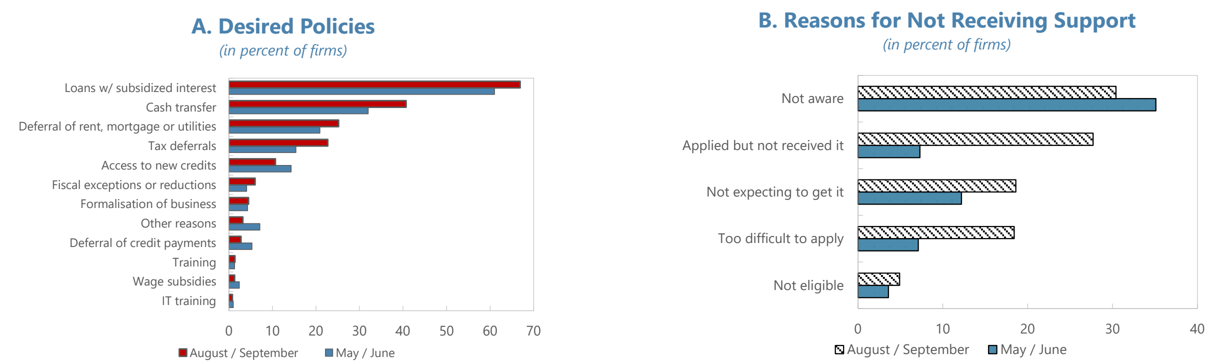
Figure 3. New or Increased Use of Technology
(in percent of firms)



Source: Ghana Statistical Service (Business Tracker Survey)

14. Excluding utility subsidies, households and firms reported receiving only limited direct government support, especially in the first half of 2020. Between March and June, only 3.9 percent of surveyed households had received direct assistance from the government, mostly free food or in-kind transfers, and just 8.9 percent had received any form of assistance from any institution, including governmental or religious organizations. Similarly, fewer than one in ten firms reported receiving government support by August/September, up from about 3 percent in May/June. Among the firms that had not received support, one-third explained that they were not aware of government support policies, while one-quarter had applied but not yet received support. This suggests improvements in delivery speed, administration and communication should be prioritized to increase the effectiveness of government policies.

Figure 4. Policies to Mitigate Impacts of COVID-19 on Firms



Source: Ghana Statistical Service (Business Tracker Survey)

15. There is scope for improving the targeting of government policies, especially to reach rural locations and informal firms (Figure 4). For example, many households could not take advantage of generous utility subsidies, with 25 and 78 percent of localities surveyed reporting no benefit from electricity and water support, respectively. These households were disproportionately located in rural areas, many of which are not yet connected to the national electrical grid, or rely on water sources other than the Ghana Water Company. Berkouwer et al. (2021) also find that low-income electricity consumers—those who use less electricity, pay a landlord or other intermediary for electricity, or share an electricity meter with other users—benefitted least from utility transfers.[2] In addition, among surveyed firms, most sought forms of support to address cash-flow problems, including loans at subsidized interest rates, direct cash transfers or deferral of rent, mortgage or utility payments. However, these forms of cash-flow support were not the dominant form of fiscal support implemented by the government.

[2] Berkouwer, Susanna, Pierre Biscaye, Steven Puller and Catherine Wolfram. 2021. "Disbursing Emergency Relief through Utilities: Evidence from Ghana." NBER working paper nr. 28818

Annex III. Risk Assessment Matrix[1]

Nature/Sources of Risk	Relative Likelihood	Expected Impact If Realized	Policies to Mitigate Risks
Sharp rise in global risk premia exposes financial and fiscal vulnerabilities. A reassessment of market fundamentals triggers a widespread risk-off event.	***High***	***High*** Debt rollover challenges may require sharp fiscal contraction, while lower external financing would erode FX buffers and create depreciation pressures. Higher interest rates could dampen growth, exacerbate fiscal costs, and lead BOG to continue direct budget financing as in 2020.	• Implement credible medium-term fiscal adjustment strategy • Maintain exchange rate flexibility to preserve FX buffers • Formulate fiscal contingency measures in case of tighter financing conditions. • Flexible cash management to adjust expenditures with available financing
Recurring COVID-19 outbreaks, The disease proves harder to eradicate (e.g., due to new virus strains or widespread vaccine hesitancy).	***High***	***High*** New COVID-19 waves may require further mobility restrictions, stalling the recovery. A reassessment of growth prospects could trigger capital outflows, depreciation and inflation pressures.	• Continue mass vaccination, within existing vaccine supply constraints
Contingent liabilities from SOEs or financial and energy costs, due to the crystallization of legacy problems or delayed reforms	***High***	***High*** Lower private-sector credit growth due to higher public-sector borrowing needs and inefficient electricity provision would hurt economic growth and worsen debt sustainability.	• Enhance financial sector supervision • Implement the ESRP • Renegotiate take or pay contracts while managing reputational risks and avoiding unilateral termination of contracts
Volatility in commodity prices. Higher supply or lower demand lead to renewed weakness in energy prices.	***Medium***	***Medium*** A decline in export prices would lower exports, weaken the current account, and create exchange rate pressures	• Diversify exports by improving business environment and supporting structural transformation
Macroeconomic policies. The envisaged fiscal tightening may not materialize, while bold reforms may improve the fiscal stance more than expected.	***Medium***	***High*** Weak policies would worsen debt sustainability, while bold reforms would improve tax collection and reduce debt more rapidly	• Enhance the fiscal rule by choosing a debt path to anchor fiscal policy • Strengthen revenue mobilization to meet development financing needs
Higher frequency and severity of natural disasters related to climate change	***Medium***	***Medium*** More extreme weather could shorten growing seasons, constrain cocoa production, and limit hydropower capacity. Poorer, rural households would be the most impacted	• Continue adaptation and mitigation efforts, improve energy efficiency and diversify energy sources • Shift budget towards social spending, climate resilience, and green investments.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). 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).

Annex IV. External Sector Assessment

Overall Assessment: The external position of Ghana in 2020 was stronger than the level implied by fundamentals and desirable policies, with the economy overcoming the terms of trade shock to oil and tourism through gold exports, remittances, and import compression. Over the medium term, the external position is expected to deteriorate, with wider current account deficits and falling reserves, due to high external financing needs associated mainly with debt service, decline in oil export volumes, and services trade deficit.

Recommendations:

- *Pursue aggressive fiscal consolidation to contain rising interest costs, maintain market access and non-resident interest in the domestic market.*
- *Improve debt management to mitigate risks of volatility of fund flows caused by external factors.*
- *Limit central bank FX interventions to smoothing out sharp exchange rate fluctuations to protect reserves.*
- *Implement structural measures aimed at improving the investment climate, especially in leading export sectors, and shifting financing for capital investment from debt to FDI.*

Foreign Assets and Liabilities: Position and Trajectory

- **The external assets and liabilities position deteriorated sharply in 2020.** Liabilities increased, with total external debt rising from 39.1 to 44.5 percent of GDP, while gross foreign exchange reserves fell from 12 to 10 percent of GDP. (Ghana does not report NIIP statistics)
- The external position is expected to deteriorate further over the medium term. External debt is expected to peak at 46.7 percent of GDP in 2024. Gross reserves are also projected to decline, reaching 5.3 percent of GDP in 2024.
- Policies that support shifting financing for capital spending from the government budget to FDI would help contain growth of external debt.

Current Account

- **The current account deficit was little changed in 2020.** The deficit widened by 0.3 percentage points to 3.1 percent of GDP, with key commodities moving in opposite directions and import contraction offsetting the fall in experts.
- The sharp fall in oil export prices and volumes was partly offset by the rise of gold prices. Cocoa exports were broadly flat, as the harvest for the year was sold before the pandemic. In contrast, tourism receipts fell sharply.
- Imports of goods and services fell from 40.2 to 35.8 percent of GDP, partly due to lower oil prices, while weaker demand (including from lower FDI and private investment) more than offset the increase in COVID-19 related imports and the effect of the fiscal stimulus. Remittances held steady at 5 percent of GDP.
- The current account has steadily improved over the past five years, benefiting from growing volume of exports and remittances. Imports of goods and services fell from 42.4 to 40.2 percent of GDP between 2015-2019 despite persistent primary deficits and robust FDI.
- The current account is expected to worsen over the next five years due to mainly high interest costs. Despite the expected fall in oil exports due to delayed investment, the trade balance is expected to remain in surplus, averaging 0.5 percent of GDP over the next five years. As a result, the

average current account deficit will rise from 3.5 of GDP percent over the past five years to 4.3 percent of GDP over the next five year.

- **The EBA-Lite CA model estimates a positive current account gap of 3 percent of GDP for 2020.** The cyclically adjusted current account balance of -0.3 percent of GDP includes a 1.5 percent adjustment to reflect the negative deviation from trend growth and terms of trade in 2020 and a 1.5 percent adjustment to strip out the transient component of the COVID-19 shock (0.9 percent of GDP from the impact on oil exports and 0.6 percent of GDP from the impact on tourism). The cyclically adjusted current account balance compares to a norm based on fundamentals and desired policies estimated at -3.3, resulting in a positive current account gap of 3 percent of GDP.
- The positive gap reflects Ghana's particular mix of exports and imports, with gold prices usually moving in the opposite direction of oil prices, and cocoa providing a stabilizing element due to forward contracts. Furthermore, remittances performed better than expected despite the global COVID-19-related slowdown. The fall in FDI-related imports acted as an automatic stabilizer, mitigating the negative impact of fiscal stimulus on the current account.
- The policy gap estimated at -3 percent is dominated by the impact of expected fiscal adjustment. Closing the policy gap would help mitigate the expected deterioration in the external position.
- Structural measures aimed at improving the investment climate, especially in leading export sectors would help further strengthen the external position by reducing dependence on debt financing.

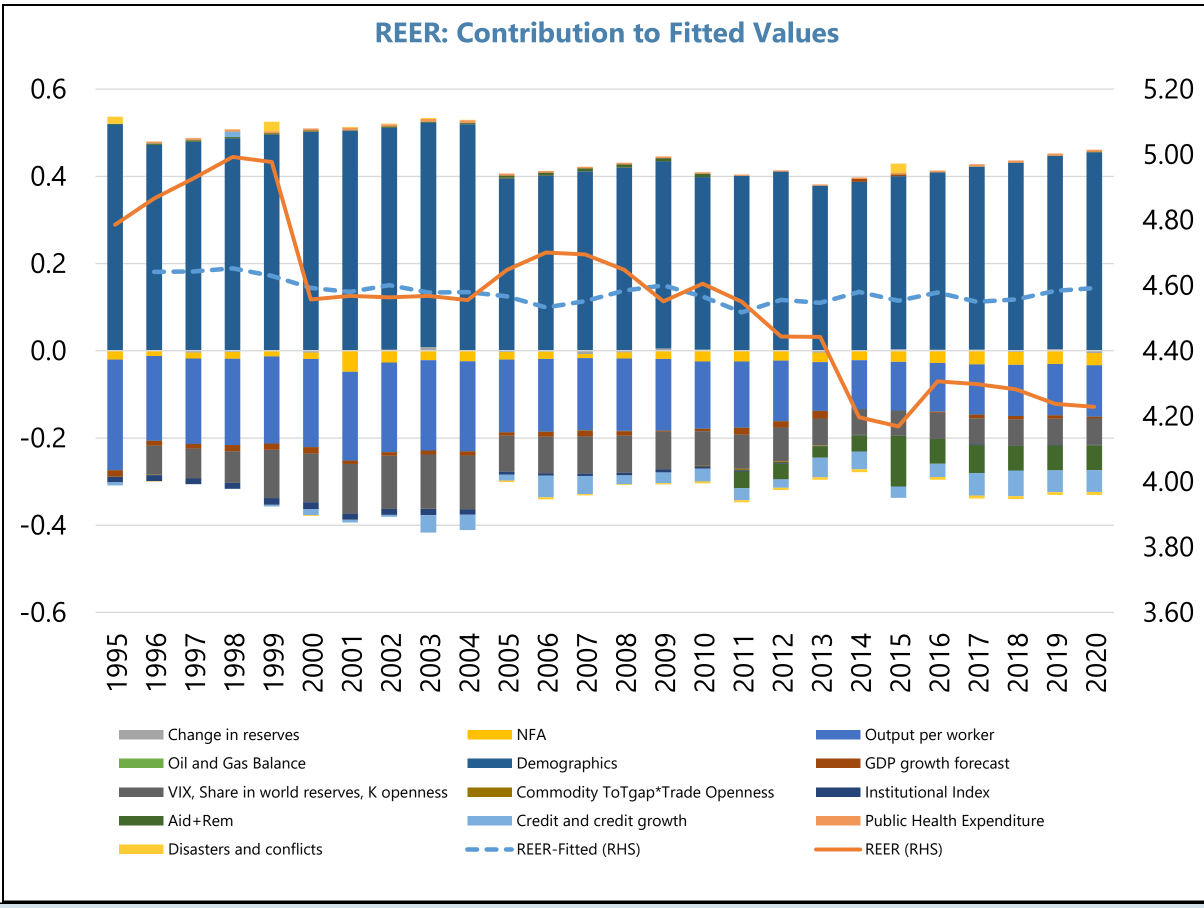
Ghana: Model Estimates for 2020 (in percent of GDP)

	CA model	REER model	ES model
CA-Actual	**-3.4**		
Cyclical contributions (from model) (-)	-1.5		
COVID-19 adjustor (+) 1/	1.5		
Additional temporary/statistical factors (+)	0.0		
Natural disasters and conflicts (-)	-0.1		
Adjusted CA	**-0.3**		
CA Norm (from model) 2/	**-3.3**		
Adjustments to the norm (+)	0.0		
Adjusted CA Norm	**-3.3**		
CA Gap	**3.0**	**0.1**	**NA**
o/w Relative policy gap	-3.0		
Elasticity	-0.25		
REER Gap (in percent)	**-11.9**	**-0.4**	**NA**

1/ Additional cyclical adjustment to account for the temporary impact of the pandemic on oil trade balances (0.9 percent of GDP) and on tourism (0.6 percent of GDP).
2/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

- **The EBA-Lite REER model estimates an undervaluation, although of a smaller magnitude than the CA model predictions.** REER continued a downward trend of the previous ten years, with output-per-worker, institutional index, real interest, and the level of aid and remittances dominating the impact of demographics. The gap between actual and fitted REER widened in 2020 to 0.4 suggesting an undervaluation, though of a much smaller magnitude than predicted by the CA module—the domestic currency appreciation needed to close the current account gap in the CA module is larger than the appreciation needed for the REER module.



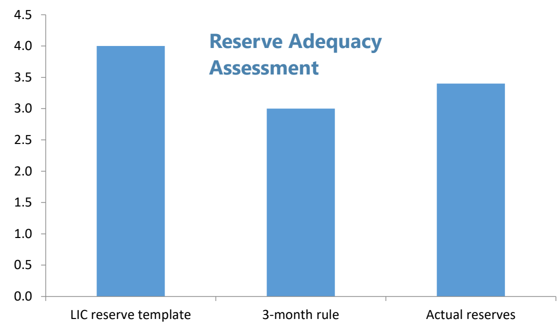
Capital and Financial Accounts: Flows and Policy Measures

- **The capital and financial account surplus declined from 4.6 percent of GDP in 2019 to 0.9 percent of GDP in 2020 due to a fall in FDI and portfolio flows.** FDI fell from 4.4 percent of GDP to 2.7 percent of GDP. Net portfolio flows fell from 3.4 percent of GDP to 2.3 percent of GDP despite a US$3 billion Eurobond issued shortly before the onset of the pandemic.
- Over the past five years the capital and financial account averaged 3.7 percent of GDP reflecting strong FDI and portfolio flows. Net positive portfolio flows averaged 2.7 percent of GDP thanks to Eurobond issuances and non-resident purchases of local currency debt.
- Over the next five years the capital and financial account is expected to average 4.5 percent of GDP assuming continued access to international capital markets and a recovery in FDI flows to pre-pandemic levels.
- A sudden change in global liquidity conditions, a loss of confidence in Ghana assets, or, more broadly, in emerging and fronter markets, could undermine the financial account.

- Maintaining market credibility, including through strong fiscal consolidation, is critical to ensuring continued market access and non-resident interest in the domestic market.
- Improve debt management to mitigate risks of volatility of fund flows caused by external factors.

FX Intervention and Reserves Level

- **Gross Foreign Assets, including the oil fund, were broadly stable at 3.2 months of next years' imports, 10 percent of GDP, and 150 percent of foreign currency deposits**. Gross reserves where stabilized by a US$3 billion Eurobond issues early in 2020 and US$1 billion RCF disbursement. These inflows also helped stabilize the exchange rate, which depreciated by 5 percent over 2019, supported in part by targeted central bank interventions.
- Gross reserves at 3.2 months of 2021 imports represent 80 percent of the IMF LIC reserve adequacy metric. The metric suggests an adequate level of reserves would be equal to 4 months of next year's imports based on a cost of holding reserves of 4.6 percent, corresponding to the average effective interest rate on external debt for the past five years. While gross international reserves are at an all-time high, they are still dependent on external borrowing.



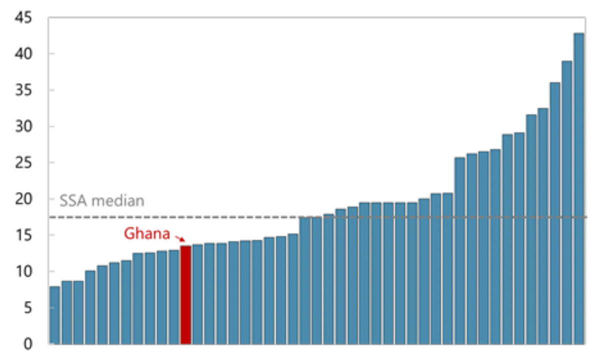
- The central bank intervened regularly on the foreign exchange market to smooth out fluctuations. The level of interventions (less than 0.3 percent of GDP or 3 percent of reserves per month) was not substantial enough to cause an overvaluation of the exchange rate, as confirmed by the EBA-lite CA and REER models.
- Reserves are projected to fall over the medium term due to widening external financing needs bottoming out at 2.4 months of next year's imports between 2025 and 2026. With non-interest current account in surplus throughout the forecast horizon, the main drain on reserves stems from debt service costs.
- Going forward the central bank should continue to limit interventions to smoothing out sharp fluctuations.
- In the medium-term stabilizing reserves will hinge on reducing the debt burden.

Annex V. Options to Mobilize Domestic Revenues

1. A comparison of Ghana's performance with its peers in the SSA region underlines the scope to raise additional revenues across all tax categories. Before the pandemic, Ghana's tax-to-GDP ratio had grown to just below 13 percent, but remained 7 percent of GDP below the estimated tax frontier.[1] While tax administration can play an important role, structural reform of the tax system is essential over the medium term. Combined with public communication and consultation, a long-term, systematic approach is likely to be more effective and politically acceptable than repeated, ad-hoc changes to the tax system.

2. The recent budget envisages an ambitious revenue increase in 2021, relying on both tax policy and revenue administration measures. International experience suggests that successful reform efforts aiming at improvements of this magnitude included not only improved tax administration, but also focused on meaningful streamlining of tax incentives, simplification of the tax system, and reform of excise and property taxes. Those reforms also typically took time to bear fruit—for example, with concentrated effort and structural reform of both tax policy and administration, Uganda and Senegal were able to achieve revenue increases of around 3 percent of GDP over significantly longer periods (five to seven years).

Ghana vs. SSA: Government Revenue excl. Grants
(Percent of GDP; in 2019)



Sources: IMF. Each bar represents a country.

The Reform of Ghana's Tax System Could Rest on Six Pillars:

3. Simplification: Streamlining the system would help identify areas for further mobilization and improve collection. In general, an overly complex tax regime prevents a clear public understanding of the system, causes uncertainty in compliance and administration as well as in understanding its economic impact. The Ghanaian system has seen a proliferation of earmarked fees and levies which could be greatly simplified. With the recent budget, there are now at least seven specific and ad-valorem levies on fuel products, earmarked to different spending purposes. In the area of consumption taxes, Ghana has a combination of a non-creditable National Health Insurance Levy (NHIL) and GETFund Levy, as well as a VAT, along with a plethora of exemptions – such complexity hinders a clear understanding of how their impact on business activity and consumption. Widespread direct and indirect tax exemptions prevail through unpublished contractual agreements

[1] IMF Regional Economic Outlook: Sub-Saharan Africa, April 2018. Domestic Revenue Mobilization and Private Investment (Chapter 2).

with investors. The tax legislation itself also contains a number of technical inconsistencies and ambiguities which merit revision.

4. Base broadening: Tax expenditures have been estimated to constitute at least 4-5 percent of GDP, most of which are unlikely to meet a social cost-benefit test. The draft Tax Exemptions Bill (currently scheduled for Parliamentary examination) seeks to improve transparency and to centralize the process for granting exemptions. Beyond this important step, however, further work is needed to ensure the implementation of adequate reporting requirements and accountability mechanisms in relation to discretionary granting of incentives (for example, evaluation criteria for new exemption requests), and to address and curtail the existing tax exemptions which are causing a drain on public finances—both statutory incentives as well as those agreed in bilateral contracts with investors. An annual tax expenditure report covering all incentives granted would help to identify the full scope of the issue. Base broadening efforts would improve collection efficiency and the impact of rate increases such as those recently announced in the 2021 budget. In the meantime, the authorities could proceed to remove non-standard statutory VAT and import duty exemptions, particularly those that disproportionately benefit higher income groups (e.g. exemptions on motor vehicles, fee-based financial services and real estate). Hydrocarbon products (now exempt), can also be brought into the VAT net. The reduced CIT rates and tax holidays under the Income Tax (e.g. the 1 percent rate for cocoa products, rural banks and mutual funds) should be replaced with cost based measures if needed, which are more revenue efficient and more effective at supporting investment.

5. Leveraging underutilized tax handles: Non-fuel excises make up a very small fraction of Ghana's tax base, contributing only 0.1 percent of GDP in 2018 and 2019. By comparison, Uganda and Kenya raise over 2 percent of GDP in excise taxes. Ghana's excises on tobacco and alcohol are particularly low by international standards. Tobacco excises amount to 16 percent of the retail price, well below the average tax burden of middle-income countries and the WHO's recommendation of 70 percent of the retail price. Earlier studies[2] concluded that reform of the alcohol and tobacco excise system could raise as much as 0.45 percent of GDP, while also encouraging healthier behavior. There is also scope to better exploit the property tax, which currently raises approximately GHS 40 million per year (about 0.01 percent of GDP). There have been important recent efforts to digitalize the property register, with 7.5 million properties nationwide now electronically tagged. These efforts can now be leveraged to expand the property tax base, along with an increase in tax rates. Options for flat rate alternatives could be considered where property values are still to be determined or updated. Regional comparisons suggest that 0.3 to 0.4 percent of GDP could be collected from a reformed property tax system.

6. Progressivity: In funding the post-pandemic recovery, it will be imperative to identify tax measures that are inclusive and growth-friendly. These include enhancing the progressivity of the personal income tax system (through higher rate increases or a review of allowances and deductions), improvements in VAT design (for example, by removing exemptions for financial

[2] See World Bank, 2014, Raising Additional Government Revenues in Ghana by Raising the Excise Tax on Tobacco and Alcohol. Available at https://documents1.worldbank.org/curated/en/133561561707742558/text/Raising-Additional-Government-Revenues-in-Ghana-by-Raising-the-Excise-Tax-on-Tobacco-and-Alcohol.txt.

services and real estate), better use of property taxes, and potentially higher temporary 'solidarity' taxes on those businesses who have performed comparatively better through the pandemic (the 2021 bank levy takes on this flavor). In contrast, the recent VAT and NHIL rate increases may have a regressive impact, and given the high consumption tax rates in Ghana, risk having detrimental growth effects. The regressive impact of such tax increases could however be offset by more effective social spending.

7. Simplifying payments: The tax authorities should introduce simple structures and payment channels to encourage tax compliance (including property tax). Those who work in the informal sector should be provided with simplified payment platforms to register and pay their income tax without going through laborious documentation and processes. Tax support centers (physical structures) should be located closer to communities to assist in tax education and collection.

8. Improved administration and compliance: The government relies heavily on improved administrative capacity to increase revenue mobilization. In particular, Ghana's digitalization efforts will help to broaden the tax base and provide tools to increase compliance. The introduction of digital systems at the port appear to have already yielded revenue increases, and recent progress in rolling out digital ID cards and connecting national identification numbers with taxpayer identification will be an important step to expanding the tax base over the medium term. Plans to digitalize all payments to government (including payments to GRA) will also be a critical step in reducing revenue leakage. Legislation mandating the use of electronic fiscal devices was introduced in 2018; implementation has been slower than expected and should be pursued in order to improve VAT compliance. In due course, the government could pursue further digitalization efforts including electronic filing of tax returns.[3] Finally, greater emphasis on risk-based compliance approaches is key to improving compliance and sustaining increased tax revenues. Improved compliance measures that target high-risk sectors (e.g., high-net worth individuals, extractive industries) and segments (e.g., large and medium taxpayers), in conjunction with improved taxpayer service will increase revenues in the short-term and in the medium-term. Indeed, gains from targeted audits, in particular in the petroleum and telecommunications sectors, provide the basis for the authorities' ambitious revenue projections for 2021. In addition, the new Integrated Tax Administration System (ITAS) should be swiftly adopted to provide a holistic view of taxpayers across all aspects of tax administration and improve operational efficiency. Also, the IMF is supporting the Ghana Revenue Authority (GRA) in the implementation of a multi-year transformation program intended to improve tax compliance, funded under the Revenue Mobilization Trust Fund.

[3] See Gupta, Sanjeev, Michael Keen, Alpa Shah, and Genevieve Verdier. eds. 2017. Digital Revolutions in Public Finance. International Monetary Fund, for details on the opportunities presented by digitalization for improved fiscal policy, and relevant country experience.

Annex VI. Capacity Development Strategy

Capacity Development (CD) plays a central role in the policy dialogue with Ghana. Despite the pandemic, the priority continues to consolidate gains made under the program. CD will target the most critical areas to the risk and vulnerabilities identified in surveillance while addressing emerging demands related to the COVID-19 pandemic.

Background

1. **CD has been an integral part of the successes achieved under the ECF-supported program with Ghana.** The authorities have achieved significant macroeconomic gains under the program from a challenging start in 2015. Along the way, Fund policy advice was backed by an extensive TA program, among the largest in AFR. Specifically:

- To entrench **fiscal discipline**, the government has passed the Public Financial Management Act in 2016 and its regulations in 2019. It also created and operationalized a fiscal risk unit. FAD TA supported all these efforts.

- Better **debt management** has succeeded in lengthening the debt profile and reducing rollover risks. Debt management capacity has been supported by extensive MCM TA focused on deepening the domestic debt market and strengthening the medium-term debt strategy.

- The authorities have addressed **weaknesses in the banking sector** with the resolution of nine banks and the approval of three bank mergers, and the issuance of new regulatory directives on governance. MCM TA on bank resolution was instrumental in preparing the restructuring and helped prepare the BOG for subsequent resolutions. In addition, input from a resident advisor and supplementary peripatetic short-term expert missions have buoyed efforts to align the regulatory framework with (pillar 1 of) the Basel II/III framework.

2. **However, progress in CD has been uneven.** For example, progress in revenue administration has been particularly slow despite extensive support. Also, TA recommendations remain largely outstanding for risk-based supervision and financial stability.

Priorities

3. **Capacity Development (CD) priorities for the next three years have not changed with the COVID-19 pandemic.** Ghana remains an intensive user of IMF CD and a leading recipient of Fund training among Fund members. The fiscal CD focuses on improving domestic revenue mobilization which is key for fiscal sustainability. Ongoing CD delivery at the Ghana Revenue Authority aims at strengthening revenue administration management and governance arrangements through the implementation of an Integrated Tax Administration System (ITAS). The financial sector CD focuses on minimizing systemic risks while keeping up with emerging areas such as cybercrime. On the statistics front, there is a need to broaden debt coverage beyond the perimeter of government; improve national account statistics, focusing on the next GDP rebasing, further enhancing annual and quarterly national accounts estimates, and an index of industrial

production; and improve price statistics, including expanding the coverage of the producer price index.

4. **However, the COVID-19 pandemic has created additional challenges to CD delivery.** For the foreseeable future, CD would be delivered remotely as such its effectiveness is more uncertain and subject to a reliable internet access. At the same time, beneficiary institutions have adopted new working modalities to address COVID-19 and/or may be focusing on addressing the crisis, both factors may not favor optimal absorption of CD. CD delivery has been phased accordingly.

Top Priorities	Objectives
Public Financial Management	Strengthen budget credibility and cash management by mid-2021, including by reinforcing the governance measures around the use of COVID-19 emergency funds.
Debt transparency and reporting	Review progress in implementing institutional sectorization of public sector entities and support the authorities in improving coverage of public debt beyond the perimeter of government.
Tax Policy	Assess existing tax instruments performance. Recommend new tax instruments. Adopt a tax reform strategy by end 2021. Improve managerial capacity of fiscal reforms. Review the weaknesses in extractives taxation regime. Adopt the FARI model to improve revenue forecasting.
Revenue Administration	Increase compliance rate by end 2021. Increase the tax and post clearance audits effectiveness (revenue collected per audit by end 2021). Increase the number of trainings by end 2022.
Systemic Risk Analysis	Support the FSC's work by enhancing analytical capacity for systemic risk monitoring, mitigation and reporting.
Financial Supervision and Regulation	Strengthen supervisory practices across all agencies, notably in risk-based supervision. Complete regulatory reforms.

Figure 1. FY21 CD Plans by Topic

(Number of Missions)

INTERNATIONAL MONETARY FUND

GHANA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 1, 2021

Prepared By

African Department
(In consultation with other departments)

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FUND RELATIONS

(As of May 31, 2021)

I. Membership Status: Joined: September 20, 1957, Article VIII

II. General Resources Account:	**SDR Million**	**%Quota**
Quota	738.00	100.00
IMF's Holdings of Currency (Holdings Rate)	645.61	87.48
Reserve Tranche Position	92.46	12.53

III. SDR Department:	**SDR Million**	**%Allocation**
Net cumulative allocation	353.87	100.00
Holdings	35.70	10.09

IV. Outstanding Purchases and Loans:	**SDR Million**	**%Quota**
RCF Loans	738.00	100.00
ECF Arrangements	692.91	93.89

V. Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Apr 03, 2015	Mar 29, 2019	664.20	664.20
ECF [1/]	Jul 15, 2009	Jul 23, 2012	387.45	387.45
ECF [1/]	May 09, 2003	Oct 31, 2006	184.50	184.50

[1/] Formerly PRGF.

Outright Loans:

Type	Date of Commitment	Date Drawn	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Apr 13, 2020	Apr 16, 2020	738.00	738.00

VI. Overdue Obligations and Projected Payments to Fund[2/]
(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2021	2022	2023	2024	2025
Principal	54.70	90.25	92.99	119.56	198.34
Charges/Interest	0.08	0.17	0.17	0.17	0.16
Total	54.78	90.41	93.15	119.72	198.50

[2/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

VII. Implementation of HIPC Initiative:

	Enhanced Framework
I. Commitment of HIPC assistance	
Decision point date	Feb 2002
Assistance committed	
by all creditors (US$ Million) [1/]	2,186.00
Of which: IMF assistance (US$ million)	112.10
(SDR equivalent in millions)	90.05
Completion point date	Jul 2004
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	90.05
Interim assistance	25.06
Completion point balance	64.99
Additional disbursement of interest income [2/]	4.25
Total disbursements	94.30

[1/] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[2/] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

VIII. Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[1/]	265.39
Financed by: MDRI Trust	220.04
Remaining HIPC resources	45.35

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	GRA	PRGT	Total
January 2006	N/A	265.39	265.39

[1/] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

IX. Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

Safeguards Assessment

An updated Safeguards Assessment was completed in June 2021, and concluded that the Bank of Ghana (BOG)'s safeguards framework has seen mixed progress. Some elements have been strengthened, including steps taken by the central bank to ensure continuation of high-quality external audits by independent firms and the transition to full compliance with International Financial Reporting Standards (IFRS). The operational control environment also further improved, including through a new framework for liquidity provision, continued modernization of banking and cash operations, and the advancement of the risk-management function. The BOG's internal audit continued to provide assurances on governance and control systems. However, the central bank has been operating without a Board, which was dissolved in early 2021. Moreover, while the BOG Act was amended in 2016, significant vulnerabilities in the legal framework remain, including with respect to limits on monetary financing and claims on the government that have increased in 2020.

Exchange Rate Arrangement

On February 2, 1994, Ghana accepted obligations under Article VIII, Sections 2(a), 3, and 4, of the Fund's Articles of Agreement. The *de jure* exchange rate arrangement is "floating". The *de facto* exchange rate arrangement is under revision. Ghana currently maintains one exchange restriction and a multiple currency practice (MCP) subject to Fund approval. The exchange restriction arises from the limitation/prohibition on purchasing and transferring foreign exchange for import transactions by importers who have not submitted to the commercial bank customs entry forms for any past foreign exchange transactions related to imports, and which are unrelated to the underlying transaction. An MCP also arises, because the BOG requires the use of its internal rate (i.e., the previous day's weighted average interbank exchange rate) for government transactions and the surrender of foreign exchange proceeds from cocoa exports funded through the cocoa syndicated loan without having a mechanism in place to ensure that, at the time of the transaction, this exchange rate does not differ from the rate prevailing in the market rate (i.e., the interbank exchange rate) and the rates used by banks in their transactions with their customers by more than 2 percent. On June 15, 2021, the average exchange rate for transactions in the interbank market was GHc 5.7514 per U.S. dollar.

Article IV Consultation

The 2019 Article IV consultation discussions were held in Accra during September 30 to October 11, 2019. The staff report (Country Report No. 19/367) was discussed by the Executive Board on December 6, 2019 and is posted on the IMF website.

FSAP Participation

Ghana participated in the FSAP in 2011, and a Financial System Stability Assessment (FSSA) was issued to the Executive Board in 2011. An FSAP update was presented to the Board in May 2011.

Resident Representative

The Fund has had a Resident Representative office in Accra since June 1985. The current resident representative, Mr. Albert Touna Mama, assumed the post in September 2018.

RELATIONS WITH OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

World Bank: https://www.worldbank.org/en/country/ghana

African Development Bank: https://www.afdb.org/en/countries/west-africa/ghana

STATISTICAL ISSUES

As of June 18, 2021

I. Assessment of Data Adequacy for Surveillance
General: Data provision is broadly adequate for surveillance, though some shortcomings remain in the quality and timeliness of certain data. To monitor vulnerabilities, effective surveillance warrants a timelier provision of critical high-frequency data. There are notable deficiencies in the dissemination of statistical information to the public, particularly with fiscal data which are released with delays.
National Accounts: Ghana compiles annual and quarterly estimates of GDP by production at current and constant (2013) prices following a rebasing of national accounts. Provisional estimates were disseminated in September 2018. The Ghana Statistical Service (GSS) finalized the rebased GDP estimates with base year 2013 in April 2021 by further improving the methodology. The GSS also publishes annual GDP on the expenditure basis at current and constant (2013) prices, with the latest data for 2020. Despite progress, the compilation of the annual national accounts needs to be further strengthened, including by improving the methodology and source data as well as undertaking a new rebasing exercise to better reflect structural changes of the economy.
Price Statistics: The CPI was updated in September 2019 using 2016-17 household expenditures and taking 2018 as the index reference period. With the support of AFW2, the GSS is in the final stages of updating PPI weights using 2014 values of production (current weights are based on 2003 values). The updated and improved PPI index is expected to be disseminated by the end of 2021. As part of the project to update the PPI, the GSS will also update the index of industrial production (IIP) and develop an index of services production (ISP) and an index of construction production (ICP). For the ISP, initial coverage will be driven by the availability of PPI data for selected services activities.
Labor statistics: The scarcity of labor statistics is a cause for concern, although the 2015 Labor Force Survey provides interesting information. The Ministry of Employment has received technical assistance from the United Nations Development Program and the International Labor Organization in the design and compilation of labor statistics.
Government Finance Statistics (GFS): The quality and timeliness of government finance statistics needs to be improved. Monthly government accounts are published with significant delays. Monthly fiscal reports prepared by the Ministry of Finance need to improve their internal consistency on coverage of entities, treatment of fiscal operations above or below the line, and use of cash basis, transaction timing and use of data sources. To address these shortcomings, a GFS inter-agency committee was established, and is expected to reach understandings on a consistent data coverage and sources of data. The implementation of the Treasury Single Account and rollout of the Ghana Integrated Financial Management Information System (GIFMIS) can help improve fiscal reporting. IMF TA missions have suggested initial solutions to alleviate current data quality problems.

The budget and fiscal reporting only covers the budgetary central government (Consolidated Fund), with significant activities at the regional and district level and through the statutory funds remaining outside government finance statistics. The operations of statutory funds, such as the SSNIT (currently regarded as a public financial corporation by the authorities), the Ghana Education Trust Fund (GETFund), the District Assemblies Common Fund (DACF), Internally Generated Funds (IGF's), trust funds, and local governments are not yet covered in the fiscal accounts. Although most local government expenses are directly met from budgetary accounts, the revenue of local governments and related spending, and transactions financed from the DACF are not yet covered. Finalizing the delineation of the public sector and extending the coverage of fiscal and debt data to general government are strongly encouraged. Expanding coverage of public sector debt statistics to include the most significant state-owned enterprises and frequently disseminating this are also strongly encouraged.
Monetary and Financial Statistics: While the Bank of Ghana (BOG) has made significant progress on implementing the recommendations on monetary and financial statistics (MFS), continued efforts are needed to expand the institutional coverage and improve the timeliness of the data reporting. A March 2017 MFS mission assisted in expanding the compilation framework to include rural banks, savings and loans companies, and credit unions in the coverage of the standardized report form (SRF) 2SR for other depository corporations and to compile SRF 4SR for other financial corporations, covering leasing companies, finance houses, and mortgage finance companies. However, source data for these institutions need further improvement before they can be included in the MFS compilation. An MFS mission is planned to assist the BOG in addressing source data issues and expanding the MFS coverage. Until 2018, Ghana reported some data and indicators of the Financial Access Survey (FAS), including mobile money and the two indicators (commercial bank branches per 100,000 adults and ATMs per 100,000 adults) adopted by the United Nations to monitor Target 8.10 of the Sustainable Development Goals. Ghana has not reported data to the FAS since 2018.
Financial Sector Surveillance: BOG reports the 12 core financial soundness indicators (FSIs) and 7 of the 13 encouraged FSIs for deposit takers on a quarterly basis with a lag of more than one quarter for posting on the IMF's FSI website.
Balance of Payments Statistics: The Balance of Payments Office (BPO) of the Research Department of the BOG is responsible for the compilation and dissemination of balance of payments and International Investment Position (IIP) data for Ghana. Ghana participated in the external sector module of EDDI and has benefited extensively from technical assistance in developing and undertaking enterprise surveys of cross-border financial flows and stocks (Foreign Assets and Liabilities Survey (FALS)), with a view to improve the quality of balance of payments statistics and IIP statistics. However, there are still some challenges with the timeliness of the data. Next steps include the implementation of a small timely sample quarterly survey of cross-border capital. Despite the progress achieved in improving the data sources and compilation techniques, substantial work is still needed to strengthen existing, and develop new, data sources to improve the accuracy and reliability of the current, capital, and financial account. The International Transactions Reporting System (ITRS) should be made a reliable data source to the extent possible and be used at its full potential and as a cost-efficient way to receive information for the

current, capital, and financial account. ITRS reporting is being revised to ensure that it serves as: (i) a broad indicator of BOP current, capital, and financial account transactions; and (ii) a data source for transactions of which direct reporting is not feasible.
External and Domestic Debt Statistics: The responsibility for external debt recording and payment is divided among three agencies. The Ministry of Finance and Economic Planning (MOFEP), through its Aid and Debt Management Unit (ADMU), maintains the external debt database. It is responsible for recording debt payment obligations, issuing payment requests, and tracking HIPC debt relief. The Controller and Accountant General Department (CAGD) confirms the legality of the payment and authorizes the release of public funds. It is responsible for accounting for debt payments and rendering reports to parliament. The BOG as the payment agent for the government verifies payments made to ADMU and CAGD. To enable systematic comparison of the budget, the balance of payments and the BOG cash-flow data, the authorities should clearly identify the government subsectors for which data are reported and prepare a clear classification of financing, outstanding debt, and guarantees issued.
Trade Statistics: Currently, the GSS is not publishing timely monthly trade statistics, although the data are available from the Customs, Excise, and Preventive Service (CEPS). Staff has recommended that the GSS collaborate with the CEPS to process customs data within six weeks and with the Ministry of Trade and Industry (MOT) and the BOG to identify and reduce discrepancies in trade statistics and to ensure that imports into bonded warehouses are not double-counted. Data collection procedures of the CEPS need to be improved, and there is also room for improving trade volume data collected by the CEPS through customs invoices, which would help the GSS to extract meaningful import and export unit values. Fund staff has recommended that the GSS produce export unit values for major export commodities, such as gold and cocoa. A high coverage of the country's export bundle can be obtained from just three major exports—cocoa, gold, and oil.
II. Data Standards and Quality
Ghana started participating in the General Data Dissemination System (GDDS) in 2005 and launched its National Summary Data Page under the Enhanced General Data Dissemination System (e-GDDS) in November 2018. Ghana disseminates 14 of the 15 data categories under the GDDS.

Table 1. Ghana: Table of Common Indicators Required for Surveillance

(As of June 18, 2021)

	Latest observation	Date received	Frequency of Data[6]	Frequency of Reporting[6]	Frequency of Publication[6]
Exchange Rates	Jun 2021	Jun 2021	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Apr 2021	Jun 2021	M	M	M
Reserve/Base Money	Apr 2021	Jun 2021	M	M	M
Broad Money	Apr 2021	Jun 2021	M	M	M
Central Bank Balance Sheet	Apr 2021	Jun 2021	M	M	M
Consolidated Balance Sheet of the Banking System	Apr 2021	Jun 2021	M	M	M
Interest Rates[2]	Apr 2021	Jun 2021	M	M	M
Consumer Price Index	May 2021	May 2021	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3] – Central Government	Mar 2021	Apr 2021	M	M	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Dec 2020	Apr 2021	M	Q	A
External Current Account Balance	Mar 2021	Apr 2021	Q	Q	Q
Exports and Imports of Goods and Services	Mar 2021	Apr 2021	Q	Q	Q
GDP/GNP	2020	Apr 2021	Q/A	Q/A	Q/A
Gross External Debt	Mar 2021	Apr 2021	M	I	A
International Investment Position[7]	2019	Apr 2021	A	A	A

[1] Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] Consists of the central government (budgetary funds, extrabudgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Daily (D); Weekly (W); Monthly (M); Quarterly (Q); Annually (A); Irregular (I); Not Available (NA).

[7] Includes external gross financial assets and liability positions vis-à-vis nonresidents.

INTERNATIONAL MONETARY FUND

GHANA

STAFF REPORT FOR THE 2021 ARTICLE IV CONSULTATION—DEBT SUSTAINABILITY ANALYSIS

July 1, 2021

Approved By
Abebe Adugna Dadi and Marcello Estevão (IDA) and Catriona Purfield (IMF)

Prepared by the staffs of the International Development Association (IDA) and International Monetary Fund (IMF)

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

External and overall debt are at high risk of debt distress. The external rating results from breaches of the present value (PV) of external debt to GDP until 2029, and breaches for debt service to exports and debt service to revenues over the full time horizon. The overall risk of debt distress is also high because the PV of public debt-to-GDP exceeds the benchmark for the full horizon. The PV of external PPG debt-to-exports ratio, the only indicator which remains below threshold under the baseline, would exceed the threshold for most of the forecast horizon under an export shock. A growth shock would send overall public debt on an ever-increasing path.

Public debt is sustainable provided that the authorities' medium-term consolidation plan (reflected in the baseline) is rigorously and credibly implemented to improve the primary balance, put debt on a declining trajectory, and ensure continued market access. However, inadequate implementation of the plan, growth slowdowns, and exogenous shocks, including longer exit from the pandemic, worsening global risk sentiment, and adverse terms of trade movements, pose significant risks to the outlook. Therefore, a deeper consolidation effort is crucial to make sustainability more robust to setbacks in policy implementation and exogenous shocks.

Widening the debt perimeter and improving transparency can reduce the risks of the materialization of contingent liabilities and emergence of "hidden debt", particularly in SOEs and off-budget operations. Debt management aimed at reducing refinancing risks should also be undertaken to complement fiscal efforts.

BACKGROUND

A. Public Debt Coverage

1. The Debt Sustainability Analysis (DSA) mainly covers public and publicly guaranteed (PPG) debt of the central government. The DSA also includes guarantees to other entities in the public and private sector including state-owned enterprises (SOEs) and certain non-guaranteed SOE 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 bauxite mining project with Sinohydro, which are not explicitly guaranteed by the state. The DSA does not include Cocobod, one of the largest SOEs operating on non-commercial terms and engaging in quasi-fiscal activity, which would have added 2.5 percent of GDP to public debt as of end-2020. Debts to independent power producers (IPPs) and gas producers, which are currently being reconciled, are also excluded.[1]

	Subsectors of the public sector	Check box
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

2. The financial sector clean-up costs and energy sector losses highlight risks associated with off-balance sheet liabilities. Debt outstanding at the end of 2020 for the

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	3
4	PPP	35 percent of PPP stock	1.44
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%.

ESLA and GETFund/Daakye special-purpose vehicles was 2.0 and 0.4 percent of GDP, respectively. The financial sector restructuring is estimated to have cost 6.8 percent of GDP between 2017 and 2020, with further costs expected in 2021, while energy sector costs to the budget are estimated at 2.7 percent of GDP in 2020 and are projected at 2.7 percent of GDP in 2021 and 1 percent of GDP annually from 2022 onwards. The DSA does not cover the stock of domestic arrears accumulated in 2020, which are preliminarily estimated at 2.1 percent of GDP,

[1]Definition of external/domestic debt is on residency basis.

since they are yet to be audited and reconciled. However, the baseline scenario includes a medium-term arrears clearance plan in the above-the-line spending projections[2].

3. The DSA models contingent fiscal liabilities from the financial sector, SOEs and PPPs in a stress test. In addition to the above costs included in the baseline, the DSA models separate fiscal shocks amounting to 5 percent of GDP from further financial sector costs and 3 percent of GDP from non-guaranteed SOE debt. The contingent liability test also models shocks in which 35 percent of the outstanding public private partnership (PPP) arrangements become part of public debt.

Ghana: Public Debt at end-2020

	USD billion	Percent of GDP
Public debt	**52.5**	**78.9**
External	**29.8**	**44.7**
Multilateral	8.3	12.4
o/w IMF	2.1	3.2
Bilateral	5.0	7.6
Paris Club	2.4	3.6
Non-Paris Club	2.7	4.0
o/w China	1.9	2.8
Commercial	16.5	24.7
o/w Eurobond	10.2	15.3
o/w Nonresidents	4.8	7.2
Domestic	**22.8**	**34.2**
Marketable	18.1	27.2
Banks	9.7	14.6
Nonbanks	8.4	12.6
Nonmarketable	4.6	7.0
Memo: Debt excl. ESLA, Daakye	51.0	76.6

Source: Ghanaian authorities and IMF staff estimates. Residency basis. Differences from authorities' figures are due to inclusion of debt held by certain SOEs and SPVs. Please refer to DSA paragraph 1 for details.

4. DSA stress tests reveal that growth, exports, commodity prices, and market access shocks are the most relevant for Ghana. The DSA includes a suite of standard shock scenarios affecting GDP growth, the primary balance, exports, FDI, exchange rate, and a combined shock including all the above at half strength. Most shocks are calibrated at 1 standard deviation from historical average. The exchange rate shock assumes a one-off 30 percent depreciation in 2022. Tailored stress tests were carried out on commodity prices since they represent over 50 percent of exports and on market access due to reliance on Eurobonds for financing. The tailored commodity price test simulates a 35 percent and 11 percent drop to fuel and non-fuel commodity prices respectively. The market financing shock simulates a 400bps increase in the cost of borrowing for three years and a shortening of average maturities on external debt by 2 years from the current average of 12.9 years.

B. Debt Profile

5. A record primary government deficit boosted the debt stock and debt service in 2020. Real growth remained positive at 0.4 percent and the current account deficit was largely unchanged at 3.1 percent of GDP. However, a record primary deficit, which increased fivefold to 8.8 percent of GDP, fueled by higher spending and lower revenues, and an adverse real growth-interest rate differential pushed public debt up by 16 percentage points to 79 percent

[2] Arrears are not associated with debt related payments.

of GDP. The proportion of domestic currency debt has increased, leaving foreign currency and total debt levels still below the pre-HIPC/MDRI peak.

Box 1. Macroeconomic Assumptions

Economic activity: Real GDP growth is expected to rebound to 4.7 percent in 2021 thanks to the recovery of domestic activity, and reach an average of 5.2 percent over the medium term, mainly driven by oil production, with new oil discoveries and gas production offsetting declining production of existing fields. Non-oil growth is expected to reach 6.4 percent in 2021 and remain around 5 percent, on average, from 2022 onwards, thanks to gains in productivity stemming from improvements in business climate, digitalization and structural transformation.

Inflation and exchange rate: Inflation was 7.5 percent (y-o-y) in May but is expected to rise to around 9.6 percent by end-2021, and then gradually stabilize around the 8 percent target. The cedi depreciated only 3.9 percent against the dollar in 2020, driven by border closures, resilient export and remittance inflows, pandemic-related import contraction, and some support from the BOG. It has remained stable so far in 2021, as portfolio inflows resumed. Headline inflation is expected to drop over the medium term to reach 6 percent thanks to the gradual phase-out of monetary easing.

	2021-2026	2027-2040
Real GDP (%	5.2	4.5
Inflation GDP Deflator	7.6	6.2
Nominal GDP (Million US$)	89,352	181,713
Average real interest rate on domestic debt	9.1	5.4
Average real interest rate on foreign debt	4.0	5.1
Revenue and Grants (% of GDP)	15.1	16.4
Grants (Percent of GDP)	0.2	0.0
Primary expenditure (% of GDP)	15.9	14.3
Primary balance (% of GDP)	-0.8	2.3
Exports of G&S (percent of GDP growth)	6.5	6.7
Non-interest current account balance (% of GDP)	-0.7	-0.2

Sources: Ghanaian Authorities and IMF staff estimates and projections

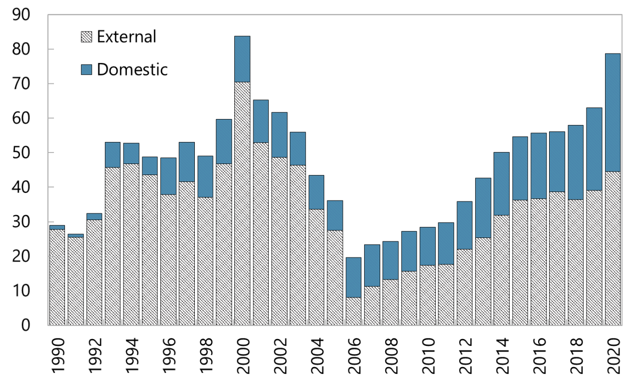
Government balance: The overall fiscal deficit is expected to reach 13.9 percent of GDP in 2021, reflecting continued COVID spending and financial and energy sector costs. Over the medium term, the government plans to improve the fiscal position through expenditure cuts in addition to the gradual end of COVID-related spending, combined with some revenue increases. As result, the budget deficit is expected to fall below 10 percent of GDP on average over the medium term.

Current account balance: The current account deficit is expected to widen in the medium term, reaching 4.8 percent of GDP in 2024 due mainly to import growth. As oil production expands gradually starting in 2024, the current account deficit will decline to a long-term average of around 3 percent of GDP. Gross foreign exchange reserves will initially fall because of the negative cash flow caused by the widening current account deficit and high external financing needs, but are expected to stabilize in the second half of the decade.

Financing flows: FDI inflows fell below 2 percent of GDP in 2020 but are expected to rebound to their pre-pandemic average of about 5 percent of GDP, reflecting pending investment in hydrocarbons and mining. Eurobond issuance is projected to average US$3 billion annually for the next five years, financing the current account deficit and rolling over maturing Eurobonds (a potential SDR allocation is not included in the forecast).

6. The sharp rise in local currency debt has increased interest costs and shortened maturities. Local currency debt rose from 30.7 percent of GDP at end-2019 to 40.8 percent of GDP at end-2020. The average time to maturity of local currency debt fell from 5.8 to 4.8 years, and average interest rates increased from 17.1 to 17.2 percent. For total public debt, liquidity indicators deteriorated, with debt service (including amortization) to revenues rising from 99 percent in 2019 to 130 percent in 2020 and gross financing needs (GFN) rising to 25.6 percent of GDP from 15.5 in 2019.

Ghana: Public Sector Debt
(Percent of GDP)



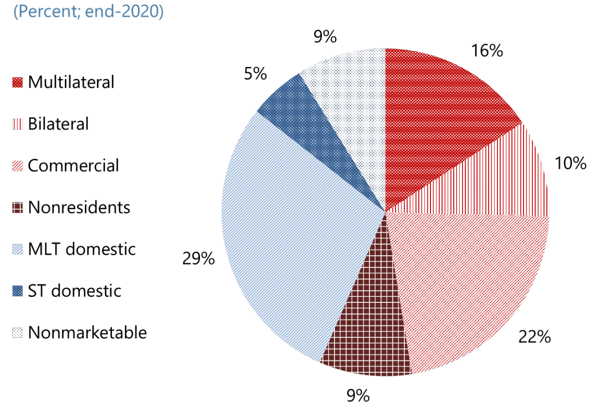
Sources: Ghanaian authorities and IMF staff calculations. Residency basis.

7. Local currency debt is expected to account for 78 percent of debt service burden in 2021. The sharp increase in local currency debt coupled with its relatively higher cost and shorter maturity compared to other financing sources has caused it to dominate debt-service costs and GFN.

C. Realism of Projections

8. Historically, staff projections tended to overestimate fiscal adjustment and thus underestimate overall debt growth, while more accurately estimating external debt. Compared to the five-year projection in the 2016 DSA, total public debt exceeded estimates by 37 percentage points of GDP due to higher than expected fiscal deficits, including financial sector cleanup and energy sector costs, and rising interest costs. The five year gap between actual and forecast debt level increased by 7.6 percentage points of GDP in 2020.

Ghana: Public Debt Composition
(Percent; end-2020)



Sources: Ghanaian authorities and IMF staff calculations

9. The baseline projected primary balance adjustment of 9 percent of GDP over four years is feasible, but ambitious. The outlook assumes a return to the pre-pandemic primary government deficit of 1.4 percent of GDP by 2022 and a 2.7 percent of GDP adjustment over the following three years. The consolidation falls within the top quartile for peers, underlining the ambitious nature of the government's plans, even discounting—as in staff's baseline—the authorities' expectations of a strong increase in tax revenues over the medium term. The expected rebound from the COVID-19 shock explains the disconnect between fiscal adjustment and accelerating growth in 2021-2022. The impact of public investment on GDP growth is consistent with the historical data.

D. Country Classification

10. Ghana has a medium debt carrying capacity, unchanged from the last DSA vintage. The composite CI score used to determine the debt carrying capacity is comprised of the World Bank's CPIA score and macro-economic fundamentals from the April 2021 WEO.

Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.563	1.37	50%
Real growth rate (in percent)	2.719	5.155	0.14	5%
Import coverage of reserves (in percent)	4.052	25.432	1.03	37%
Import coverage of reserves^2 (in percent)	-3.990	6.468	-0.26	-9%
Remittances (in percent)	2.022	3.231	0.07	2%
World economic growth (in percent)	13.520	3.078	0.42	15%
CI Score			2.77	100%
CI rating			Medium	

Applicable thresholds

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

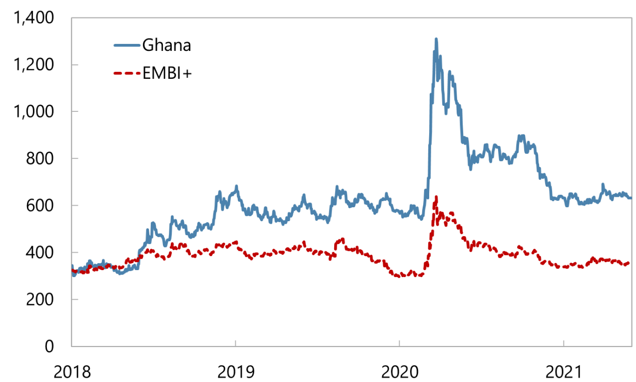
APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

E. External DSA

11. Under the baseline, three external debt ratios exceed thresholds, two of which over the full horizon. The external PPG debt-to-GDP ratio is expected to remain above threshold until 2029. Debt service-to-exports and debt service-to-revenues ratios exceed their thresholds under the baseline scenario throughout the forecast horizon. The market access shock modeling a widening of spreads and reduction in maturities has the highest impact on external debt service to revenues. The stress test yielding the highest ratios for the three remaining external indicators is the export shock, which models the incidence of an average decline in exports of 15 percent in 2022 and 2023 (=1 s.d. applied to historical average) against 4 percent growth in the baseline.

12. To contain interest costs and rollover existing external debt, Ghana will need to maintain market access at the same level as in 2019-2021. In recent years, Ghana consistently tapped international capital markets. A Eurobond series totaling US$3 billion (out of a target range of US$3-5 billion) was issued in March 2021, with a weighted average maturity of 11 years at 8 percent, compared to a weighted average maturity of 17 years at 7.5 percent for the 2020 issue. Despite the emergence of new investors in government securities including investment firms, retail investors, pension funds, and individual investors, the ability of the domestic market to absorb further government lending remains dependent on the banking sector, where government securities account for over 40 percent of assets. Continued dependence on market access exposes Ghana to sudden changes in market sentiment, whether country-specific or affecting emerging and frontier markets more broadly.

Ghana: Eurobond spreads
(Basis points)



Source: Bloomberg.

F. Public DSA

13. Under the baseline, public debt declines slowly over the long run but remains vulnerable to growth and terms of trade shocks. The PV of public debt, at 75.3 percent of GDP in 2020, is expected to remain above the 55 percent benchmark throughout the forecast horizon. The main drivers of the increase in the PV of public debt compared to the last published DSA were the revenue and expenditure shocks associated with the pandemic, which compounded the impact of fiscal slippages and the realization of contingent liabilities in finance and energy sectors. The downward trajectory of the PV of public debt is vulnerable to shocks. Growth shock modeling a fall of one standard deviation has the most severe impact on all public debt indicators..

14. Market financing module indicators underline the persistence of debt vulnerabilities over the forecasting horizon. Gross financing needs, at 25.6 percent of GDP in 2020, are expected to remain above the 14 percent benchmark throughout the forecast horizon. Spreads declined from the peaks reached at the outset of the pandemic and have stabilized at around 620bps, which are also above the benchmark, pointing to rollover and liquidity risks (Figure 5). Debt service (including amortization) to revenues exceeded 129 percent in 2020, and is projected to peak at 155 percent in 2026 before declining slowly, reflecting Ghana’s low domestic revenue mobilization and continued dependency on borrowing. Growth and commodity price shocks have the strongest impact on debt service-to-revenue ratio.

CONCLUSION

15. The DSA underlines that debt sustainability can only be ensured by an aggressive and credible fiscal consolidation plan. Given the acceleration over 2020-21, public debt would not be sustainable if it continues to grow at current trends. Looking forward, the rigorous implementation of the fiscal consolidation underlying staff's baseline scenario, supported by continued market access, would ensure debt sustainability, but only narrowly, given the slow pace of decline of public debt over the long run. Furthermore, inadequate implementation of the medium-term fiscal consolidation plan, growth slowdowns, and exogenous shocks, including delayed exit from the pandemic, worsening global risk sentiment, and adverse terms of trade movements, pose significant liquidity and solvency risks to the outlook. Therefore, a deeper consolidation effort based on well-articulated measures is urgently needed to create a stronger inflexion in the debt trajectory, strengthen credibility, and create margins for the implementation of policies.

16. A wider public debt perimeter and better debt transparency are essential to prevent debt surprises and provide a more accurate picture of debt sustainability. Realization of contingent liabilities in the energy and financial sector, off-budget operations, and domestic arrears have been drivers of debt accumulation in the past. Furthermore, SOEs represent a potential source of government obligations, either in the form of undisclosed debt or contingent liabilities. Going forward, coverage of public debt could be made more comprehensive by including energy sector debts to the private sector (such as those related to independent power producers and gas projects) and debts of SOEs that engage in quasi-fiscal activities, such as Cocobod. This would also help reduce debt surprise risks.

17. Debt management can play a role in reducing debt vulnerabilities. Fiscal adjustment is the first-best solution to address debt vulnerabilities and reduce gross financing needs. These efforts should be complemented by improved debt management and liability management operations.

Authorities' Views

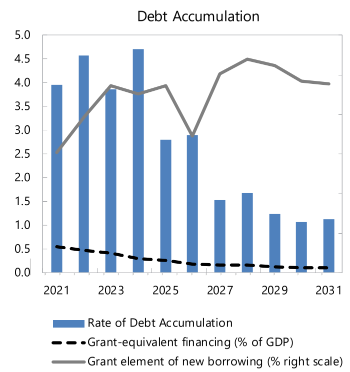
18. The authorities underscored their commitment to the fiscal consolidation agenda and improved debt management to guarantee macroeconomic stability. They stressed that a comprehensive view of debt vulnerabilities should be based on a forward-looking assessment, and remained confident that rapid growth, together with the government's strong commitment to macroeconomic stability, ongoing structural reforms and track record with capital markets, will allow Ghana to address its fiscal and debt vulnerabilities. The authorities highlighted advancements in debt management aimed at gradually lengthening maturities, using LMOs to retire expensive debt and attracting new investors with longer time horizon, including pension funds and insurers. The authorities also agreed with not including expenditure arrears in the public debt, noting that they were yet to be audited and the medium-term budget framework includes an above-the-line arrears clearance plan. The authorities disagreed with including Cocobod debt in public sector debt, as they see Cocobod as a primarily commercial operation that is not loss making.

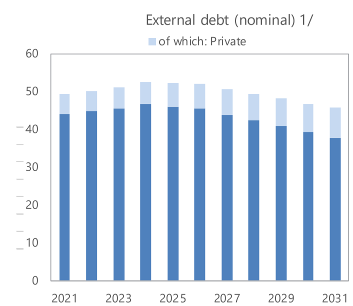
Table 1. Ghana: External Debt Sustainability Framework, Baseline Scenario, 2018-2041

(In percent of GDP, unless otherwise indicated)

	Actual		Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
External debt (nominal) 1/	43.6	49.5	49.3	50.1	51.1	52.7	52.3	52.0	45.7	32.2	36.7	49.8
of which: public and publicly guaranteed (PPG)	39.0	44.7	44.2	44.8	45.4	46.8	46.1	45.6	37.9	22.2	32.8	43.4
Change in external debt	2.9	6.0	-0.2	0.8	0.9	1.6	-0.4	-0.2	-1.2	-3.2		
Identified net debt-creating flows	-3.8	0.5	-3.3	-2.8	-1.7	-2.0	-3.7	-3.4	-2.9	-4.5	-1.7	-3.0
Non-interest current account deficit	0.3	0.4	-0.6	0.8	1.6	1.9	1.0	1.1	0.0	-1.9	3.8	0.7
Deficit in balance of goods and services	1.9	3.6	1.7	3.0	3.9	4.1	2.9	2.7	1.8	1.5	5.9	2.5
Exports	37.4	32.2	32.9	31.7	30.2	29.3	29.6	29.6	28.2	28.7		
Imports	39.4	35.8	34.7	34.7	34.1	33.4	32.5	32.3	30.1	30.2		
Net current transfers (negative = inflow)	-5.0	-5.4	-4.4	-4.1	-3.9	-3.7	-3.5	-3.4	-2.7	-1.6	-4.2	-3.4
of which: official	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other current account flows (negative = net inflow)	3.4	2.3	2.0	2.0	1.7	1.5	1.7	1.7	0.9	-1.8	2.1	1.6
Net FDI (negative = inflow)	-4.8	-1.9	-3.4	-3.5	-4.0	-4.5	-5.0	-5.0	-4.0	-3.3	-5.2	-4.4
Endogenous debt dynamics 2/	0.7	2.1	0.7	-0.1	0.7	0.6	0.2	0.6	1.1	0.6		
Contribution from nominal interest rate	2.4	2.7	2.9	2.7	2.8	3.0	3.1	3.1	2.8	2.2		
Contribution from real GDP growth	-2.6	-0.2	-2.1	-2.8	-2.2	-2.4	-2.8	-2.5	-1.7	-1.6		
Contribution from price and exchange rate changes	0.9	-0.4	...	...	...	...	...	...	...	...		
Residual 3/	6.7	5.4	3.1	3.6	2.6	3.6	3.3	3.1	1.7	1.4	4.1	2.7
of which: exceptional financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators												
PV of PPG external debt-to-GDP ratio	...	40.0	39.9	40.9	41.8	43.4	43.0	42.8	36.2	21.5		
PV of PPG external debt-to-exports ratio	...	124.0	121.1	128.8	138.4	148.4	145.6	144.5	128.2	75.0		
PPG debt service-to-exports ratio	13.2	21.1	19.4	14.8	18.3	17.9	21.8	21.8	17.3	16.8		
PPG debt service-to-revenue ratio	36.1	55.5	44.1	32.2	37.5	34.7	42.4	41.8	28.6	28.4		
Gross external financing need (Million of U.S. dollars)	1082.6	4453.2	2679.5	2744.2	3984.6	3821.5	4040.0	4448.4	4295.8	6275.6		
Key macroeconomic assumptions												
Real GDP growth (in percent)	6.5	0.4	4.7	6.2	4.7	5.0	5.8	5.2	3.9	4.9	5.9	4.8
GDP deflator in US dollar terms (change in percent)	-4.6	-0.2	5.2	2.3	2.2	2.1	1.5	2.0	2.6	2.2	-0.8	2.5
Effective interest rate (percent) 4/	6.0	6.1	6.4	5.9	6.0	6.2	6.3	6.3	6.4	6.8	4.7	6.3
Growth of exports of G&S (US dollar terms, in percent)	13.7	13.7	12.5	4.8	1.9	3.7	8.5	7.5	5.0	8.9	12.9	6.2
Growth of imports of G&S (US dollar terms, in percent)	15.9	-8.7	6.6	8.8	5.1	5.0	4.4	6.7	5.1	7.8	6.7	5.7
Grant element of new public sector borrowing (in percent)	...	...	1.5	2.0	2.4	2.3	2.4	1.7	2.4	0.0	...	2.3
Government revenues (excluding grants, in percent of GDP)	13.7	12.3	14.5	14.6	14.7	15.1	15.2	15.5	17.1	16.9	12.9	15.7
Aid flows (in Million of US dollars) 5/	189.0	435.3	325.5	273.1	230.8	123.4	98.7	79.0	25.9	2.8		
Grant-equivalent financing (in percent of GDP) 6/	...	...	0.5	0.5	0.4	0.3	0.2	0.2	0.1	0.0	...	0.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	6.7	6.7	6.0	4.0	3.8	2.8	2.8	0.1	...	4.2
Nominal GDP (Million of US dollars)	68,353	68,498	75,487	82,018	87,736	94,045	101,028	108,370	150,636	297,224		
Nominal dollar GDP growth	1.6	0.2	10.2	8.7	7.0	7.2	7.4	7.3	6.6	7.1	5.3	7.4
Memorandum items:												
PV of external debt 7/	...	44.8	45.0	46.3	47.5	49.3	49.2	49.3	44.0	31.5		
In percent of exports	...	138.9	136.5	145.7	157.0	168.6	166.5	166.3	155.8	109.9		
Total external debt service-to-exports ratio	16.2	24.8	23.2	19.0	22.8	22.8	26.9	27.2	24.1	25.4		
PV of PPG external debt (in Million of US dollars)		27,381	30,093	33,545	36,713	40,836	43,472	46,390	54,537	63,883		
(PVt-PVt-1)/GDPt-1 (in percent)			4.0	4.6	3.9	4.7	2.8	2.9	1.1	-1.5		
Non-interest current account deficit that stabilizes debt ratio	-2.6	-5.5	-0.4	0.0	0.7	0.3	1.5	1.3	1.2	1.3		

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.

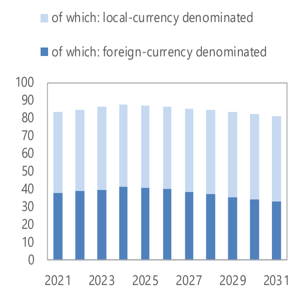
Table 2. Ghana: Public Sector Debt Sustainability Framework, Baseline Scenario, 2018-2041

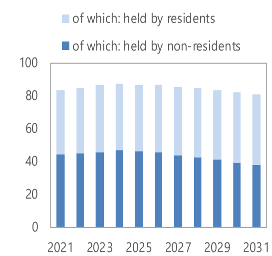
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031	2041	Historical	Projections
Public sector debt 1/, 7/	57.9	62.9	78.9	83.5	84.9	86.4	87.4	87.0	86.5	81.2	58.9	52.3	84.8
of which: external debt	36.4	39.0	44.7	44.2	44.8	45.4	46.8	46.1	45.6	37.9	22.2	32.8	43.4
Change in public sector debt	0.6	5.0	16.0	4.6	1.3	1.5	1.0	-0.5	-0.5	-1.2	-2.2		
Identified debt-creating flows	0.9	3.9	12.6	5.4	2.0	2.3	1.7	0.3	0.3	-0.9	-2.0	1.8	0.9
Primary deficit	1.4	1.7	8.8	5.9	1.4	0.2	-0.3	-1.3	-1.4	-2.1	-2.4	2.7	-0.5
Revenue and grants	14.1	14.0	12.9	14.9	15.0	15.0	15.2	15.3	15.5	17.1	16.9	13.6	15.8
of which: grants	0.3	0.3	0.6	0.4	0.3	0.3	0.1	0.1	0.1	0.0	0.0		
Primary (noninterest) expenditure	15.5	15.7	21.8	20.8	16.4	15.2	14.9	14.0	14.2	15.0	14.5	16.2	15.3
Automatic debt dynamics	0.1	2.2	3.7	-0.5	0.6	2.1	2.1	1.6	1.6	1.2	0.4		
Contribution from interest rate/growth differential	-0.3	0.1	4.3	0.3	0.5	2.0	2.0	1.4	1.6	1.3	0.4		
of which: contribution from average real interest rate	3.1	3.6	4.5	3.8	5.4	5.8	6.1	6.2	5.8	4.4	3.2		
of which: contribution from real GDP growth	-3.3	-3.5	-0.3	-3.6	-4.9	-3.8	-4.1	-4.8	-4.3	-3.1	-2.8		
Contribution from real exchange rate depreciation	0.3	2.1	-0.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Privatization receipts (negative)	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	-0.3	1.1	3.4	-1.6	-0.6	-0.7	-0.7	-0.6	-0.8	-0.5	-0.2	2.9	-0.7
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	...	...	75.3	80.3	82.0	83.8	85.1	84.9	84.6	80.1	58.5		
PV of public debt-to-revenue and grants ratio	...	...	582.8	538.1	548.0	559.2	559.1	555.1	544.2	467.8	346.0		
Debt service-to-revenue and grants ratio 3/	90.1	99.3	129.8	123.3	120.3	150.2	145.6	153.7	154.7	126.5	109.0		
Gross financing need 4/	13.5	15.6	25.6	24.3	19.4	22.7	21.8	22.2	22.7	19.6	16.0		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	6.2	6.5	0.4	4.7	6.2	4.7	5.0	5.8	5.2	3.9	4.9	5.9	4.8
Average nominal interest rate on external debt (in percent)	6.1	6.4	6.7	6.7	6.1	6.3	6.5	6.6	6.7	6.8	7.6	4.9	6.7
Average real interest rate on domestic debt (in percent)	8.0	8.6	9.1	6.7	9.8	9.9	10.3	10.4	9.4	6.2	5.7	7.0	8.7
Real exchange rate depreciation (in percent, + indicates depreciation)	1.1	7.7	-1.6	...	...	...	...	...	...	...	...	3.0	...
Inflation rate (GDP deflator, in percent)	10.6	8.5	7.1	11.2	7.7	7.2	6.9	6.1	6.4	6.5	6.0	13.4	7.0
Growth of real primary spending (deflated by GDP deflator, in percent)	25.4	8.1	39.2	0.2	-16.6	-2.8	3.0	-0.5	6.4	6.9	-5.7	11.1	1.6
Primary deficit that stabilizes the debt-to-GDP ratio 5/	0.8	-3.3	-7.2	1.3	0.1	-1.3	-1.4	-0.8	-0.8	-0.8	-0.2	-3.2	-0.7
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/, 7/





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.

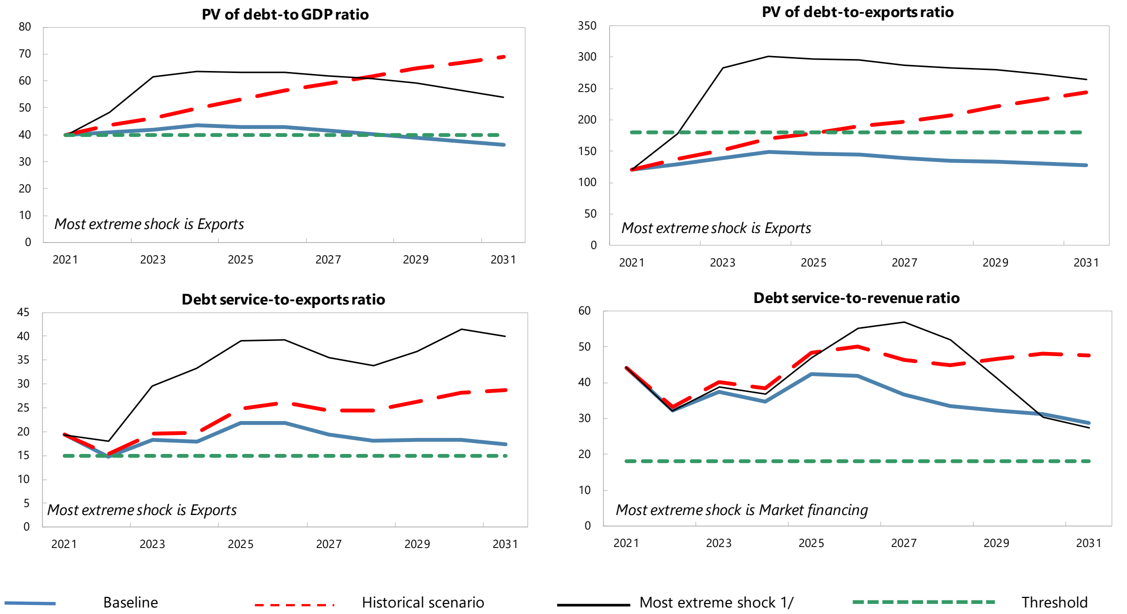
4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

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.

7/Public debt data differ from authorities' figures due to inclusion of debt held by certain SOEs and SPV. Please refer to DSA paragraph 1 for details.

Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt under Alternatives Scenarios, 2021-2031



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

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

Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	9.4%	9.0%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	13	13
Avg. grace period	6	6

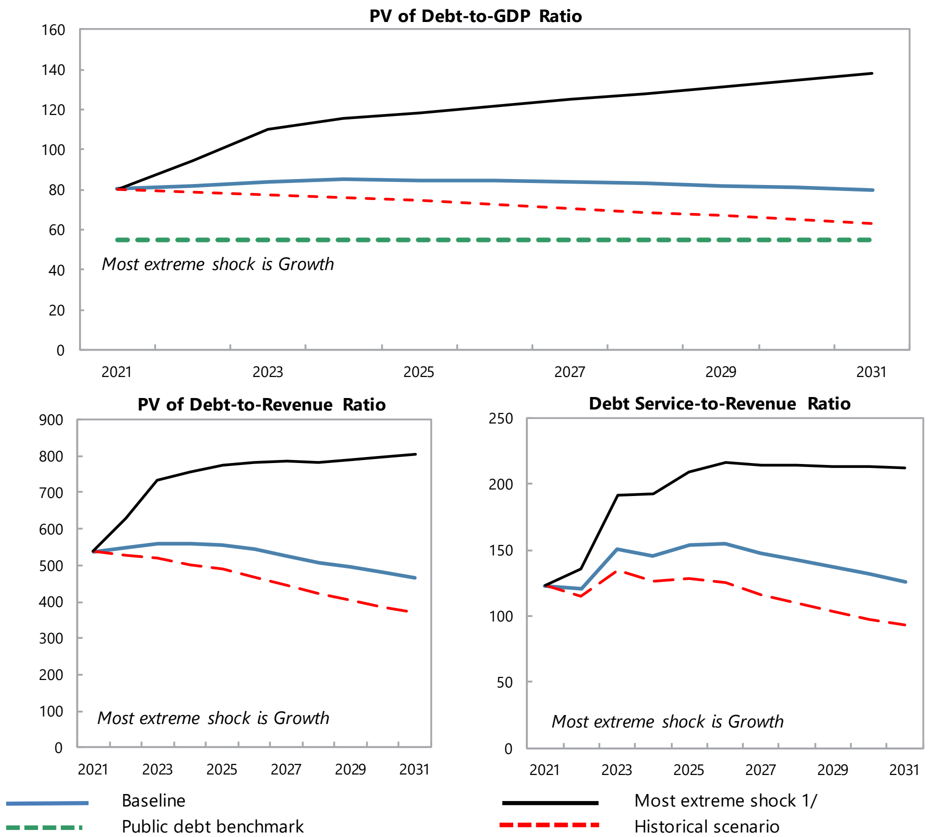
* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

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 2031. Stress tests with one-off breaches are also presented (if any), while these one-off breaches are deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Figure 2. Ghana: Indicators of Public Debt Under Alternative Scenarios, 2021-2031



Borrowing Assumptions for Stress Tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	26%	26%
Domestic medium and long-term	68%	68%
Domestic short-term	6%	6%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	9.4%	9.0%
Avg. maturity (incl. grace period)	13	13
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	8.2%	4.0%
Avg. maturity (incl. grace period)	5	5
Avg. grace period	0	0
Domestic short-term debt		
Avg. real interest rate	5.3%	5.3%

* 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 2031. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 3. Ghana: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2021-2031

(in percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of debt-to GDP ratio											
Baseline	40	**41**	**42**	**43**	**43**	**43**	**41**	**40**	39	37	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	40	**43**	**46**	**50**	**53**	**56**	**59**	**62**	**65**	**67**	**69**
B. Bound Tests											
B1. Real GDP growth	40	**46**	**53**	**55**	**54**	**54**	**52**	**51**	**49**	**47**	**46**
B2. Primary balance	40	**42**	**45**	**47**	**47**	**47**	**46**	**46**	**44**	**43**	**42**
B3. Exports	40	**48**	**62**	**63**	**63**	**63**	**62**	**61**	**59**	**57**	**54**
B4. Other flows 3/	40	**43**	**46**	**48**	**48**	**47**	**46**	**45**	**44**	**42**	**40**
B5. Depreciation	40	**53**	**50**	**52**	**52**	**51**	**49**	**47**	**46**	**44**	**43**
B6. Combination of B1-B5	40	**50**	**53**	**56**	**55**	**55**	**54**	**53**	**51**	**50**	**48**
C. Tailored Tests											
C1. Combined contingent liabilities	40	**43**	**45**	**47**	**47**	**47**	**46**	**45**	**44**	**43**	**42**
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	40	**42**	**44**	**46**	**46**	**45**	**44**	**43**	**41**	39	38
C4. Market Financing	40	**46**	**47**	**49**	**49**	**49**	**47**	**46**	**44**	**42**	40
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	121	129	138	148	146	145	139	134	133	131	128
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	121	137	152	170	179	**190**	**197**	**207**	**221**	**232**	**244**
B. Bound Tests											
B1. Real GDP growth	121	129	138	148	146	145	139	134	133	131	128
B2. Primary balance	121	132	150	162	160	160	155	152	151	150	148
B3. Exports	121	178	**282**	**301**	**296**	**296**	**287**	**282**	**280**	**273**	**265**
B4. Other flows 3/	121	136	153	164	161	160	154	150	149	146	142
B5. Depreciation	121	122	120	129	127	125	119	115	113	112	111
B6. Combination of B1-B5	121	154	151	**197**	**194**	**194**	**188**	**184**	**182**	179	176
C. Tailored Tests											
C1. Combined contingent liabilities	121	137	148	160	158	159	154	151	150	149	148
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	121	129	143	155	153	153	147	142	140	137	134
C4. Market Financing	121	129	139	150	149	148	142	137	134	130	126
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	**19**	15	**18**	**18**	**22**	**22**	**19**	**18**	**18**	**18**	**17**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**19**	**15**	**20**	**20**	**25**	**26**	**24**	**24**	**26**	**28**	**29**
B. Bound Tests											
B1. Real GDP growth	**19**	15	**18**	**18**	**22**	**22**	**19**	**18**	**18**	**18**	**17**
B2. Primary balance	**19**	15	**19**	**19**	**23**	**23**	**21**	**20**	**20**	**21**	**20**
B3. Exports	**19**	**18**	**29**	**33**	**39**	**39**	**36**	**34**	**37**	**42**	**40**
B4. Other flows 3/	**19**	15	**19**	**19**	**23**	**23**	**21**	**19**	**20**	**21**	**20**
B5. Depreciation	**19**	15	**18**	**16**	**20**	**20**	**18**	**17**	**16**	15	14
B6. Combination of B1-B5	**19**	**16**	**24**	**24**	**29**	**29**	**26**	**24**	**26**	**26**	**25**
C. Tailored Tests											
C1. Combined contingent liabilities	**19**	15	**19**	**19**	**23**	**23**	**21**	**19**	**20**	**20**	**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	**19**	15	**19**	**19**	**23**	**23**	**21**	**19**	**19**	**20**	**18**
C4. Market Financing	**19**	15	**19**	**19**	**24**	**29**	**30**	**28**	**23**	**18**	**17**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**44**	**32**	**38**	**35**	**42**	**42**	**37**	**33**	**32**	**31**	**29**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**44**	**33**	**40**	**38**	**48**	**50**	**46**	**45**	**47**	**48**	**48**
B. Bound Tests											
B1. Real GDP growth	**44**	**37**	**47**	**44**	**54**	**53**	**46**	**42**	**41**	**39**	**36**
B2. Primary balance	**44**	**32**	**38**	**37**	**45**	**44**	**39**	**36**	**36**	**35**	**33**
B3. Exports	**44**	**33**	**44**	**47**	**55**	**54**	**48**	**45**	**47**	**51**	**48**
B4. Other flows 3/	**44**	**32**	**39**	**37**	**45**	**44**	**39**	**36**	**36**	**36**	**33**
B5. Depreciation	**44**	**44**	**50**	**44**	**54**	**53**	**46**	**42**	**39**	**35**	**32**
B6. Combination of B1-B5	**44**	**36**	**47**	**45**	**54**	**53**	**47**	**43**	**44**	**43**	**40**
C. Tailored Tests											
C1. Combined contingent liabilities	**44**	**32**	**39**	**36**	**44**	**44**	**39**	**36**	**35**	**34**	**31**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**44**	**38**	**45**	**42**	**50**	**48**	**40**	**35**	**34**	**33**	**30**
C4. Market Financing	**44**	**32**	**39**	**37**	**47**	**55**	**57**	**52**	**41**	**30**	**27**
Threshold	18	18	18	18	18	18	18	18	18	18	18

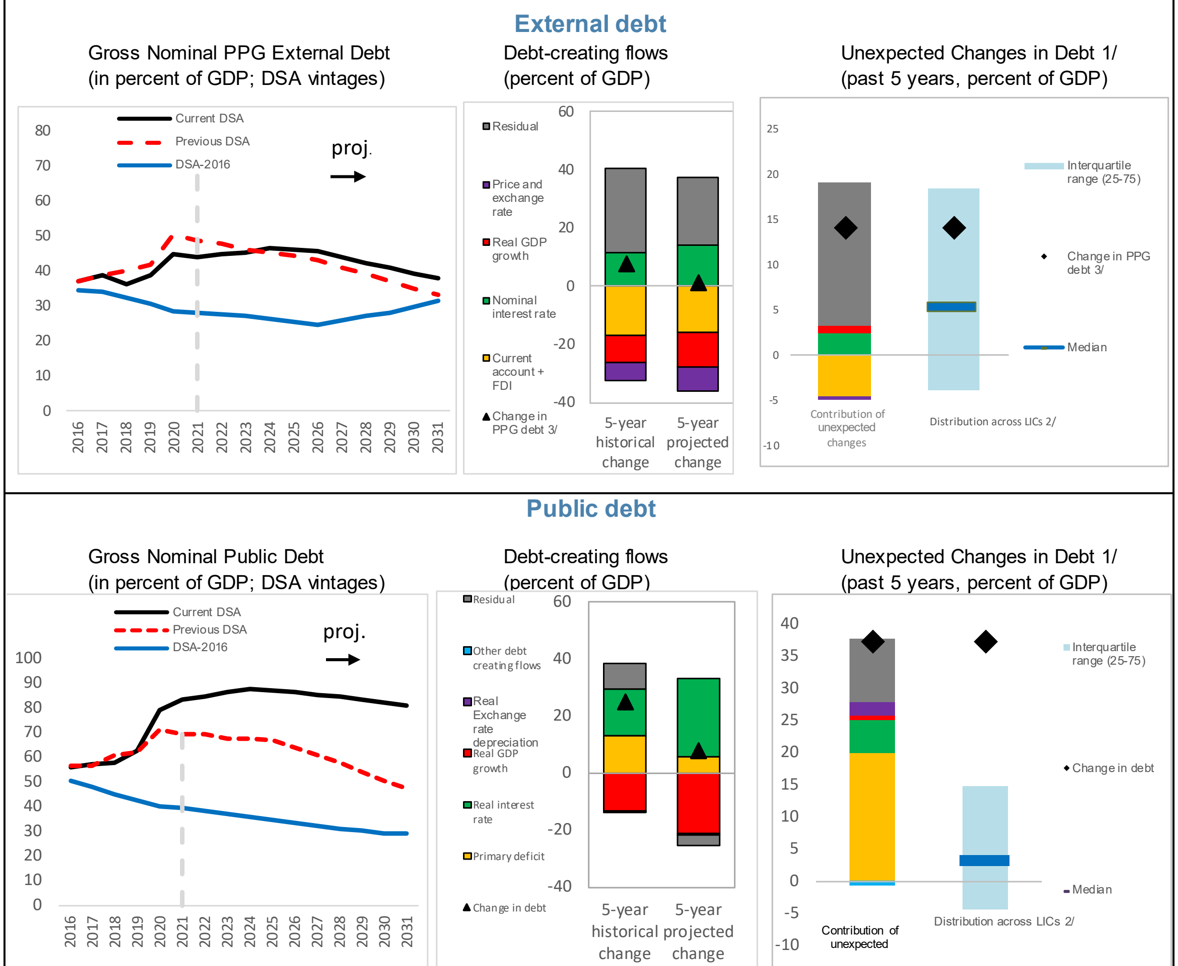
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private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

Table 4. Ghana: Sensitivity Analysis for Key Indicators of Public Debt , 2021-2031
(in percent)

	Projections 1/										
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
PV of Debt-to-GDP Ratio											
Baseline	**80**	**82**	**84**	**85**	**85**	**85**	**84**	**83**	**82**	**81**	**80**
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	**80**	**79**	**78**	**76**	**75**	**73**	**71**	**69**	**67**	**65**	**63**
B. Bound Tests											
B1. Real GDP growth	**80**	**94**	**110**	**115**	**119**	**122**	**125**	**128**	**132**	**135**	**138**
B2. Primary balance	**80**	**86**	**93**	**95**	**94**	**94**	**93**	**92**	**91**	**90**	**89**
B3. Exports	**80**	**88**	**100**	**101**	**101**	**101**	**100**	**100**	**99**	**97**	**95**
B4. Other flows 3/	**80**	**84**	**88**	**90**	**90**	**89**	**89**	**88**	**87**	**86**	**84**
B5. Depreciation	**80**	**94**	**94**	**94**	**93**	**92**	**91**	**90**	**90**	**89**	**88**
B6. Combination of B1-B5	**80**	**83**	**91**	**92**	**92**	**92**	**92**	**91**	**91**	**90**	**90**
C. Tailored Tests											
C1. Combined contingent liabilities	**80**	**91**	**93**	**94**	**93**	**93**	**92**	**91**	**90**	**89**	**88**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**80**	**87**	**95**	**104**	**109**	**114**	**117**	**120**	**124**	**127**	**130**
C4. Market Financing	**80**	**82**	**84**	**86**	**86**	**86**	**85**	**84**	**83**	**81**	**79**
Public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	538	548	559	559	555	544	528	508	495	482	468
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	538	529	519	502	489	469	446	422	404	387	371
B. Bound Tests											
B1. Real GDP growth	538	629	733	757	775	785	787	784	792	800	807
B2. Primary balance	538	573	624	621	615	603	584	563	549	536	522
B3. Exports	538	586	666	665	662	650	633	612	596	574	552
B4. Other flows 3/	538	563	590	590	586	575	558	538	524	508	492
B5. Depreciation	538	631	630	619	609	593	574	553	540	528	516
B6. Combination of B1-B5	538	556	607	607	604	593	578	558	547	535	523
C. Tailored Tests											
C1. Combined contingent liabilities	538	608	618	615	609	596	578	557	543	530	516
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	538	677	741	789	795	786	765	737	744	752	759
C4. Market Financing	538	548	560	562	561	552	535	513	497	480	464
Debt Service-to-Revenue Ratio											
Baseline	123	120	150	146	154	155	148	143	137	132	127
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2021-2031 2/	123	115	135	126	129	125	116	109	103	98	93
B. Bound Tests											
B1. Real GDP growth	123	136	192	193	209	217	215	214	213	213	213
B2. Primary balance	123	120	158	163	170	172	166	159	152	148	143
B3. Exports	123	120	153	154	162	163	156	151	148	148	142
B4. Other flows 3/	123	120	151	148	156	157	150	145	141	137	131
B5. Depreciation	123	117	155	152	165	169	163	160	156	153	149
B6. Combination of B1-B5	123	119	154	157	165	167	161	156	150	145	140
C. Tailored Tests											
C1. Combined contingent liabilities	123	120	167	161	170	171	165	156	150	145	139
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	123	142	188	196	210	213	207	200	199	199	199
C4. Market Financing	123	120	151	148	158	168	168	161	146	131	125

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.

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



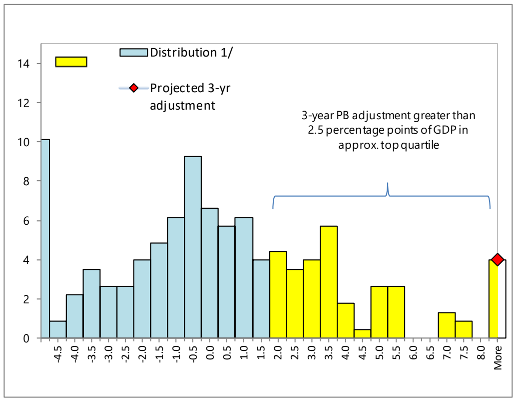
1/ Difference between anticipated and actual contributions on debt ratios.

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

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

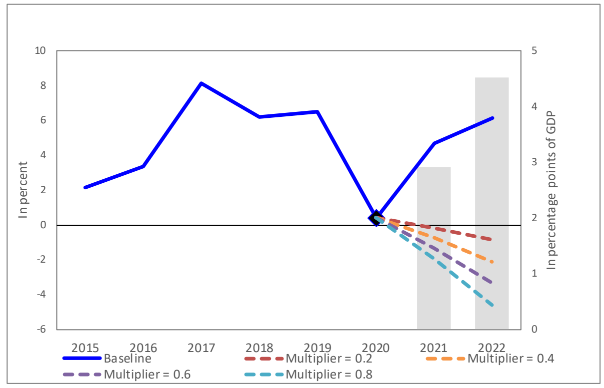
Figure 4. Ghana: Realism tools

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



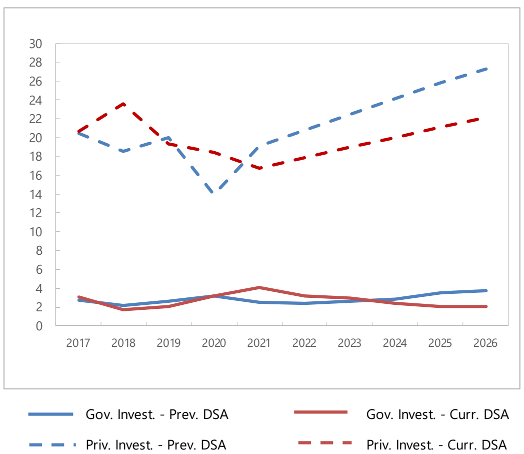
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

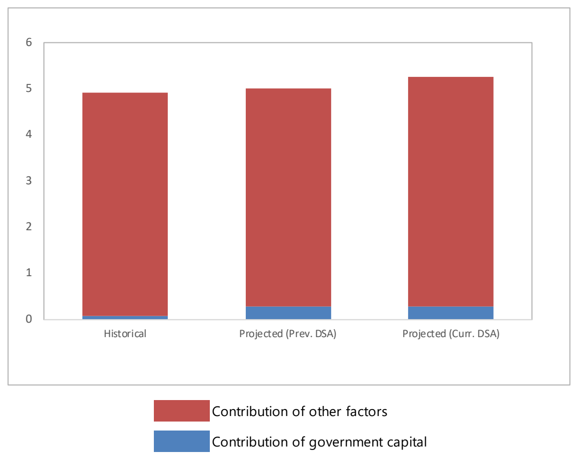
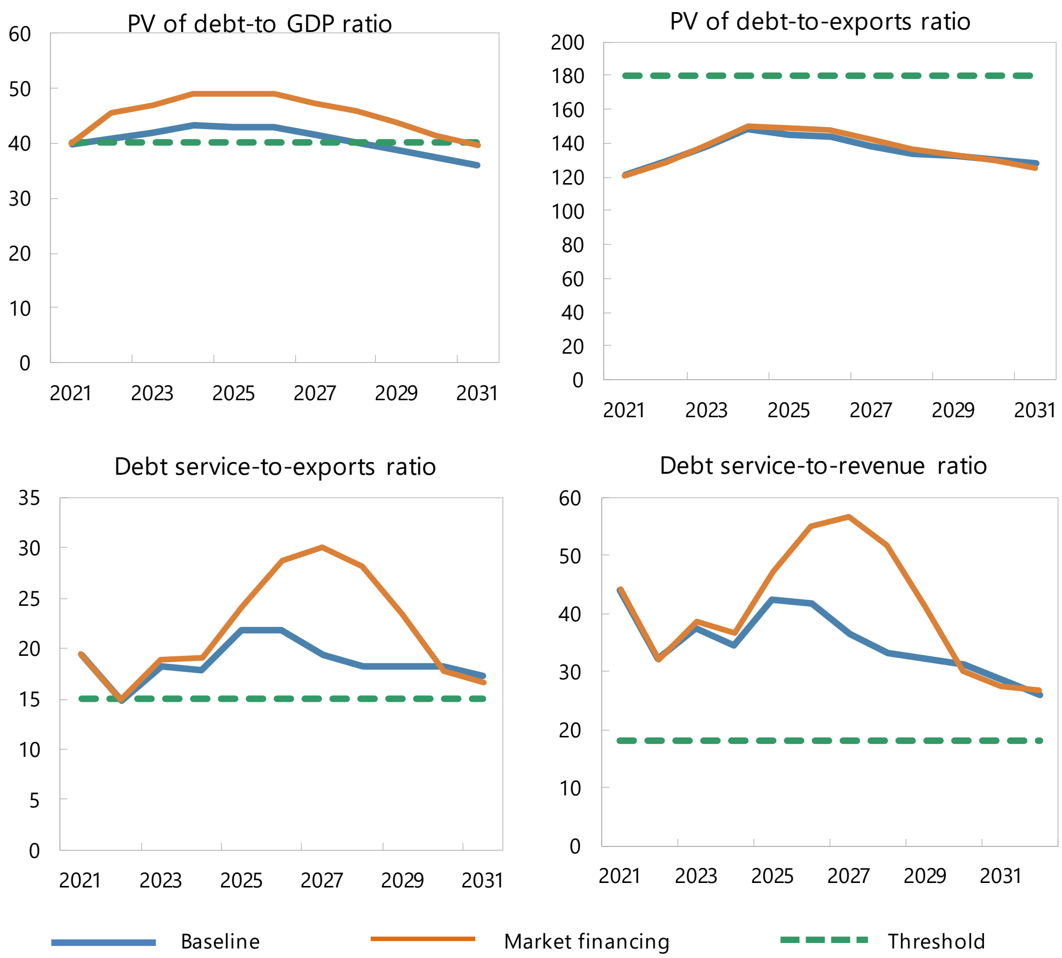


Figure 5. Ghana: Market-Financing Risk Indicators

	GFN 1/	EMBI 2/
Benchmarks	14	570
Values	24	620
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.

Statement by Mr. Hossein Mirshojaeian Hosseini, Executive Director for Ghana and Mr. Osei Yeboah, Advisor to Executive Director

Our Ghanaian authorities would first like to extend their appreciation to the Board, management and staff for the timely disbursement of the Rapid Credit Facility in April 2020, which provided critical budget support and helped in their pandemic intervention efforts to save lives and livelihoods. They would also like to thank staff for the close engagement and sound policy advice which helped in the navigation of the crisis and look forward to continuing the collaboration beyond the crisis

The Ghanaian authorities welcome the candid and constructive discussions during the Article IV virtual mission and broadly agree with the staff appraisal. While being cautious, owning to the significant uncertainties surrounding the pandemic, the authorities see the recovery in economic activities taking shape and anticipate a stronger and inclusive rebound from the pandemic. They also welcome staff's recognition of the home-grown *Ghana Covid-19 Alleviation and Revitalization of Enterprises Support (CARES 'Obaatanpa') program* currently underway to strengthen the recovery and to address longstanding structural imbalances to move Ghana towards on a sustained and inclusive growth path.

Although infections and deaths (97,729 and 8022, respectively as of early-July 2021) remain relatively subdued, the socio-economic impact of the pandemic on Ghana has been severe. The authorities' immediate response to the health shock was to protect lives and livelihood through stringent but well-targeted lockdown and social distancing restriction measures to contain the spread of infections. While most restrictions have since been gradually eased, some (e.g. restraint on large gathering) are still in place amidst concerns about a third wave.

As at early July 2021, **864,918** people had received at least one dose of the vaccine, but the pace is highly predicated on allocations from the COVAX Initiative and bilateral vaccine donations. The government is targeting to vaccinate 70 percent of the adult population by mid-2022.

Concurrent with boosting health system delivery, the authorities provided relief packages to ease the burden on households and businesses, including free food, moratorium on loan repayments, and soft loans to targeted groups and individuals. Nevertheless, growth slowed, food prices spiked, and the fiscal deficit and public debt increased significantly. While the economic recovery is underway, its depth and breadth are predicated on the success of the authorities' vaccination campaign and global factors, including terms of trade developments and global financial market conditions. There are also concerns about scarring effect, particularly in the labor market.

Recent Economic Development and Outlook

Ghana was among the fastest growing economies in Sub Sahara Africa prior to the pandemic, with 6.5 percent growth in 2019. This was underpinned by strong policy commitments, evidenced by the successful completion of the Fund-supported ECF program in 2019. Notwithstanding the strong growth potential, the crisis has adversely impacted the hospitality industry, education sector, and the mining sector, including oil production, leading to an overall GDP growth of 0.4 percent y/y at the end of 2020. Growth is projected to rebound strongly to 4.7 percent in 2021 as domestic and global conditions improve. The external position remained strong in 2020 supported by higher gold prices and steady remittance inflows. Despite weak demand, supply-side effects led to inflation inching up above the Bank of Ghana's target band, but has since retreated to the policy corridor and is expected to stay within the band in the near-term. Although leading economic indicators are positive, the authorities remain cautious and are prepared to introduce additional supportive measures and make appropriate policy adjustments to safeguard macroeconomic stability without compromising the recovery.

Fiscal Policy

The Ghanaian authorities are committed to fiscal and debt sustainability. To safeguard the nascent recovery, the authorities' strategy will emphasize improving spending efficiency to limit leakages and widening the tax base to generate more domestic revenue. The authorities expect greater use of digitalization will improve revenue collection and administration, through electronic submission of tax returns to encourage prompt filing and reduce tax evasion. Digitalization will also facilitate implementation of property rate collections.

The 2021 Budget Statement introduced a number of new tax initiatives to boost domestic revenue, including the Covid-19 Health Levy, Sanitation and pollution levy (SPL) and energy sector recovery levy (Delta Fund). Additionally, a 5 percent financial sector levy has been placed on the pre-tax profits of banks to help defray the cost of the banking sector's clean up reforms. The government is also developing a gaming policy to generate additional revenue from online betting and automation of services which have been a source of tax leakage.

The authorities have introduced a medium-term fiscal framework with a path towards restoring the fiscal rule once the pandemic abates, and strengthen it further with a cap on public debt. The authorities recognize that advancing debt sustainability will hinge on mitigating fiscal risks, improving spending controls and debt management, and structural reforms, and are reviewing the medium-term debt management strategy to ensure a well-balanced mix of domestic and external bond issuance to reduce costs and financing risks.

Monetary and Exchange Rate Policies

The authorities feel that the current monetary policy stance is appropriate, and that the regulatory reliefs extended during the COVID crisis will be maintained until there is more clarity on the path and strength of the recovery. At the last monetary policy committee meeting in May 2021, the policy rate was lowered by 100 basis points in view of subdued inflation, sizeable spare capacity and slack in labor and product markets. That notwithstanding, the authorities are monitoring price and output developments closely and stand ready to tighten policy, if warranted. The regulatory and policy relief measures are also being maintained to support credit growth and ensure sufficient liquidity in the banking system for private sector use.

The Bank of Ghana (BOG) remains committed to a flexible exchange rate regime and intends to limit its market interventions to smoothening excessive market volatility. The forward foreign exchange program and market conduct rules introduced by the BOG are beginning to streamline activities and shaping price discovery in the foreign exchange market. In addition, the BOG is activating its gold purchases to build reserves, further enhance currency stability, foster investor confidence and attract FDIs. Larger gold holdings will also increase the BOG's leverage in raising cheaper financing to boost short-term foreign exchange liquidity.

Financial Sector Policies

The recent reforms have strengthened the banking sector and increased its resilience to shocks. Banks' performance has been strong through the pandemic with their assets, deposits and investments growing steadily. That said, the authorities are attentive to possible emergence of macro-financial vulnerabilities in the unlikely scenario of banks rebalancing their portfolio away from government securities to more corporate bond holdings as the recovery gains traction. Additionally, they recognize that the unwinding of temporary relief measures will expose banks to balance sheet impairments. The BOG has stepped up its engagements with banks and is monitoring development and asking banks to voluntarily increase provisioning or raise capital, and adopt effective cost controls.

The authorities are pursuing further reforms to deepen intermediation boost financial stability, and enhance confidence. To this end, they have requested Fund TA to strengthen their analytical framework and provide guidance on the operationalization of the Financial Stability Council. A draft Resolution Framework & Policy Statement, aimed at strengthening the regulation and supervision of banks, is pending approval by BOG Management ahead of implementation.

Ghana was removed from the Financial Action Task Force's (FATF) 'grey list' on June 25, 2021. This follows the enactment of various legislations in line with the FATF's requirements. to criminalize money laundering and other illicit financial activities. The authorities will continue to work with the Inter-Governmental Action Group against Money Laundering in West Africa to safeguard Ghana's AML/CFT regime.

Structural Reforms

The Ghanaian authorities are committed to advancing structural reforms under the CARES program to foster economic diversification, create jobs and boost the economy's growth potential. The CARES initiative aims to reduce scarring from the pandemic by emphasizing the stabilization and revitalization of the economy, food security, enhancing private sector competitiveness and strengthening health infrastructure. The program aims to consolidate investments in sectors with competitive strength in the context of the African Continental Free Trade Area.

Power sector reforms will continue to ensure affordable and reliable power supply that is a key staple for development. The authorities are leveraging the ongoing energy sector recovery program review to re-negotiate power purchase agreements with producers and consolidate the sector's financial position, and limit arrears accumulation. The reforms will also seek to diversify the electricity production mix and boost the uptake of natural gas and other renewable resources, consistent with reducing Ghana's carbon footprint and making the economy greener, ahead of a formal policy guidance.

The Ghana Development Bank modeled on the German Development Bank—KFW will commence operations this quarter to support private sector businesses. The World Bank is providing $200 million seed capital together with funding support from the European Investment Bank, while the KFW is extending technical assistance, including governance safeguards and capacity development.

The authorities' ongoing ambitious digitalization program is geared toward creating a stronger and more resilient economy. Ghana is developing a platform that consolidates the national identification project and the national electronic address system on a common digital platform to improve service delivery, including for social protection.

Concluding Remarks

Our Ghanaian authorities are emphasizing the need to continue supporting the recovery, preserve domestic stability, avoid scarring from the pandemic and launch their economic revitalization agenda through the CARES program to support sustainable and inclusive growth going forward.