REPUBLIC OF GHANA

MINISTRY OF FINANCE

In conversation with Ghana's Finance Minister

Hon. Ken Ofori-Atta

Investor Call Presentation

Wednesday, 28th August,2019

Content Overview

Overview of Recent Economic Performance

Significant progress made, agenda for stronger economy ongoing …

- Macroeconomic Stability restored with inflation falling from 15.4% in 2016 to single digit of 9.4% as at end July 2019 & within the target band of 8.0+/- 2%
- High GDP growth averaging 7.2% for 2017-18. Revised target of 7.1 % for 2019 with Q1 2019 performance of 6.7%
- Fiscal deficit as a % of GDP reduced below 5% & consistent with the target set.
- Significant strides in financial sector clean up which is now almost complete
- Nominal Debt to GDP ratio below 60%, back on a debt sustainable path
- Investments in agriculture bearing fruit: Planting for Food & Jobs, Planting for Export and Rural Development, Rearing for food & jobs programmes ongoing
- Industrialization agenda ongoing under the 1 District 1 Factory program with 181 projects underway
- Infrastructure development with the issuance of the Eurobond in the areas of roads, railways, fish landing sites and Infrastructure for Poverty Eradication Programme

Overview of Recent Economic Performance

… However Key challenges remain

- External Pressures from weak investor sentiment towards EM
- Financial sector intervention and energy sector resolution keep debt ratio elevated
- Although growth rate is accelerating, domestic revenue mobilization is yet to catch up with target
- ECOWAS security challenges

Next Steps

- Commitment to maintaining macroeconomic stability
- Commitment to continuous reforms post IMF
- Investment in infrastructure to close the gap
- Transformation of the economy on-going
- Commitment to the SDG's and other international protocols
- Commitment to the Fiscal Responsibility Act

Post-2019 Mid-Year Review: Policy priorities and growth outlook

Overview of 2019 half-year Macroeconomic Performance

Metrics	2017 Actual	2018 Actual	2019 Target	2019 Revised	H1 - 2019 Actual
REAL SECTOR & PRICES					
Real GDP Growth (%)	8.1	6.3	7.6	7.1	*6.7
Non-Oil GDP at constant 2013 prices	4.6	6.5	6.0	6.0	*6.0
GDP growth at current market prices	19.3	17.1	15.1	15.1	NA
Annual Inflation (%)	11.8	9.5	8.0±2.0	8.0±2.0	--9.4
FISCAL AND DEBT					
Fiscal Deficit / Surplus (% GDP)	-4.8	-3.9	-4.2	(4.5)*	-3.3
Primary Balance (% GDP) *[front-loaded spending]*	0.6	1.4	1.2	1.1	-0.8
Gross Public Debt (% GDP)	55.6	57.91	<60.0	<60.0	59.2
MONETARY & EXTERNAL					
Interest Rate (91 Day T-Bill period end, %)	13.3	14.6	NA	NA	14.8
Rate of LCY depreciation against US$ (%)	-5	-8.4	NA	NA	-8.3
Current Account Balance (% GDP)	-3.7	-3.2	NA	NA	0.1
Gross International Reserves (Months)	3.9	3.6	≥3.5	≥3.5	4.3

Return to high growth trend

Dramatic reduction in inflation

Debt on a declining path

Front loaded expenditure

Proactive management of debt ongoing

Limited depreciation relative to EM peers

Sharp reduction in C/A deficit

Sufficient buffer against external shocks

Sources: Ministry of Finance Economic and Financial Data Jan 2018
1. Includes one-off cost of banking sector bailout

- Revised Target
- * Q1
- July

Medium Term Policy priorities and growth outlook is positive and strong

Sectors	2019 Projected	2020	2021	2022	2023	Average
Agriculture	6.9	7.0	6.6	7.2	6.8	6.9
Industry	8.8	7.6	4.0	6.9	7.6	7.0
Services	5.4	5.3	5.3	5.8	6.1	5.6
Overall GDP (incl. oil)	**7.1**	**6.6**	**5.0**	**6.5**	**6.9**	6.4
Overall GDP (excl. oil)	**6.0**	**6.5**	**6.2**	**5.9**	**6.5**	6.2

- **Commitment to Macroeconomic Stability for Growth**
- **Agriculture Intervention:** driven mainly by the Crops subsector'Planting for Food' "Rearing for food and Jobs", "Aquaculture for Food and Jobs" (AFJ) programme to complement the ongoing "Planting for Food and Jobs" (PFJ) initiative, Cocoa revitalisation
- **Industry Intervention-** 20% growth in upstream petroleum output Roads, Bridges, Interchanges, hospitals, industrial parks, affordable housing units, sanitation infrastructure, & rural electrification., 1D1F, Industrial Parks and Special Economic Zones,, AfCFTA, National Entrepreneurship Innovation Programme
- **Services Sector** – Social Intervention, Telecommunication, revamping the financial sub-sector

Corrective Action to Safeguard 2019 fiscal targets

In billion GH¢ unless otherwise stated	2016 Rev. Prov Outturn	2017 Prov Outturn	2018 Prov Outturn	2019 Orig Budget	2019 Rev Budget	2019 Prog Q1+Q2	2019 Prov Q1+Q2
I. REVENUES							
Total Revenue & Grants	**32.2**	**39.7**	**47.6**	**58.9**	**58.9**	**27.0**	**22.8**
(per cent of GDP)	15.0	15.5	15.8	17.1	17.0	7.8	6.6
Domestic Revenue	**31.1**	**38.2**	**46.5**	**57.8**	**57.8**	**26.3**	**22.5**
Tax Revenue	**24.3**	**30.4**	**37.8**	**45.3**	**45.6**	**20.4**	**18.4**

- Total Revenue & Grants - June 2019 amounted to GHs22.8bn, 15.5% below target, 7.8% annual growth of and 84.5% half-year execution rate of target;
- Relatively robust performance from Corporate Income tax, Petroleum Excise tax and Domestic VAT largely reflects improved compliance and tax administration;
- Revenue from upstream petroleum oil and gas fell below target mainly on account of lower-than-programmed petroleum liftings (4 liftings instead of 5 liftings).

Other Revenue Measures

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To mitigate these shortfalls, the 2019 midyear budget introduces some revenue measures including:

- ***Communication Service Tax:*** Upward revisions from 6% to 9%. Expected yield of about GH¢88mn for five months (Aug-Dec) and about GH¢212mn for the full year;

- ***Energy Sector Levies:*** Upward revisions to the Energy Sector Levies specifically, the Energy Debt Recovery Levy, Price Stabilisation Levy and Road Fund Levy which cumulatively yields about Gh¢272.8mn for the remaining five months and a full year yield of about GH¢706mn;

- ***Other measures*** include;
  -The sale of an electromagnetic spectrum,
  -Renewal of TELCOs licenses (yield of about US$100mn) and
  -Further tightening at the ports.
  -Intensification of tax audits and debt collection.

Financial Sector Intervention

Financial Sector Intervention – The Cost

Sector	No of Institutions	Action Taken		Financial Impact GHS
Clean up of banking sector	9	August 2017	Revocation of licences of 2 banks : UT & Capital	
		January 2018	Bond Issuance for UT & Capital	12,666,280,634
		August 2018	Revocation of licences of 5 banks & issuance of Bond: Unibank, Beige Sovereign Construction and The Royal	12,666,280,634
		August 2018	Recapitlisation of CBG	12,666,280,634
		January 2019	Revocation of licences of 2 banks: Premium & Heritage	12,666,280,634
Clean up of microfinance sector	386	May 2019	Revocation of Licences of 347 microfinance companies and 39 microcredit companies	12,666,280,634
Clean up of Savings & Loans and Finance Houses sector	23	August 2019	Revocation of licences of 23 insolvent savings and loans and finance houses	12,666,280,634

Fiscal and Debt Impact of bailout

AMOUNT ISSUE GH¢	2018 OUTSTANDING (GH¢)	2019 OUTSTANDING (GH¢)	2018 DEBT SERVICE (GH¢)			2019 DEBT SERVICE (GH¢)		
			INTEREST	PRINCIPAL	TOTAL	INTEREST	PRINCIPAL	TOTAL
2,201.28	1,981.15	1,871.09	257.55	220.13	477.68	118.87	110.06	228.93
4,400.00	4,400.00	4,400.00	-	-	-	512.60	-	512.60
3,200.00	3,200.00	2,986.67	-	-	-	534.93	213.33	748.27
1,490.00	-	1,440.33	-	-	-	119.20	49.67	168.87
450.00	-	450.00	-	-	-	-	-	-
925.00	-	925.00	-	-	-	-	-	-
12,666.28	9,581.15	12,073.09	257.55	220.13	477.68	1,285.60	373.06	1,658.67
12,073.09	-	-	-	-	-	-	-	-

Financial Sector Intervention – The Benefits

Direct Benefits

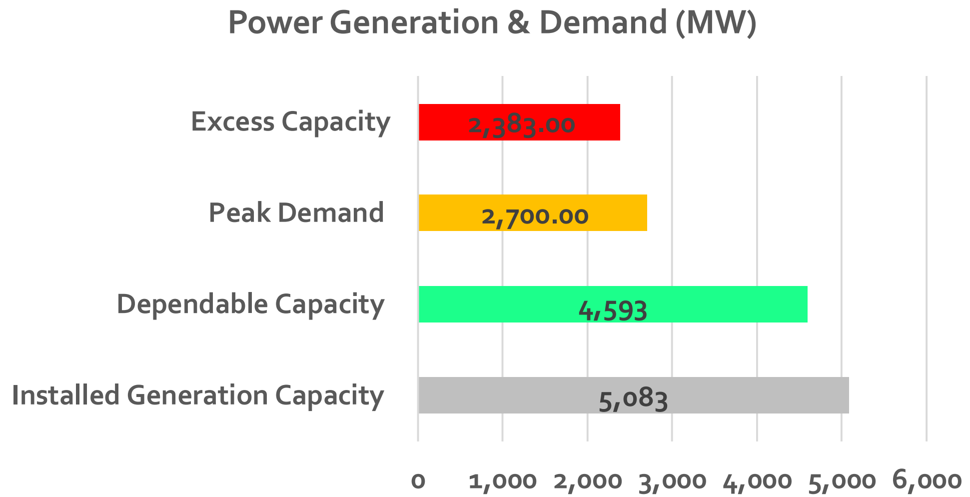
- Intervention saved 2.7 mn depositors, averting a full-blown crises
- A more sound, better regulated, better capitalized banking sector, future growth should be better between private and public sectors
- Timely action thwarted macroeconomic losses and financial costs were contained.
- Banks well capitalized and positioned to execute large ticket transactions

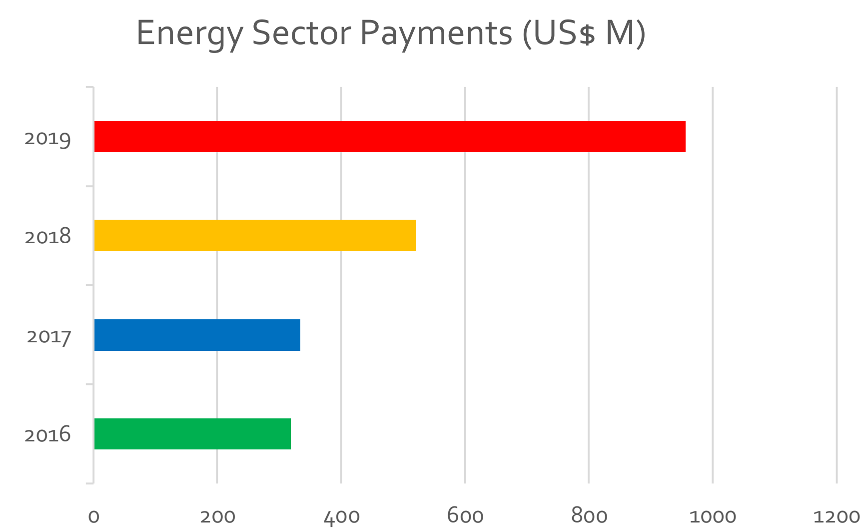
	Period Preceeding end of Financial Sector Clean-up Exercise	**Period Following end of Financial Sector Clean-up Exercise**	**Implications**
	Dec-18	Jun-19	
TOTAL ASSETS	**GHS 105.1bn**	**GHS 112.8 bn**	Sizeable increase in total assets for existing 23 banks over the 6 months period
.........year-on-year growth	12.3%	12.4	
Total Deposits	**GHS 68.3 bn**	**GHS 75.6 bn**	Flight to Quality .
.........year-on-year growth	17.3%	22.3 %	
Total private Sector Credit (Stock)	**GHS 37.6 bn**	**GHS 40.2bn**	Steady Increase in credit to the private sector
.........year-on-year growth	10.6%	16.8%	
Capital Adequacy Ratio	**GHS 19.3bn**	**GHS 19.1bn**	Flat profile
Non Performing Loans	18.2%	18.1%	Expected to come down upon full implementation of loan write-off policy
.........excl. loss category	10.2%	9.0%	

Energy Sector Recovery Program

Energy Sector Challenges: Energy Sector Recovery Program (ESRP)

- Previously uncoordinated approach during the "dumsor" crisis era has created an over-supply of power.
- Power supply exceeds current demand and is projected to remain excessive in the medium-term.
- 2,300 MW of the installed capacity is on a take-or-pay but less than 40 % of the contracted power is actually used.
- Ghana currently pays for excess capacity that it does not consume (the remaining 60%).
- Left unchecked, this would raise energy payments to US$1 billion (GHS 5.2 billion) by end-2019.
- Left unchecked, energy cost could balloon to a cumulative US$12.5 billion by 2023.
- Government is taking action now to rectify this.





	2016	2017	2018	2019
Amount US$	319	334	520	956

Energy Sector Reforms: The Next Steps

Government has resolved to sanitize the energy sector

- The Ministry met with the IPPs for a collaborative approach to solve the problem
- We have given ourselves a period of 3 months to engage fully with them on this path
- Some IPPs, have indicated their willingness to work with us to achieve this objective.
- We are in the process of writing to invite all stakeholders to attend negotiation meetings in the coming weeks.
- Complete the relocation and installation of the Karpowership to Takoradi to utilize the Sankofa Gas.
- Place a moratorium on signing new PPAs and Put-Call Option Agreements (PCOAs).
- Commence implementation of the Energy Sector Recovery Programme (ESRP).

After the IMF: Institutionalizing Fiscal Responsibility

As a member of the IMF, Ghana will continue to engage the IMF through Article IV consultations and other arrangements .

- Fiscal responsibility rule to cap the fiscal deficit to promote budget credibility and fiscal sustainability will be maintained and continued;
- Fiscal Council independent of the Ministry of Finance will its first year of activities for 2019 and long-term.
- Committed to continue with the zero central bank financing arrangement with BoG
- Maximize domestic resource mobilization and increase Tax Revenue-to-GDP ratio.
- Strategies to increase revenue includes intensification of tax compliance, expansion of the tax base, use of TIN for major public service delivery, etc
- Continue to implement structural reforms to promote macroeconomic stability, entrench irreversibility, and improve productivity in the public sector; and
- The IMF has supported the establishment of a Fiscal Risks Unit which has already commenced work in incorporating risk management framework into the macro fiscal structure.
- The IMF / World Bank to continue support through technical assistance for all areas of operational risk, contingent liabilities etc
- Fully operational Office of the Special Prosecutor to directly fight corruption

Q & A

REPUBLIC OF GHANA

MINISTRY OF FINANCE

Responsive, Ethical, Efficient, Professional – Transforming Ghana Beyond Aid

Finance Drive, Ministries-Accra Digital Address: GA - 144-2024 M40, Accra - Ghana
+233 302-747-197 info@mofep.gov.gh mofep.gov.gh @ministryoffinanceghana

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