



REPUBLIC OF GHANA

## MINISTRY OF FINANCE

# *Ghana: Building a Stronger Economy for Jobs and Prosperity*

## *Investor Call*

December 3, 2018





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# Key Highlights for 2018

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## Significant Achievements Chalked to Date

- Macroeconomic Stability restored and sustained
- High growth over past 2 years following a rebound in 2017
- Fiscal deficit as % GDP reduced
- First primary balance surplus in about 10 years
- Inflation brought down to single digits
- S&P ratings upgrade from B- to B, first time in 10 years
- Significant strides in financial sector clean up
- Key social and economic milestones achieved in under two years
- 2019 and Medium Term Budget based on post IMF programme

## However, key headwinds remain

- Emerging Markets pressure
- Challenges with revenue mobilization
- Large infrastructure deficit

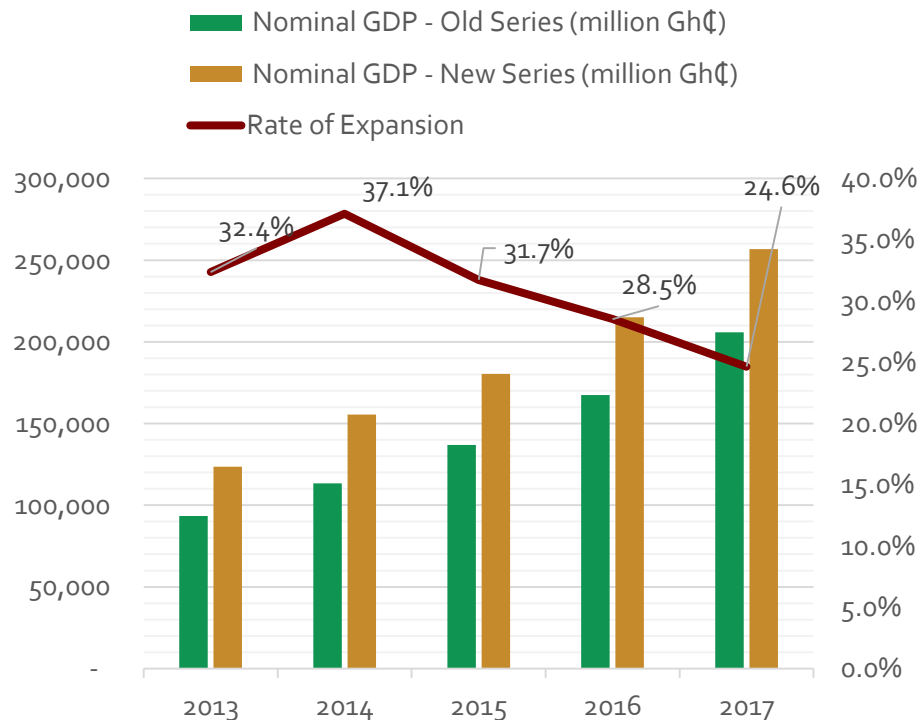
**For the first time, set of economic and financial policies and interventions**



# Key Highlights for 2018

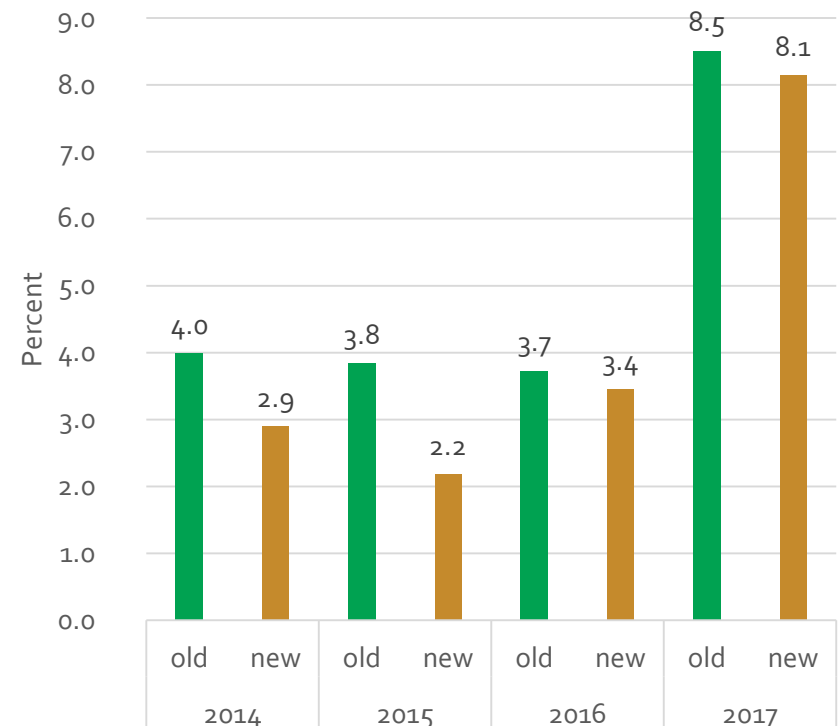
## REBASING INDICATES AN APPRECIABLE INCREASE IN THE SIZE OF THE ECONOMY

- GDP rebasing has increased the size of GDP
- All Asset ratios of Government declines and Liability ratios improve
- Opportunity arises for increased tax revenue
- Solvency ratio reduces risks for liabilities



## GROWTH ON REBASED GDP SHOWING ACCELERATION

- Despite fiscal consolidation, GDP growth has been impressive.
- Agriculture intervention policies have already started bearing fruits
- Services sector improving
- Challenges with the manufacturing and financial sectors and need for sustained interventions



# Overview of 2018 Macroeconomic Performance

Metrics	2016 Actual	2017 Actual	2018* YTD	2018* Target	2019 Target	
Real GDP Growth (%)	3.7	8.1 [new] 8.5 [old]	5.4 Jun' 18	5.6	7.6	Return to high growth trend
Annual Inflation (%)	15.4	11.8	9.5 Oct' 18	8.9	8.0	Dramatic reduction in inflation
Rate of LCY depreciation against US\$ (%)	(10.7)	(5.0)	(7.8) Nov' 18	-		Limited depreciation relative to EM peers
Fiscal Deficit / Surplus (% GDP)	(9.3)	(4.8) [new] (5.9) [old]	(3.0) Sep' 18	(3.7)	(4.2)	Deficit halved
Primary Balance (% GDP)	(1.4)	0.6 [new] 0.7 [old]	0.5 Sep' 18	1.4	1.2	Primary surplus emerging
Gross Public Debt (% GDP)	73.1	55.6 [new] 69.2 [old]	57.2** Sep' 18	<60.0		Debt on a declining path
Interest Rate (91 Day T-Bill period end, %)	16.4	13.3	13.4 Sep' 18	-		Proactive management of borrowing costs
Current Account Balance (% GDP)	(6.6)	(3.7) [new] (4.6) [old]	(1.4) Sep' 18	-		Sharp reduction in C/A deficit
Gross International Reserves (Months)	3.5	3.9	3.3 Oct' 18	≥3.5	3.5	Sufficient buffer against external shocks

Sources: Ministry of Finance Economic and Financial Data Jan 2018  
 \*Using rebased GDP \*\*Excluding cost of financial bailout



# ***Priorities outlined in the 2019 Budget***

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## ***Summary of Government's 2019 medium term Policies***

- **Post IMF Exit Strategy already prepared and discussed at the highest level of economic management (Cabinet, Economic Management Team).**
- **Economic Management Team commitment to transparency in economic management.**
- **Irreversibility interventions embedded in all Government economic and financial policy statements.**



## ***Government's fiscal policy objectives in 2019 and the medium-term are to:***

- Ensure macroeconomic stability;
  - Reduce fiscal deficit to sustainable levels & generate sufficient primary surpluses
  - Ensure a sustainable declining debt path
  - Enhance domestic revenue mobilization;
  - Reduce budget rigidities;
  - Pursue expenditure efficiency measures; and
  - Promote social protection and inclusion.
- Overall GDP growth of 7.6 %;
  - Non-Oil GDP growth of 6.2 %;
  - End-period inflation of 8.0 %;
  - Fiscal deficit of 4.2 % of GDP;
  - Primary surplus of 1.2 % of GDP; and
  - Gross International Reserves to cover not less than 3.5 months of imports of goods and services.

### ***Fiscal Deficit reducing. 2019 addressing the impact of the financial sector clean up.***

	2018	2019	2020	2021	2022
	Proj Outturn	Budget		Medium-Term	
Total Revenue and Grants	46,807	58,905	67,818	74,746	79,405
<i>Percentage of rebased GDP</i>	15.7	17.1	17.1	16.6	15.2
Total Expenditure	57,823	73,441	82,365	89,268	95,368
<i>Percentage of rebased GDP</i>	19.4	21.3	20.8	19.8	18.3
Non-Interest Expenditure	42,910	54,795	66,347	71,264	76,550
<i>Percentage of rebased GDP</i>	14.4	15.9	16.8	15.8	14.7
Budget Balance	-11,015	-14,536	-14,547	-14,522	-15,963
<b><i>Percentage of rebased GDP</i></b>	<b>-3.7</b>	<b>-4.2</b>	<b>-3.7</b>	<b>-3.2</b>	<b>-3.1</b>



# Priorities outlined in the 2019 Budget

## Agriculture Modernization



We are pursuing plans to modernize Ghana's agricultural sector to form a solid base for our industrialization drive, reduce our large food imports, expand exports and reduce the foreign exchange spent on food imports.

- Launched the Ghana Commodity Exchange, the first electronic commodity exchange in West
- Will establish the Ghana Incentive Base Risk Sharing System for Agricultural Lending (GIRSAL).
- COCOPEC - the Ghana-Cote D'Ivoire Cocoa Initiative.
- One-Village-One-Dam project to provide dams and dugout irrigation schemes.
- Implement the rehabilitation, replanting, mass spraying, fertilizer application, hand pollination, mass pruning and irrigation of cocoa farms.
- Launch the "Rearing for Food and Jobs" (RFJ) – the livestock model of Planting for Food and Jobs

## Industrialization



We are vigorously pursuing our industrialization drive through various initiatives such as;

- The One District One Factory Initiative & Stimulus package for distressed industrial businesses.
- One Region One Park by partnering with the private sector through PPPs to develop an industrial park in every region.
- Establish the Ghana Integrated Aluminium Development Corporation (GIADEC).
- Operationalize the MOUs signed with 3 automobile companies: Volkswagen, Nissan, and Sinotruk.
- The 10-point industrialization plan with a focus on automotive and vehicle assembly; pharmaceuticals; garments and textiles; vegetable oils and fats; industrial starch; industrial chemicals, iron and steel, etc.
- African-Polish Cooperation Framework to establish an assembly and manufacturing plant for tractors, modern agricultural equipment and machinery .

## Domestic Resource Mobilization & Protecting the Public purse



We will improve and be more efficient in revenue mobilization while protecting the Public Purse in our quest towards a Ghana Beyond Aid by;

- Implementing various automation initiatives to reduce human involvement in tax administration and eliminate the payment of Government services with cash.
- Reforming our revenue institutions.
- Ensure greater scrutiny of the quantity and quality of minerals produced as basis for revenue determination and export valuation.
- Curb base erosion as a source of systemic under-valuation of royalties and profits
- Tighten the regime governing foreign exchange repatriation.
- Intensifying compliance measures and simplifying the payment of taxes





# Priorities outlined in the 2019 Budget

## Private Sector & Entrepreneurship



Undertake initiative that give greater support to Ghanaian entrepreneurs and the private sector in general by;

- **Prioritizing and fast-tracking the implementation of the Business Regulatory Reform programme.**
- **Revitalizing the Microfinance and Small Loans Centre (MASLOC)**
- **Revitalizing the National Board for Small Scale Industries**
- **Continue to facilitate market access for Non-Traditional Exports (NTEs)**
- **Provide entrepreneurial training for 10,000 entrepreneurs and offer financial support to about 2,000 beneficiaries.**

## Infrastructure



We are rolling out a massive integrated infrastructural development programme across the country to enable us leapfrog our development and position Ghana as a transport and logistics hub through;

- **Massive investments in roads, bridges and interchanges.**
- **Development of the entire Railway infrastructure in the medium-term.**
- **Development of Metro / Light Rail Transit Systems in Accra and Kumasi.**
- **PPP arrangements for various projects including the Accra–Takoradi Highway dualization, Accra – Tema Motorway and Accra – Kumasi Highway dualization.**
- **Develop the Takoradi Port as an Oil and Gas hub**
- **Marine Drive Project**
- **Set up the Ghana Asset Management Corporation (GAMCorp)**
- **Affordable housing development in all regions**

## Social Intervention



We continue to roll out programmes and policies to protect the poor and vulnerable in our society through initiatives such as;

- **Social partnership arrangement**
- **Integrated Poverty Eradication Programme (IPEP)**
- **Zongo Development Fund initiative**
- **Livelihood Empowerment Against Poverty (LEAP)**
- **Affordable Housing and mortgage Finance Market Scheme**
- **National Builders Corps (NABCo)**
- **Free Senior High School programme**
- **School Feeding Program**
- **National Health Insurance Scheme**



## Realistic projection of GDP growth. Lower than 2017 but averaging around 7 %

- **Infrastructure for growth** - Roads, Bridges, Interchanges, district hospitals, industrial parks, affordable housing units, sanitation infrastructure, and rural electrification.
- **Agriculture Sector**- Launch “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 Sector** – 1D1F, Industrial Parks and Special Economic Zones, strategic anchor initiatives ie Automotive and Vehicle Assembly, Pharmaceuticals, Garments and Textiles, Vegetable Oils and Fats, Industrial Starch, Industrial Chemicals, and Iron and Steel
- **Services Sector** – Social Intervention, Telecommunication, revamping the financial sub-sector

	2017	2018 Projected	2019	2020	2021	2022	Average
Agriculture	6.1	6.8	7.3	7.0	7.0	7.1	7.1
Industry	15.7	5.9	9.7	7.2	3.5	7.2	6.9
Services	3.3	4.9	6.1	7.1	7.7	8.6	7.4
<b>Overall GDP (incl. oil)</b>	<b>8.1</b>	<b>5.6</b>	<b>7.6</b>	<b>7.0</b>	<b>5.8</b>	<b>7.6</b>	<b>7.0</b>
<b>Overall GDP (excl. oil)</b>	<b>4.6</b>	<b>5.8</b>	<b>6.2</b>	<b>7.1</b>	<b>6.3</b>	<b>6.9</b>	<b>6.6</b>



## **Financing options carefully crafted to consider the 2019 DSA and MTDS**

*2019 DSA using the new framework from the IMF. Which is more stringent and increases the thresholds. Despite this, improvements have occurred;*

Rebasing has improved the solvency ratios for and shown significant improvements in the PV of debt-to-GDP

Improvements have also been seen in the liquidity ratios

However, once there is more than a breach of all the assessment ratios, we have to resolve to reduce debt dynamics in the medium term

**Consequently the following ceilings under MTDS have been adopted, considered by Parliament and approved last Friday:**

- non-concessional borrowing for the medium term remain within an annual limit of US\$750 million,
- planned sovereign bond programme of not exceeding US\$ 2.0 billion for 2019 budget, and US\$1.0 billion for liability management.
- Planned sovereign bond programme includes, regular bond, century bond, green bond etc. All within the ceilings above
- Zero central bank financing. Buffer to be built. MT to LT domestic issuances



# **Post IMF Structures**

As a member of the IMF, Ghana will continue to engage the IMF through Article IV consultations and other arrangements even after its exit from the current ECF Programme through instruments such as the PSI.

- On-going process for completion of legislating fiscal responsibility rule to cap the fiscal deficit to promote budget credibility and fiscal sustainability;
- Process underway to set up a functional Fiscal Council independent of the Ministry of Finance
- Continue with the zero central bank financing arrangement with BoG
- Maximize domestic resource mobilization and increase Tax Revenue-to-GDP ratio following rebased GDP to levels in line with our peer Lower Middle Income countries.
- 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 macrofiscal 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*

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