



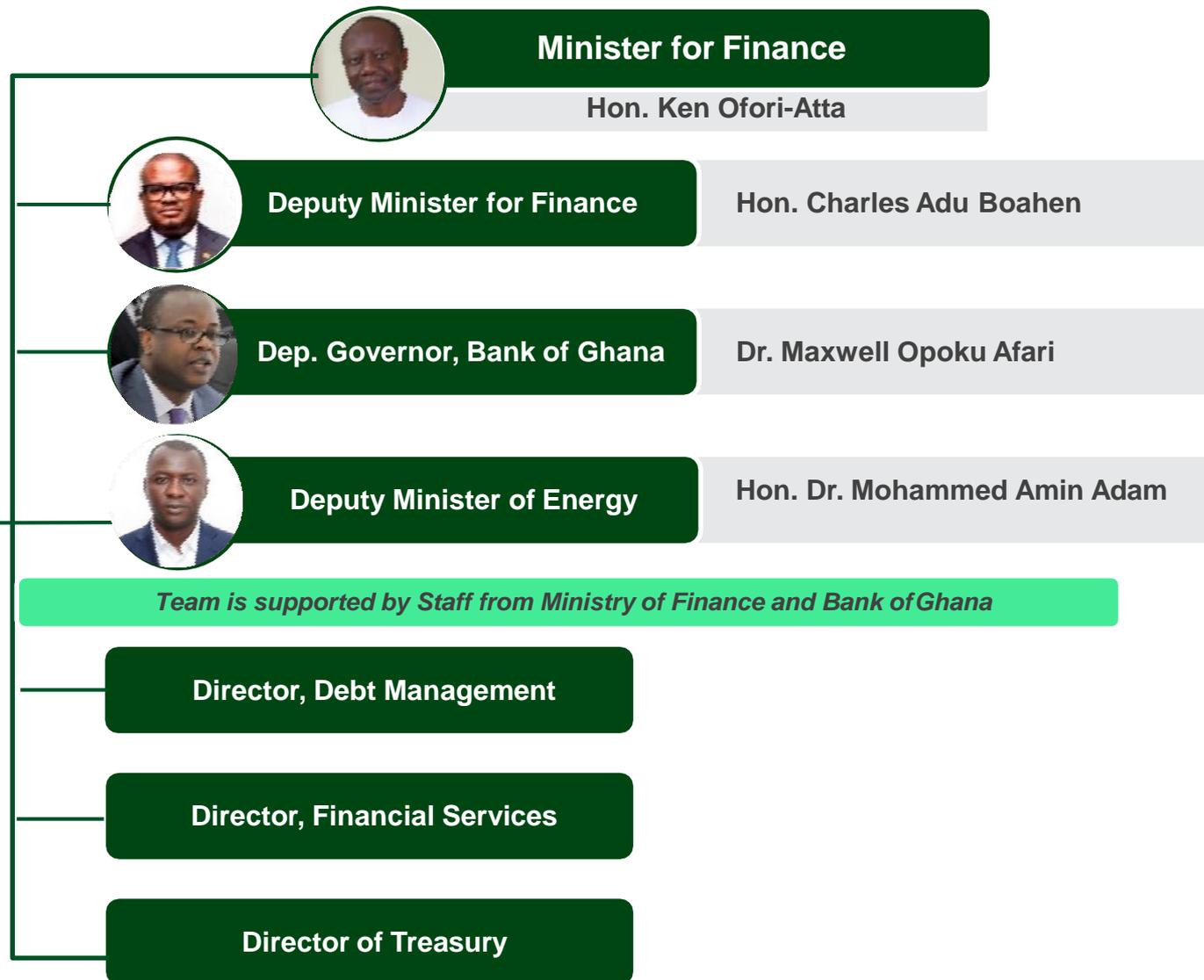
Republic of Ghana

# *Repositioning the Economy for Growth*

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Minister for Finance

February 2, 2018

# Presenting Team





**1. Background**

**2. 2017 Review**

**3. Moving Forward: The Economic Transformation Agenda**

**4. Key Challenges**

**5. Key Initiatives to Drive Growth**



- 2017 was a year of fiscal consolidation and the implementation of structural reforms
- We almost met all our key macroeconomic targets in 2017 including:
  - Outperforming the deficit target of 6.3%
  - Reducing the total debt to GDP ratio to under 70%
  - Exceeding the annual Real GDP growth target of 6.3% (forecast 7.9%, avg. 3qtr 8.3%)
  - Inflation turnout at 11.8% compared to a target of 11.2%
  - Successfully launched the ESLA bond
- 2018 will be focused on:
  - Consolidating the gains we made in 2017
  - Launching our transformational economic agenda
  - Continuing with our structural reforms

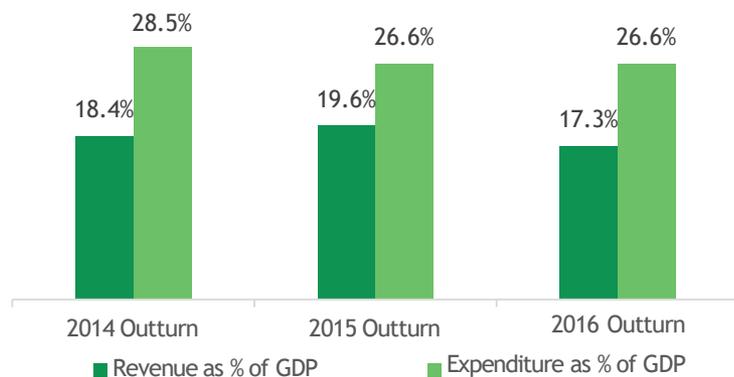


# 1 Background

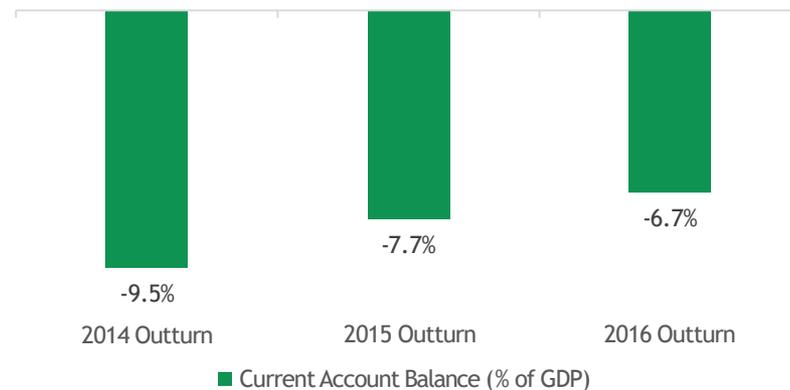
# Emerging From a Period of Macroeconomic Instability and Slow Growth in 2016



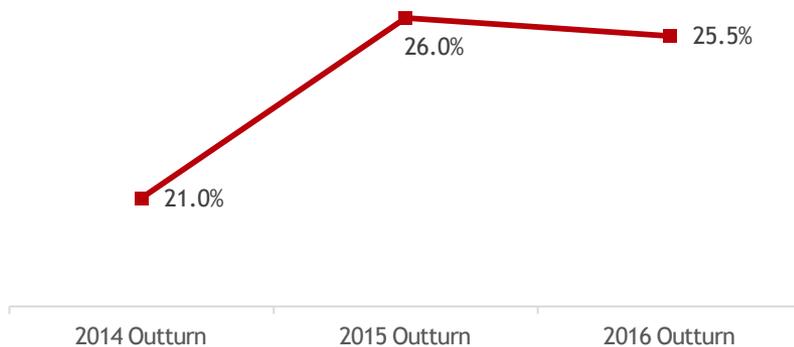
## Working towards achieving fiscal stability...



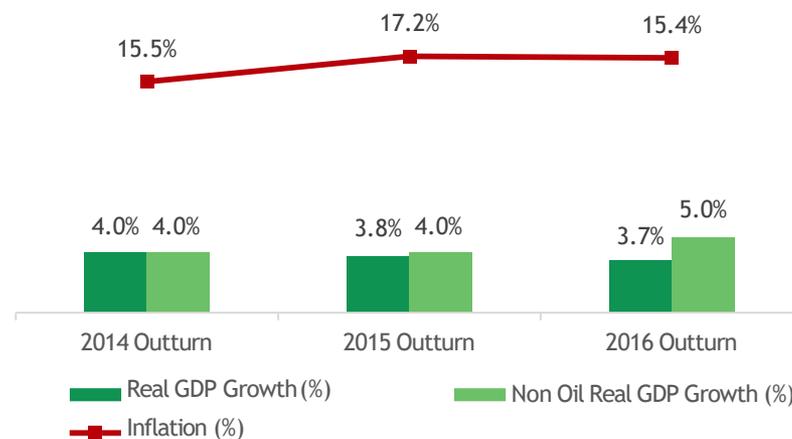
## ...With an improving current account balance



## Policy rate was increased due to uncertainty...



## ...Leading to lower growth and high inflation





## 2 2017 Review



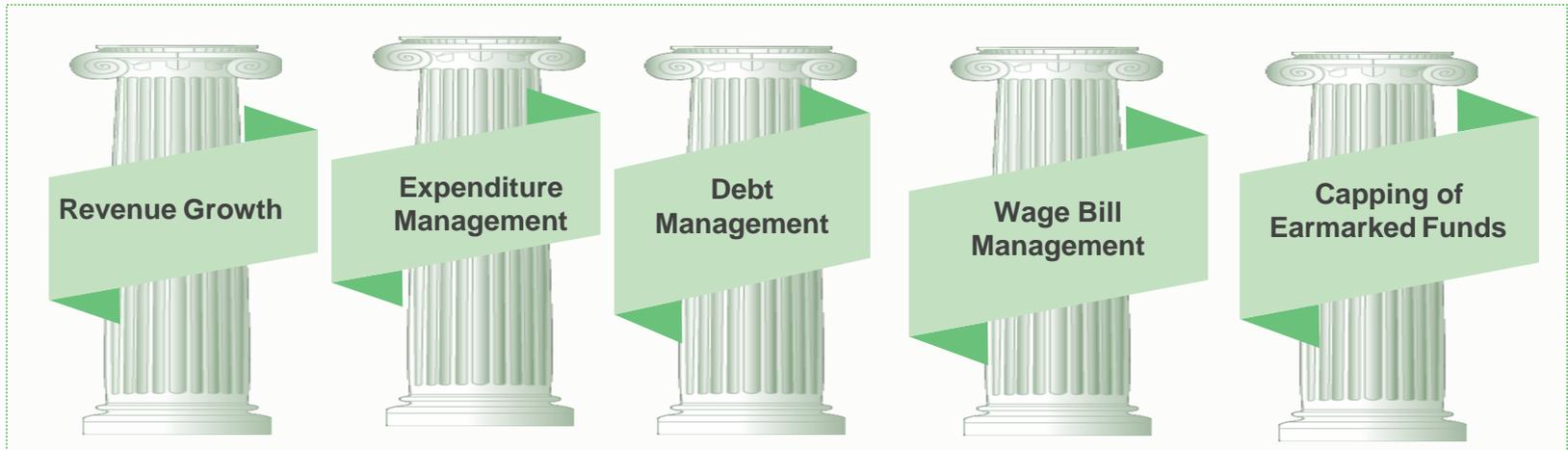
# Economy Responding to Policy Measures



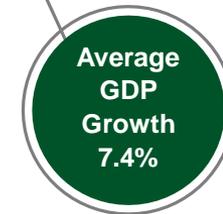
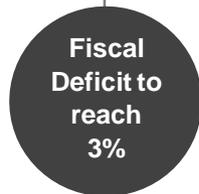
Indicator	2012	2013	2014	2015	2016	2017 Prov.	2018
Real GDP Growth (%)	9.3	7.3	4.0	3.9	3.7	8.3*	6.8
Yearly Inflation (%)	8.8	13.5	17.0	17.7	15.4	11.8	8.9
Fiscal Deficit (% GDP)	(11.5)	(10.1)	(10.2)	(6.3)	(9.3)	(5.9)	(4.5)
Primary Balance (% GDP)	(8.2)	(5.4)	(3.9)	(0.2)	(1.4)	0.7	1.6
Wage Bill (% of Tax Revenue)	53.3	57.6	49.1	43.7	47.1	45.9	42.0
Gross Public Debt (% GDP)	47.9	55.9	70.2	71.6	73.1	68.7**	<70
Interest Rate (91 Day TB, %)	23.1	18.8	25.8	24.5	16.4	13.3	n/a
Current Account Bal (% GDP)	(11.8)	(11.7)	(9.5)	(7.5)	(6.6)	(4.6)	n/a
Trade Balance (% of GDP)	(10.2)	(7.9)	(3.6)	(8.3)	(4.2)	2.3	n/a
Gross Int Reserves (US\$ billion)	5.4	5.6	5.5	5.9	6.2	7.6	n/a
Gross Int Reserves (Months)		2.9	3.8	3.5	3.5	4.3	≥3.5
Exch. Rate (GHs/\$:%dep/app)	-18.4	-15.0	-34.9	-13.9	-9.7	-4.9	n/a

Note: \* Avg. 3qtr  
 \*\* Nov, 2017

# 2017 Consolidation and Reforms Were Based on Five Pillars



Our aim is to achieve below listed targets by 2019

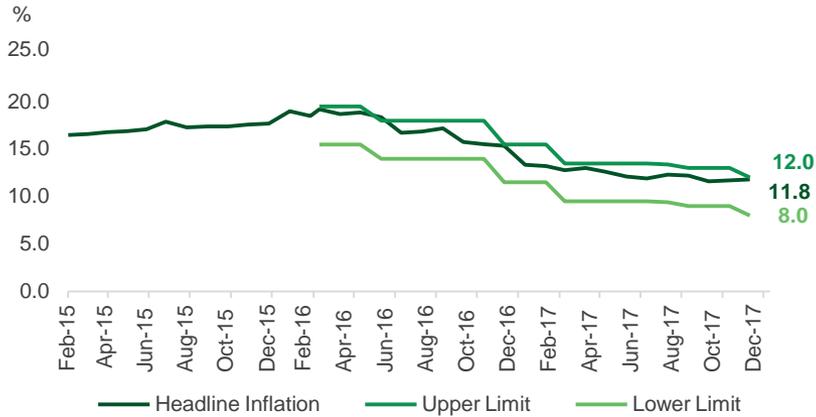


Built on the foundation of a more competitive and efficient Ghana

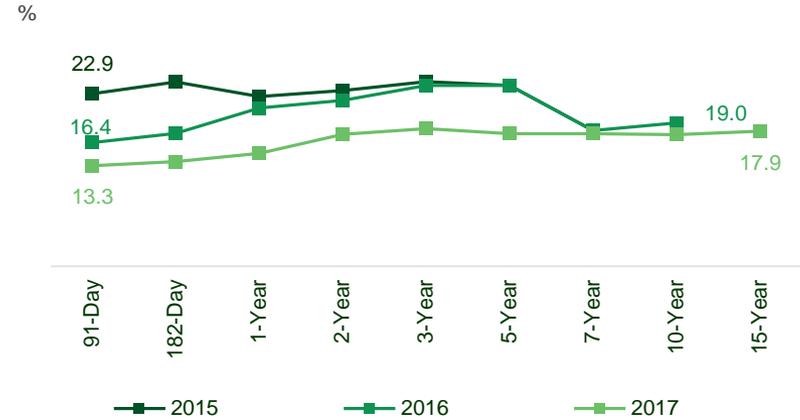
# Our Policies Have Yielded Positive Results in 2017



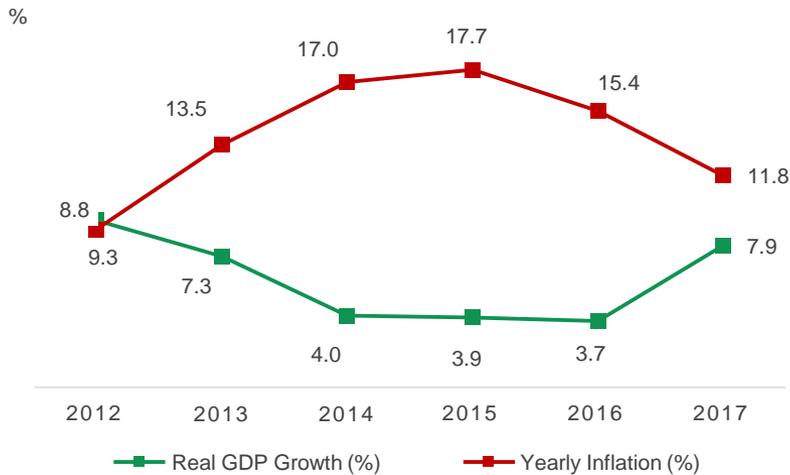
## Headline Inflation within MPC Inner Band



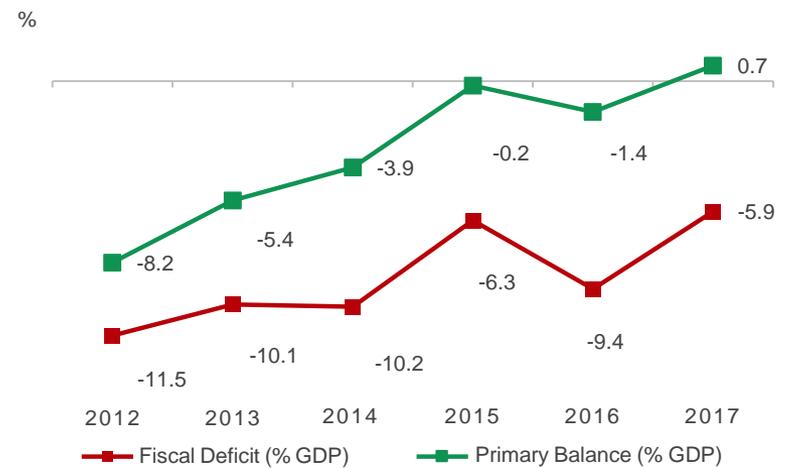
## Yield Curve Normalizing



## GDP Rebounds and Inflation Subdued



## Fiscal Deficit and Primary Balance Under Control

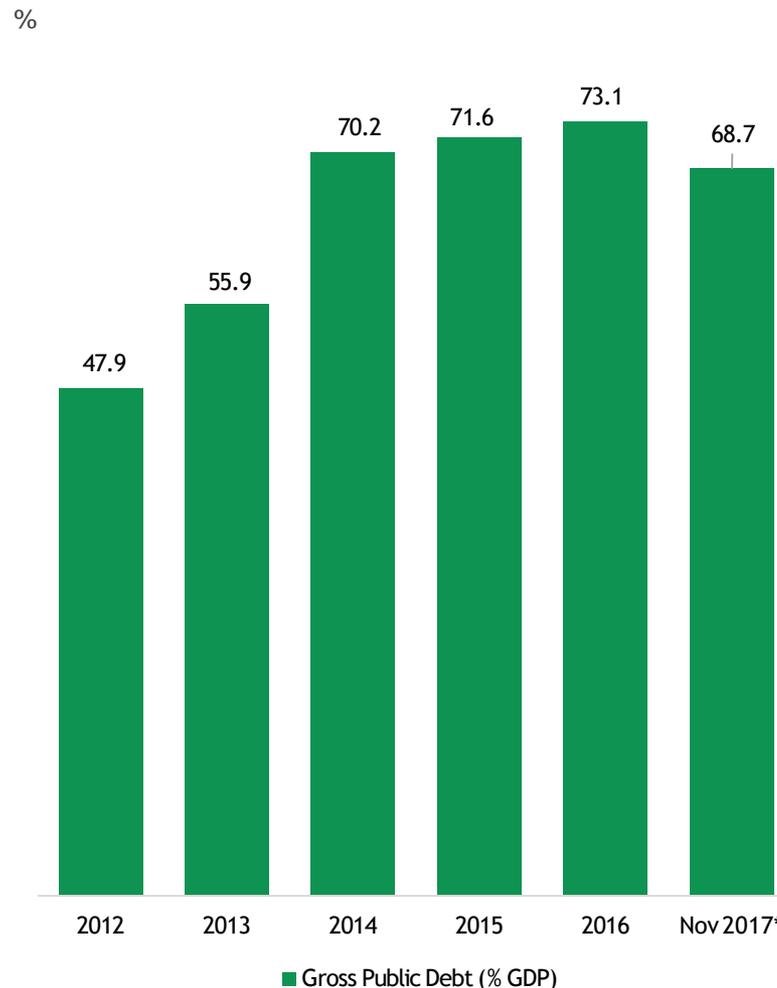
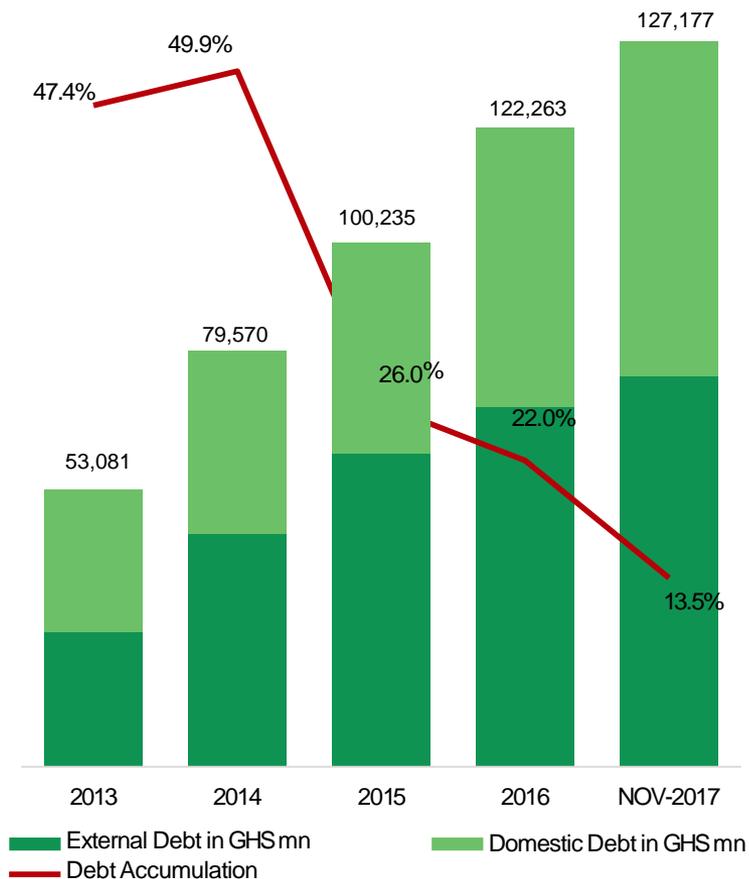


# Improving Fiscal Position



**Net debt accumulation has reduced significantly**

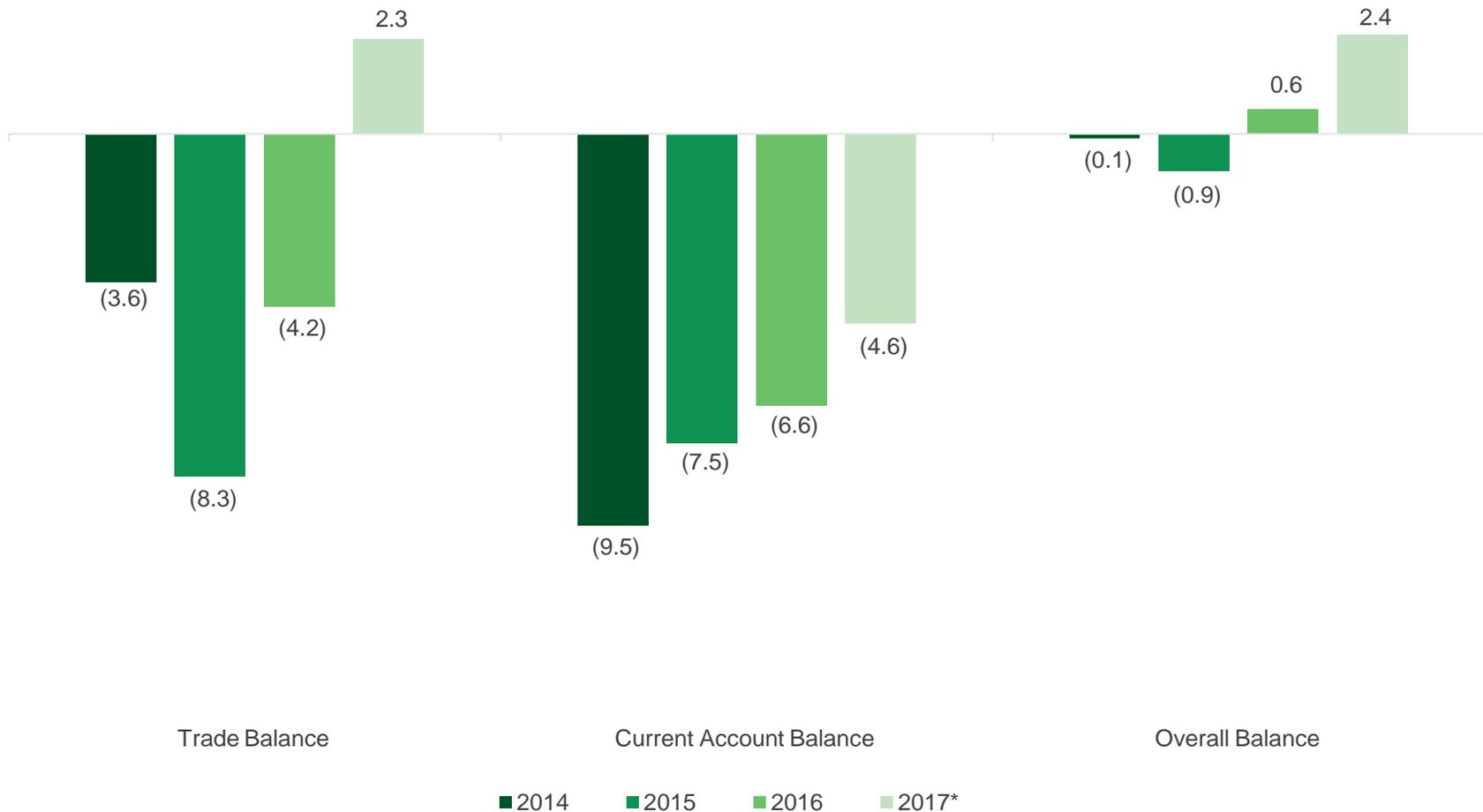
**Debt to GDP ratio has also declined to below 70% in 2017**



# Strong Improvements in all Components of BOP; Trade Balance in Surplus for the First Time in Decades



(% of GDP)

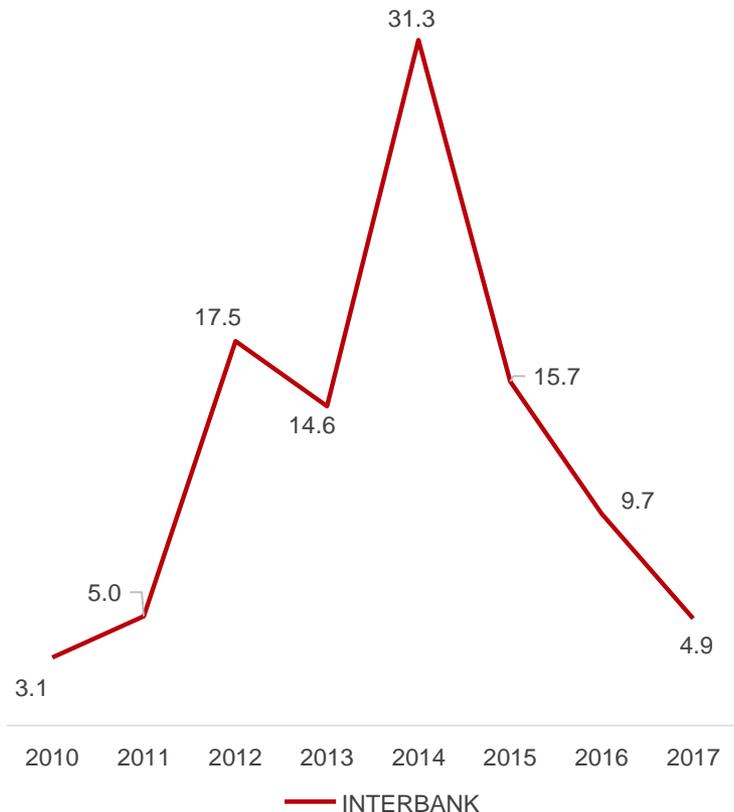


# Relative Stability of the Cedi and Reserves Buildup



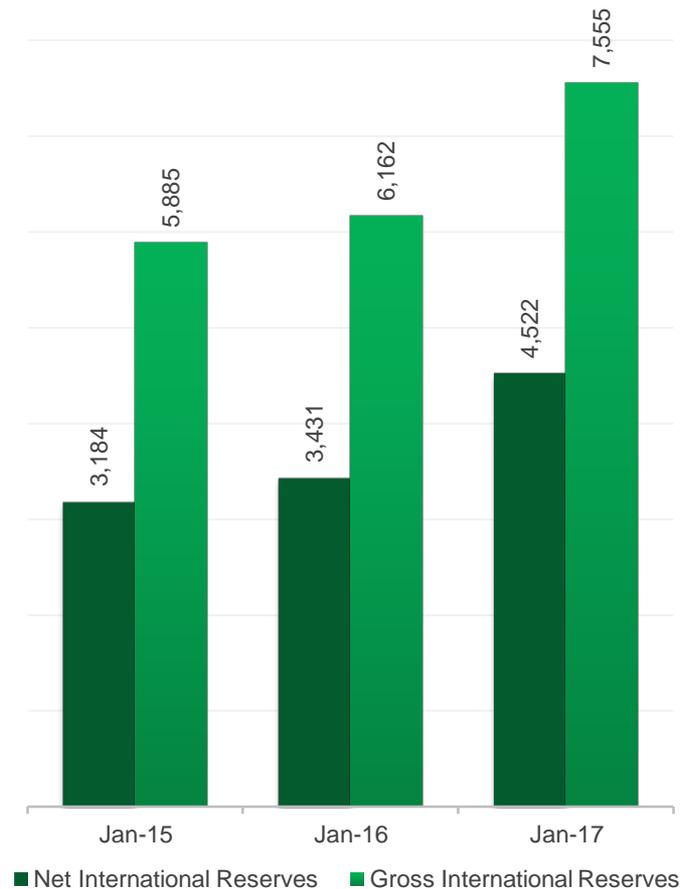
**Lowest depreciation of the cedi against the dollar since 2011**

Yearly Exchange Rate Performance (Depreciation) against US Dollar (%)

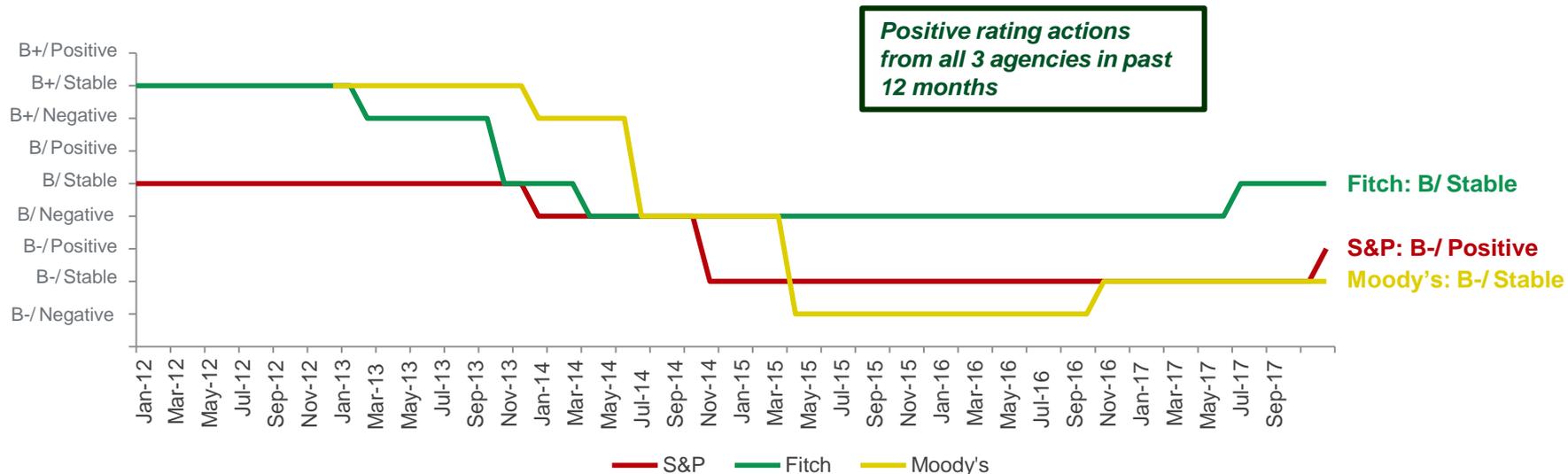


**increasing build-up of reserves in 2017**

Build up of International Reserves (\$m)



# Ghana's Credit Ratings Improved in 2017



## STANDARD & POOR'S

*"our positive outlook reflects several developments, many of which are based on the new administration tackling [...] issues. At the same time, we expect the underlying growth environment to be supportive of their efforts"*

S&P, Oct 2017

## FitchRatings

*"Ghana's ratings reflect the country's medium-term growth potential and improving macroeconomic stability, which is supported by the authorities' commitment to putting public finances on a sustainable path"*

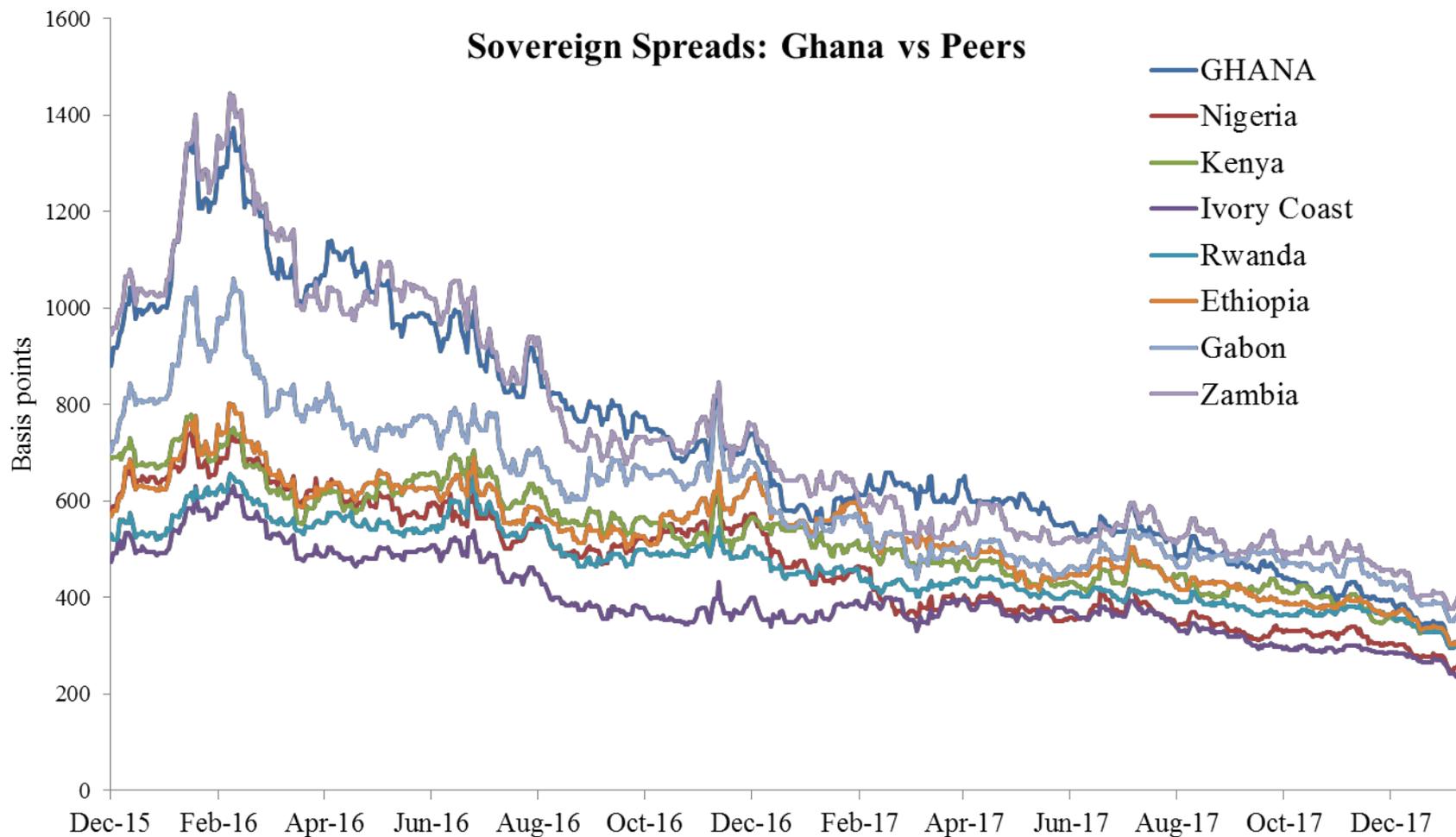
Fitch, Sept 2017

## MOODY'S

*"Ghana's credit strengths include the strong growth outlook for the country's diversified economy compared to the regional average over the next few years, supported by new oil and gas field developments coming on stream"*

Moody's, July 2017

# Renewed Investor Confidence Evidenced by Tightening of Spreads in 2017



# Despite Revenue Challenges, Fiscal Deficit Reduced Significantly in 2017



Selected Fiscal Indicators	2015	2016	2017
<b>in GHs Mn</b>			
Total Revenue & Grants	29,981.80	33,678.20	39,980.20
o/w Tax revenue	22,082.30	25,728.70	31,392.90
Taxes on Income & Property	8,706.50	9,106.90	12,945.20
Taxes on Domestic Goods & Properties	9,926.80	12,231.30	13,344.80
Taxes on International Trade	3,448.90	4,390.40	5,102.90
o/w Non-Tax revenue	4,921.40	4,882.40	5,267.50
o/w Grants	2,688.80	1,140.70	1,255.10
Total Expenditures (incl. arrears clearance)	38,742.10	42,144.40	52,034.00
o/w Compensation	12,111.20	14,164.80	16,818.90
o/w Goods & Services	1,388.20	3,220.80	2,872.00
o/w Capital Expenditure	7,133.60	7,678.10	5,738.00
o/w Interest Payments	9,075.30	11,529.00	13,572.10
Overall Deficit (Cash)	(8,760.30)	(15,608.00)	(12,053.70)
Primary Balance	(571.5)	(2,393.50)	1,518.40



## Commitment to transparency, credibility and accountability



- **Strict enforcement of PFM Act**
- Use of GIFMIS for expenditure management without any exemptions
- **Enforce Public Procurement Act** and minimize sole sourcing
- Launched the Treasury Single Account in August 2017
- Strengthen the PFM Act to cap annual budget deficits to 5% of GDP per annum which has been approved by Cabinet
- Extension of the MOU on zero financing between the Government and the Bank of Ghana

# Achieving The 2018 Budget Goals



We are fully focused on execution of our policy initiatives and we are confident of achieving the 2018 budget goals



## 2018 Priority Areas

1. The overall direction: create the enabling environment for the private sector to thrive
2. The 2018 budget is consistent with H.E. the President's Coordinate Prog, Security, AU Agenda 2063, and the UN SDGs.
3. The proposed 2018 Budget prioritizes:
  - a) Industrialization;
  - b) Agriculture;
  - c) Infrastructure (e.g. Rail, Road, Energy)
  - d) Entrepreneurship; and
  - e) Strengthening of financial architecture for Industry, Agric, and Infrastructure



## Fiscal measures to support 2018 Budget

### Revenue Measures

- Customs Warehousing Regime Reform
- Transit Regime Reform
- Deployment of Fiscal Electronic
- Introduction of Withholding Tax of 7% on VAT
- Improving Property Tax Collection
- Extension of National Fiscal Stabilisation Levy (NFSL) and Special Import Levy (SIL)

### Expenditure Measures

- Roll out of the Human Resource Management Information system (HRMIS)
- Commence the unification of Pension Schemes
- Complete integration of payroll systems
- Rationalisation of administrative cost of public institutions
- Leasing of Office Equipment and Motor Vehicles



## Macroeconomic Targets for 2018

- ✓ Overall GDP growth rate of 6.8%
- ✓ Non-oil GDP growth rate of 5.4%
- ✓ End period inflation rate of 8.9%
- ✓ Average inflation rate of 9.8%
- ✓ Fiscal deficit of 4.5% of GDP
- ✓ Primary balance (surplus) of 1.6% of GDP
- ✓ Gross International Reserves to cover at least 3.5 months of imports of goods and services



**3**

## **Moving Forward: The Economic Transformation Agenda**

# 5 Key Pillars Shall Underpin Our Transformation Agenda



- Macroeconomic Policies backed by strong political commitment
- Transformation Agenda backed by the President's Coordinated Programme of Economic and Social Development Policies - An Agenda for Jobs: Creating Prosperity and Equal Opportunity for All

## Pillar 1: Restoring the Economy to the Path of Stability and Growth

**Transforming Agriculture and Industry**

**Revamping Economic and Social Infrastructure**

**Pillar 2**

**Pillar 5**

**Pillar 3**

**Pillar 4**

**Reforming Public Service Delivery Institution**

**Strengthen Social Protection and Inclusion**

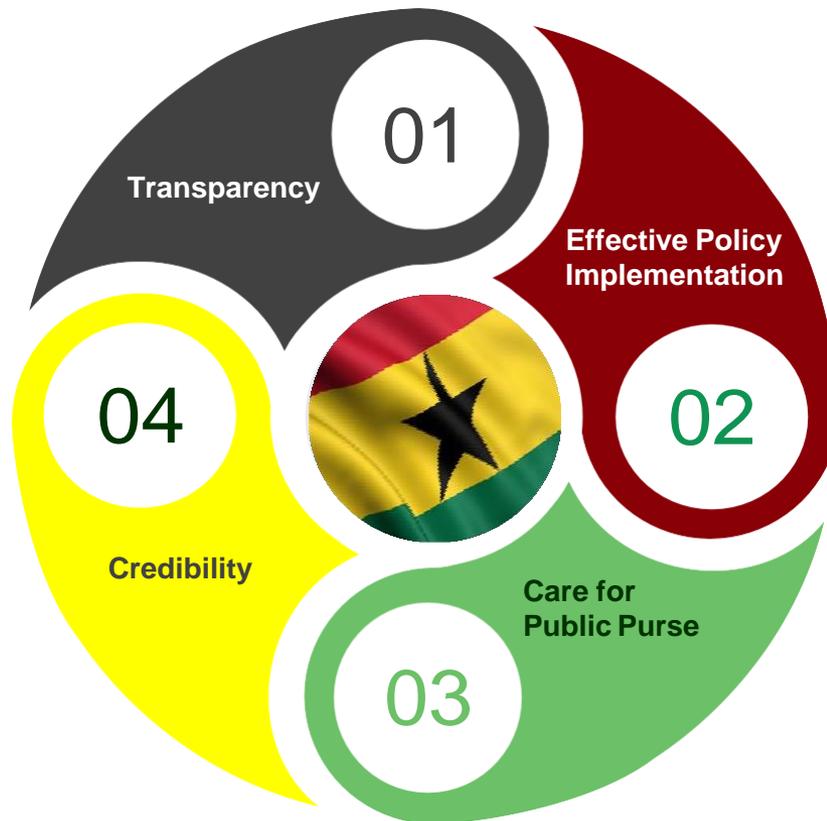
# The Moving Ghana Beyond Aid Agenda



Based on restoring faith with Ghanaians, our investors and development partners

## Government's strength:

- ✓ Experienced and capable economic management team
- ✓ Ambitious agenda to deliver the required change
- ✓ Unflinching commitment to make the machinery of government work again



# Transformation of The Financial Sector is on Course



- Reforms being implemented to safeguard the safety and stability of the sector
- Sector architecture to support Government's transformational agenda

Key among these are:

1. AQR and stress testing, leading to revocation of the licenses of two insolvent banks
2. Increasing the minimum capital requirement for banks from GH¢120million to GH¢400million by December 31, 2018
3. The issuing of the ESLA-backed bond
4. Introduction of key pillars of Basel II/III; introduction of IFRS9
5. Establishment of a National Development Bank, positioning Ghana as a regional financial services hub
6. Payment Systems Bill



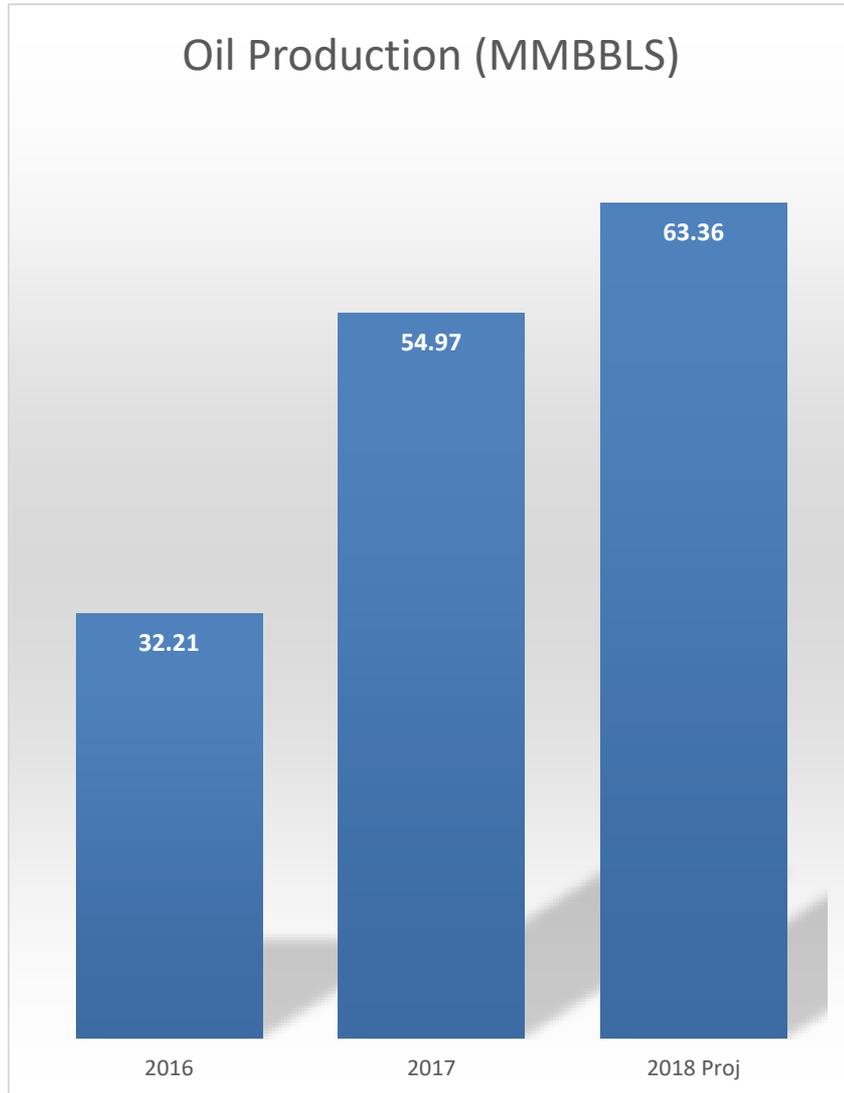
## **Demand, supply and efficiency improvements**

- Transmission infrastructure fairly good and stable, with enough supply to support industrial development
  - Projected Peak Demand 2017 - 2,385MW
  - Total installed generation capacity – 4,275MW (to be 5,000MW by end of 2017)
  - Excess capacity – 1,890MW
- Over the next 4 years, excess capacity projected to be ~ 1,680MW
- Consolidating hydro generation assets, and divesting of government holding in thermal generation
- Negotiating to reduce input gas price

## **Reforms: Energy sector policy initiatives to clear legacy debts and ensure sustainability**

- ESLA backed bond issued
- Introduction of cash waterfall mechanism to promote sector-wide liquidity, cash flow visibility to ensure confidence amongst operators
- Stricter oversight of Energy SOEs
- Divestiture of government shares in some Energy SOEs via concessionaire arrangements for ECG and spin-off of VRA thermal plants

# Oil and Gas Production Increasing



Average production of oil estimated for 2018 will be 175,800 BOPD

- Jubilee - 75,800 BOPD
- TEN - 64,000 BOPD
- SGN – 36,000 BOPD

Gas production to grow

- 2007 – 134mmscfd
- SGN gas comes on stream in June 2018 at 180 mmscfd expected to generate excess gas
- Government introduced a new delivered gas price for industry at \$6.5/MMBtu, lower than the current price of US\$8.84/ MMBtu to incentive gas utilization

# Oil Industry Outlook Positive

The ruling in favour of Ghana on the Ghana-Ivory Coast boundary dispute has increased confidence in the industry

Expected growth in oil production

- TEN additional drilling of new wells - plateau production rate of 80,000 bodp due to favourable ITLOS boundary decision
- Greater Jubilee Development has commenced with estimated ultimate recovery oil volume of 642 MMstb
- HESS to submit PoD to Government in August 2018 on its Deepwater Tano/Cape Three Points license

Aggressive oil exploration strategy

- A Petroleum Agreement signed with ExxonMobil to explore for oil in the Deepwater Cape Three Point offshore (DWCTP) Block
- Aggressive Seismic campaign on the Voltaian Basin Project
- A number of Farm-Ins under negotiations
- First bidding round in Q3 of 2018

# Other Real Sector Reforms Are On Course



## Agriculture

- ✓ Planting for Food and Jobs campaign (PFJC)
- ✓ One Village One Dam campaign (OVODC)
- ✓ Cocoa Disease and Pest Control Programme (CODAPEC)
- ✓ Operationalization of the Agriculture Commodities Exchange and Warehouse Receipt system
- ✓ Fisheries Nucleus-Out grower Scheme, Fish landing sites etc will be supported to grow the sub sector along the Aquaculture Value Chain

## Industry

- ✓ “One District, One factory” initiative
- ✓ The National Industrial Revitalization Programme (stimulus package to industry)
- ✓ Electricity Tariff Reforms
- ✓ Providing requisite financial market
  - ✓ launch of a national development bank
  - ✓ Restructuring of the Ghana Infrastructure Investment Fund (GIIF) and anchoring it on private sector model
  - ✓ Enhancing the capacity of Ghana Exim Bank to support agriculture and industrialization for export

## Services

- ✓ Investment in improving the quality of teaching and learning across the country and feature prominently the teaching of Mathematics, Science, ICT and Technology
- ✓ Investment in transportation infrastructure especially rail

# Key Borrowing and Financing Strategy



## External Front

- ✓ Maximizing access to concessional borrowing
- ✓ Optimizing external financing (emphasis on ECAs)
- ✓ Restricting common-concessional mercial borrowing to self-financing projects

## Domestic Front

- ✓ Lower borrowing cost
- ✓ Manage the growth of short term domestic debt
- ✓ Lengthen the maturity profile to reduce the rollover/refinancing risk
- ✓ Broaden the range of instruments offered in the domestic market

## Other Financing

- ✓ Public Private Partnership for critical infrastructure projects

# Our Debt Issuance Programme for 2018 Includes



## Domestic

- ✓ Domestic debt in longer dated bonds
- ✓ Tap in of existing debt for benchmark bonds and liquidity on the market
- ✓ Instruments to be issued in first half of 2018 includes the 3 year, 5 year and 10 yearbonds
- ✓ Policy to make domestic debt euroclearable

- ✓ Eurobond
- ✓ Green Bond
- ✓ Panda/Samurai Bond
- ✓ Energy sector PSPs and monetisation of gold royalties and GDNs



## 4 Key Challenges

# Despite Progress, Challenges Remain



## EXTERNAL FRONT

- Volatility in global commodity prices
- Global financing conditions

## HOME FRONT

- Domestic Revenue underperformance
- Financial Sector Stability
  - Liquidity and access to credit



## **5 Key Initiatives To Drive Growth**

# Key Initiatives To Drive Growth Over The Medium Term



## *Path to restoring Economic growth*



**Infrastructure  
Investment**



**Investment in  
Human Capital**



**Oil and Gas  
Sector**



**Agro-business**



**Financial  
services**



**End of Presentation**