



Ministry of Finance

Republic of Ghana – Investor Update 2022



January 2022

Strictly Private and Confidential

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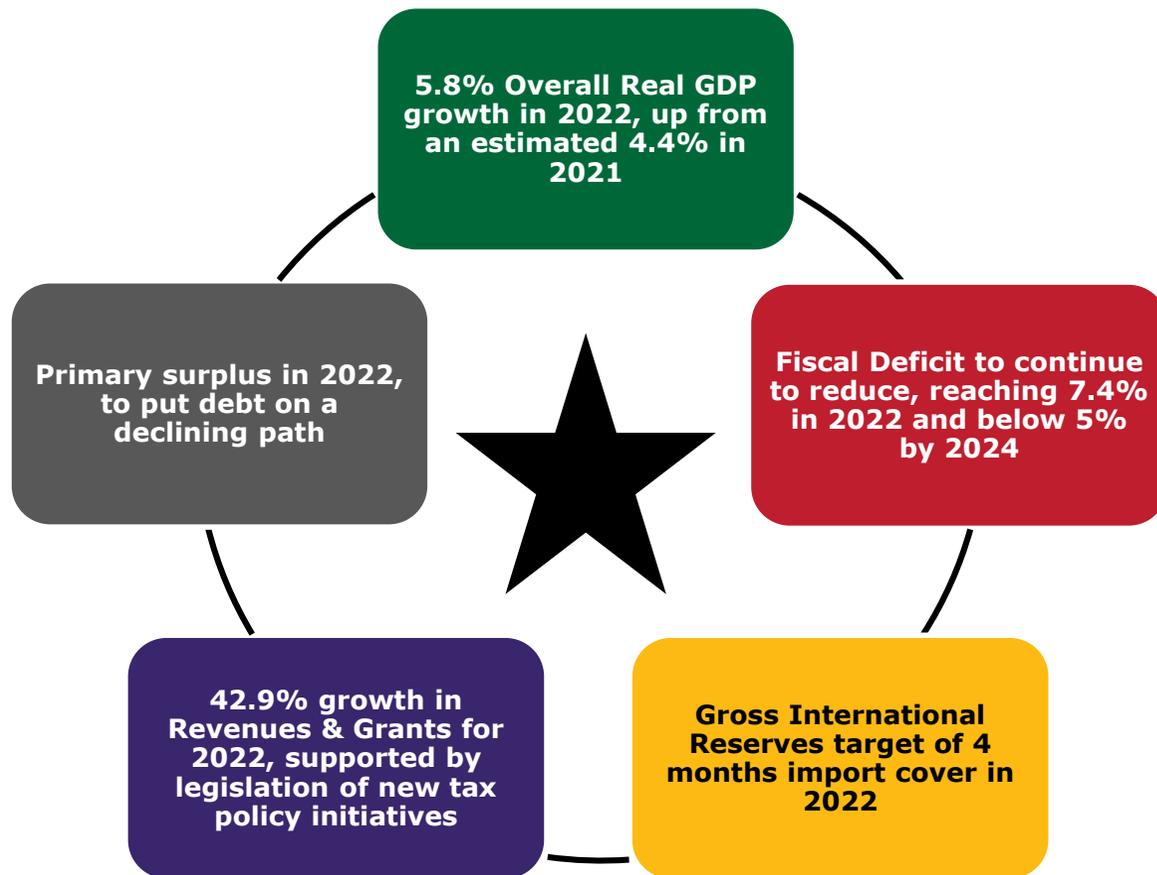
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1. Overview / Executive Summary



The robust economic growth and fiscal & monetary policy outcomes achieved from 2017 through 2019 have been impacted by the ongoing COVID-19 pandemic. However, the implementation of targeted structural intervention policies by the Ghana Economic Management Team has enabled the country to mitigate the full impact of the pandemic. To reposition the country for sustainable growth in the near to medium-term, key challenges addressed in the 2022 Budget Statement and Economic Policy ("Budget") include:

- Sustaining GDP Growth
- Reducing and Maintaining Fiscal Deficit
- Enhancing Revenue Mobilization
- Ensure Debt Sustainability



- **Real GDP recovery averaged 5.2% for the first 3 quarters of 2021** (2020: 0.4%) illustrates how Ghana was able to rebound due to robust measures taken in 2020
- Three and a half years of fiscal consolidation, prudent monetary policy and targeted structural intervention policies, have enabled Ghana to mitigate the impact of the COVID-19 Pandemic over the last two years
- Resource mobilisation is underpinned by legislation of **new tax policy initiatives** have been designed to improve tax compliance, reform and revenue administration
- Supportive policy measures include:
 - Inclusion of an **Electronic Transaction Levy (e-transaction levy) of 1.75%** on the value of digital transactions, capturing part of the informal sector and widening the tax base⁽¹⁾
 - **Restoration of the Benchmark Values of imports** by suspending the discount on selected general goods and vehicles⁽¹⁾
 - **Staff rationalisation** will be carried out in 2022 and the medium-term to instil efficiency, with the view to right-sizing the public sector workforce

GDP, Fiscal and Markets Targets vs. 2021 Performance

GDP



- Overall GDP growth for Q3 2021 stood at 6.6% compared to -3.2% posted for the same period in the previous year. The average growth rate of 5.2% for the first three quarters of 2021 has already exceeded the budgeted GDP growth rate of 4.4% for full year 2021
- The overall GDP is expected to grow at 5.8% in 2022, and average at 5.6% over the medium term. Nominal GDP is expected to grow by 14% in 2022 from the 2021 projected outturn, whereas non-oil GDP is expected to remain flat at 5.9% in 2022 and over the medium term
- Sectorial GDP growth projected outcomes for the medium term (2022 to 2025), are expected to strongly rebound for all sectors. The Services sector is expected to dominate with a percentage share of 48.7% to overall national output

Fiscal



- Year to date October 2021, total revenue and grants as a percentage of GDP stood at 12.4%, increasing by 27.8% from the same period in 2020. This number is expected to increase to 20% in 2022 from the 16.5% 2021 projected outturn
- Total expenditure as a percentage of GDP stood at 20.5% year to date October 2021 and increased by 12.3% year-on-year. In 2022, it is expected to increase to 27.4% of GDP from the 25.3% of GDP 2021 projected outturn
- Year to date October 2021, Overall Fiscal Balance as a percentage of GDP (including the financial sector clean-up costs and IPP payments) was 9.7% from 11.9% compared to the prior year's. The Overall Fiscal Balance is expected to reduce by 4.7 percentage points in 2022 from 2021, while primary balance as a percentage of GDP is expected to improve by 4.8 percentage points in 2022 from 2021. Fiscal deficit is expected to return to $\leq 5\%$ by 2024 in line with the Fiscal Responsibility Act

Markets



- Inflation rate for December 2021 was 12.6%. Inflationary pressures are expected to stabilize and return within the 8 ± 2 percent target band in the medium term (2022 - 2025) in line with expected recovery from the pandemic and related induced challenges
- The Cedi remained relatively stable in 2021 underpinned by the Central Bank's proactive support and close monitoring of the domestic and external markets. The Cedi depreciation against the US dollar in 2021 was 4.09%
- At the end of December 2021, Government maintained healthy gross international reserves at 4.4 months of import cover. Over the medium term, Government will remain focused on holding not less than 4.0 months of import cover in reserves

Revenue and Expenditure Policy Initiatives Summary

Revenue



- Domestic revenue budgeted for 2022 is mainly driven by the potential impact of new revenue measures, which are expected to yield Gh¢16.32bn (3.3% of GDP) of additional revenue in 2022 backed by fiscal policy initiatives including 1.75% e-levy, restoration of Benchmark Values of Imports, enhanced tax compliance, revision of VAT flat rate scheme among other feasible measures
- Government believes that revenue can be mobilized in the medium term from the digital payments space, anchored by robust mobile money growth in value and volumes. Over the past 5 years, value of mobile money transactions increased by CAGR of 64.8% (projected outturn). Similarly, the number of mobile money subscribers and active users increased by CAGR of 18.4% and 19.8% respectively over the same period thus demonstrating the viability of this revenue stream

Expenditure



- Concurrent with the revenue initiatives, Government has proposed the below expenditure policy measures and controls:
 - Staff rationalization in 2022 and medium-term to instil efficiency, with the view of right-sizing the public sector workforce;
 - Enforcement of the use of the Ghana Integrated Financial Management System (GIFMIS) in initiating and processing all requests to minimise off-budget expenditures and enhance commitment control;
 - Suspension of approval for post-retirement contract appointments unless the skills or the retiring officer are in short supply;
 - Negotiation with Independent Power Producers (IPP) for potential cost savings of circa US\$13.2bn;
 - Suspension of the purchase of vehicles by MDAs and MMDAs; among other effective and enforceable expenditure measures

Update on Contingent Liabilities

Contingent Liabilities

- Banking sector reforms since 2017 have stabilised the sector and ensured banks were able to support the economy during the pandemic
- Proactive management of the energy sector has yielded remarkable results evidenced by potential cost savings of circa US\$13.2bn

Financing Plan

Financing



- Year to date October 2021, total financing declined by 5.2% from the previous year. Out of total financing of Gh¢35.5bn, foreign financing contributed 37.2% during the same period
- Government plans to borrow Gh¢27.9bn from domestic market supported by an increasingly broader investor base and more resilient posture. The remaining Gh¢9.1bn would potentially be raised from international sources (syndicated loan / international capital markets) and some exceptional sources (SDR)
- In the event that capital and loan markets become materially unsupportive of the financing plan, Government may explore access to concessional & non-concessional sources including financing from International Development Association (World Bank), Arab Bank for Economic Development in Africa, OPEC Fund for International Development and the Saudi Fund for Development all of which are concessional lenders for 2022 – 2024 with approved projects
- The Government is committed to continuing its liability management programme, including the use of debt buybacks/debt exchanges to manage the public debt portfolio

Update on IMF Engagements

IMF



- The IMF remains a trusted advisor to Government and continues to engage government through multilateral surveillance, technical assistance provision and capacity building
- In 2021, the IMF successfully conducted an Article IV Consultation with the Government and also engaged the authorities through staff visits
- Ministry of Finance and the Government will continue to share regular updates on the economy with the Fund and remain optimistic for an Article IV Consultation in the first half of 2022
- IMF continues to play a crucial role in supporting Ghana's strategic and developmental initiatives. External financing for the budget in 2022 will be supported by receipts from IMF SDR allocation
- Government is engaging the IMF for continuous support. Approximately, US\$287m from IMF SDR was utilized in 2021 to augment the financing of the budget. Approximately US\$700m has been secured whilst US\$750m is expected to be received by the end of Q1-2022

Update on COVID-19

COVID



- COVID cases hit new record highs in November and December 2021 as a result of the new Covid-19 Omicron variant. However, with improving vaccination rates and immunity, the infection rate remained far lower than in previous waves
- According to the IMF in its 2021 Article IV Update Document, Ghana has managed the COVID-19 pandemic very effectively. Government's overall goal is to vaccinate the entire population. So far, 9.5 million doses have been administered as of 17 January 2022. Out of this number, 7 million persons have at least received one dose
- In total, about 25.4 million doses of all vaccines have been received in Ghana from COVAX, African Union and bilateral sources. Out of this number, about 8 million doses are yet to be administered
- Government has established measures to combat vaccine hesitancy including its ongoing communication strategy through various media campaigns, the President's regular speeches, vaccine mandate and Minister's declaration of December as vaccination month. Additionally, the Government intends to implement a new strategy of having a National Vaccination Day against COVID-19 (planned to take place between 26 and 30 January 2022)
- As of 19 January 2022, total cases in Ghana was 154.1k compared to 10.6m in Africa, while Covid deaths in Ghana stood at 1.3k as against 235k in Africa



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2. Medium-Term (2022-2025) Macro and Fiscal Outlook / Targets

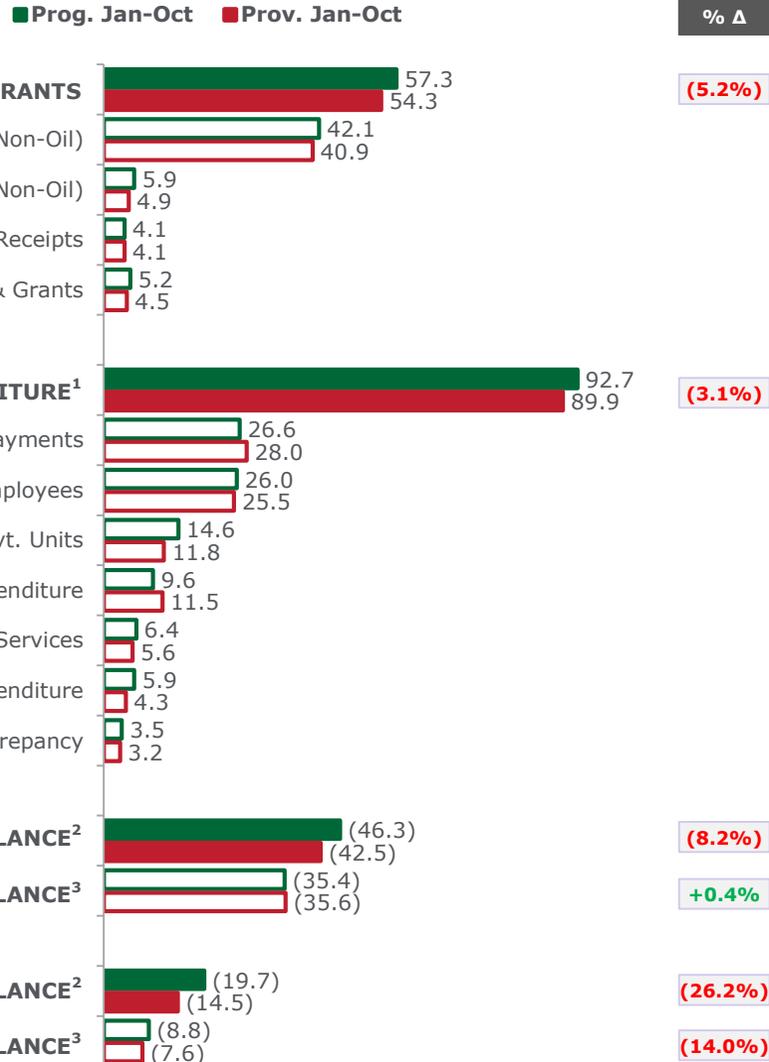


Summary of 2021 Fiscal Performance

On track to meet our deficit targets

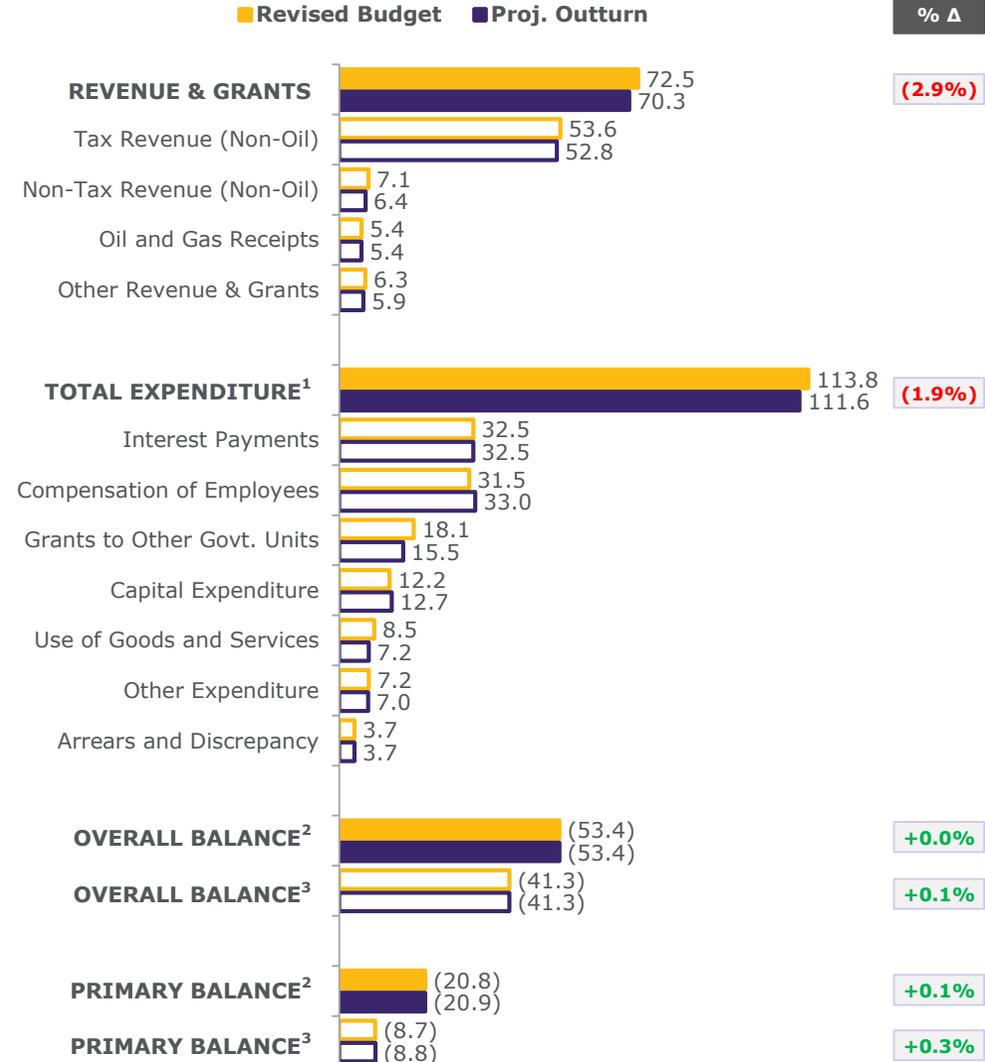
Jan – Oct 2021

(GHS Bn)



Full Year 2021

(GHS Bn)

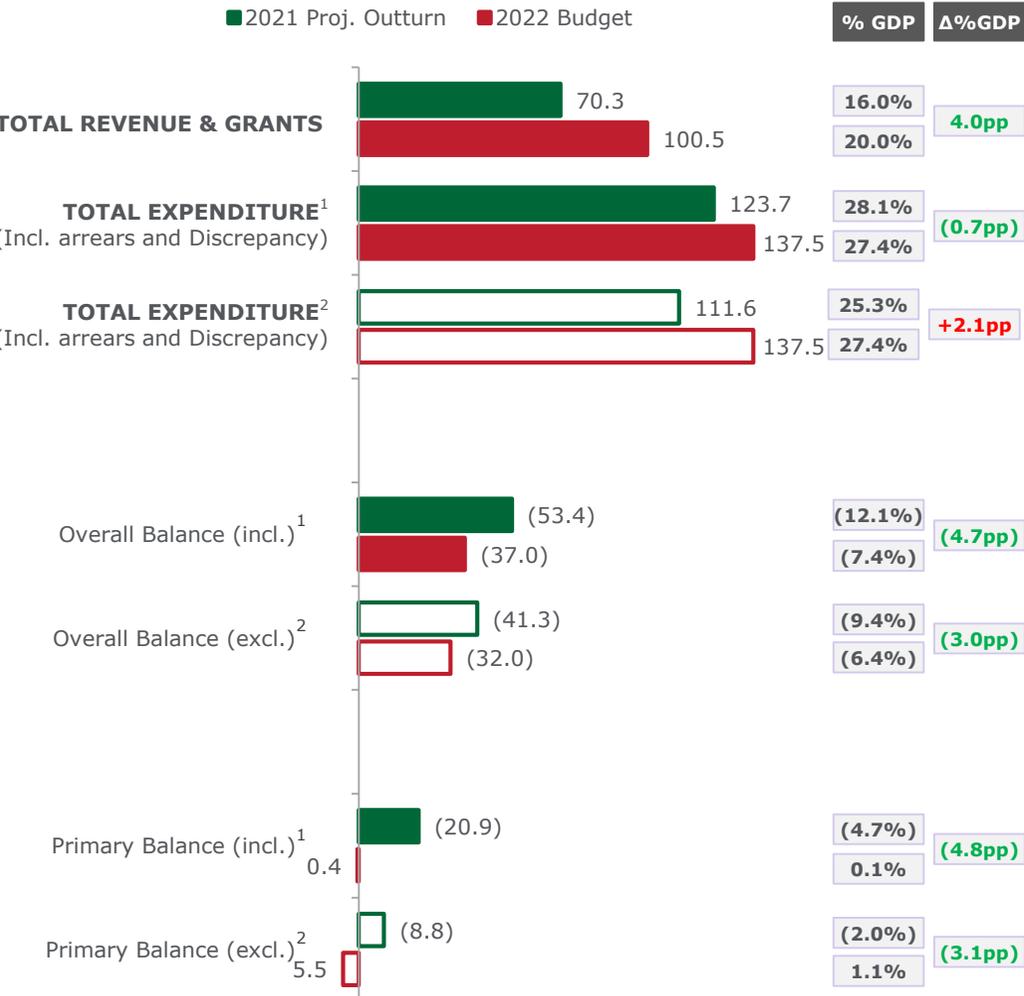


Summary of 2022 Fiscal Framework

Nominal Gross Domestic Product | 2021 Proj. Outturn: **GHS 440.9Bn** ; 2022 Budget: **GHS 502.4Bn** (%Δ 14%)

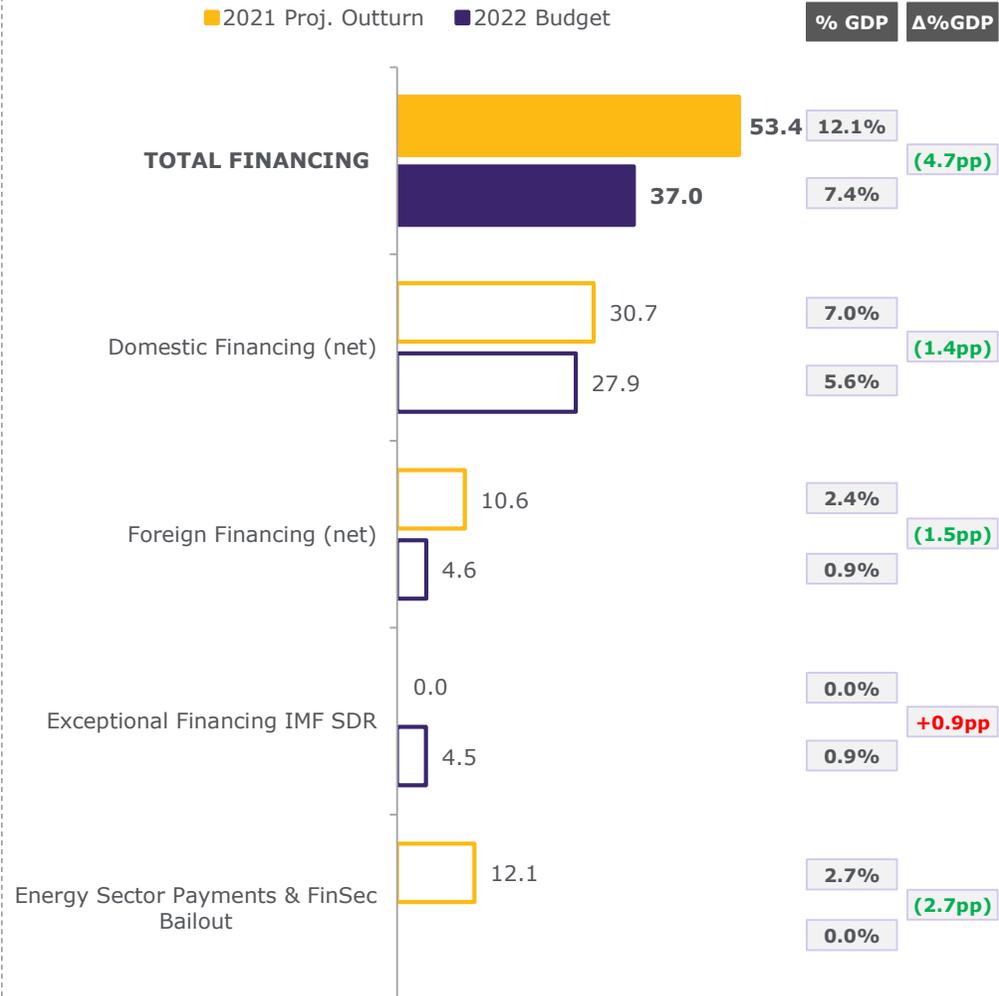
Fiscal Summary

(GHS Bn)



Financing

(GHS Bn)



11 Source: 2022 Budget Statement and Economic Policy
 Note: (1) Includes FinSec Bailout and IPP Cost (2) Excludes FinSec Bailout and IPP Cost

GDP

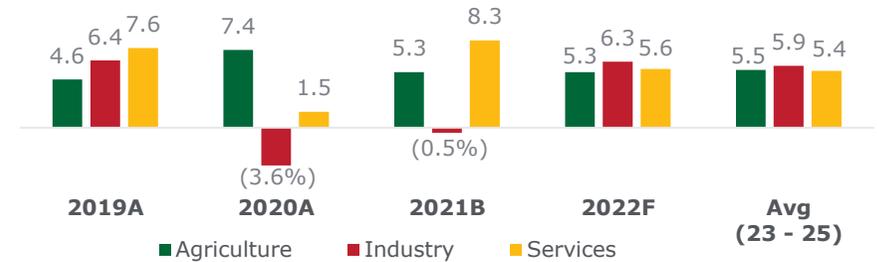
Real GDP Growth¹

(% Change)



Strong Growth Across All Sectors Over the Medium Term

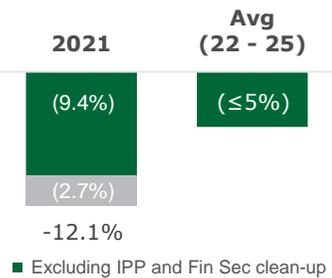
(Sectorial GDP % Change)



Fiscal

Reducing Fiscal Deficit and Improving Reserves²

(% of GDP)



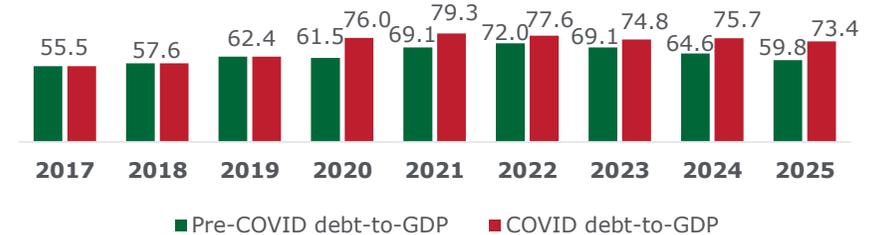
0.1%
2022F Primary Balance as a % of GDP (incl. IPP & FinSec clean-up) (2021B: -4.7%)

7.4%
2022F total financing as a % of GDP (2021B: 12.1%)

4.0
months import cover target for 2022 (2021: 4.4 months)

Debt Sustainability Measures Impacted By Pandemic-induced Challenges

(% Debt to GDP³)

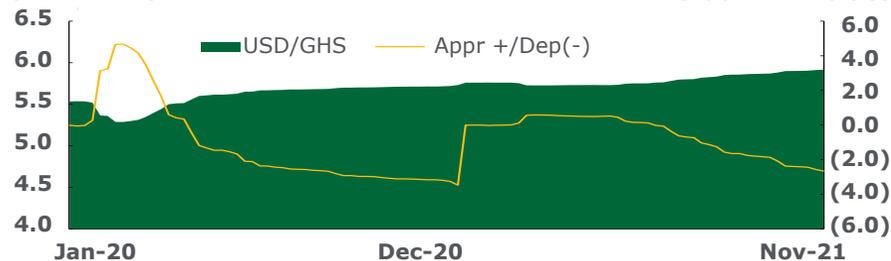


Markets

Relatively Stable Cedi Year to Date

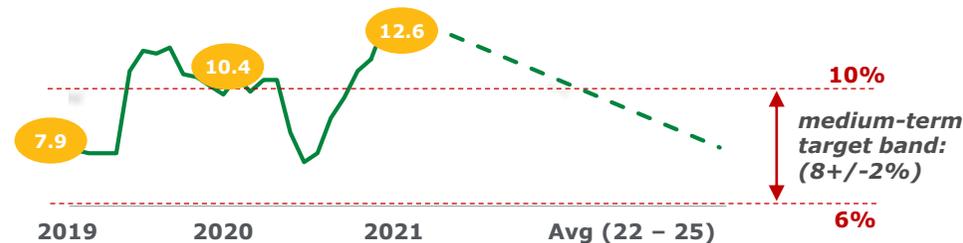
(USD/GHS)

(Aprr +/Dep(-))



Focus on Containing Inflationary Pressures in the Medium to Long Term

(%)



12 Source: 2022 Budget Statement and Economic Policy, SSA weighted average Debt-to-GDP data from the IMF Regional Economic Outlook reports, GHS vs USD performance data from Bloomberg
 Note: (1) Based on 2013 constant prices; (2) Including Financial sector clean-up costs and IPP payments; (3) With bailout



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3. Revenue Mobilization



2022 Budget Revenue Overview

The 2022 Budget assumes a 43% year-on-year increase in Revenue & Grants to GHS100.5Bn, which represents a 4.0pp increase in Nominal GDP terms

Item	2021 Proj. Outturn ¹		2021P YoY Δ		2022 Budget		2022B YoY Δ	
	GHS Bn	% GDP	GHS Bn	% GDP	GHS Bn	% GDP	GHS Bn	% GDP
Tax Revenue (non-oil)	52.8	12.0%	+24%	+0.9pp	77.1	15.4%	+46%	+3.4pp
Tax Revenue (oil)	2.5	0.6%	+24%	--	3.0	0.6%	+19%	--
Non-Tax Revenue (non-oil)	6.4	1.4%	+28%	+0.1pp	10.3	2.0%	+61%	+0.6pp
Non-Tax Revenue (oil)	2.8	0.6%	+66%	+0.2pp	3.6	0.7%	+28%	+0.1pp
Other Revenue	4.0	0.9%	+47%	+0.2pp	4.8	0.9%	+18%	--
Social Contributions	0.6	0.1%	>100%	+0.1pp	0.8	0.2%	+21%	--
Grants	1.2	0.3%	(3%)	--	1.0	0.2%	(19%)	(0.1pp)
Revenue & Grants	70.3	16.0%	+28%	+1.6pp	100.5	20.0%	+43%	+4.0pp
Nominal GDP	GHS 440.9Bn		+15%		GHS 502.4Bn		+14%	

2022 Budget Revenue Assumptions and Key Initiatives

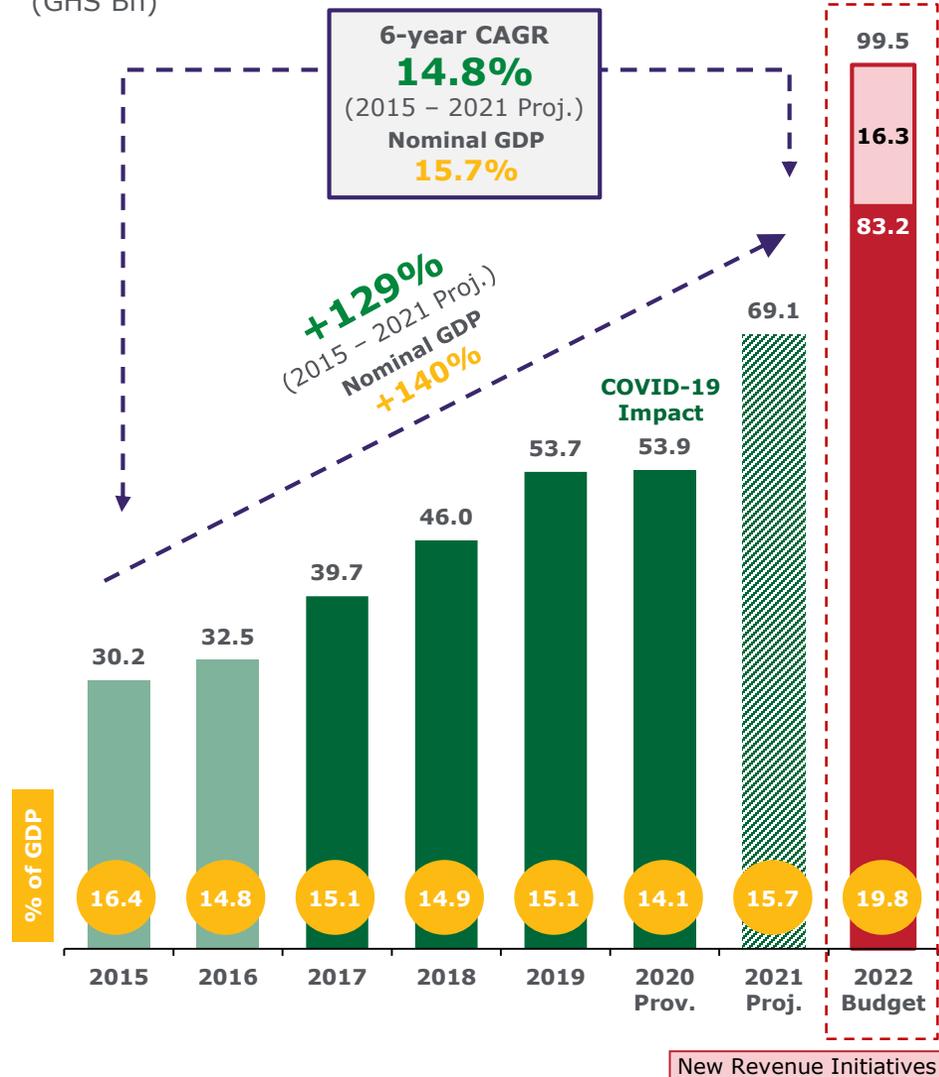
Domestic revenue increase budgeted for 2022 mainly driven by the impact of new revenue measures, which are expected to yield GHS 16.3Bn (3.3% of GDP) of additional revenue next year

Revenue Initiatives

Initiative	Rationale	Expected Yield	
		GHS Bn	% GDP
1.75% Electronic Transaction Levy ("E-levy")	<ul style="list-style-type: none"> ✓ Capitalize on the transition to a digital economy; Rope in the informal sector ✓ Support entrepreneurship, youth employment as well as road infrastructure 	6.96	1.4%
Enhanced Tax Compliance	<ul style="list-style-type: none"> ✓ Pursue comprehensive collection of all outstanding taxes due, intensify tax education efforts and improve tax compliance processes 	4.52	0.9%
Restoration of Benchmark Values of Imports	<ul style="list-style-type: none"> ✓ Suspend 50% discounts on selected general goods and 30% on vehicles ✓ Encourage investment and preserve jobs in affected sectors; Allow local industry to grow 	2.00	0.4%
Revision of VAT Flat Rate Scheme (VFRS)	<ul style="list-style-type: none"> ✓ Grow tax base by applying standard VAT rate to all firms except certain retailers¹ ✓ Create a level playing field for all taxpayers and bring additional efficiency to VAT administration 	1.02	0.2%
Launch of RACE (Revenue Assurance and Compliance Enforcement)	<ul style="list-style-type: none"> ✓ Dedicated department within the MoF to focus primarily on revenue assurance and compliance ✓ Objective is to seal revenue leakages 	0.50	0.1%
Unified Common Platform for Property Rate Administration	<ul style="list-style-type: none"> ✓ Improve timely collection, accounting and reporting of revenue collection; increase collection of property rates and rent tax; standardize valuation 	0.47	0.1%
Implementation of the Revised Tax Exemption Bill	<ul style="list-style-type: none"> ✓ Rationalize the current exemptions dispensation by varying or limiting the scope and underlying the risks 	0.42	0.1%
Implementation of Modified Taxation Regime in the Income Tax Act	<ul style="list-style-type: none"> ✓ Expand the tax net, make tax payment simpler, improve compliance and enhance the contribution of people in this tax category² to total tax revenue 	0.09	0.0%
Reduction of WHT on Sale of Unprocessed Gold from 3% to 1.5%	<ul style="list-style-type: none"> ✓ Reverse significant decline in exports by small scale miners through official channels ✓ Expand the tax net, increase revenue and improve tax compliance in the sector 	0.03	0.0%
Zero Rate Tolls on all Public Roads and Bridges	<ul style="list-style-type: none"> ✓ Reduce congestion on tolled roads, travel time and pollution ✓ Potential carbon credits 	(0.08)	(0.0%)
Revision of Fees and Charges of MDAs	<ul style="list-style-type: none"> ✓ Increase revenue of MDAs / Adjust for inflation over the last five years ✓ Only affects agencies that submitted proposals for review 	0.43	0.1%

Resilient Domestic Revenue Growth Despite COVID-19 Impact

(GHS Bn)

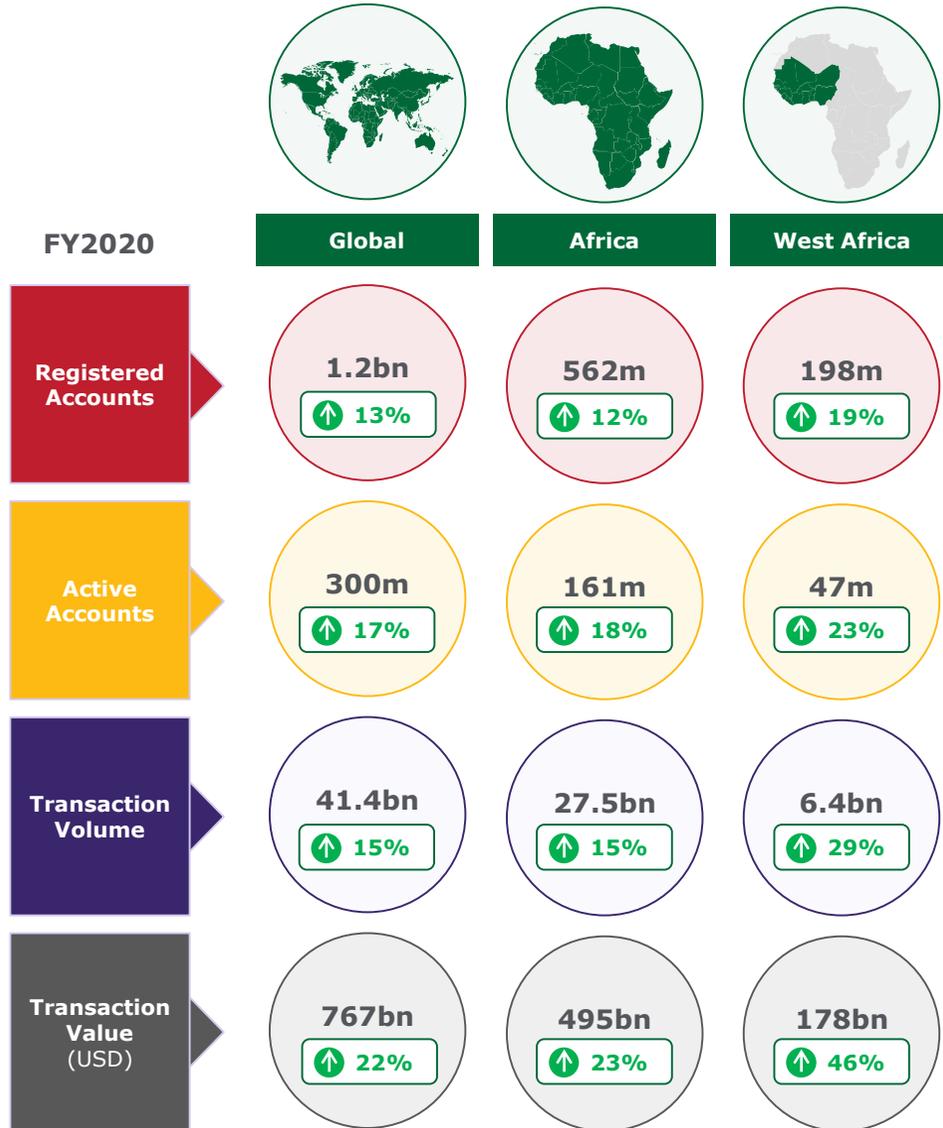


Revenue Performance vs. Budget¹

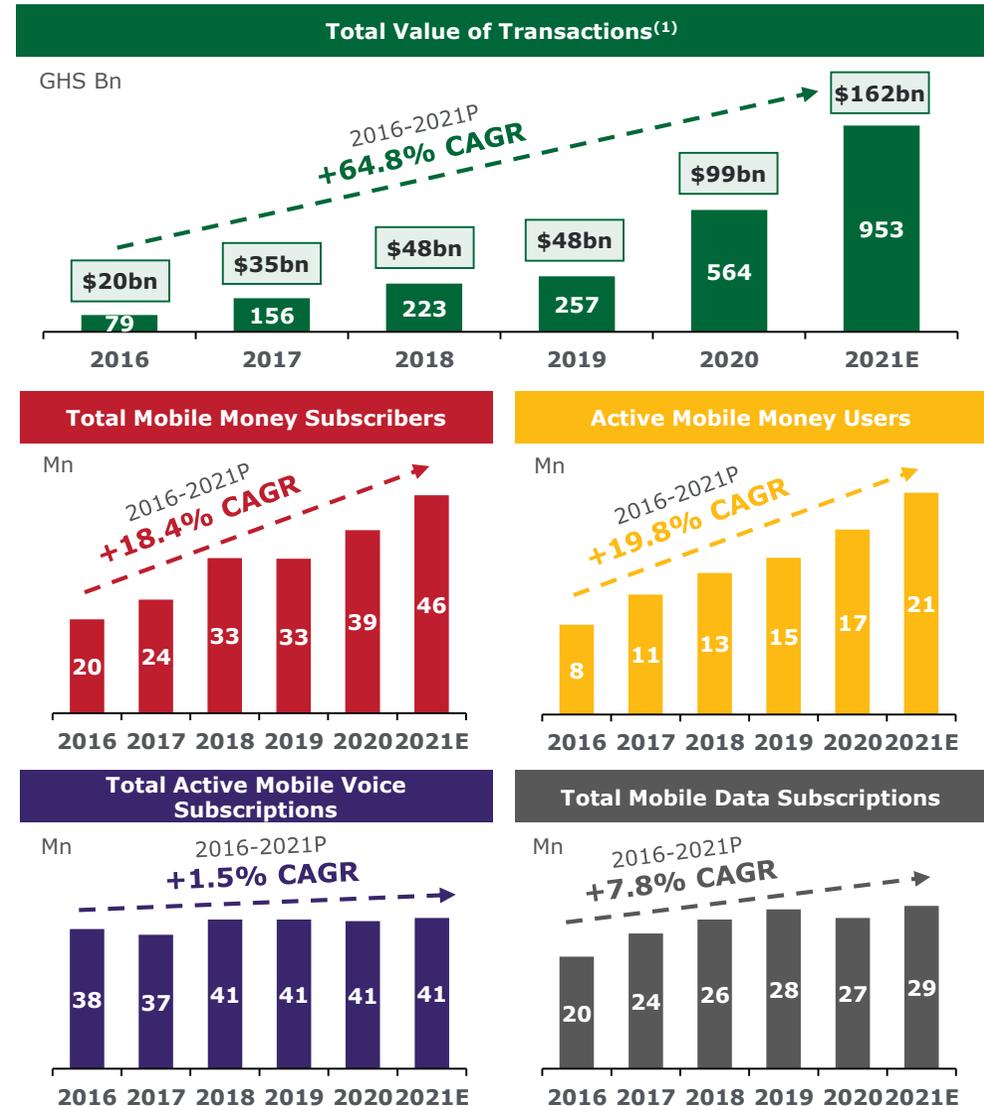
Year	Budget		Outturn		Δ
	GHS Bn	% GDP	GHS Bn	% GDP	% GDP
2021 Proj.	71.0	16.2%	69.1	15.7%	(0.5pp)
2020 Prov.	52.4	13.7%	53.9	14.1%	+0.4pp
2019	57.8	16.2%	53.7	15.1%	(1.1pp)
2018	48.3	15.7%	46.0	14.9%	(0.8pp)
2017	41.6	15.8%	39.7	15.1%	(0.7pp)
2016	36.3	16.5%	32.5	14.8%	(1.7pp)
2015	28.5	15.5%	30.2	16.4%	+0.9pp

● Outperformance
 ● Broadly In Line⁽²⁾
● Underperformance

Superior Growth in West Africa's MoMo Market



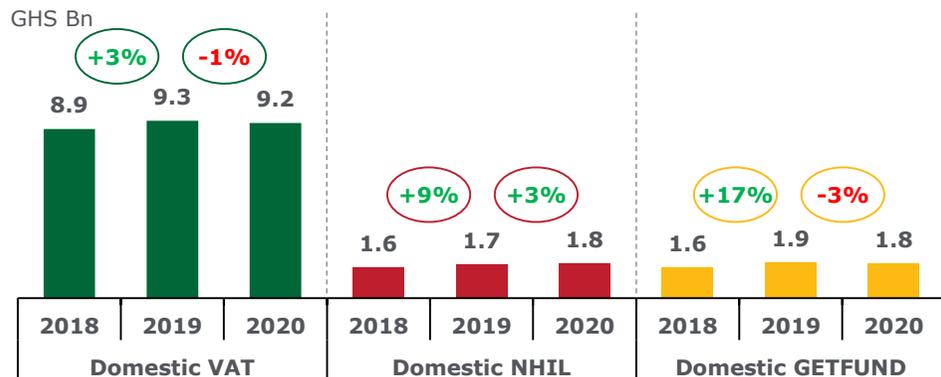
Fast-Growing MoMo Market in Ghana



17 Source: GSMA – State of Mobile Money Industry (2020 report). Summary of Economic and Financial Data, Bank of Ghana.
(1) US Dollar amounts calculated using the average USDGHS FX rate over each period (Source: Bloomberg)

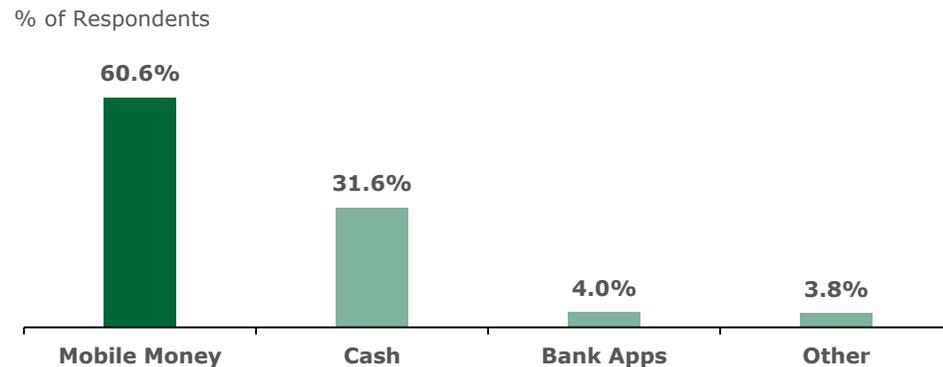
Tax Revenue Sources Directly Impacted by the COVID-Induced Mobile Money Growth

Tax Revenue Performance



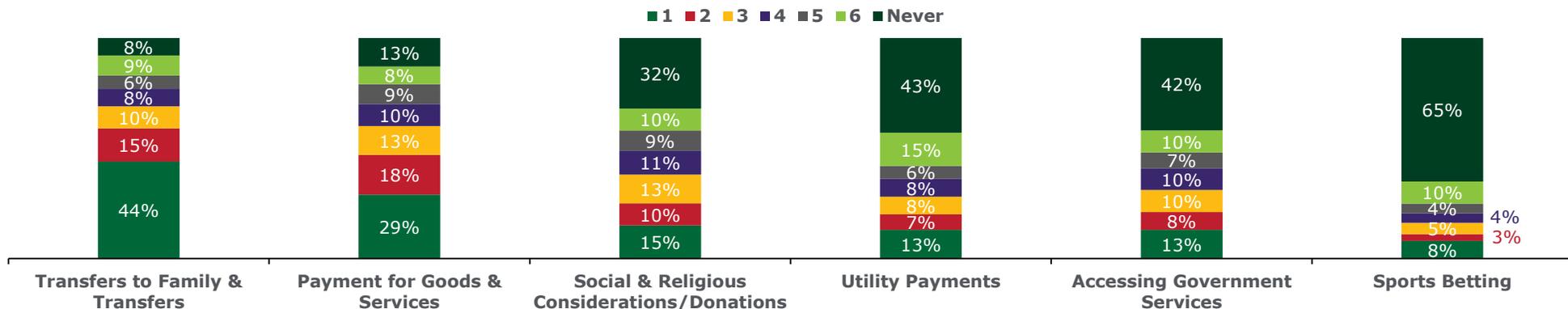
Mobile Money, the Most Popular Payment Channel in Ghana

Survey 1: What payment method / channel do you often use for your purchase?



Mobile Money Most Commonly Used for Transfers to Family & Friends and Payments for Goods & Services

Survey 2: What has been your usage of Mobile Money in the past 10 days? (Rank your usage for each of the following uses with 1 being the most common)





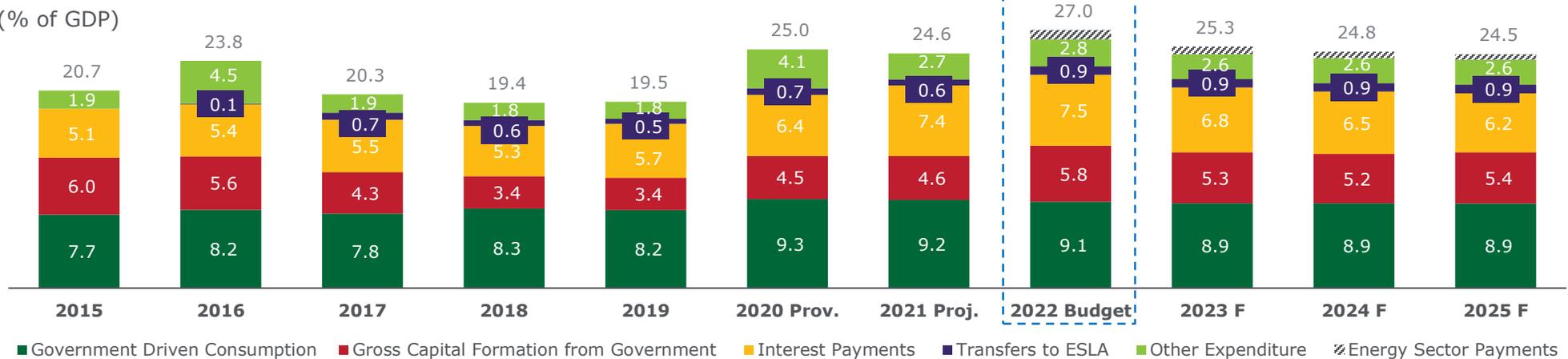
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4. Expenditure Rationalization



Historical and Medium Term Expenditure Composition¹

(% of GDP)



Track Record of Fiscal Consolidation 2017-2019

Ghana has established a credible track record of reducing expenditure, through a well-coordinated approach to fiscal management:

- **Fiscal Responsibility Act:** Implemented a cap on the fiscal deficit of 5% of GDP and a requirement to always maintain a positive primary balance
- **Zero Central Bank Financing:** Signed an MoU with the BoG
- **Human Resource Management Information System (HRMIS):** Rolled out the HRMIS and integrated payroll systems
- **Ghana Integrated Financial Management System (GIFMIS):** Tightened expenditure controls in GIFMIS to minimize inefficiencies and budget overruns
- **Treasury Single Account:** Implemented the Treasury Single Account
- **Public Procurement Act:** Enforced the Public Procurement Act to reduce sole sourcing and ensure value for money
- **Committee Establishment:** Fiscal Responsibility Council, Financial Stability Council, Fiscal Risk Unit and the Economic Policy Coordinating Committee

2022 Budget Spending – Key Assumptions

- **Interest Payments:** Conservative debt management strategy, including use of liability management to reduce domestic borrowing cost and the use of concessional financing
- **Compensation of Employees:** Staff rationalization and limits on creation of new institutions with varying compensation structures. MDA/MMDA staff to be kept at 2021 levels¹
- **Capital Expenditure:** Continued investments in roads, rail and other critical infrastructure. Enhanced scrutiny of public procurement process for capex spending
- **Use of Goods and Services:** MDA /MMDA budget guidelines and expenditure ceilings cascaded to relevant parties. Captures Government flagship programs
- **Grants to Other Government Units:** Transfers to statutory funds. This line item has a direct linkage to revenue mobilization
- **Energy Sector Levy:** The ESLA includes the Sanitation and Pollution Levy and the Energy Sector Recovery Levy (Delta Fund)
- **Below the Line Items:** Starting from 2022 Energy sector payments will be treated as above the line

Expenditure Allocation by Priority Area

If revenue underperforms, government retains flexibility to make a number of fiscal adjustments within c. 36% of automatic or highly adjustable government expenditure to remain in line with the 2022 budgeted fiscal deficit of 7.4% of GDP

Item	2022 Amount Budgeted (% of Total Expenditure)	% Change vs 2021 Proj.	Degree of Adjustability	Type of Expenditure (Statutory / Quasi Statutory / Discretionary)
Interest Payments	27.6%	15.1%	None	Statutory
Compensation of Employees	26.4%	8.6%	None	Quasi – Statutory
Grants to Other Government Units ¹	17.3%	51.6%	Automatically adjusts downwards if revenues underperform	Statutory
Capital Expenditure	12.1%	28.8%	Partially as follows:	Discretionary
o/w Domestic Financed	5.7%	89.7%	Automatically adjusts downwards if revenues underperform (quarterly allotment mechanism).	
o/w Foreign Financed	6.3%	(0.3%)	Low does not adjust downwards easily especially if project loans are already disbursed	
Use of Goods and Services	6.7%	27.3%	Highly through the use of the quarterly allotment mechanism	Discretionary
Other Expenditure	9.8%	41.6%	Partially as follows:	Discretionary
o/w ESL Transfers	3.3%	56.5%	Automatically adjust downwards automatically if demand for petroleum products decline	
o/w IPPs	3.0%	-	Highly payments can be adjusted downwards through renegotiation of IPP contracts	
Total Expenditure	GHS 135,629 Mn	23.2%	o/w 36% is automatically or highly adjustable	o/w 29% is discretionary



The approval for **post-retirement contract appointments will be suspended**, except in cases where the skills of the retiring officer are in short supply. A staff rationalisation exercise will also be carried out in 2022 and the medium-term to **instil efficiency in the allocation of staff to government institutions** to right-size the public sector workforce. Similarly controls were imposed to negotiate a **base pay increase of 7% for 2022** compared to the 25% demanded by labour unions.



Independent Power Producer (IPP) potential **savings of USD 13.2 billion** achieved through the successful renegotiation of the Power Purchase Agreements (PPAs), therefore reducing the strain on Ghana's electricity sector. Documentation of renegotiated agreements are underway and in progress towards effective implementation.



The use of the **Ghana Integrated Financial Management System (GIFMIS)** in initiating and processing all requests will be strictly enforced to minimise off-budget expenditures and enhance commitment control. **Regular payroll audits** will be initiated to identify ghost and unapproved workers and expunge their names from the payroll.



Suspension of the **purchase of vehicles by MDAs and MMDAs**, except with the express approval of the Chief of Staff based on a pre-approved budget provision. Further as a result of the pandemic, **reduced travels have led to additional savings**.



Existing **Infrastructure for Poverty Eradication Programme (IPEP)** Projects will be completed, but **no new projects will be commenced in 2022**. The payment of any outstanding claims will be spread over a period of two years beginning with 2022.



The expenditure commitment control mechanisms being rolled out by government to curb expenditure overruns are not expected to generate any arrears. For the first nine months of 2021 fiscal year, an **amount of GHS2.3 billion has been spent on the clearance of arrears**, and as a result the financial sector clean up is almost complete.



Other **expenditure commitments control measures** include: (i) Only approached Procurement Plans can be considered for procurement contracts; (ii) All procurement requests must be backed by budget allocations for the year; (iii) All procurement approvals by the Public Procurement Authority (PPA), the Central Tender Review Committee (CTRC), and the Entity Tender Committees (ETCs) must be backed by budget allocations for the year; and (iv) All MOU or agreement with financial commitment be approved by the Minister of Finance.





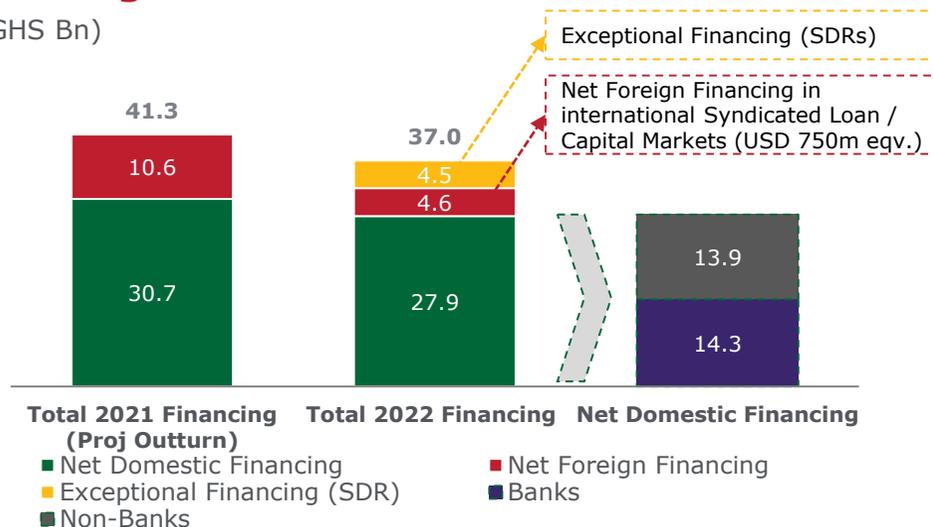
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5. Financing Plan



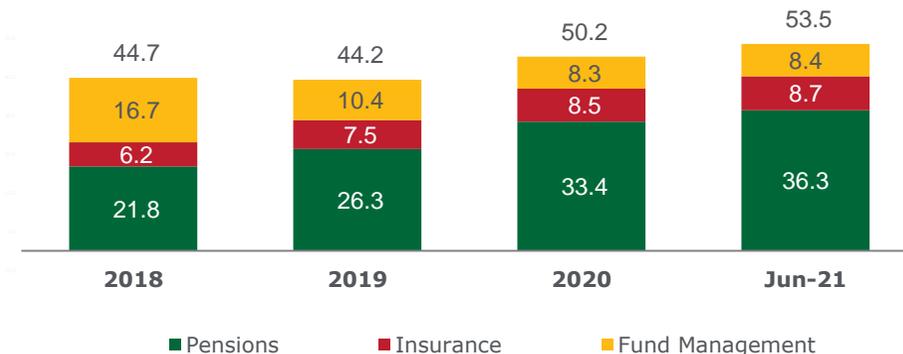
Funding Plan for 2022

(GHS Bn)



Broader and More Resilient Domestic Investor Base

Total Assets Under Management (GHS Bn)



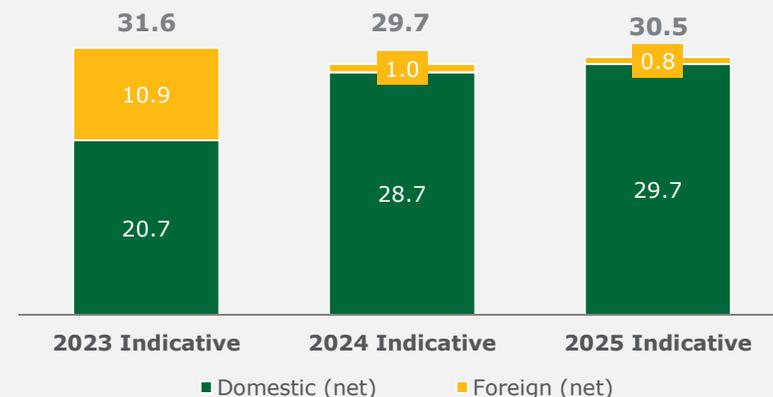
Public Debt Refinancing Risks Limited

Summary of public debt risk analysis²

(GHS Bn)		2017	2018	2019	2020	Sept 2021	MTDS Target
Refinancing Risk	Average Time to Maturity (ATM)	8.2 years	8.7 years	9.8 years	9.4 years	9.7 years	≥9.6 years
	Total Debt to be Re-fixed in 1-Year	17.7%	17.6%	15.3%	14.3%	16.0%	≤ 30%
Interest Rate Risk	Fixed-Rate Debt (% of Total Debt)	90.0%	91.9%	92.5%	94.1%	93.7%	15% – 20%
Cost of Debt	Weighted Average Cost of Total Debt	10.6%	10.7%	11.0%	11.7%	11.6%	-
External vs. Domestic Debt	External	53%	50%	52%	49%	48%	-
	Domestic	47%	50%	48%	51%	52%	-

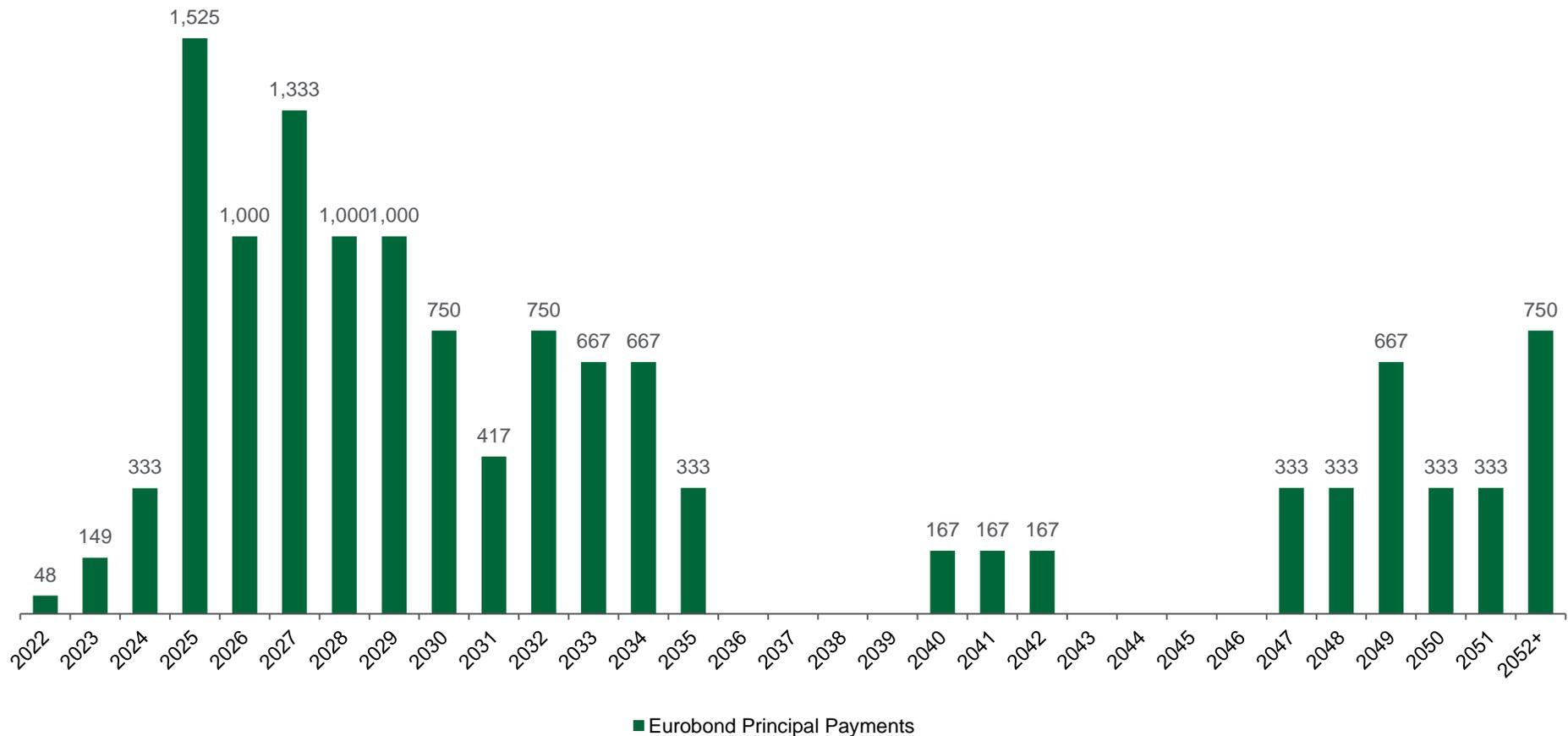
- The government is committed to continuing its liability management programme, including the use of debt buy-backs/ debt exchanges to manage the public debt portfolio

Indicative Medium-Term Debt Management Strategy



We continue to proactively manage upcoming maturities

(USD mn)



Ghana benefits from a wide network of longstanding commercial and concessional funding partners

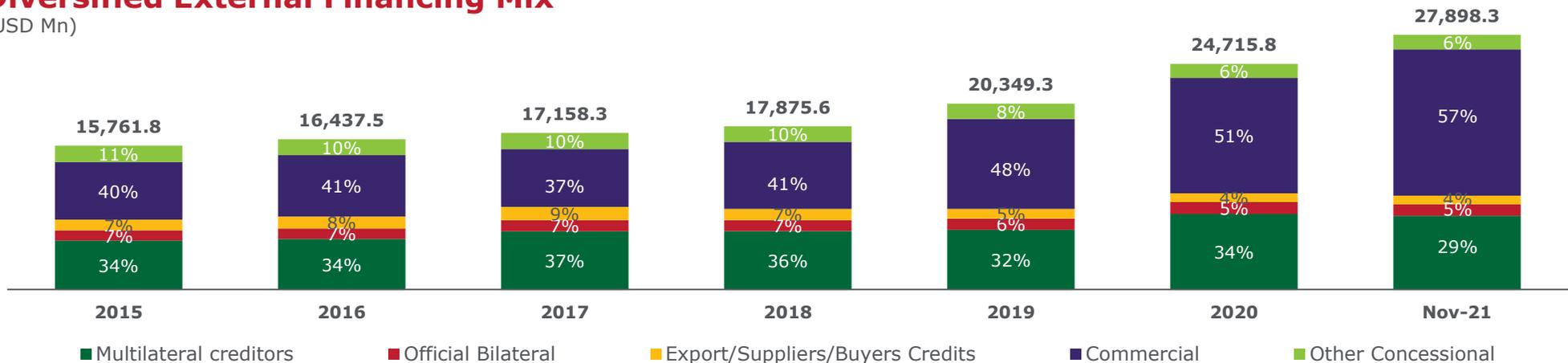
- The total limits set for concessional and non-concessional external borrowing have been **scaled down from USD 2.5bn to USD 2.0bn**
- Ghana benefits from its **well established and long-time access** to concessional funding and bilateral partners
- In addition to **IMF** support there has been significant increase in concessional funding from the **World Bank, African Development Bank, the European Union** and other bilateral partners
- Ghana maintains a wide network of commercial relationship banks that have demonstrated willingness to provide financing to Ghana.** Furthermore, Ghana is supported by longstanding partnerships with export agencies globally

Concessional Lenders for the 2022 – 2024 Approved List of Projects



Diversified External Financing Mix

(USD Mn)



Proactive Management of the Energy Sector Yields Results



Access to electricity in Ghana

83.6%
(2016)

85.0%
(2019)

90.0%
(by 2030)



- Ongoing replacement of **ECG's obsolete equipment**
- Continued implementation of **Cash Flow Waterfall**
- Introduction of **Delta Fund** to improve cashflows



- 26MWp solar pj.** commissioned by Bui Authority
- Installation of **17MW Solar Project** on-going. First phase of 6.8MWp project commissioned
- 60% completion of **912kWp solar project** at Jubilee House
- 45KW mini-hydro** at Alavanyo commissioned
- 43,400 solar lanterns** distributed to poor off-grid households



- Summary of potential savings from renegotiated PPA's.** The renegotiated commercial agreement for the IPPs below have been secured and documentation of renegotiated agreement is underway and in process towards completion
- The average cost of generation has declined from 16.2 USc/kWh to 10.5 USc/kWh. This has resulted in estimated savings of USD 13.2bn

IPP	Cost of Generation (USc/kWh)		Estimated Savings (USD Bn)
	Old	New	
IPP A	15.0	12.5	0.8
IPP B	17.1	9.6	3.0
IPP C	19.3	9.4	1.4
IPP D	18.1	10.0	4.1
IPP E	15.7	10.0	0.9
IPP F	15.0	10.6	2.9
Total	100.2	62.2	13.2
Weighted Average Cost	16.2	10.5	-

Note: Sunon Asogli Power Co. is excluded from the list given the Take or Pay structure (vs. Capacity Charges) hence they are not being negotiated with



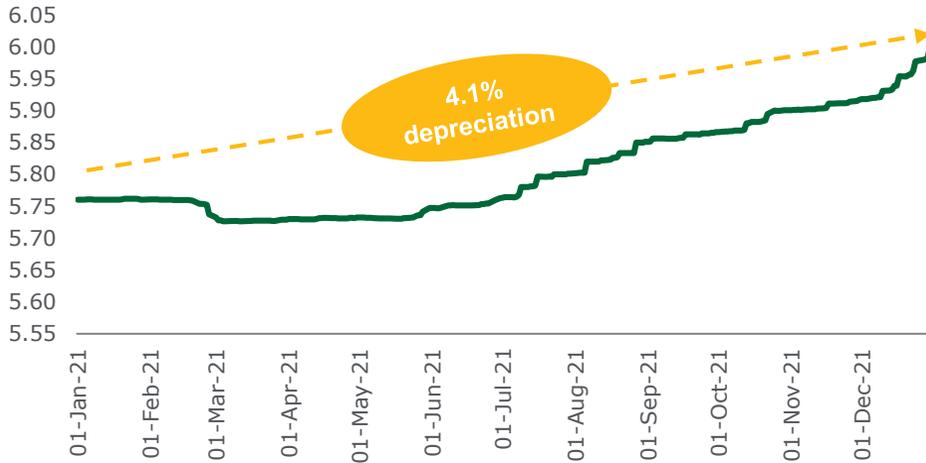
Ministry of Finance

6. Monetary Policy and Banking Sector

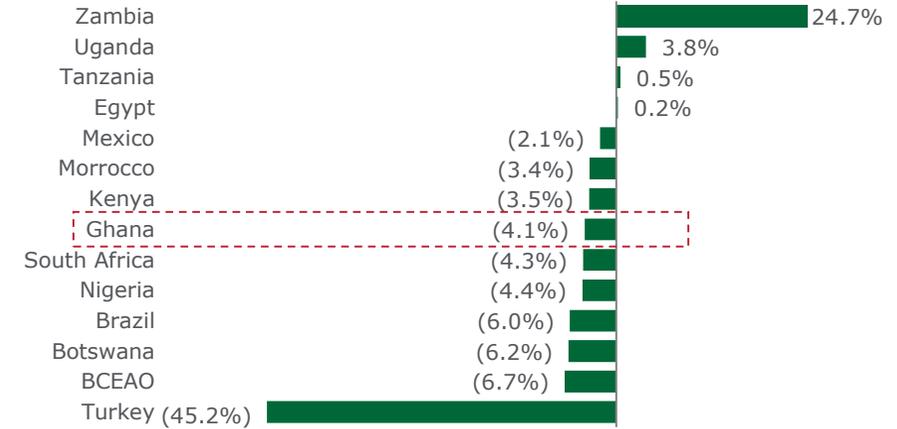


USD / GHS Spot Rate 2021

(1 USD / GHS Spot Rate)



Peer Comparison (vs. USD) 2021



Sources: Bank of Ghana and Bloomberg

Key Cedi FX Headwinds

- Occasional repatriation of bond coupons and maturities by non-resident investors
- Recovery in imports post COVID-19 and elevated refined petroleum prices increasing the demand for foreign currency

Proactive Involvement by the Bank of Ghana

- In line with its mandate, the Bank of Ghana will continue to monitor both domestic and external markets developments and respond appropriately. We will also continue with the FX Forward auctions which have been effective in reducing FX volatility and helping banks, investors and their clients plan well
- The Bank of Ghana expects to continue holding reasonable foreign exchange reserve buffers to give confidence to market and anchor sentiment

Sources: Bank of Ghana

- National inflation from December 2020 to December 2021 was 12.6%
- National month-on-month inflation from November 2021 to December 2021 was 1.2%
- Food and Non-Alcoholic Beverages inflation was 12.8% and Non-Food inflation 12.5%

Inflation has been impacted by a number of Global and Domestic Factors

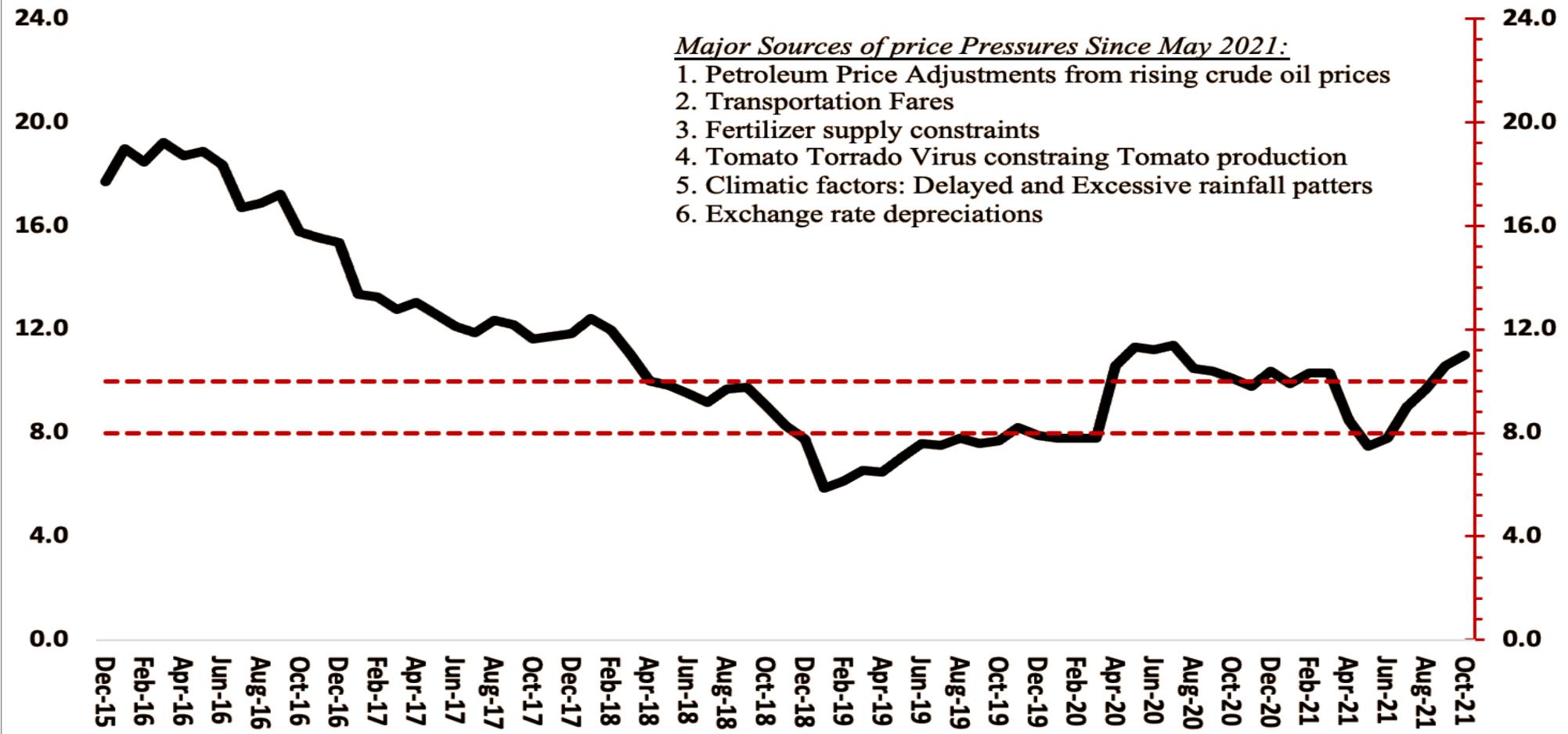
Global factors

- Rising energy prices and supply chain constraints are feeding into domestic prices
- Although transitory in the first half of 2021, it is becoming embedded and resulting in higher inflation abroad

Domestic factors

- Rise in food and non-food inflation
- Food price increases have been more persistent between May and October
- Non-food price pressure became prominent since September 2021
- Underlying inflation pressures have also risen. The main core inflation measure, which excludes energy and utility, increased from 9.5% in August 2021 to 10.0% in September and further up to 10.4% in October 2021

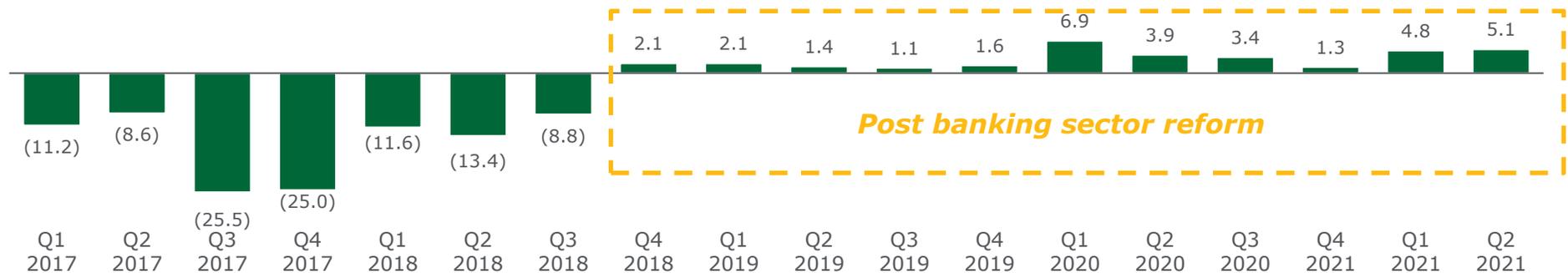
Ghana: Trends in Inflation Dec 2015- Oct 2021.....Inflation above Upper limit of Band target: External and Domestic factors responsible



- The banking sector has largely been able to weather the storm associated with the pandemic, surviving its second year, on the back of the regulatory reliefs as well as the clean-up, recapitalization and other regulatory reforms that preceded the onset of the pandemic
- The banking sector has remained sound, solvent and profitable throughout 2021, evidenced by the strong balance sheet and income statement performances
- The industry continues to record robust growth in total assets, investment and deposits
- The industry's financial soundness indicators have also remained healthy, with improved solvency, liquidity and profitability indicators
- The Bank's latest credit risk and liquidity risk stress tests show that banks are resilient to mild and moderate stress conditions on the back of the industry's strong capital and buffers
- Credit risk however remains a key concern and the major risk that the industry faces currently. The industry's NPL ratio has inched up for the most part of the pandemic and stood at 16.4% in October 2021 from 14.8% in December 2020
- The pickup in the NPL ratio is attributable to pandemic-induced loan repayment challenges, sluggish credit growth and bank-specific loan repayment challenges. Recoveries from the NPL category have been low relative to the pre-pandemic level and BOG expects efforts towards these recoveries to be intensified, alongside write-offs to help bring down the growing stock of the NPLs
- Overall, the sector's balance sheet performance appears better this year relative to the same period last year, pointing to the sustained impact of the COVID-19 regulatory relief measures on the banking sector

Value added from Financial & Insurance Activities sub-sector to GDP growth

Year-on-Year Growth on Financial & Insurance Activities (%)





Ministry of Finance

7. Conclusion



Macro: Strong Economic Recovery, Stable Currency and Increased FX Reserves



Fiscal: Ghana Resumes Its Consolidation Path with a 7.4% Deficit Target in 2022

Contingent Liabilities: Well-Capitalized Banking Sector and Significant Progress on IPP Renegotiations

Financing: Limited Reliance on ICM (Only USD750Mn Budgeted for 2022) and Access to Diversified Funding Sources

Revenue: Ambitious Targets Supported by New Revenue Initiatives and Robust Growth

Expenditures: Strong Focus on Rationalization Through Various Policy Measures and Controls