REPUBLIC OF GHANA

MINISTRY OF FINANCE

GOG-IMF JOINT PRESS CONFERENCE ON THE SECOND REVIEW OF THE IMF-SUPPORTED POST-COVID-19 PROGRAMME FOR ECONOMIC GROWTH (PC-PEG)

STATEMENT

BY

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MINISTER FOR FINANCE

13TH APRIL 2024

Governor of the Bank of Ghana,

Hon. Minister of State

Hon. Deputy Ministers,

Deputy Governor (s),

The IMF Mission Chief

The Management and Staff of the Ministry of Finance

The IMF Staff,

Members of the Press,

Ladies and Gentlemen,

1. Good morning. Thank you for honouring our invitation to join us today for an update on the outcome of the 2nd Review of the IMF-supported Post Covid-19 for Economic Growth (PC-PEG).

2. Nearly a year ago, Ghana received approval of the 3-year US$3 billion IMF-supported PC-PEG under an Extended Credit Facility (ECF). The objective of the programme is to restore macroeconomic stability and debt sustainability, build resilience through the implementation of wide-ranging and strong structural reforms, and lay the foundation for stronger and more inclusive growth, while protecting the poor and the vulnerable.

3. Ladies and gentlemen, the effective implementation of the PC-PEG is yielding some good results as we are now witnessing relative macroeconomic stability and seeing signs of economic recovery.

4. Since Programme approval in May 2023, we have successfully implemented macroeconomic policies characterised by fiscal consolidation involving aggressive revenue mobilisation underpinned by a medium-term revenue strategy and expenditure rationalisation measures complemented by tight monetary policies by the Bank of Ghana and macro-critical structural reforms in key sectors of the economy to support fiscal/debt sustainability and the inclusive growth agenda. All of these have over the course of one year resulted in:

i. More than anticipated performance in GDP growth with GDP ending 2023 at 2.9% compared to the original target of 1.5% and the revised target of 2.3%;

ii. Inflation is declining by 30.9 percentage points to 23.2% at the end of December 2023 after peaking at 54.1% in December 2022. We have seen good progress in inflation in 2024, as well as it maintained its rate of 23.2% in February 2024 but increased slightly to 25.8% in March 2024 due mainly to the base effect.

iii. The relative stability of the Cedi against the major trading currencies has continued into 2024, even though we are seeing some pressure on the Cedi in recent times due to seasonal pressures and the strengthening of the US Dollar. The cedi's depreciation against the US$ Dollar moderated from 54.2% in November 2023 to 27.8% at the end of December 2023. In 2024, the Cedi depreciated by 8.3 percent year-to-date compared to 21.5% recorded in the same period in 2023.

iv. The fiscal balances are also improving, indicating a strong drive towards fiscal consolidation. The primary balance (on commitment basis) which is the fiscal anchor under the program improved from a deficit of 4.3% of GDP at the end of 2022 to a deficit of 0.3% of GDP at the end of 2023. The 2023 outturn was lower than the target deficit of 0.5% of GDP;

v. The MPC maintained the Monetary Policy Rate at 29.0 percent at the 117th MPC meeting which ended on the 25th of March 2024 given the slowing pace of disinflation and rising pressures from upward revisions in transport fares, adjustments in utility tariffs, and some pass-through of exchange rate depreciation;

vi. Strong Gross International Reserves (GIR) as GIR including encumbered assets and petroleum funds stood at US$5.9 billion (2.7 months of import cover) at the end of December 2023 from US$6.3 billion (2.7 months of import cover) at the end of December 2022. The GIR improved to US$6.2 billion at the end of February 2024 compared to US$5.9 billion in the corresponding period of 2022; and

vii. Improvement in the Public Debt trajectory as the debt to GDP ratio reduced to 71.4% of GDP at the end of 2023 from 73.5% of GDP at the end of 2022:

5. Ladies and gentlemen, this remarkable performance was strongly supported by the successful completion of the staff first review in September 2023 which resulted in a Staff Level Agreement (SLA), reaching an agreement with the Official Creditor Committee (OCC) on debt relief consistent with the parameters and objectives of the programme on 12th January 2024, the IMF Executive Board approval of the 1st Review on 19th January 2024 with subsequent disbursement of US$600 million.

6. The IMF Executive Board acknowledged our strong policy and reform commitment, noting that signs of economic stabilisation were emerging.

7. Ladies and gentlemen, today, I am pleased to say that we have built upon that progress and taken further steps towards achieving our objectives set out in the Program. The progress we have made is an indication of our shared determination and commitment to return the economy back to a path of macroeconomic stability and inclusive growth.

8. Ladies and gentlemen, it is with great pleasure that I announce that Ghana has successfully completed the Second Review of the IMF programme at the IMF Staff level.

9. The Second Review was based on key performance indicators, including six (6) Quantitative Performance Criteria, three (3) Indicative Targets, and one (1) Structural Benchmarks which were due at the end of December 2023 and 4 Structural Benchmarks due at the end of March 2024 since the program is also forward looking.

10. We have also observed in spite of the successes we have chalked that there are areas that we need to pay more attention to, particularly, the Energy and Cocoa Sector.

11. For the Energy Sector in particular, we have discussed the possibility of ensuring that the shortfall in the sector is reduced. The reforms we are pursuing as well as new ones will continue to be implemented. We will, for example, conduct a sector-wide audit of the energy sector, strengthen the implementation of the cashwaterfall mechanism, review the PURC tariff setting methodology to reduce or eliminate discretion and also to make the formula and the process of tariff setting more transparent.

12. On the Cocoa sector, we will continue to pay attention to the cost cutting measures being implemented by Cocobod as well as continue to rationalize the cocoa road sector in order to make more resources available to complete ongoing road projects.

13. The SLA on the 2nd Review we have secured marks a significant milestone towards unlocking the disbursement of the third tranche of $360 million under the IMF- ECF programme, once the IMF Executive Board favorably considers and approved the 2nd Review at the next meeting on Ghana, possibly in June 2024 contingent on progress we make on debt restructuring with our bilateral and commercial creditors.

14. I would like to thank the Almighty Allah for His continuous guidance and the strength He has bestowed upon us in executing this all-important national assignment.

15. I extend my sincere appreciation to His Excellency the President for his visionary leadership and unwavering commitment, and to His Excellency the Vice President for his invaluable support.

16. I would also like to recognize the instrumental role played by the IMF throughout this period. Our profound thanks go to the IMF Managing Director, Ms. Kristalina Georgieva, who visited Ghana recently and through that visit demonstrated to the whole world the strong relationship between Ghana and the IMF. Let me also thank particularly Stephane Roudet, IMF Mission Chief to Ghana, and his team for their ongoing commitment to supporting Ghana's economic recovery.

17. The successful implementation of the programme objectives, so far, would not have been possible without the collective efforts and dedication of Parliament, CSOs, Organised Labour, FBOs, Employer Associations, Sector Ministers, as well as the staff of various Ministries, Departments, Agencies; the Financial Sector Players; and the Private Sector players. We also extend our gratitude to the World Bank, and other development partners for their ongoing collaboration and support.

18. Finally, I would like to extend my heartfelt gratitude to the dedicated team at the Ministry of Finance and the Bank of Ghana. Their expertise, dedication, and resilience have been the driving force behind securing the Staff Level Agreement with the Fund Staff on this day, 13th April, 2024.

19. As we forge ahead, we remain committed to the effective implementation of the IMF programme and ensuring sustained growth and stability of the Ghanaian economy. With the support of all stakeholders, we are confident in our ability to achieve our objectives and build a stronger and more resilient nation.

Concluding Remarks:

20. Ghana's medium-term macroeconomic outlook and prospects continue to be positive and promising, with the Government maintaining its commitment to implementing comprehensive structural reforms to support growth, improve the PFM system, improve revenue mobilisation, and support sound monetary and exchange policy.

21. We have also put in place sufficient control and monitoring mechanisms to ensure key targets under the IMF-supported programme are met, even though 2024 is an election year.

22. Ladies and gentlemen, if you recall on assumption of duty as Minister, I promised my commitment to the full implementation of the IMF programme, notwithstanding the fact that we have faced some challenges, we will continue to ensure that the programme is on course.

23. I also promised that I will hold the line when it comes to expenditure in this election year, as most election years' expenditures have been reckless. I will hold the line this year and ensure that we do not embark on extra budgetary spending to ensure that the negotiated fiscal balances are met by the end of the fiscal year.

24. We would like to use this opportunity once again to express our gratitude to our stakeholders including the Bank of Ghana, the IMF, the World Bank, the AfDB, other multilateral lenders, all our bilateral partners, and the good people of Ghana for their unwavering support and commitment as we build on the gains to transform our beloved country.

25. ***Issha Allah our great nation shall prosper. Allah continue to bless us all.***

Thank you.