Republic of Ghana

Ministry of Finance

Ghana’s Turnaround Story

May 2016

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Turnaround Key Indicators and Timeline

Ghana's reform agenda and disciplined policy stance bears fruit, repositioning the economy on stronger trajectory

	2012 Actual	2013 Actual	2014 Actual	2015 Actual*	2016 Target
Real GDP Growth (%)	9.3	7.3	4.0	3.9	5.4
Headline Inflation (period end %)	8.1	13.5	17.0	17.7	10.1
Fiscal Deficit (% GDP)	(11.5)	(10.1)	(10.3)	(6.7)	(5.3)
Primary Balance (% GDP)	(8.2)	(5.4)	(3.9)	(0.2)	1.3
Wage (% of Tax Revenue)	53.3	57.6	49.1	43.8	40.6
Wage Arrears Clearance (% of GDP)	2.5	1.1	0.5	0.6	0
Gross Public Debt (% GDP)	47.8	55.9	70.2	71.6	
Interest Rate (91 Day T-Bill period end, %)	23.1	19.2	25.8	23.1	-
Current Account Balance (% GDP)	(11.8)	(11.7)	(9.5)	(7.8)	(7.4)
Gross Foreign Assets (US$ billion)	5.4	5.6	5.5	5.9	-
Gross Foreign Assets (Months of Import Cover)		2.9	3.1	3.5	3.0

Source: Ghana

2008 – 2010

- Ghana embarks on an ambitious program to adjust its public sector wage structure labelled Single Spine Salary Structure (SSSS) review
- SSSS implementation undertaken from a position of strength with record high commodity prices, very high GDP growth rates and subsidies under control
- GDP rebasing and transition to Lower-Middle Income Country (LMIC) status
- IMF Programme ends

2011 – 2012

- Wage and SSSS related arrears combined with rising subsidy expenditure, higher interest payments, a shortfall in taxes and grants puts pressure on the budget; resulting in large deficit overshoots
- Economic management was further compounded by the onset of external pressures
- Crude oil export commences with exports falling short of expectations in 2012

2013

- Disruption in gas supply affects power generation and fall in gold and cocoa prices further accentuates the twin deficits
- FX depreciation fuels inflation
- Ghana implements and consults AfDB on its "home-grown" fiscal consolidation programme
- US$ 1bn bullet Eurobond with partial liability management of Ghana 2017 Eurobond maturity to reduce size to US$531mn

2014

- Migrated over 99% of public sector workers onto the new SSSS pay structure, and paid all of the arrears owed to workers
- Commences IMF negotiations
- $1bn back-end amortized bond to mitigate roll-over risk

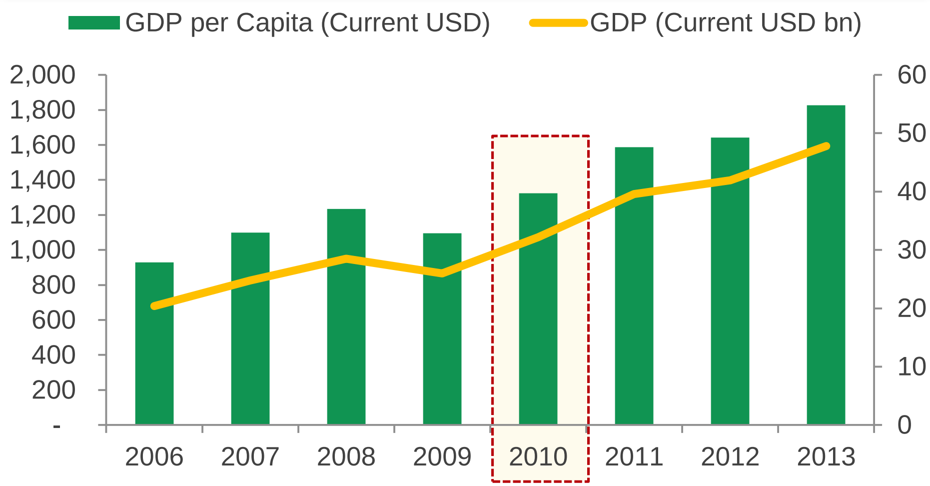
2015

- Ghana signs 3-Year US$ 918mn ECF Programme with IMF with two (2) positive reviews so far
- Twin deficits brought under control
- Oil price crash
- $1bn back-end amortized bond with $400mn World Bank guarantee

Ghana Faced Hurdles Following Transition to Lower-Middle-Income-Country (LMIC) Status

World Bank Country Classification by Income	
Low income countries (LICs)	below $1,005
Lower middle income (LMICs)	between $1,006 - $3,975
Upper Middle Income (UMICs)	$3,976 - $12,275
High Income (HICs)	$12,276 or higher

In 2010, Ghana transitioned to LMIC status following rebasing of GDP



"The combination of Ghana's rapid economic growth and the recent GDP rebasing exercise means that Ghana suddenly finds itself above the income limit for IDA eligibility… Perhaps the most obvious and predictable impact of Ghana's new middle-income status will be a gradual loss of access to concessional financing, particularly from the World Bank's IDA. IDA is currently Ghana's single largest donor..."

Todd Moss and Stephanie Majerowicz
Center for Global Development
No Longer Poor: Ghana's New Income Status and Implications of Graduation from IDA

Summary of Key Events	
2010	• GDP rebasing-> Transition to LMIC • SSSS Implementation commences
2011	• Oil Production Commences
2012	• IMF ECF Programme ends • Twin Deficits Experienced

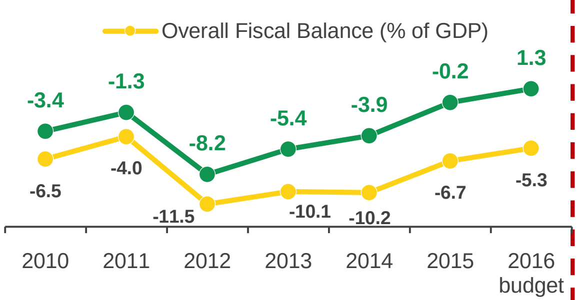
Impressive 2015 Fiscal Operations Outturns Hard Won

Programme based budgeting and monthly budget performance monitoring reforms leads to lower deviations

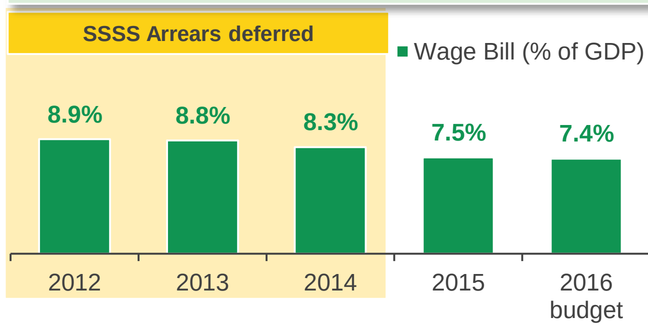
Source: Ministry of Finance, Government of Ghana, Ghana Statistical Services

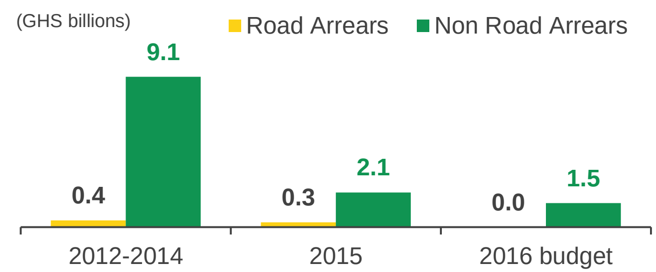
	2012 Deviations		2013 Deviations		2014 Deviations		2015 Deviations	
	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]
Revenues								
Tax Revenues	78.9	0.10	(2,783.1)	(2.98)	(558.8)	(0.49)	971	0.69
Taxes on Income and Property	(338.2)	(0.45)	(1,523.3)	(1.63)	(673.1)	(0.59)	(704)	(0.50)
Taxes on Domestic Goods & Services	8.9	0.01	(743.2)	(0.80)	(44.0)	(0.04)	536	0.38
International Trade Taxes	645.1	0.86	(516.7)	(0.55)	158.4	0.14	1,139	0.81
Non Tax revenue	180.4	0.24	245.5	(0.26)	(401.5)	(0.35)	(293)	(0.21)
Grants	(389.4)	(0.52)	(519.1)	(0.56)	(576.7)	(0.51)	687	0.49
Expenditures								
Wages and Salaries	1,028.0	1.36	777.6	0.83	229.7	0.20	269	0.19
Wage Arrears	881.0	1.2	922.6	1.0	5.5	0.0	435	0.31
Interest Payments	245.0	0.33	1,202.6	1.29	(803.8)	(0.71)	(274)	(0.20)
Utility and Fuel Subsidies	339.0	0.45	135.9	0.15	(145.1)	(0.13)	(25)	(0.02)
Goods & Services	354.6	0.47	(293.3)	(0.31)	691.6	0.61	(468)	0.33
Capital Expenditures	(1,001.0)	(1.33)	914.9	0.98	1,511.8	1.33	732	0.52

For the first time since 2006, Ghana will achieve a primary fiscal balance surplus in FY2016



Strong political will backs fiscal consolidation with wage bill control institutionalized and arrears being aggressively cleared

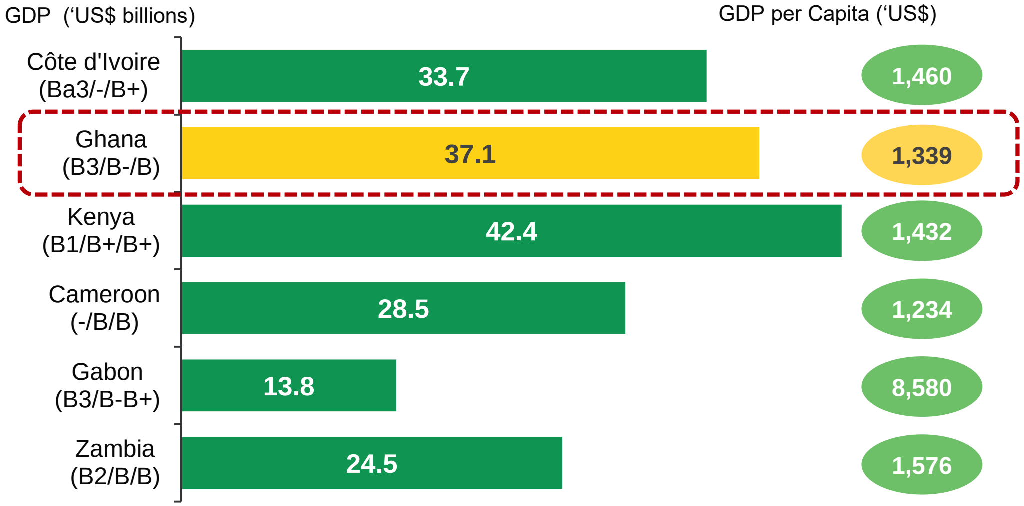




Firm and Conservative Approach to Macroeconomic Policies

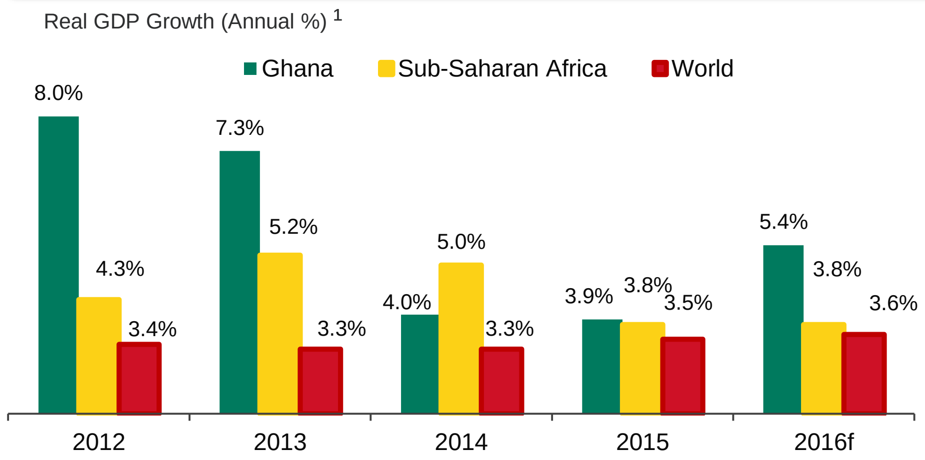
Resilient Growth Despite Macro Pressures

In size and per capita terms, Ghana's GDP ranks favourably amongst peers



Sources: WEO 2015, Ministry of Finance

Ghana is focused on inclusive growth and its real GDP growth has historically outperformed peers

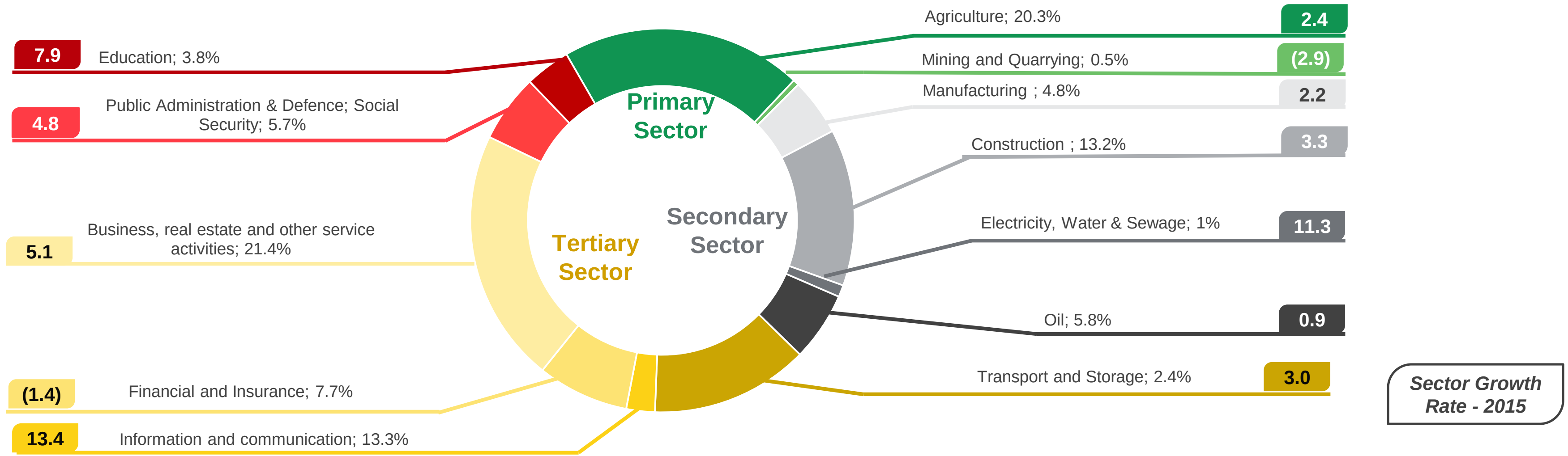


Note: (1) Estimates. The real GDP growth data compares data from Ghana and IMF World Economic Outlook (WEO) October 2015 data for Sub-Saharan Africa (SSA) and World.

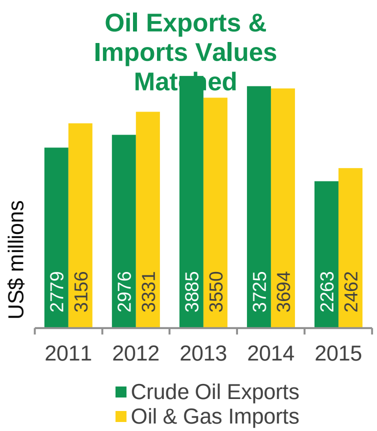
- Ghana is determined to foster inclusive and sustainable growth under its transformational transition agenda
- Front-loaded adjustments within IMF supported macroeconomic programme being balanced with improvements in real-sector performance and protection of vulnerable section of society
- Social intervention was traditionally focused on housing, power and utility subsidies. New approach now sees far reaching initiatives such as alignment of household tax to income threshold levels and statutory funds to protect vulnerable section of society, boost healthcare delivery, education and job creation
- Growth, revenue boost, job creation as well as reduction in import bill and productivity disruptions follows investments in domestic Gas-to-Power infrastructure; boosting Ghana's macro prospects
- Broad based multilateral and bilateral funding and policy support continues to encourage private investments in Hydrocardon (TEN, Sankofa and Jubilee Fields), Services and Agriculture sectors
- Despite short term challenges, such as inflation and commodity prices pressures, Ghana's fundamentals and prospects remain robust
- Ghana's diverse economy, rich commodity endowment, young vibrant and skilled population, and strong institutional framework support its long-term growth potential

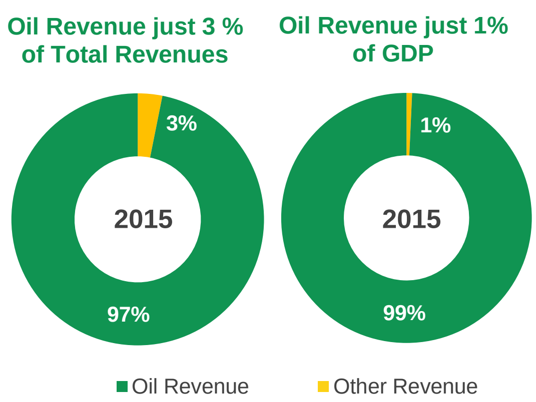
Growth Underpinned by Well Diversified Economy

Real GDP contribution by sector (2015)



Hydrocarbons not a mainstay of Ghana's economy but Gas-to-Power infrastructure are growth multipliers





2.1 Trillion Cubic Feet of Gas Reserves estimated

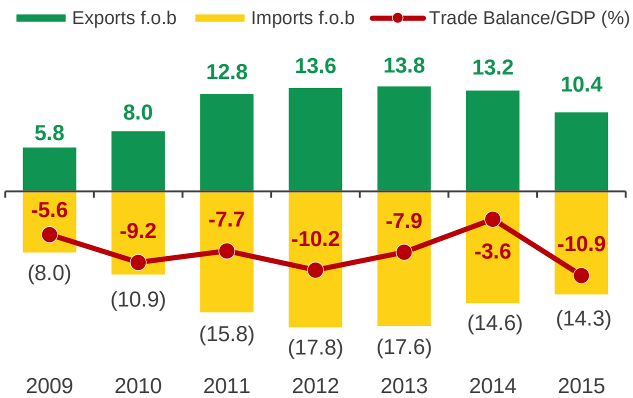
459 mmscf of Domestic Gas Produced Daily with 100mmscf Daily Delivery to Power Plants estimated

3500 MW of Power Generation with 40% Excess Capacity projected for 2016

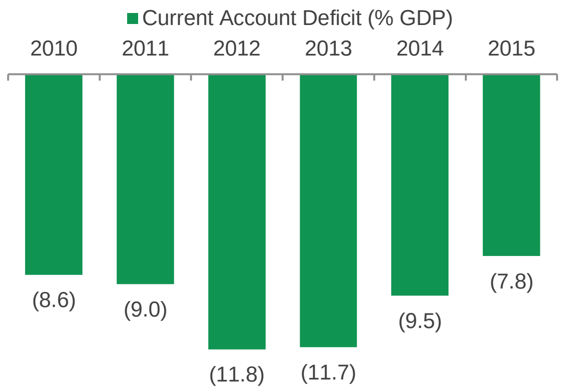
Source: Ministry of Finance, Ministry of Power, Ghana Statistical Service

Improving External Sector Performance and Outlook

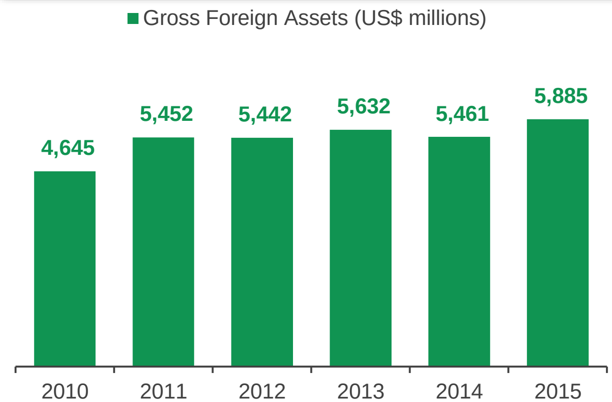
2015 Trade Deficit due to Fall in Commodity Prices



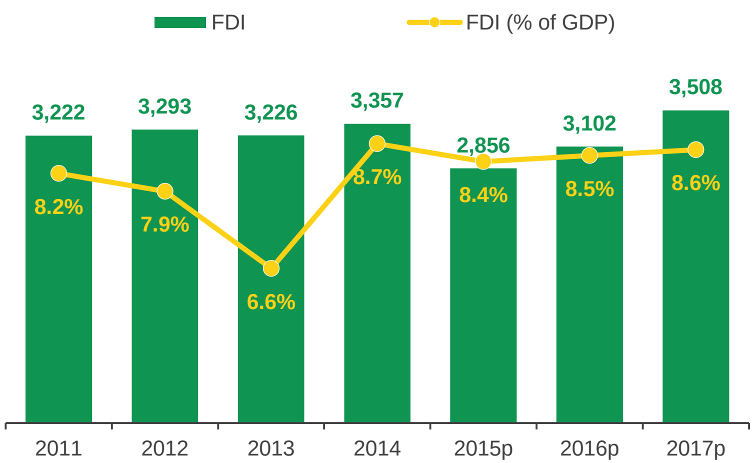
Current Account Deficit (% GDP) Stabilizes



Improving Gross Foreign Assets Position



FDI Resilient to Macroeconomic Challenges Indicating Investors Long-Term View on Ghana



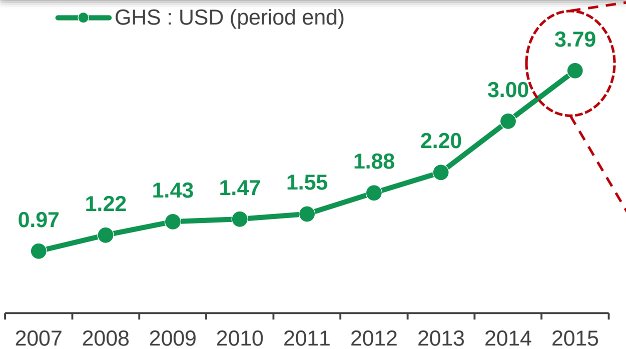
Economy	Economic Freedom Rank	Sub Saharan Africa Rank
Mauritius	10	1
Botswana	36	2
Cape Verde	60	3
Rwanda	65	4
Ghana	**71**	**5**
South Africa	72	6
Madagascar	79	7
Swaziland	91	8
Uganda	92	9
Namibia	93	10

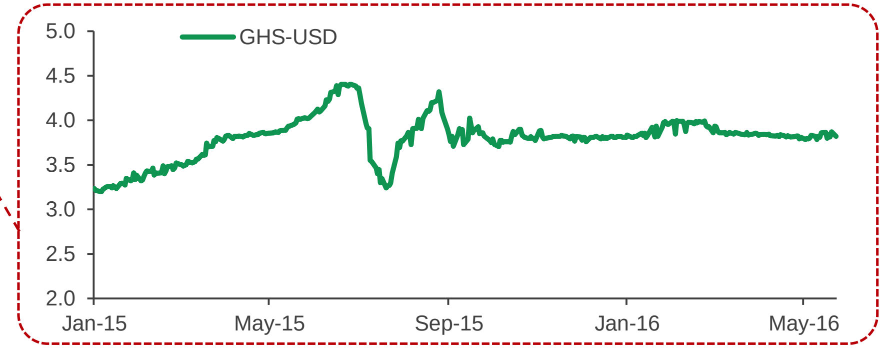
Ghana's scores on third party rankings for economic freedom have been improving over the past 5 years. Notably, Ghana's scores have improved for control of government spending, freedom from corruption and monetary freedom

Sources: Bank of Ghana, Heritage Foundation Index of Economic Freedom 2015

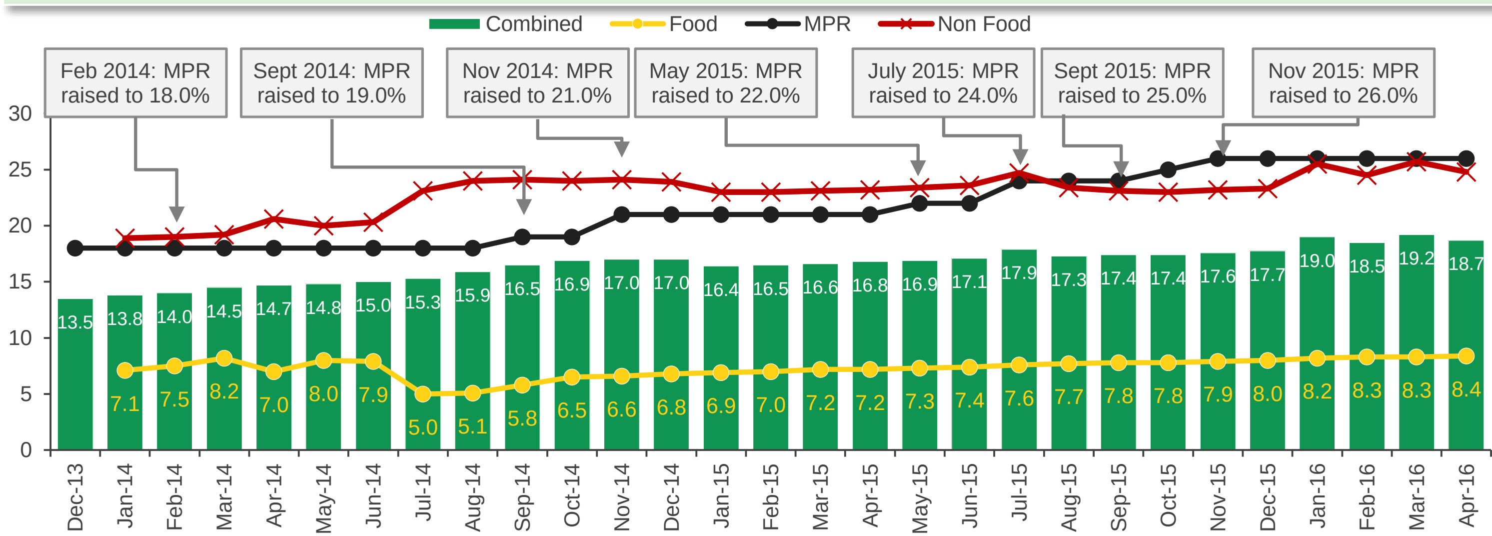
Ghana Maintains Tight Monetary Policy Stance

From H2-2015, Cedi began stabilizing and falling back into sustainable band as seasonal pressures subside, inflows increase and policy actions take effect





Cedi depreciation combined with fuel and utility price adjustments pushed inflation out of target band. However, tight policy stance, reduced FX volatility and lower fuel prices stabilized inflation outlook



Source: Bank of Ghana

From H2-2015 Cedi stabilized as FX inflows boosted reserves and investor confidence improved due to:

- ✓ Success of US$1bn IDA guaranteed bond
- ✓ Inflows from donor partners
- ✓ Cocoa sales inflows
- ✓ IMF Balance of Payments support inflows

Monetary policy tools have also been employed to quell Cedi depreciation and the concomitant impact on inflation:

- ✓ MPR raised to 26.00% in November 2015
- ✓ Cash Reserve at 10.00% from 11.00%
- ✓ Net open position of banks lowered on both single currency and aggregate currency basis
- ✓ Bank of Ghana to stop financing government in 2016
- ✓ 2-yr note opened to foreign investors
- ✓ Tighter customs operations and tariff valuation
- ✓ IMF policy support

Oil Funds Savings Buffer in Low Price Regime

Ghana's prudent oil revenue management framework ensures savings provide a buffer in challenging times. For the first time since the oil funds were set-up, US$53.7mn was withdrawn from the GSF in Q2-2015 to meet the budget shortfall

Analysis of Petroleum Receipts (2012 – 2015)

Item (US$ mn)	2012	2013	2014	2015
Jubilee Royalties	150.6	175.0	192.7	104.2
Carried and Participating Interest	390.4	453.6	499.3	270.1
Surface Rentals	0.6	0.7	1.8	0.5
Royalties from SOPCL	0.3	0.2	0.2	0.0
Corporate Income Tax	-	217.0	284.5	20.4
PHF income	-	-	0.1	0.0
Price Differentials	-	-	0.3	0.4
Gas	-	-	-	0.6
Total	**542.0**	**846.4**	**978.9**	**396.1**

Distribution of Petroleum Receipts (2015)

Item	US$ mn
Net Receipts for GOG	**261.0**
o/w ABFA	239.3
o/w GIIF	41.9
o/w Ghana Petroleum Funds	21.7
o/w Heritage Fund	6.5
o/w Stabilization Fund	15.2

Petroleum funds managed to ensure a buffer to low prices and create savings for future generations

Utilization of Stabilization Funds to Support Budget and Ensure Timely Debt Service in Low Oil Price Environment

Item (US$mn)	2012	2013	2014	2015
Opening Balance	54.8	71.9	319.0	286.6
Receipts during the year	16.9	245.7	271.8	15.2
Income from Investments	0.2	1.4	1.5	0.5
Contingency Fund	-	-	(17.4)	(23.8)
Debt Service Account for Debt Repayment	-	-	(288.3)	-
Annual Budget Funding Amount (ABFA)	-	-	-	(53.7)
Sinking Fund	-	-	-	(47.5)
Closing Book Value	**71.9**	**319.0**	**286.6**	**177.4**

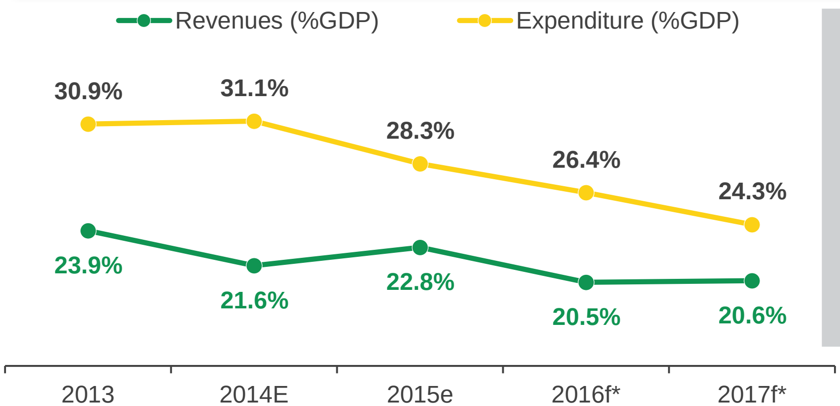
Ghana Heritage Fund – Savings for Future Generations

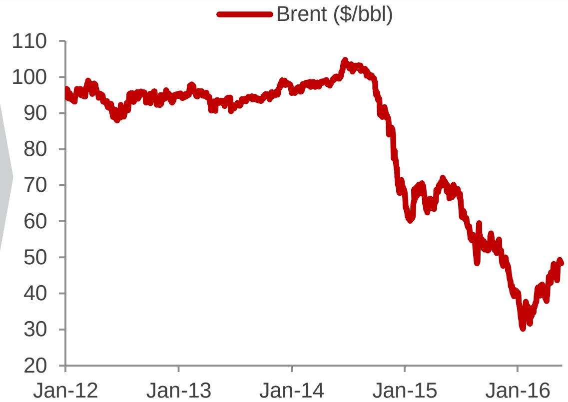
Item (US$mn)	2012	2013	2014	2015
Opening Balance	14.4	21.7	128.1	248,9
Receipts	7.2	105.3	116.5	6.5
Income from Investments	-	1.1	4.3	3.9
Closing Book Value	**21.7**	**128.2**	**248.9**	**259.3**

Source: Annual Report on the Petroleum Funds 2015

Macro Results Achieved Despite External Shocks

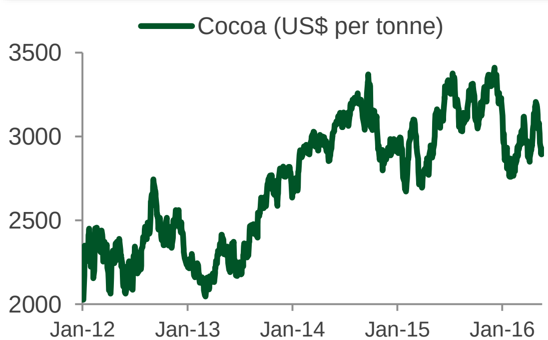
Tighter expenditure control in-place and revenues resilient despite oil price crash- reflecting increased development partner confidence and success of tax reforms



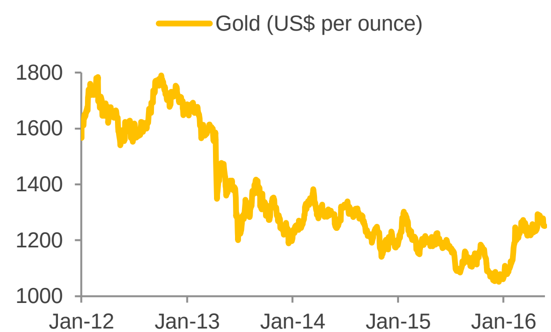


2015 Oil Budget Price	$99
2015 Revised Oil Budget Price	$57
2016 Oil Budget Price	$53
Q1 2016 Average WTI Oil Price	$32
Current WTI Oil Price	$48
2016 Proposed Revision to Oil Budget Price*	35-40

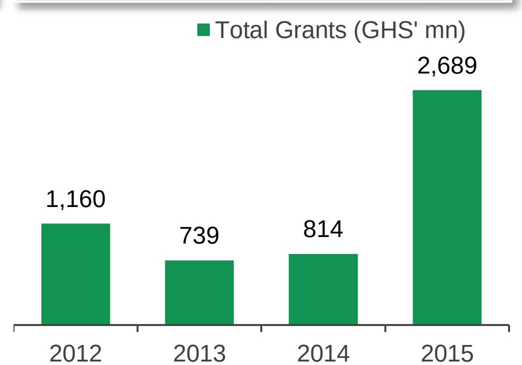
Cocoa prices saw some recovery in 2015



Gold prices remained under pressure



Grant inflows just returning



Power Cuts Addressed

Productivity disruptions which led to fall in tax revenues now effectively addressed with domestic gas-to-power production to mitigate gas supply disruptions from WAGPP

Ghana is better prepared to face risks ahead and protect the bright prospects of its economy

Sources: Ministry of Finance, Bloomberg

Viable Infrastructure Investments for Sustainable Growth

Ghana's is laying the foundations for future sustainable growth with investments in viable world-class infrastructure projects

Energy Sector Projects

TEN FPSO Arrives Ghana

In march 2016 the John Evans Atta Mills, Ghana's second floating production, storage and off-loading (**FPSO**) vessel, built for oil production arrived in Ghana TEN development field from its construction base in Singapore

Project Name	Capacity	Status
Atuabo Gas Plant	459mmscf per day	Running
Karpowership	225MW	Running
Ameri	250MW	Running
Asogli Phase II	360MW	Running
Tico Expansion	110MW	Running
VRA T2PP	38MW	Mechanical Completion

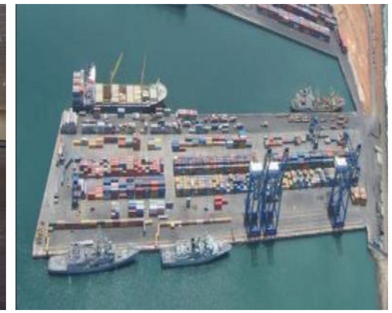
Transport Sector Projects

Rail Infrastructure

Western Line re-construction (Sekondi-Takoradi via Kojokrom) to provide sub-urban passenger rail transport

Sea & Air Ports

- Expansion & refurbishment of Accra, Kumasi and Tamale Airports
- Expansion of Tema & Takoradi harbours
- Oil services Port



Fibre Optic Network

800km optic fibre line which runs through 126 communities along the eastern corridor from Ho to Bawku to Tamale

Roads

Construction of urban and rural roads, highways and bridge networks

Commitment to Reform Agenda

2016 Budget in Summary

With the 2016 budget, fiscal deficit is expected to fall to 5.3% of GDP on the back of continued implementation of Ghana's "home grown" policies and disciplined pursuit of IMF Programme measures

Tax Measures to Further Boost Revenue

- Phase II of revenue modernization initiatives rolled-out in2015
- Increase in excise tax rate and full rollout of the excises stamp project
- Revenue Administrative Bill to be laid in Parliament in 2016
- Joint audit teams to conduct investigations
- Tax and customs systems being integrated
- Full implementation of the Income Tax, 2015 yielding additional revenue equivalent to 0.3% of GDP
- Moving all processes to an electronic platform and accelerating the shift to a functional form of administration in all tax offices
- Implementation of the Electronic Point of Sale project

Tight Expenditure Control and Continuous Monitoring

- Public sector wage negotiations within budgetary constraints
- Continuation of the policy of net freeze on employment in all sectors of the public service (except education and health)
- Progressive implementation of the electronic payroll and accounting systems initiatives (GIFMIS)
- Continue to implement the existing price adjustment mechanism for utility and fuel prices

2016 Budget Key Assumptions:

- Real GDP Growth: 5.3%
- Inflation (end of period): 10.1%
- Oil Benchmark Price: $53.05

	2015 Revised Budget		2016 Budget	
	Ghc million	% GDP	Ghc million	% GDP
Revenues	30,526	22.8	38,038	24.0
Expenditures	37,930	28.3	43,505	27.5
Fiscal Balance	(9,727)	(7.3)	(8,407)	(5.3)
Total Financing	9,727	7.3	8,407	5.3
Domestic	4,978	3.7	5,441	3.4
Foreign	4,749	2.5	3,399	2.1
Other	-	-	(432)	(0.3)

Source: 2016 Budget Statement, Ministry of Finance and Economic Planning

2016 Budget in Numbers

Deficit will fall to 5.3% of GDP on the back of continued implementation of Ghana's home grown policies, new revenue measures and firm expenditure control

Deficit falls to **5.3% of GDP**

Full implementation of the Income Tax Act 2015

25.6% increase in non petroleum tax income

Wages 40.6% of Tax Revenues vs 44.2% in 2015

No increase in subsides in 2016

Ghc mn	2015 Budget	2015 Revised Budget	2016 Budget
Total Revenue & Grants	**32,406**	**30,526**	**38,038**
Taxes on Income and Property	**11,229**	**9,411**	**12,072**
Company Taxes	3,750	3,753	5,501
Company Taxes on Oil	1,652	52	111
Other Direct Taxes	5,826	5,604	6,459
Taxes on Domestic Goods and Services	**9,472**	**9,348**	**11,324**
Excises	2,427	2,303	2,894
VAT	5,749	5,760	6,972
National Health Insurance Levy (NHIL)	1,003	1,003	1,145
Communication Service Tax	293	281	314
International Trade Taxes	**4,706**	**3,275**	**5,473**
Social Contributions	**183**	**183**	**352**
Non-Tax Revenue	**5,267**	**5,214**	**7,210**
Grants	**1,551**	**2,002**	**1,608**

Ghc mn	2015 Budget	2015 Revised Budget	2016 Budget
Total Expenditure	**39,152**	**37,930**	**43,505**
Compensation of Employees	**12,313**	**12,313**	**14,024**
Wages & Salaries	10,286	10,286	11,7723
Social Contributions	2,026	2,026	2,301
Use of Goods and Services	**1,970**	**1,856**	**2,537**
Interest Payments	**9,577**	**9,350**	**10,491**
Domestic	8,034	7,734	8,317
External	1,543	1,616	2,173
Subsidies	**50**	**50**	**50**
Grants to Other Government Units	**7,408**	**7,190**	**9,651**
Social Benefits	**61**	**61**	**75**
Other Expenditure	**816**	**753**	**-**
Capital Expenditure	**6,957**	**6,357**	**6,677**
Overall Balance (Commitment)	**(6,746)**	**(7,404)**	**(8,407)**
(percent of GDP)	(5.0)	(5.5)	(5.3)
Overall Balance (Cash)	**(8,816)**	**(9,727)**	**(8,408)**
(percent of GDP)	(6.5)	(7.3)	(5.3)

Source: 2016 Budget Statement, Ministry of Finance

Policy Initiatives Driving Fiscal Reform Results

Policies are focused on delivering the transformation agenda by addressing economic imbalances, financing development through sustainable debt management and consolidating the transition to middle income status

Tax measures will further boost revenue

- 2016 Tax Policy to focus on measures that will ensure tax compliance rather than introduce new tax handles
- Rationalization of tax system
  - VAT threshold / base-rate
  - Excise objective
- Temporary Measures
  - Financial Services Levy and Import Duty
- Electronic Platforms
  - Tax and Customs modernization, integration and segmentation

Expenditures

- Ongoing Implementation of Treasury Single Account (TSA)
- Ghana Integrated Financial Management Information System (GIFMIS)
- Wage negotiations conducted ahead of budget and net freeze on employment
- Payroll / HRMS
  - System upgrades / E-Systems
  - Introduction of Electronic Payroll Input Forms
  - Interface / Integration (IPPS)
  - Pensions reforms
  - Social intervention

Policy

Revenue

Expenditures

Legislation

Legislation

- Review of all tax laws and drafting of new regulations and practice notes:
  - Income Tax Act
  - VAT
  - Excise
  - Customs

Bills

- PFM Bill (2016)
- Mum-B Bill (2017)
- Regulation (2016/17)
- Bank of Ghana
- Deposit Insurance

Debt Management

- Medium Term Debt Management Strategy approved
- Strict handle on contingent Liabilities
- Refinancing / Buyback
- Escrow / On-Lending
- Moratorium on borrowing and contracts
- Lower deficit to finance
- Interest rate hedge
- Sinking fund to buffer roll-over /maturity risks
- Ghana Infrastructure Investment Fund

Sources: Ministry of Finance

Ghana On-Track with Key IMF Programme Targets

	April 2015 Target	April 2015 Actual	Criteria Met 1st Review	Aug 2015 Revised	Aug 2015 Actual	Criteria Met 2nd Review	Dec 2015 Revised
Quantitative Criteria							
Primary Fiscal Balance *(floor, Cedi mn)*	(544)	46	**Criteria met**	(380)	237	**Criteria met**	(422)
Wage Bill *(ceiling, mn cedi)*	3,413	3,341	**Criteria met**	6,857	6,815	**Criteria met**	10,286
Net International Reserves of BoG *(floor, USD, mn)*[1]	1,042	1,186	**Criteria met**	147	566	**Criteria met**	2,278
Net Domestic Assets of BoG *(ceiling, Cedi mn)*[2]	5,755	5,561	**Criteria met**	8,772	7,846	**Criteria met**	3,410
Net Change in Stock of Arrears *(ceiling, Cedi mn)*	(424)	(565)	**Criteria ceiling raised**	(1,001)	(1,525)	**Criteria met**	(1,561)
Continuous Performance Criteria							
Gross Govt. Financing by BoG *(ceiling, Cedi mn)*	14,614	14,873	***Missed by small margin***	15,814	15,017	**Criteria met**	15,814
New external non-concessional debt *(ceiling, USD mn)*	0	0	**Criteria met & ceiling raised**	1,000	150	**Criteria met**	2,500
Indicative Target							
Program central inflation target *(12mth % change)*	15.4	16.8	**Efforts in progress**	15.0	17.3	**Efforts in Progress**	19.6
Social Protection *(floor, Cedi mn)*	388	252	**Efforts in progress**	-	954	**Criteria Met**	1,294

- ✓ **Following approval of the IMF Programme in Q2 2015, Ghana received USD114.17mn**
- ✓ **Following 3 consecutive successful reviews and the achievement of virtually all targets set, Ghana has now received a total of US$343.7 million in disbursements**
- ✓ **The remaining 6 disbursements for 2016/17 are expected to be made according to schedule; following Ghana's observance of Programme performance criteria and completion of reviews**

- IMF commended Ghana for the broadly satisfactory program implementation so far
- IMF pointed out that the fiscal performance in particular has been encouraging
- IMF welcomed Ghana's medium term debt management strategy
- **Ghanaian Authorities not complacent and now more resolute to see through structural reforms**

Notes: (1) Programme definition excludes foreign currency deposits in Bank of Ghana (BoG)
(2) The programme computes net domestic assets using the exchange rate of GHS3.40: US$1.00
Source: IMF, Shortened list of performance criteria, January 2016

Bi-Partisan Support for 3-Year IMF Programme

The 3-Year ECF IMF Programme enjoys broad support across Ghana's political and academic class

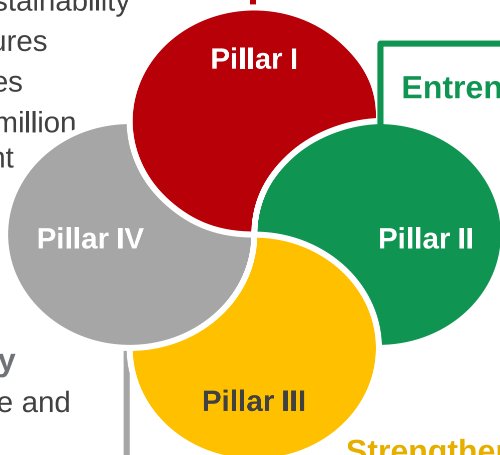
1 Restore debt sustainability and macroeconomic Stability

2 Return to high growth and job creation

3 Protect social spending

IMF Programme Pillars

Frontloaded Fiscal Adjustment
- Restore debt sustainability
- Curtail expenditures
- Mobilize revenues
- Only US$114.8 million disbursed upfront



Entrench Structural Reforms
- Budget transparency
- Payroll control and clean-up
- Right-sizing the civil service
- Improve revenue collection

Preserve Stability
- Protect vulnerable and poor
- Targeted social safety nets

Strengthen Monetary Policy
- Effective inflation targeting framework

"Home-Grown Programme"

Tax Policy and Revenue Administration	▪ VAT rate increased / tax base broadened ▪ Road fund and special import levy ▪ National fiscal stabilization levy ▪ Change in petroleum tax to ad valorem ▪ Environmental tax ▪ Increased withholding tax ▪ Free zone income tax review etc
Public Expenditure Management and Commitment Control	▪ Ghana Integrated Financial Management Information System (GIFMIS) fully in place ▪ New HR management system in progress ▪ Weaning off subvented agencies ▪ Payroll system upgrade and audits ▪ Net freeze on employment in some sectors ▪ Moratorium new projects ▪ Automatic fuel and utility price adjustment
Debt Management	▪ Comprehensive debt management strategy ▪ Plan to move to recovery schemes for commercially viable projects ▪ Emphasis on paying for counterpart funds to fast-track disbursement of existing loans

Ghana is highly committed to the IMF Programme. Most of the measures agreed with IMF have been incorporated into the 2015 and 2016 budget and are already on track to being implemented

Source: Ministry of Finance, IMF

Robust Approach to Addressing Risks

Containing Election Year Pressures

"The bane of our economic management has been the cyclical huge election year budget deficits.

It is an unfavourable narrative to which Ghana has become famous. I have assured the nation and our partners that my administration will exercise strict fiscal discipline even in this election year

In order that we can also transform this negative narrative of our country.."

President J D Mahama
State of the Nation Address, February 25, 2016

Election years were characterized by large expenditures resulting in high fiscal deficit, inflation and unstable exchange rate, among others

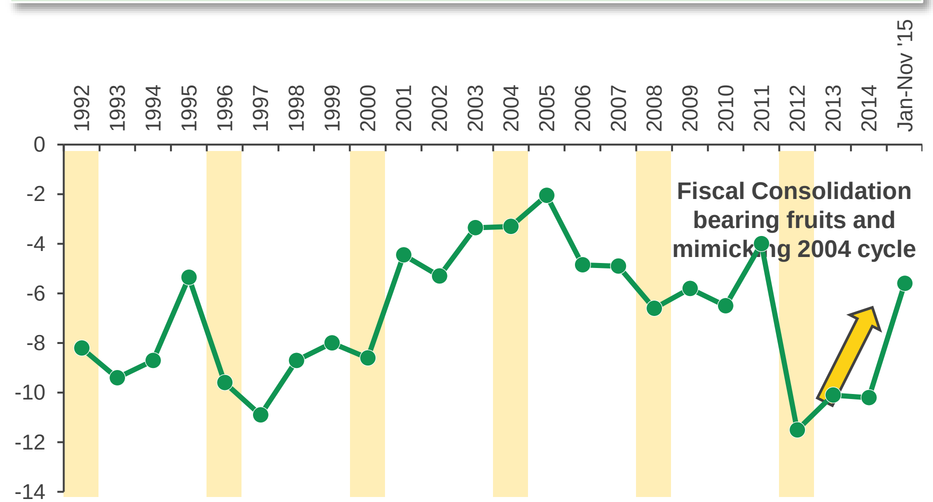
- The effects of election year cycles (1992, 1996, 2000, 2004, 2008, 2012) have been observed as follows:
  - ✗ Fiscal deficit averaging 9.2 % of GDP
  - ✗ End of year inflation averaging 20.2% for the period
  - ✗ Average inflation averaging 23.4% for the period; and
  - ✗ interest rates developments averaging 30.3% for the period.
  - ✗ General macroeconomic imbalances flows into the post-election years arising from payments of outstanding claims

Hard Measures Undertaken to Mitigate Effect of Election Cycle

Government has analysed the situation and prudent measures are being taking to reverse this trend

- ✓ Commitment to automatic utility tariff and petroleum price adjustments; eliminating subsidies
- ✓ For the first time, wage negotiation were concluded before the 2016 budget was finalised
- ✓ Implementation of IMF three-year Extended Credit Facility and related structural reforms, thereby, improving credibility in the budget and providing confidence on prudent execution of the budget
- ✓ Taking hard and unpopular decisions such as energy sector levies, utility tariff adjustment in an election year
- ✓ High level political commitments on containment of election year expenditures

Historical Fiscal Deficit Trend Around Elections



Navigating External Risks

Front-loading of fiscal reforms since 2013 was good preparation and consolidation-to-growth strategy now materializing

Subdued Demand Diminishes Global Growth Outlook

- Global economic developments shows downside risk due to slow down and rebalancing of Economic activity in China and Brazil; lower prices for energy and other commodities, gradual tightening in monetary policy in the United States
- Global growth to inch up to 3.4% in 2016 from 3.1% in 2015
- Growth in Advanced Economies to rise from 1.9% to 2.1% in 2016
- Growth in Emerging Markets and Developing Economies to increase to 4.0%
- Growth in Sub-Saharan Economies to increase to 4.1%
- In contrast, Ghana expected to grow from 4.1% to 5.2%

Containing the Risks to Ghana's Economy

- ✓ Government has shown the highest commitment to maintain fiscal discipline
- ✓ Forecast in the 2016 budget was conservative so as to limit expectations
- ✓ International commodity price has both a plus and a minus. Positive developments for balance of payments position and allows for entrenching elimination of subsidies on the expenditure side. Impact on revenue side is limited as Annual Budget Funding Amount l(ABFA) is effectively ring-fenced to assist in funding targeted adjustments
- ✓ Government is monitoring this over the next few months and take appropriate measures to contain it.
- ✓ The sectoral policies and oil and gas developments to insulate Ghana against lower global growth
- ✓ Possible revision of the 2016 Budget (as with 2015) to accommodate any further shocks to the budget.

Scenario-Based Approach to be Adopted in 2016 Budget Revision to Following Areas

- **GDP Growth Target**
- **Budget Oil Price**
- **Oil Revenues**
- **Non- Oil Revenues**
- **Recurrent Expenditures**
- **Capital Expenditures**
- **Oil Savings Buffer Amount Available for 2016 Use**
- **Fiscal Deficit Target**
- **Budget Financing Requirement**

Refinancing Ghana's 2017 Eurobond Maturity

Ghana is confident that its 2017 Maturity with US$531mn outstanding will be easily refinanced under plausible scenarios

	Market Condition Improve	Market Condition Remains The Same	Market Condition Deteriorate
World Bank Guarantee Not Available	▪ Clean Eurobond at an affordable price	▪ Clean Eurobond at expensive price	▪ Ghana will not issue a clean Eurobond at any price
World Bank Guarantee Available	▪ World Bank backed Eurobond at an affordable price	▪ World Bank backed Eurobond could improve pricing	▪ Ghana will not issue World Bank backed Eurobond at any price
Increase in Oil Fund Savings (Sinking Fund)	▪ Combination of clean Eurobond, oil savings (Sinking Fund) and balance of World Bank backed Eurobond issued in 2015 ▪ *Assumption: oil price increase, lower deficits holds*	▪ Combination of clean Eurobond and alternative funding (DFIs, syndicated loan, bilateral facilities etc) and oil savings (Sinking Fund) / balance of World Bank backed Eurobond issued in 2015 ▪ *Assumption: oil price stay stagnant, lower deficits holds*	▪ Combination of alternative funding (DFIs, syndicated loan, bilateral facilities etc) and oil savings (Sinking Fund) / balance of World Bank backed Eurobond issued in 2015 ▪ *Assumption: oil price decline , deficits deteriorates*

Update on Balance of 2015 US$1bn Eurobond Deployed for Refinancing

Available Balance	• c.257mn

Sinking Fund Balance Update

Q4 2015 Balance	• c.US$100mn
Interest Saving from Refinancing	• c.US$5.1mn
Available Balance	• c.US105mn

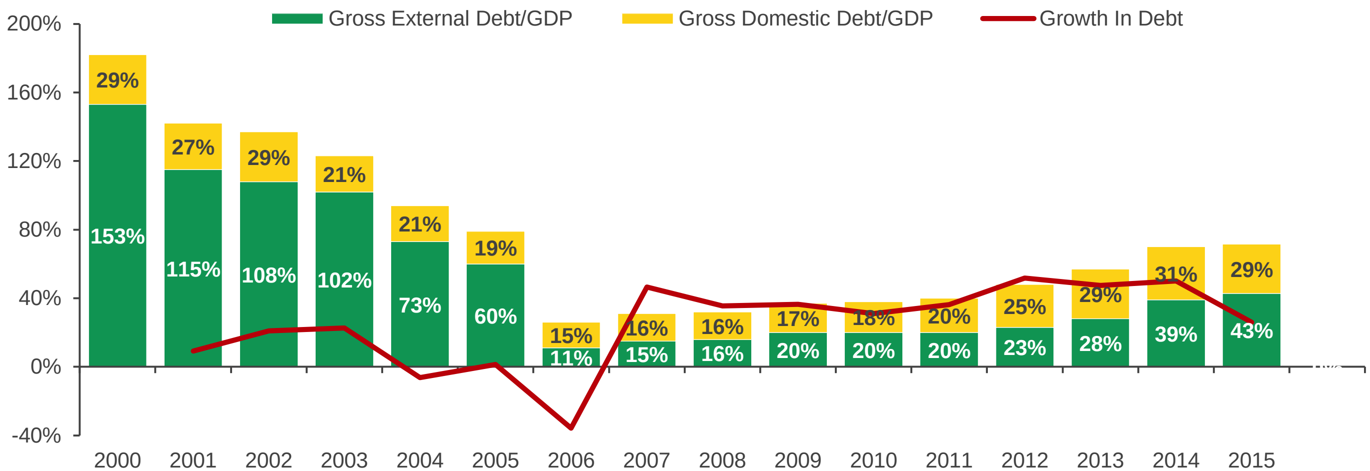
Successful local currency issuances indicate increasing domestic capacity

Bond (GHs)	Amount Auctioned	Amount Oversubscribed	Foreign Participation	Auction Close Rate
Domestic bonds issued after local bond bookrunners were appointed				
5 Year (30-Nov-2015)	400mn	244m	85%	24.00%
5 Year (7-March-2016)	500m	267m	67%	24.75%
3 Year (21-April-2016)	300m	800m	71%	24.50%

Source: Ghana MOF

Sustainable Debt Management Policy Initiatives

From a historic perspective, Ghana's public debt to GDP Ratio tapering in 2015 after 2014 highs yet still below HIPC levels. Public debt growth levels also tapering



Focus of Ghana's International Debt Capital Markets Activities

Refinancing:

- Smoothen maturity profile
- Minimise interest burden
- Minimise roll-over risk

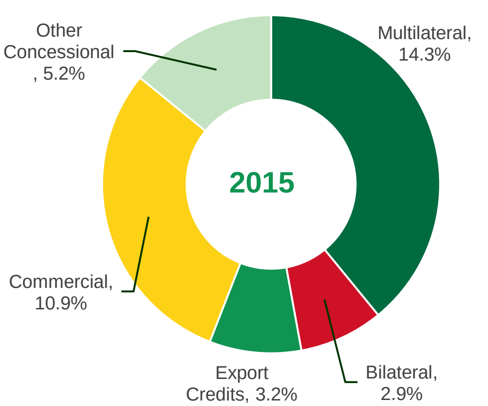
Finance Capital Budget:

- Match long term investments in capital projects with long term financing
- Less reliance of short term domestic debt with introduction of bookbuilding

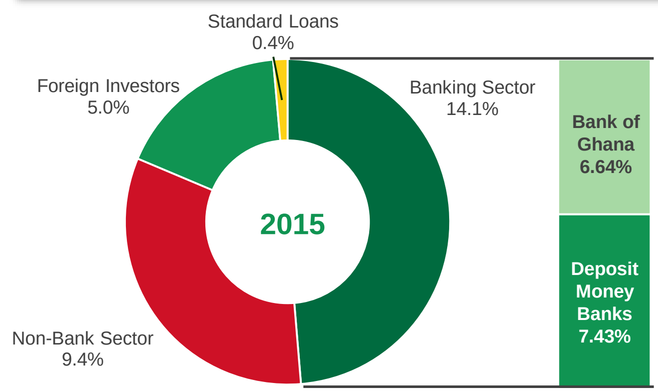
Unlock Counterpart Funds

- Raise funds to meet Ghana's commitment under counterpart funded projects and unlock development partner support

Breakdown of External Debt



Breakdown of Domestic Debt



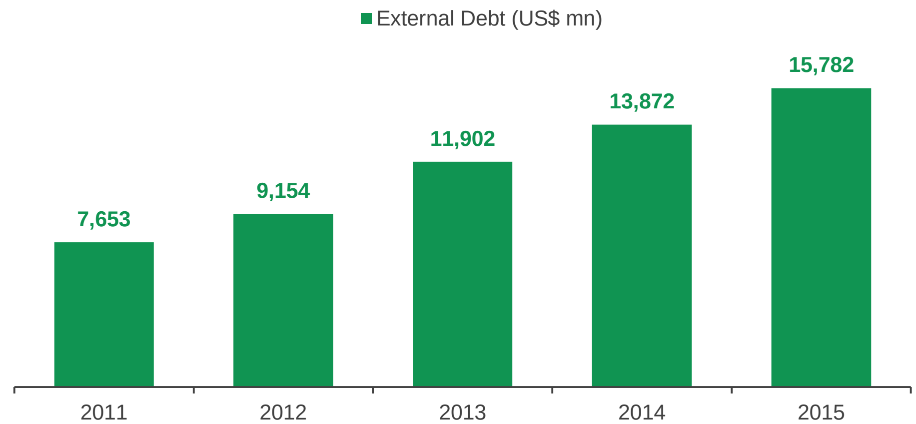
In 2016 the Medium Term Debt Management Strategy (MTDS) 2016-2018 was approved. This strategy seeks to make debt management and financing/refinancing an integral part of the overall macroeconomic policy framework

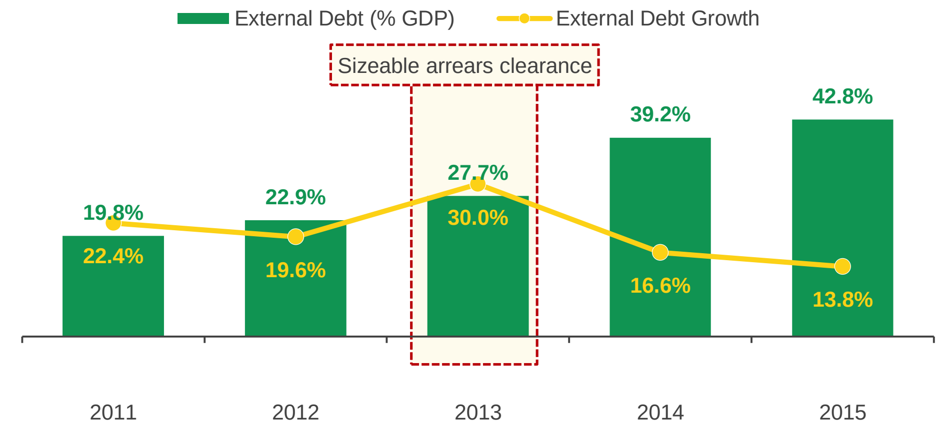
The MDTS sets benchmarks for key risk areas:

- **Foreign Currency Risk:** 65% +/- 5% of external debt to be US$ denominated
- **Interest Rate Risk:** Floating rate debt not to exceed 20-25% and hedging to lock-in lower rates
- **Re-Financing Risk:** Short-term and maturing debt to remain below 25% and Average Time to Maturity to be not less than 6.5 years

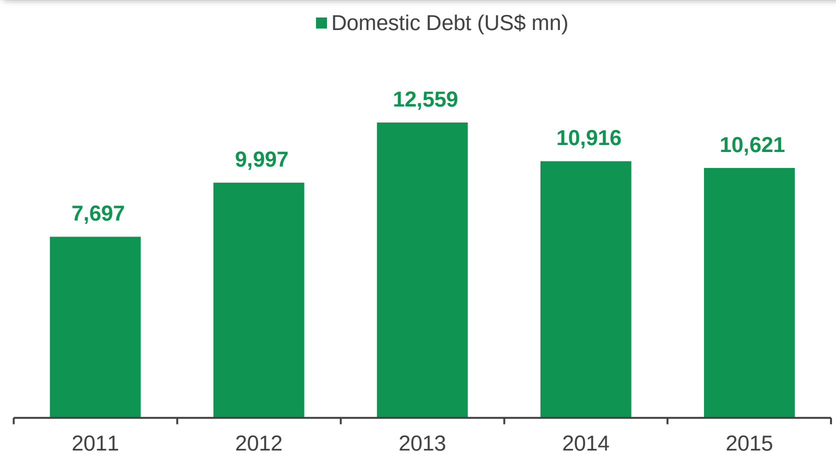
Deceleration in Pace of Growth of Ghana's Debt

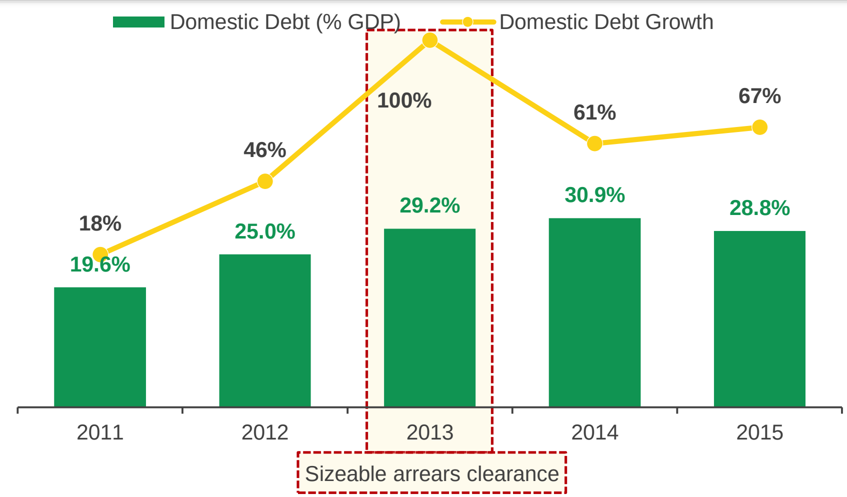
Significant slowdown in growth pace of external debt from high of 30% in 2013 to under 10% in 2015





Deceleration of growth pace of domestic debt set to be more impressive as US$1 billion of domestic debt buy-backs are fully implemented with Ghana 2030s Eurobond maturity proceeds



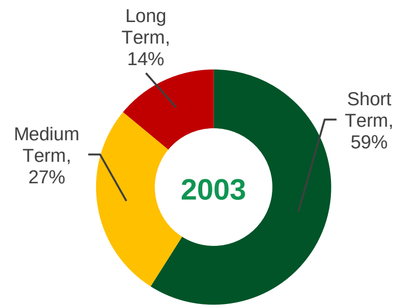


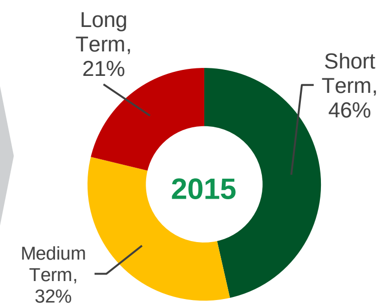
Clear Strategy to Assure Debt Repayment

Ghana has demonstrated clear commitment to honoring its obligations to investors

- Ghana considers debt repayment as a statutory obligation, as such, repayments of debt ranks ahead of most other expenditure items
- Debt Sinking Fund established and backed by legislation
- Medium term debt management strategy approved
- Efforts underway to extend and smoothen Ghana's debt maturity profile, to avoid refinancing risks, and diversify sources of funding

Efforts to Extend Maturity Profile Yielding Result (book building domestic term bonds and Eurobonds)





Source: Ministry of Finance
The External Debt from 2012 has been reclassified to reflect the facility type per creditor
FX rate used for debt calculation: US$:GHc 3.89

Debt Sinking Fund Established

- ✓ Changing from "bullet" to amortizing repayments
- ✓ Hedge against forex movements with annual US$ based oil repayment revenue flows
- ✓ In 2014, US$100mn transferred from excess over cap on Ghana Stabilization Fund
- ✓ The Sinking Fund will be continuously furnished from future oil revenue savings

Sound Assumptions Backed Viability of the Debt Sinking Fund at Set-Up

Amount in Sinking Fund	**US$ 100mn**
Oil price assumption	**US$57 per barrel**
Oil production	**103,000 bbls a day**
Gas production	**459mmscf gas / day**

Efforts underway to extend and smoothen Ghana's debt maturity profile

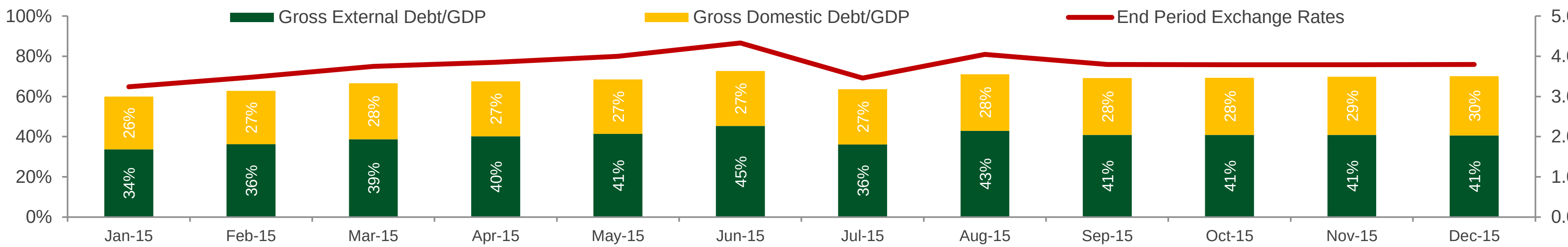
- ✓ Proactive efforts to refinance external and domestic debt to extend tenors and reduce debt service costs
- ✓ Deepening the domestic markets by (a) adopting bookbuilding approach, (b) opening up 2-year bonds to non-residents investors, (c) reinvigorating the primary dealer process and (d) revamping pensions act
- ✓ Short term bills to be used only for liquidity management and repayable immediately from the annual revenue flows

Financing for Development

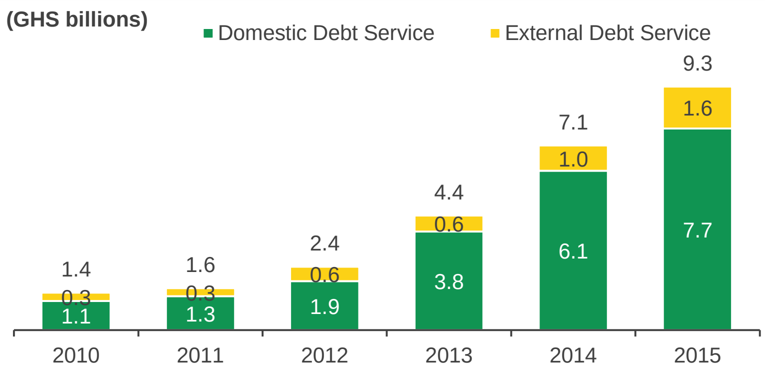
- ✓ Long-term debt to finance CAPEX by extending the domestic debt yield curve (through bookbuilding approach and pension act reforms) and selective use of Eurobond markets
- ✓ Utilize concessional loans and grants to finance social infrastructure
- ✓ Establishment of escrow / debt service accounts and special levies to assure repayment for on-lent facilities to SOEs
- ✓ Sovereign wealth fund (SWF) to leverage oil and gas revenue to access markets
- ✓ Ghana Infrastructure Investment Fund (GIIF) Act passed in 2014 to enhance SWF
- ✓ Shift from vanilla guarantees to project / insurance structures; reducing fiscal risks
- ✓ Use of alternative risk management strategies such as hedging

Clear Strategy to Assure Debt Repayment (cont'd)

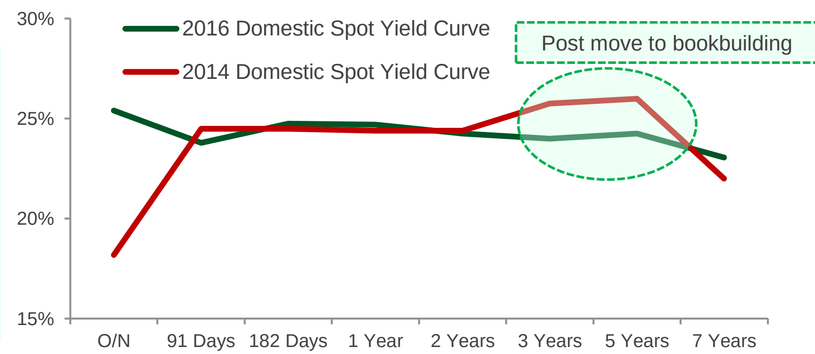
Currency volatility impacts on published debt metrics without considering mitigating factors



Efforts underway to curtail interest expense by reducing and/or limiting high cost domestic borrowing

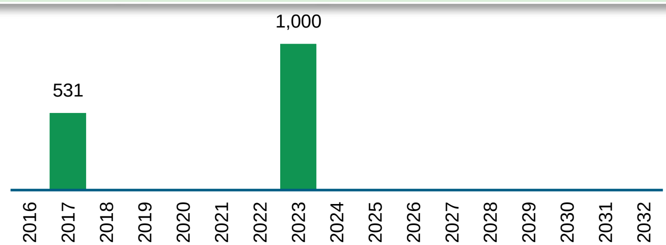


15-Year tenor, US$ 1 Billion World Back Partially Guaranteed Back-End Amortising Eurobond Issued in Q4 2015 to refinance high-cost, short-term debt

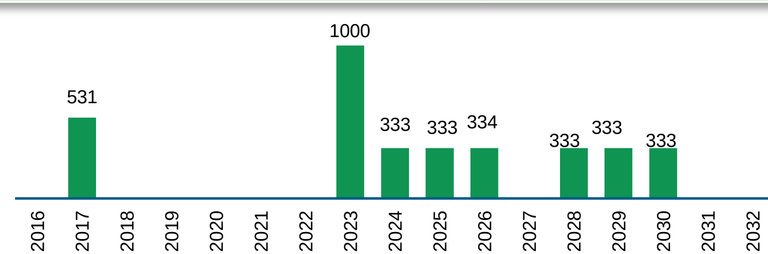


Eurobond maturity profile being smoothened and extending further than Sub-Saharan African Peers (ex- South Africa)

Ghana's Eurobond Maturity Profile as at end 2013



Ghana's Eurobond Maturity Profile as at end 2015



Plugging the Power Deficit Presents Opportunities for Ghana to Export Electrical Power to Neighbours

- **Power supply disruptions, which negatively impacted economic output, occurred due to (i) damage to the West African Gas Pipeline (WAGP), (ii) seasonal drop of water at dams, and (iii) increased demand as electricity access improved**
- **In 2015, Ghana successfully implemented a series of short-term and longer horizon projects which effectively addressed power shortfalls and now contributing to realization of Ghana's growth potential**

Supported by World Bank, AfDB, USA and independent power producers , Ghana is pursuing a programme of liberalising the energy sector, which includes:

- ✓ Institutional reforms
- ✓ Getting energy SOEs more commercially oriented and financially self-sustaining
- ✓ New independent power projects

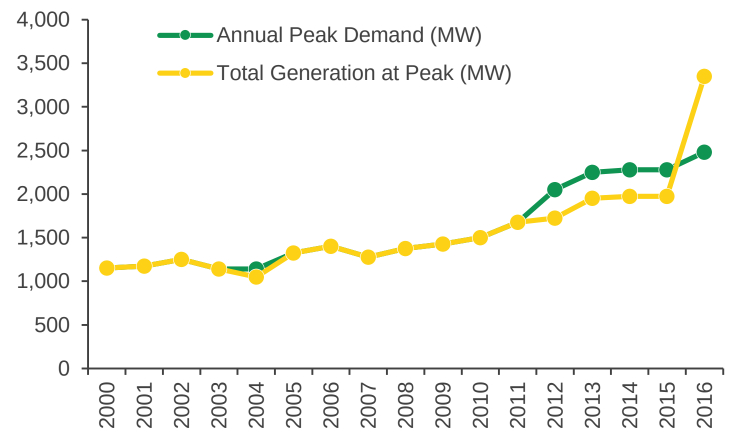
78% of Ghana's population already connected to the national power grid

459 mmscf of Domestic Gas with 100mmscf Daily Delivery to Power Plants

3500 MW of Power Generated with **40%** Excess Capacity

Short-to-medium term measures expected to add over 3000 MW of electric power to national grid by 2018

Select Projects	Expected Completion	Plant Capacity
Kpone Thermal Power	Complete	220MW
Tico Expansion	Complete	110MW
Karpowership	Complete	225MW
Ameri	Complete	250MW
Asogli Phase II	Complete	360MW
Tico Expansion	Complete	110MW
VRA T2PP	Mechanical Completion	38MW
CenPower	Before end of 2018	350MW
Jacobsen	Before end of 2018	360MW
Amandi	Before end of 2018	240MW



Energy Levies - Ensuring Financial Viability of Ghana's Energy SOEs

- The SOEs in the energy sector have faced financial challenges that have affected their viability
- This necessitated the introduction of the energy sector levies – which goes directly into Ministry of Finance's account- the game changer for financial sustainability for the sector
- Revenues for all energy sector SOEs to be centrally collected by PURC with debt repayments prioritized
- The sustainable financing will improve energy production and supply, thereby, promoting growth and protect jobs
  - The levies imposed are intended to be temporary
  - Government recently reduced electricity tariffs for lifeline consumers and other vulnerable groups to cushion them
  - Utility and fuel subsidies eliminated

Ghana’s Bright Prospects

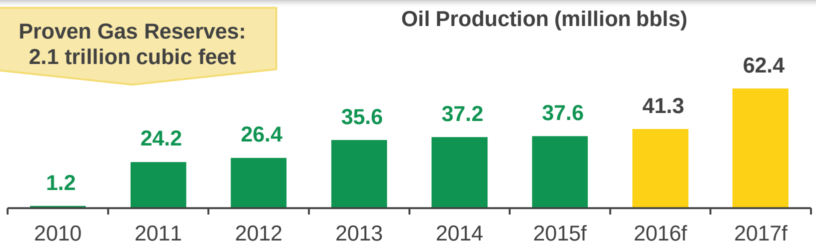
Ghana's Hydrocarbon Sector Takes-Off

Mindful of experience of peers, a solid framework in-place to manage Ghana's hydrocarbon sector

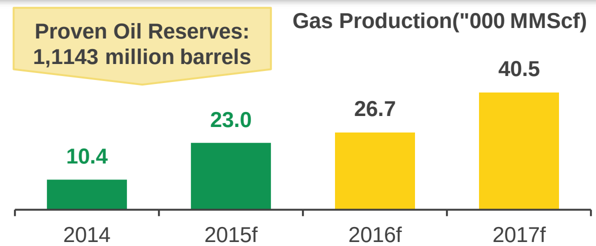
Ministries of Petroleum and Power	Petroleum Commission	GNPC + GNGC	VRA + GridCo + ECG
Formulate, implement, monitor and evaluates energy sector policies	Regulate, manage and coordinate activities in the upstream petroleum sector	Exploration, production, and trading of oil and gas	Upstream gas offtaker, power generation, transmission and distribution

Ghana's hydrocarbon sector continues to attract investments with growing reserves position

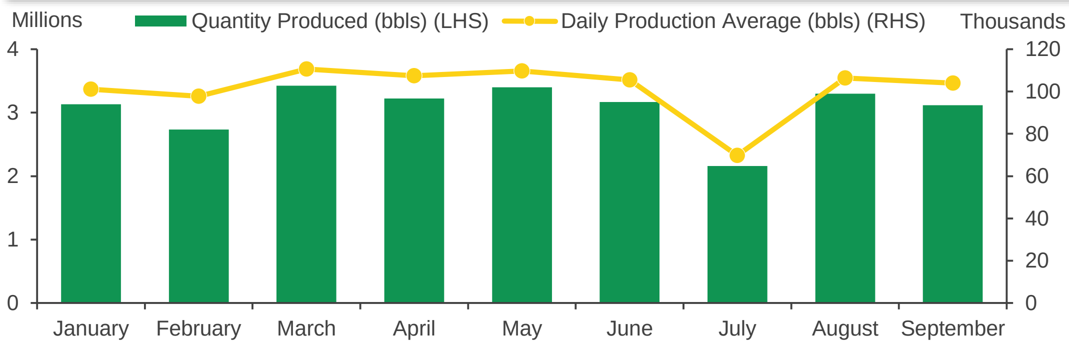
Proven Gas Reserves: 2.1 trillion cubic feet



Proven Oil Reserves: 1,1143 million barrels



Average Production of over 100,000 bpd in 2015



Numerous Positive Developments

- ✓ Amendments to the Petroleum Revenue Management Act have improved flexibility of oil price benchmarking for the budget while also firming up the distribution formula for receipts
- ✓ Preliminary ruling on of the International Tribunal on the disputed area of the Ghana- Cote D'Ivoire border placed a moratorium on drilling of new wells in the disputed area, but enabled work to continue on ongoing wells; supporting expectations that TEN will start production on schedule in Q4 2016. A final ruling is expected in 2017
- ✓ As at end Sept 2015, the TEN project was 74% complete
- ✓ Conclusion of key agreements to facilitate the coming on-stream of Sankofa Gye Nyame with project development activities in 2015
  - c.US$700mn World Bank guarantee facilitating c.US$7.9bn private investments
- ✓ GNPC commissioned phase-1 of the Western Corridor Gas Infrastructure Project in 2015
- ✓ During 2015, 15,789 MMscf of raw gas was processed at the Atuabo Gas Plant and transported to the VRA for electricity generation at Aboadze Power Plant

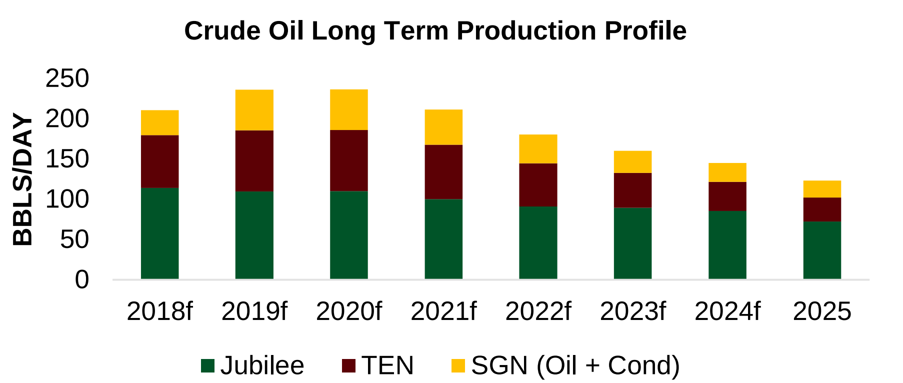
Source: Ministry of Petroleum, Ministry of Power | GNPC- Ghana National Petroleum Corporation, GNGC- Ghana National Gas Corporation, VRA- Volta River Authority, GridCo- Grid Company of Ghana, ECG- Electricity Distribution Company

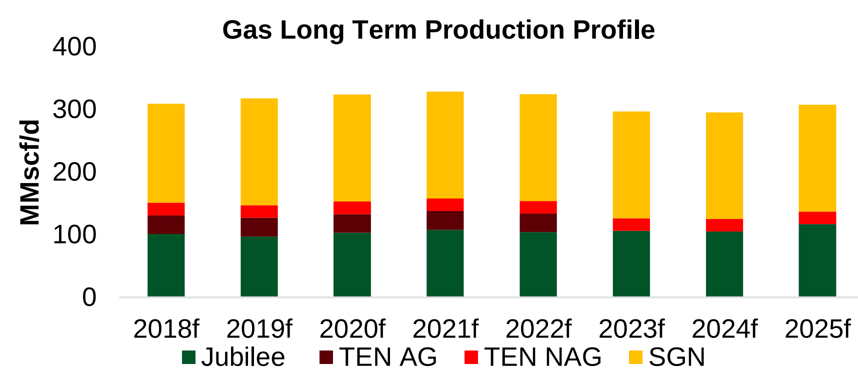
Gas-to-Power and Value-Added Hydrocarbon Exports Boosts Ghana's Long-Term Prospects

Despite a muted global backdrop, Ghana's energy and power sectors are expected to make continued progress and attract investments

- A forward looking approach to the power industry puts in motion initiatives that will see Ghana become an efficient producer over the next decade
- In the long term, oil production will peak at 236,290 bopd
- Associated gas production is expected to average 323.7mmscf/d in the long term
- Ghana expects to become a net exporter of electrical power, crude oil and petrochemicals in the medium-to-long term
- This export-led strategy will act as a positive catalyst to Ghana's economic prospects in coming years.

Robust long term hydrocarbon production profile a positive boost to Ghana's economic prospects





Source: GNPC

Clear and effective energy and power strategy that encompasses both domestic consumption and value-added exports

Upstream	Midstream	Downstream
Jubillee, TEN & Sankofa Fields	Industrialisation-to-Power Output -> Exports	
FPSOs Nkrumah (2010/11) FPSO Mills (2016/17) Unnamed FPSO (2017/18)	Distribution Generation	Petro-chemicals Agriculture industry inputs

Continued Development Partner Support

The IMF Programme extending into 2017 provides some level of certainty to Ghana's commitment to reforms and encourages disbursements from development partners

IMF	• **2015:** \$918m 3-yr ECF • IMF funding and policy support opens-up donor and grant access to Ghana again

World Bank	• **2014:** >US\$200m credit
	• **2015:**
	  • \$150m credit
	  • \$400m guarantee supports external borrowing; US\$700m Sankofa Gas guarantees

European Union	• **2015:** US\$181m donor budget support
AfDB	• **2015:** US\$ 50m donor budget support
United States	• **2014:** US\$498.2m compact support for Ghana's power sector
China	• **2011:** US\$3b infrastructure development facility

"The donor support has been unlocked since the approval of the Fund's program….. Additional disbursements from bilateral donors during the remainder of the year will bring total program financing to close to US\$ 500 million, as expected"

…

IMF Country Report, September 2015

- ✓ Ghana strategically positions its foreign relations policy to enhance economic growth and stability
- ✓ The country enjoys immense goodwill globally and in the West Africa region
- ✓ Multilateral and bilateral donors stand ready to continue supporting Ghana beyond 2015- following 2013 reforms

Global Support Enhances Pace of Ghana's Turnaround

Coordinated Policy & Funding Interventions:

- The Multi-Donor Budget Support (MDBS) process, is one by which Ghana and its Development Partners agree funding tied to a pre-agreed set of objectives, reforms and indicators

Foreign Direct Investments (FDI) Encouraged:

- Impressive and consistent FDI flows supported by multilateral involvement in Ghana
  - FDI flows stabilizes Ghana's volatile foreign reserves and by extension its currency
  - FDI creates jobs and revenue generating projects, strengthening Ghana's fiscal position
  - FDI funded projects reduce Ghana's dependence on imports, improving trade balance

Source: Ghana MOF, IMF, World Bank

Ghana’s Credit Highlights

Firm Commitment to Fiscal Consolidation

Resilient and Inclusive Economic Growth

Sound Debt Management Strategy Yielding Results

An Emerging Energy Powerhouse with Bright Economic Prospects

Broadbased Multilateral & Development Partner Support Encouraging Investments

High Institutional Strengths and Well-Established Democratic Culture

Thank You