Republic of Ghana

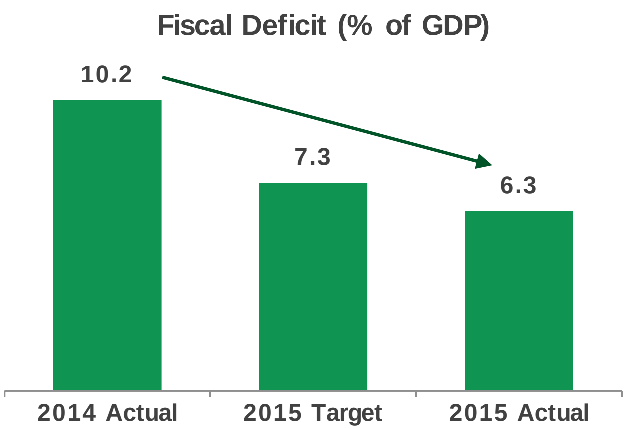
Ministry of Finance

Consolidating The Turnaround Story

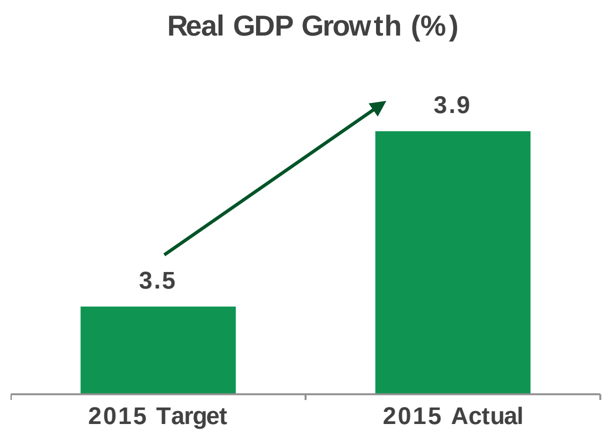
August 2016

Highlights of 2015 Impressive Macroeconomic Performance

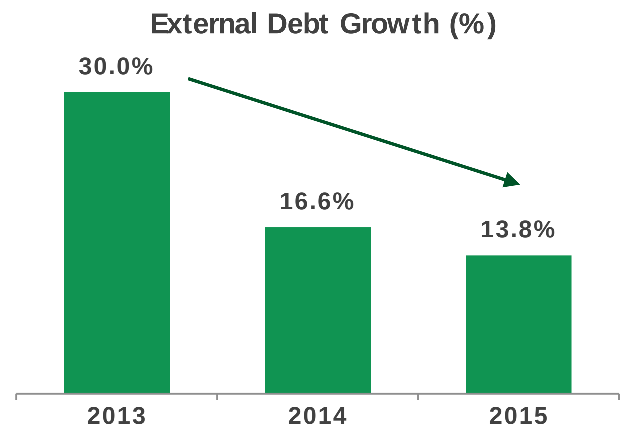
Significant Fiscal Deficit Reduction



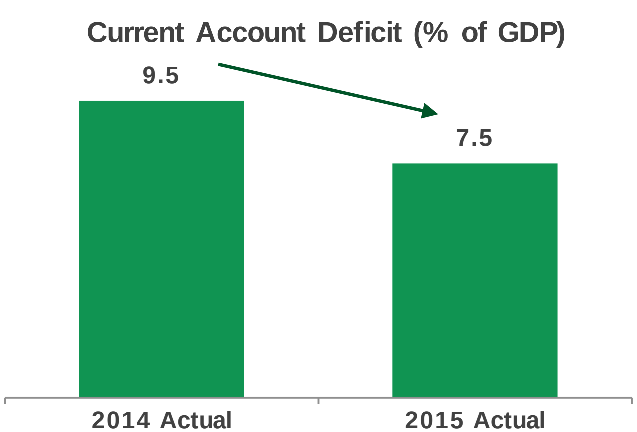
Growth Outperformance



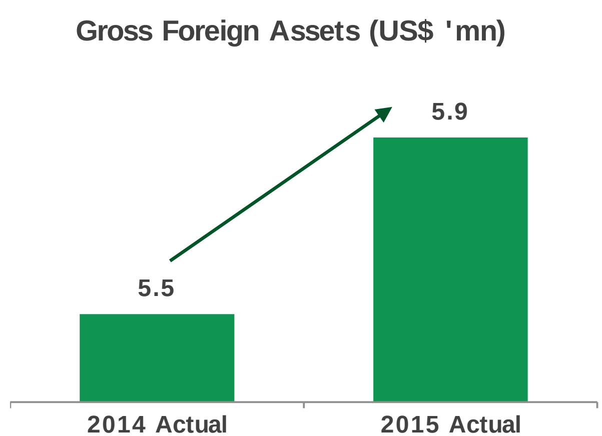
Slowdown in Pace of Debt Growth



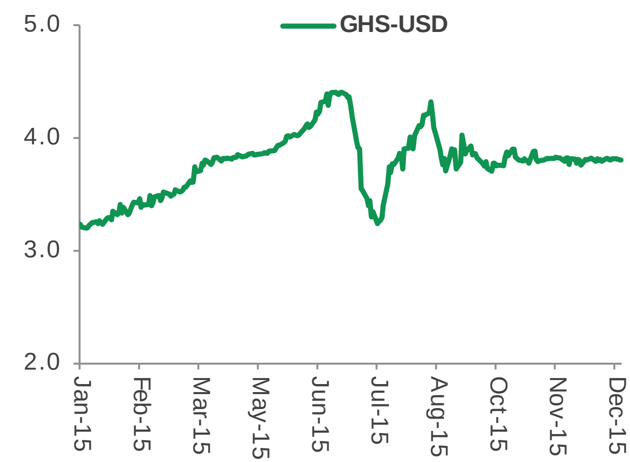
Improvement in Current Account



Increase in Gross Foreign Assets



Currency More Stable



Source: Ministry of Finance, Bloomberg ; 2015 targets refer to 2015 revised budget targets

Turnaround Achieved Despite Transition Setbacks

Overview and Recent History

Territory & Capital	238,537 sq. Km; Accra
Population (2013)	27 million
Nominal GDP (US$ bn 2015)	37.053
Real GDP Growth (2015)	3.9%
GDP Per Capita (US$, 2015)	1,339
Sovereign Credit Ratings	Moody's: B3 / Fitch: B / S&P: B-
Currency	Ghanaian Cedi (GHS)
Average Exchange Rate	GHS:USD: 3.85 (through June 30, 2016)
System of Government	Multi-party democracy since 1992 Next elections scheduled for November 2016
Borders	Côte D'Ivoire, Togo, Burkina Faso

2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | H1 2016

- 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

- 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 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

- 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

- 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

- Ghana signs 3-Year US$ 918mn IMF Programme with two (2) positive reviews
- Improving twin deficits position
- $1bn back-end amortized bond with $400mn IDA guarantee
- Navigated Oil price crash
- Growth maintained

- Positive IMF Staff press release on third Programme Review and submission to IMF Board expected in Q3 2016
- Debt metrics improve
- Proactive refinancing of 2017s and navigation of election year risks

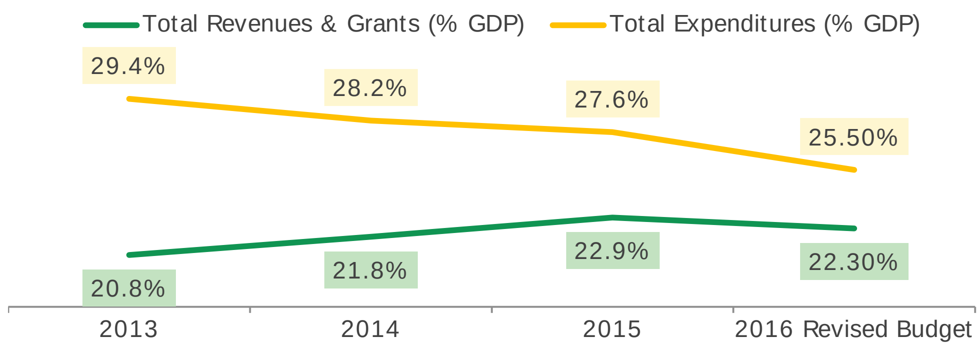
Source: Ministry of Finance, Ghana Statistical Service

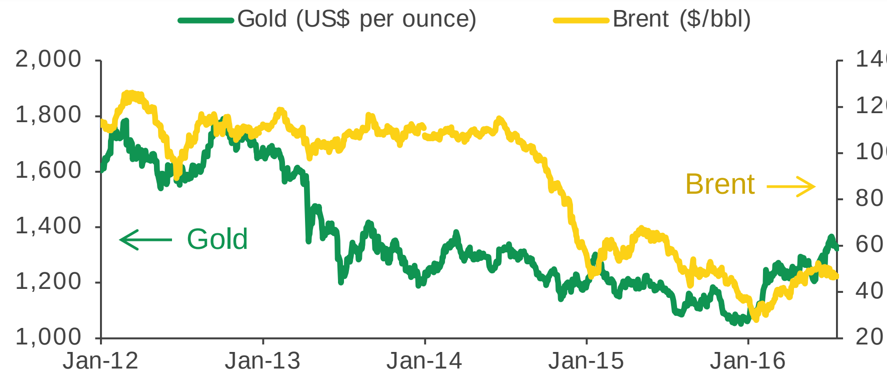
Turnaround Key Indicators

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 Initial Target	2016 Revised Target	H1 2016 Prov.
Real GDP Growth (%)	9.3	7.3	4.0	3.9	5.4	4.1	4.9*
Yearly Inflation (%)	8.8	13.5	17.0	17.7	10.1	10.1	18.4
Fiscal Deficit (% GDP)	(11.5)	(10.1)	(10.2)	(6.3)	(5.3)	(5.0)	(2.5)*
Primary Balance (% GDP)	(8.2)	(5.4)	(3.9)	(0.2)	1.3	1.2	(0.1)
Wages & Salaries (% of Tax Revenue)	53.3	57.6	49.1	43.7	40.6	40.2	49.0
Wage Arrears Clearance (% of GDP)	2.5	1.1	0.5	0.6	0	0	0
Gross Public Debt (% GDP)	47.9	55.9	70.2	71.6	-	-	63.07
Interest Rate (91 Day T-Bill period end, %)	23.1	18.8	25.8	24.5	-	-	22.8
Current Account Balance (% GDP)	(11.8)	(11.7)	(9.5)	(7.5)	(7.4)	-	(3.0)*
Gross Foreign Assets (US$ billion)	5.4	5.6	5.5	5.9	-	-	5.2
Gross Foreign Assets (Months of Import Cover)		2.9	3.8	3.5	3.0	3.0	2.8

Ghana's turnaround achieved despite external headwinds including price underperformance of key exports





Source: Ministry of Finance, Bloomberg

Note: *H1 2016 Real GDP Growth refers to Q1 2016 only, Fiscal and Current Account Deficits refers to first 5 months of 2016 only, also note that inflation in July further decline to 16.7%, which is the lowest level since March 2015 that registered 16.6%

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

Debt Managment

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 and Bookbuilding of Domestic Debt
- Escrow / On-Lending
- Moratorium on borrowing and contracts
- Lower deficit to finance and Zero BoG financing policy
- Interest rate hedge
- Sinking fund inflows enhanced to buffer roll-over/maturity risks
- Ghana Infrastructure Investment Fund

Source: Ministry of Finance

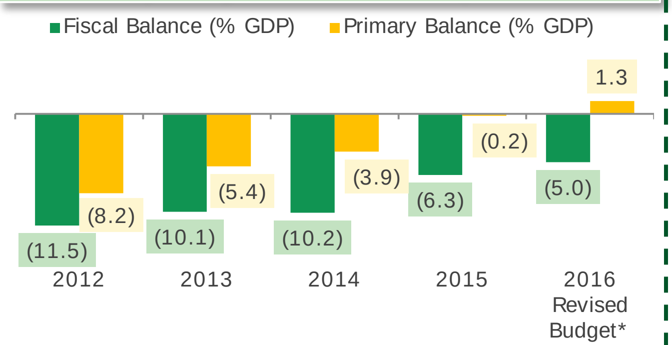
Impressive 2015 Fiscal Operations Outturns Hard Won

Reforms such as programme-based-budgeting and monthly budget performance monitoring leads to lower deviations

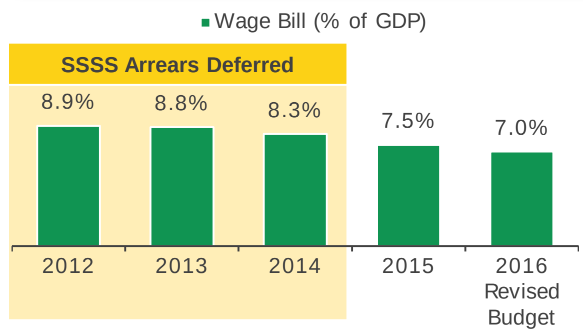
Source: Ministry of Finance, Government of Ghana, Ghana Statistical Services

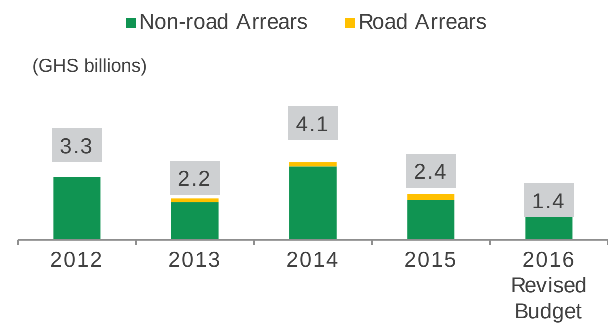
	2012 Deviations		2013 Deviations		2014 Deviations		2015 Deviations	
	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]	GHS mn	% of GDP[1]
Revenues								
Tax Revenues	78.9	0.10	(2,783.1)	(2.98)	(558.8)	(0.49)	1,013.00	0.72
Taxes on Income and Property	(338.2)	(0.45)	(1,523.3)	(1.63)	(673.1)	(0.59)	(704.30)	(0.50)
Taxes on Domestic Goods & Services	8.9	0.01	(743.2)	(0.80)	(44.0)	(0.04)	578.40	0.41
International Trade Taxes	645.1	0.86	(516.7)	(0.55)	158.4	0.14	1,138.90	0.81
Non Tax revenue	180.4	0.24	245.5	(0.26)	(401.5)	(0.35)	(292.60)	(0.21)
Grants	(389.4)	(0.52)	(519.1)	(0.56)	(576.7)	(0.51)	687.00	0.49
Expenditures								
Wages and Salaries	1,028.0	1.36	777.6	0.83	229.7	0.20	269.40	0.19
Wage Arrears	881.0	1.2	922.6	1.0	5.5	0.0	434.67	0.31
Interest Payments	245.0	0.33	1,202.6	1.29	(803.8)	(0.71)	(274.50)	(0.20)
Utility and Fuel Subsidies	339.0	0.45	135.9	0.15	(145.1)	(0.13)	(25.00)	(0.02)
Goods & Services	354.6	0.47	(293.3)	(0.31)	691.6	0.61	(468.20)	(0.33)
Capital Expenditures	(1,001.0)	(1.33)	914.9	0.98	1,511.8	1.33	776.60	0.55

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



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





Source: Ministry of Finance; (1) Deviations are measured versus budget

Robust Approach to Addressing Risks

Addressing Emerging Risks: Summary Progress Report

	Risk	Policy Action Taken	Progress Update
1	**Oil Production Disruption Due to Technical Issues at Jubilee Field**	• World-class technical partners fixing the technical issues • Work being done in phases so production can continue at reasonable levels • TEN Field coming on stream in Q3 2016 to balance production levels • Sankofa to start production 2017/18	✓ Two field production, storage and off-loading vessels ("FPSOs") and two oil production fields in place in 2016 versus only one in 2015 ✓ Average daily production from Jubilee so far in 2016 still around 74,000bbls/day ✓ Normal oil production levels from Jubilee expected by early 2017
2	**Electrical Power Supply Disruptions**	• Short-term (emergency) and longer horizon power projects implemented • Energy mix adjusted to reduce reliance on water levels at Dams • Domestic gas production to mitigate supplier risk • Adjust tariffs to market rates to make industry attractive and improve recovery levels	✓ Generation capacity increase and dependable power versus peak demand doubled ✓ Thermal capacity built-up to replace unreliable hydro ▪ Hydro contribution reduced from 58% to 27% to mitigate reduced Dam water levels ✓ Gas now being produced in-country at Atuabo Gas Plant ✓ 82%+ of Ghana's population connected to grid ✓ 59% increase in tariffs with subsidies eliminated
3	**Government and SOE Debt Levels**	• Revamped Medium Term Debt Management Strategy ('MTDS") in-place and agreed with IMF • Continued focus on fiscal consolidation and expenditure control • Stricter oversight of SOEs, subsidies eliminated, centralized revenue and special levies collection with SOE debt repayment prioritized • Actively working with banking community to restructure and repay SOE debt in a timely fashion to avoid contagion or systemic risks	✓ Fiscal deficit significantly lowered with near positive primary balance so new borrowing requirement lower and pace of debt growth drastically slowed alongside focus on debt repayments ✓ Most borrowing activity now targeted at refinancing to elongate tenor and reduce cost ✓ Demonstrated track record in the Eurobond market with ability to manage liabilities and smoothen the repayment profile ✓ Sinking fund set up to set-aside USD income for debt redemption ✓ Funds being collected from the special energy levies and will be used to repay SOE debt. Furthermore, an agreement in principle has been reached with banks to restructure SOE debt ✓ Efforts underway to increase tax revenues and the domestic debt market is being deepened with focus on debt sustainability

Source: Ministry of Finance, Ministry of Power and Petroleum

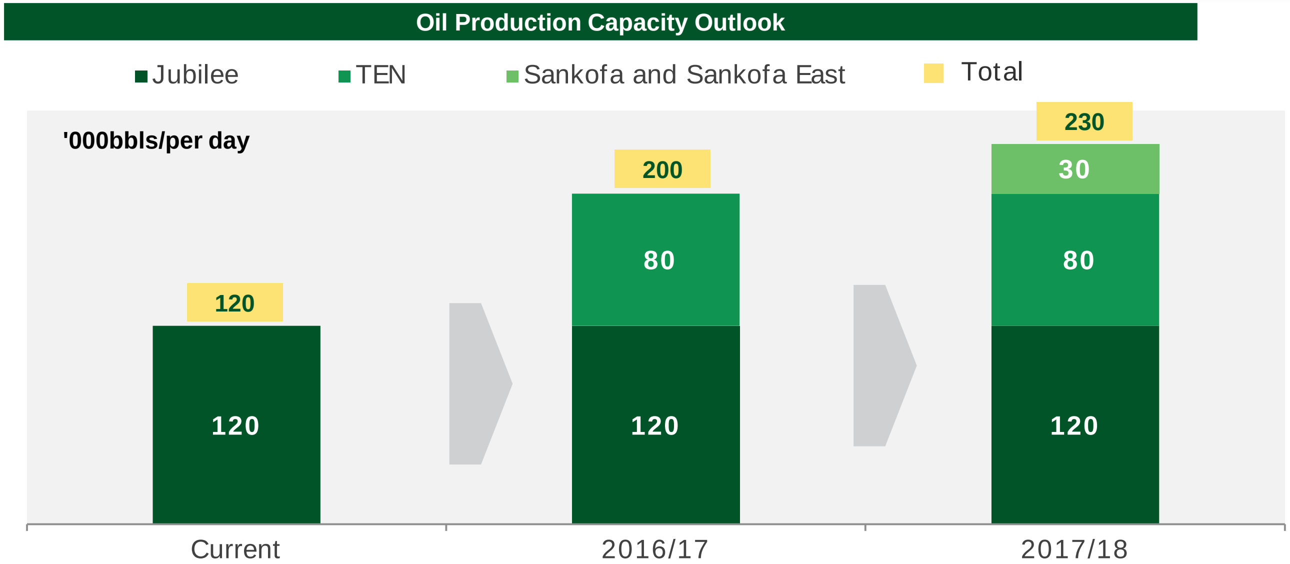
Addressing Emerging Risks: Summary Progress Report

Risk		Action Taken	Progress Update
4	**Election Related Event Risks and Overspending** 	• IMF Programme extends beyond election • High level political commitment to fiscal prudence with hard choices such as wage bill caps, tariff increases and subsidy elimination implemented • Opposition party leaders also have sound relationship with IMF from previous stints in government • Peaceful and orderly transfer of democratic power since 1992 • Well established handover and budgeting process in election years	✓ Election related spend captured in budget ✓ Strong policy framework underpins all reforms ✓ Broad based political consensus reached before implementation of policy decisions ✓ Tight controls and elimination of non-budgeted expenditures ✓ Supreme court peacefully resolved presidential election result dispute during last poll ✓ Clear handover process with Minister of Finance being the first appointment made after President is sworn-in. A supplementary appropriation bill will be used until the budget is presented before parliament before end of Q1-2017
5	**Growth and Government Earnings** 	• Clear and focused policy action to drive inclusive growth and to mitigate adverse impact of frontloaded fiscal consolidation • Far reaching reforms with supporting laws being enacted and implemented • Promoting behavioural changes to ensure progress is not reversed • Plug leakages and improve revenue collection	✓ Economic growth and fiscal deficit reduction targets exceeded in 2015 and Q1 2016 growth much higher than Q1 2015 ✓ Working with multilateral development partner and private sector to encourage industry especially in mid-stream and downstream Oil & Gas ✓ Widening tax base and enhancing collections ✓ Safety nets under IMF Programme boosting job creation and income among disadvantaged
6	**Macro Performance** 	• Strengthen external buffers and reduce effect of seasonality pressures on reserves • Reduce hydrocarbon import bill with domestic gas production for electricity generation • Eliminate fiscal dominance of monetary policy and restore the effectiveness of the inflation targeting framework • Strengthened public financial management	✓ Bank of Ghana ("BOG") already implementing zero government financing policy ✓ Treasury Single Account already implemented ✓ Policy actions to tackle inflation, currency depreciation and hydrocarbon imports yielding results ✓ Jubilee already producing gas and Sankofa expected to be the big "game changer" with its significant gas reserves ✓ Public Financial Management Act and BOG Act presented to Parliament

Source: Ministry of Finance, Ministry of Power and Petroleum

Oil & Gas as a Source of Additional Export Earnings

Hydrocarbons shows promising signs of being the export earning multiplier and reducing dependence on hydrocarbon imports for electrical power generation



2016*- Production target has been missed due to technical issues

Navigating the low oil price regime

▶ Ghana's 2016 Oil Budget Price	$53
▶ 2016 Revised Oil Budget Price*	$45.35
▶ Current WTI Oil Price	$40

- Hydrocarbon production capacity should not be interpreted as actual production forecast. For example, Ghana missed oil production targets in 2011 and 2012 but exceeded oil production targets in 2013, 2014 and 2015
- In 2016, daily oil production has averaged 74,000bbls/day due to technical issues (being addressed) at Jubilee FPSO

Status of field production, storage and off-loading vessels ("FPSOs")

Jubilee FPSO- K. Nkrumah

- ✓ In place since 2010
- ✓ Recent technical issues under control and being fully addressed by world-class team
- ✓ Normal production expected by early 2017

TEN FPSO- J.E.A. Mills

- ✓ Arrived Ghana in April 2016 from its construction base in Singapore
- ✓ Expected to produce 23,000 bbls per day from August 2016 with capacity of 80,000 bbls/day

Sankofa FPSO

Currently under construction

Opportunity to industrialize and add-value mid and down stream

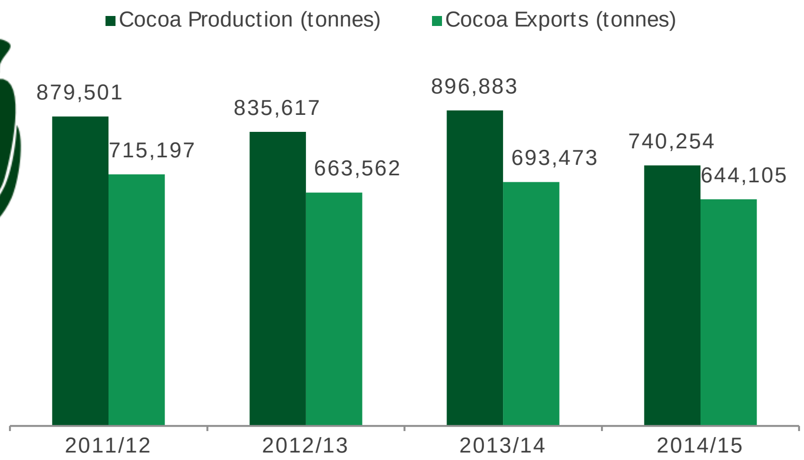
Opportunity to partner with private sector to add value to natural resource exports and reduce imports on:

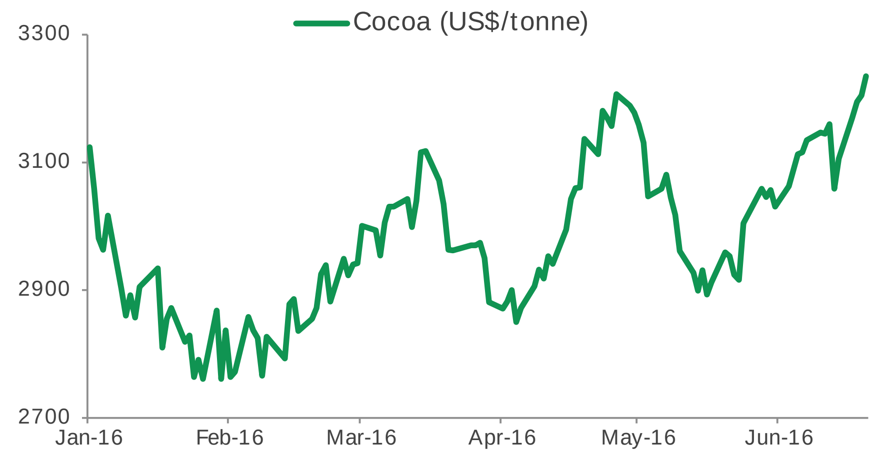
- ✓ Fertilizer and other agriculture inputs
- ✓ Petrochemicals
- ✓ Industry Inputs
- ✓ Power generation
- ✓ Oil services

Source: Ministry of Finance, Bloomberg, 2016 Energy (Supply and Demand) Outlook for Ghana report published by the Ghana Energy Commission in April 2016

Promising Times for Cocoa

Ghana is the world's 2nd largest producer of Cocoa and has maintained good production and export output levels despite challenging weather conditions. Ghana is well positioned to benefit from encouraging market prices for Cocoa





Sustainable Cocoa farming spearheaded by Ghana Cocoa Board

Ghana Cocoa Board

Poised to Maintain Premium Quality Cocoa

- Ghana is the world's second largest Cocoa producer
- Ghana's cocoa production is regulated by the Ghana Cocoa Board ("**Cocobod**"), including:
  - ✓ Assuring the quality of the product
  - ✓ Overseeing horticulture practices and regulates the use of pesticides and fertiliser
  - ✓ Coordinating management of weather, pests, diseases and other event risks related to Cocoa production

Source: Ministry of Finance, Bloomberg

Effective Debt Management Policy Initiatives

Ghana considers debt repayment as a statutory obligation, as such, repayments of debt ranks ahead of most other expenditure items and Ghana has demonstrated clear commitment to honoring its obligations to investors

	Agenda	Policy Action Taken	Progress Update

1	**Debt Sustainability**	• Comprehensive Medium-Term Debt Management Strategy ("MTDS")	**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
			▪ **Suitability:**
			  ▪ (a) long-term debt for CAPEX; (b) short-term debt only for liquidity management and repayable immediately from annual revenue flows; and (c) concessional loans and grants to finance social infra
			  ▪ extend tenors and smoothen debt profile; moving from "bullet" to amortizing repayments
			▪ **Deepening Domestic Markets:** (a) adopted bookbuilding approach for term bonds, (b) opening up 2-year bonds to non-residents, (c) reinvigorating the primary dealer process; and (d) Pensions Act revamp

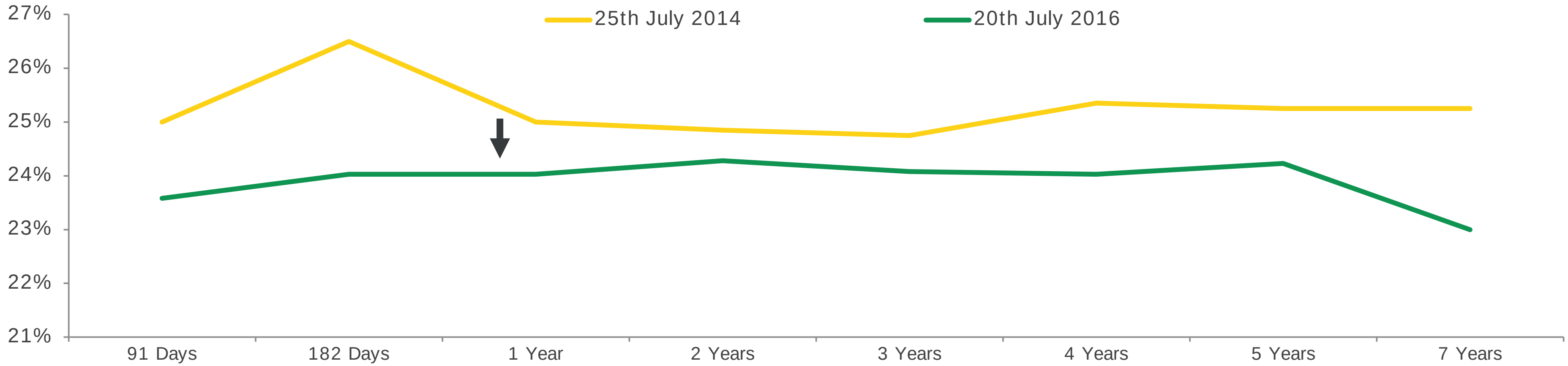
2	**Debt Reduction**	• Sinking Fund set-up
		• Addressing roll-over / refinancing risk
		• Treasury Single Account ('TSA")
		• Reduce fiscal deficit and maintain positive primary balance
		• Zero BoG Financing
			✓ To address debt roll-over/refinancing risk, the Accountant General's Department opened the Sinking Fund Account in 2014 with US$100mn from the excess over the cap on the Stabilization Fund
			  ✓The Sinking Fund will be continuously be funded from future oil revenue savings
			  ✓US$30mn of Eurobond maturing in 2017 bought back with Sinking Fund savings
			  ✓US$100mn of the 2017 bond tender also repurchased from the same sinking fund proceeds
			✓ In 2016, cap on Stabilization Fund reduced to US$100mn to enhance inflows into the Sinking Fund
			✓ TSA improving cash management efficiency reducing need to borrow for liquidity purposes
			✓ Lower fiscal deficit to finance and positive primary balance reduces need to raise new money domestically and externally
			✓ Already implementing zero BoG financing

3	**SOE Debt**	• Policy Action • Best Practices • Behavioural Change	✓ Establishment of escrow / debt service accounts and special levies to assure repayment for on-lent facilities to SOEs and stricter oversight as well as privatisation considerations ✓ 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

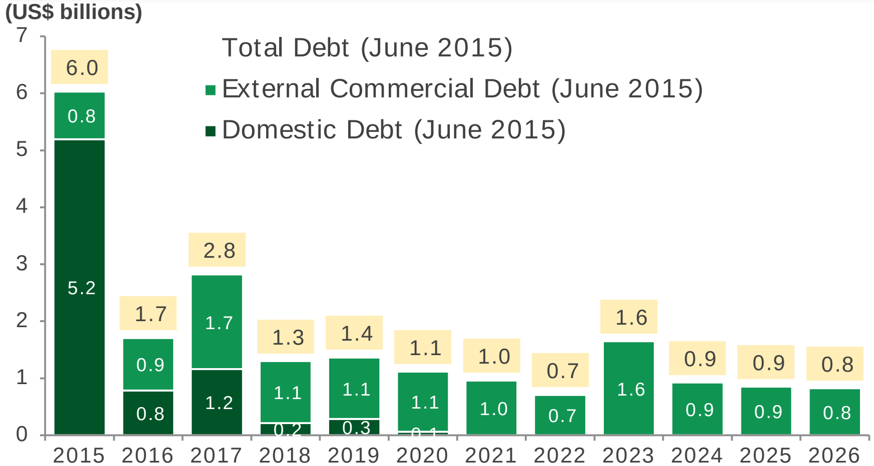
Source: Ministry of Finance

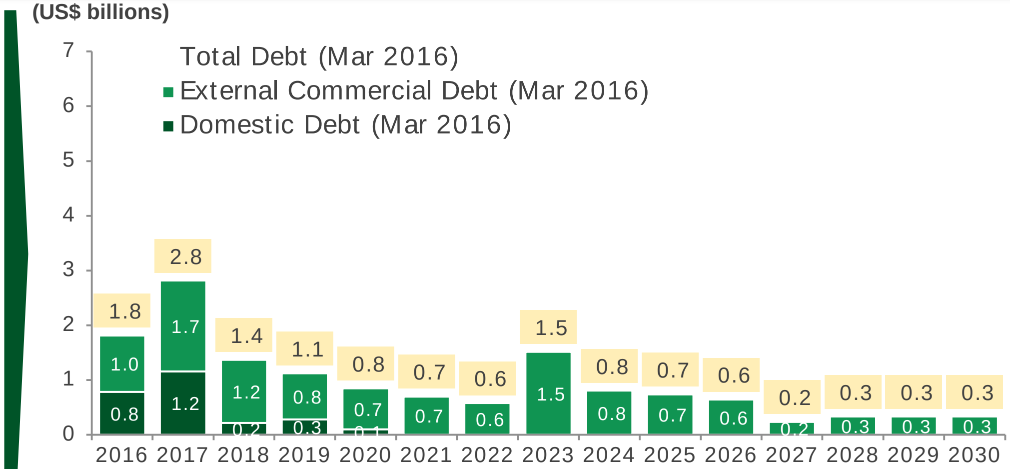
Debt Management Progress Update

Gradual reduction in cost of domestic borrowing



Ghana has demonstrated a track record in the bond market with ability to manage liabilities and smoothen the repayment profile





Source: Ministry of Finance, Bloomberg, 2016 Mid Year Review Budget Statement
Debt Profile- 2015 and 2016 Eurobond Prospectus

***Note that annualized numbers are used for domestic debt and chart does not account for rollover of short term debt instruments such as Treasury Bills**

Concerted Efforts to Address Energy SOEs' Legacy Debt

- **Energy sector utilities are facing financial challenges which are affecting their viability necessitating a restructuring and priority repayments of their debts via introduction of special energy levies, automatic tariff adjustments and elimination of subsidies**
- **These legacy energy utilities debt in arrears are not MOF direct or guaranteed debt but posed some level systemic risk to the banking sector**
- **Acting prudently and responsibly, the government is stepping in along with other stakeholders to create an enabling environment to ensure coordinated restructuring and repayments of these legacy debts with agreement in principle now reached with the banks**

Regulator Initiative

Energy Sector SOEs

Ministry of Finance Initiative

Stricter oversight and Automatic tariff adjustment

Centralized revenue collection

Energy levies

Payment of government's utility bills

Consultations on debt restructuring and repayment plan with lenders of legacy debt to energy SOEs

Fiscal Measures

- ✓ Automatic tariff adjustment
- ✓ Elimination of subsidies
- ✓ Monitor efficiencies

Repayment of legacy debt

Debt Service Account

- ✓ Continued build-up of energy sector receivables in Public Utilities Regulatory Commission ("PURC") controlled account

Repayment of legacy debt

- ✓ Continued build-up of temporary energy levies in Ministry of Finance account

Source: Ministry of Finance

Understanding the Energy Levies

Game Changing Plan to Ensure Viability of Energy SOEs

Energy Sector Levies Act consolidates existing sector levies and redefines a framework for the use of proceeds with an aim to correct imbalances, promote financial viability and facilitate investments

Energy Debt Service Account

- Debt recovery of Tema Oil Refinery
- Downstream petroleum sector FX under recoveries

32%

Power Generation and Infrastructure Support Sub-Account

- Support payment of power utility debts
- Ensure power supply
- Power generation and infrastructure support recoveries
- Support power infrastructure risk mitigation including PRGs

68%

60%

60%

Energy Debt Recovery Levy

- Ghp41 per litre on Petrol and Diesel
- Ghp3 per litre on Marine Gas Oil
- Ghp4 per litre on Fuel oil
- Ghp37 per kg on LPG

Public Lighting Levy

- 5% per price of kWh charged on all categories of consumers

National Electrification Scheme Levy

- 5% per price of kWh charged on all categories of consumers

Price Stabilization and Recovery Account

- Buffer for under recoveries on the petroleum sector
- Stabilise petroleum prices for consumers
- Subsidise premix and residual fuel oil

Price Stabilization and Recovery Levy

- Ghp12 per litre on Petrol
- Ghp10 per litre on diesel
- Ghp10 per kg on LPG

Source: Ministry of Finance, Parliament, Energy Levies Act December 2015

Progress Update on Resolution of Energy SOEs Debts

Agreement reached in principle on restructuring of a substantial proportion of VRA debt to domestic banks

Although a formal agreement has not yet been entered into, in July 2016 lenders have agreed a framework to the restructuring and repayment of about GHS2.2 billion over 3 to 5 years

Key features of the agreement in principle:

- Upfront payment of approximately GHS250 million which will be funded by the new collections from the energy sector levies;
- Reduction of interest rate on the GHS component of the VRA debt from an average of 30% to 22%;
- Reduction of interest rate on the foreign currency component of the VRA debt from an average of 11% to 8.50%;
- Repayments will be funded from a debt service account which will receive cashflows from (i) the energy debt recovery levy and a debt service reserve; and (ii) a proportion of VRA's receivables;
- Proceeds of the energy debt recovery levy which are applied to VRA debts will be converted into equity on VRA's balance sheet or could be subject to an on-lending arrangement with the government
- Government will place limits on the ability of VRA to incur new indebtedness without express approval

The government anticipates that this approach will be used to restructure VRA's as well as the debt of other energy-sector SOEs

Assessment and elimination of SOE arrears

The government has conducted an assessment of arrears between the government and SOEs and cross-SOEs' arrears and prepared an action plan and a timeline for their elimination

This will include improving the repayment the "legacy debt" to ECG in the amount of GHS728 million over five years

Significant SOE reforms being implemented:

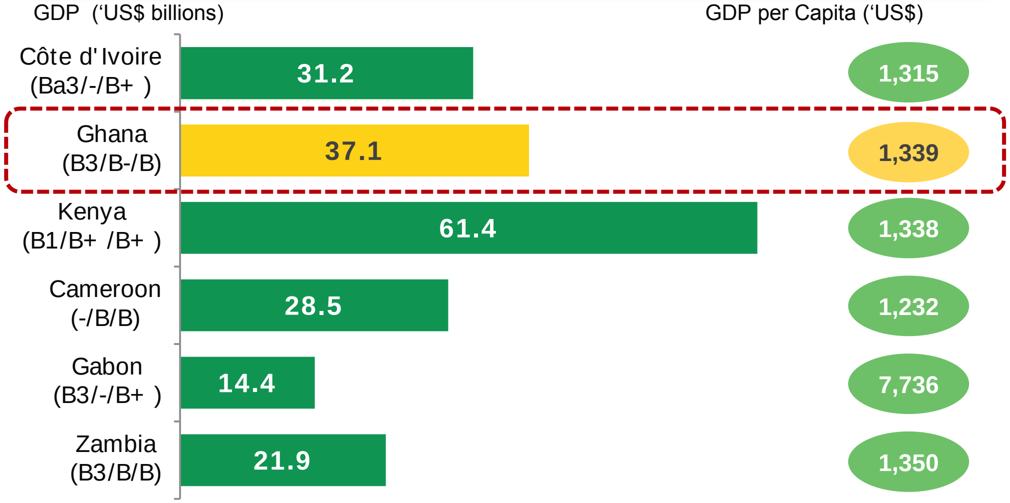
- Strengthening monitoring and evaluation: introduction of performance management contracts for senior managers which will include targets for reducing losses as well as a framework facilitating monitoring of SOEs by the Office of the President, the Ministry of Finance, the relevant committee of Parliament and sector Ministry in order to strengthen operational and financial discipline;
- Private sector participation: evaluation of potential for private sector participation in SOEs; and
- Strengthening governance: Conducted an assessment of SOE's governance and action plan for reforms being prepared. This will include strengthening of oversight of SOEs

Source: Ministry of Finance

Firm and Conservative Approach to Macroeconomic Policies

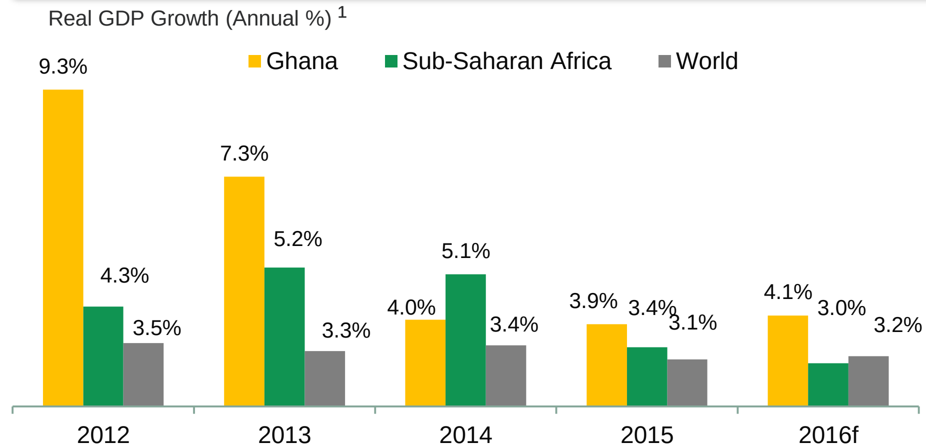
Resilient Growth Despite Macro Pressures

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



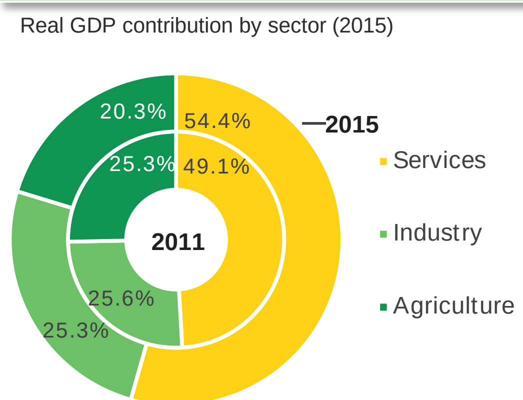
Sources: Ministry of Finance, IMF World Economic Outlook (WEO) October 2015

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.

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



1%
Ratio of oil revenue to GDP in 2015

2.1
Trillion cubic feet of proven gas reserves estimated and gas-to-power strategy supported by World Bank PRG

1000
MW of additional electric power generation capacity by 2018 which domestic gas production is expected to further enable

3824
MW of power generation capacity with excess dependable capacity expected for 2016

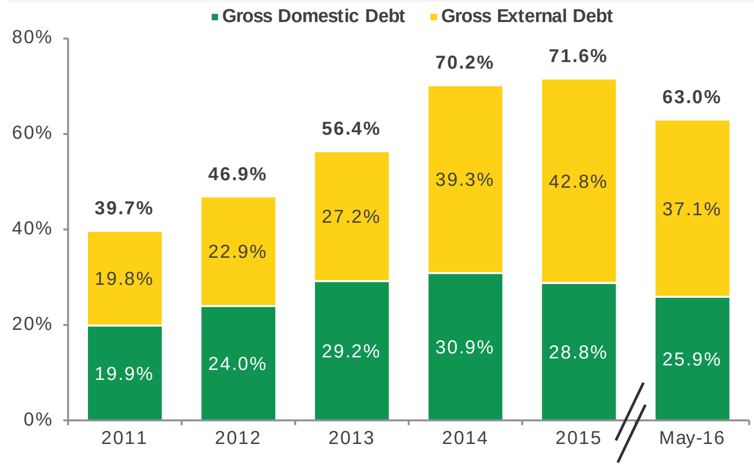
1.1
Trillion barrels of proven oil reserves with oil production expected to nearly double by 2018

Source: Ministry of Finance, Ministry of Energy and Petroleum

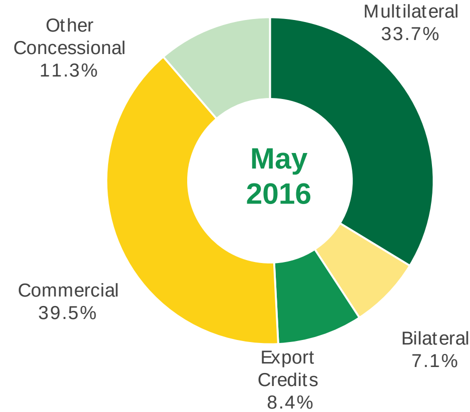
Current Debt Position Still Sustainable and Manageable

Policy Action Improving Debt Position Over Time

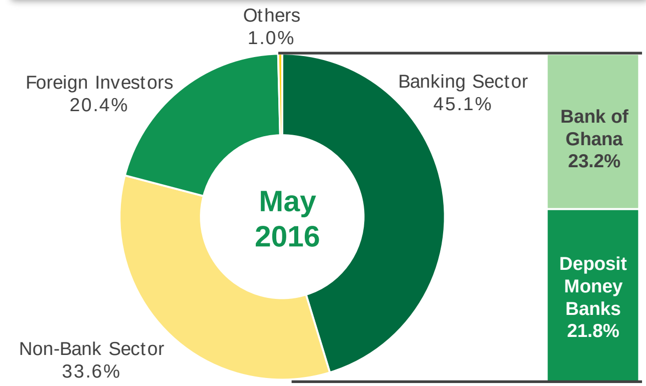
Debt profile tilted towards longer term external sources-> more affordable than domestic debt



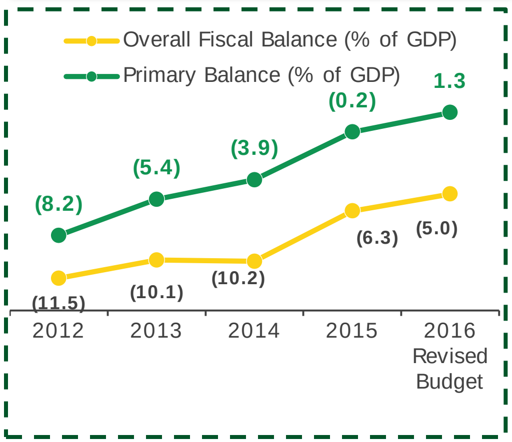
Breakdown of external debt *(mostly concessional in nature)*



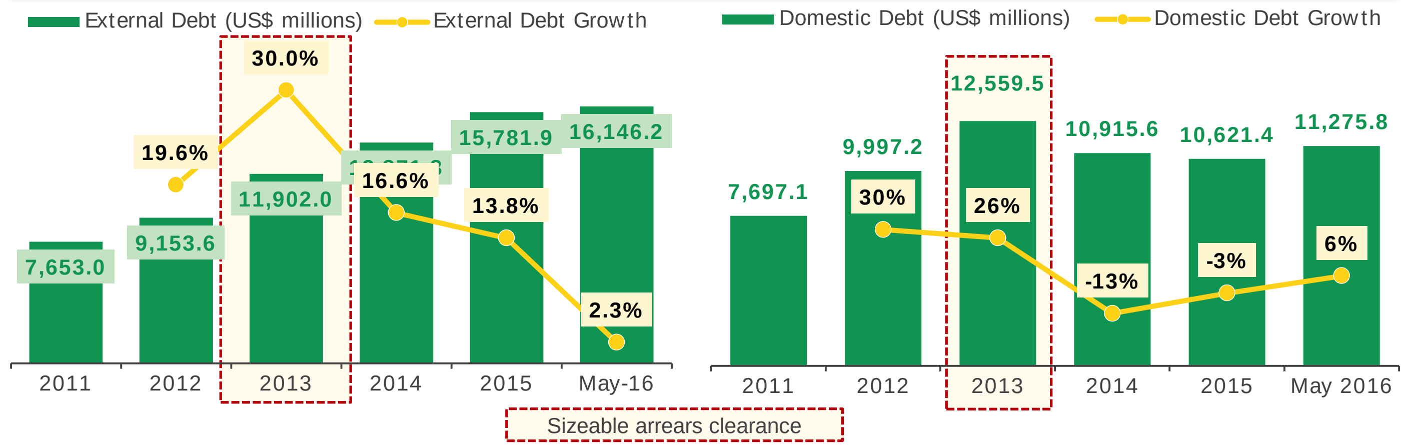
Breakdown of domestic debt



Lower fiscal deficit and near positive primary balance



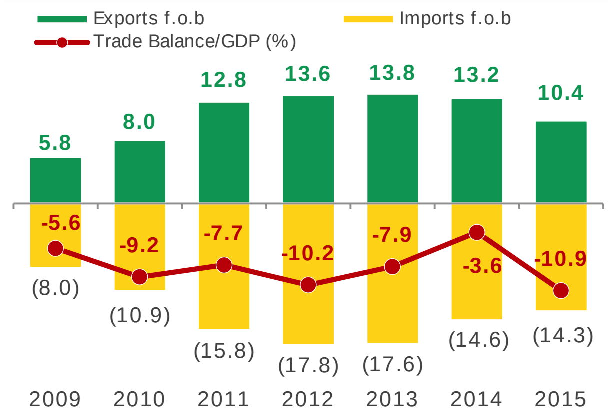
Slowdown in growth pace of debt due to reduced deficit funding requirement (funding efforts now mostly focused on refinancing, tenor elongation and cost reduction)



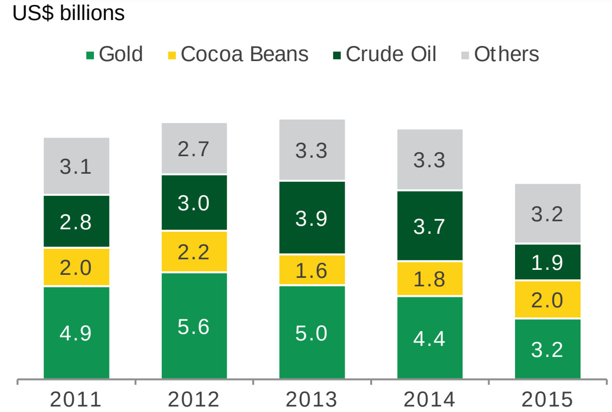
Source: Ministry of Finance, May 2016 public debt numbers provisional, for May 2015 provisional public debt to GDP was 68.53%

Improving External Sector Performance

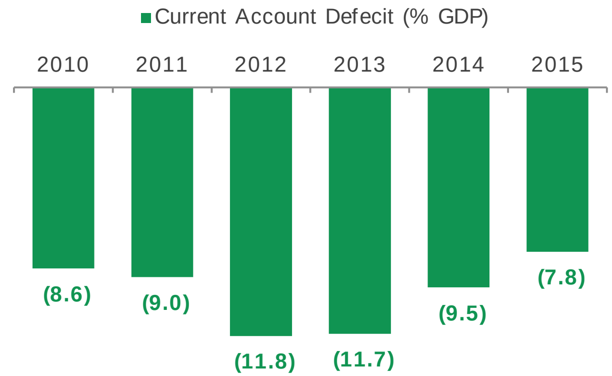
2015 trade deficit due to fall in commodity prices



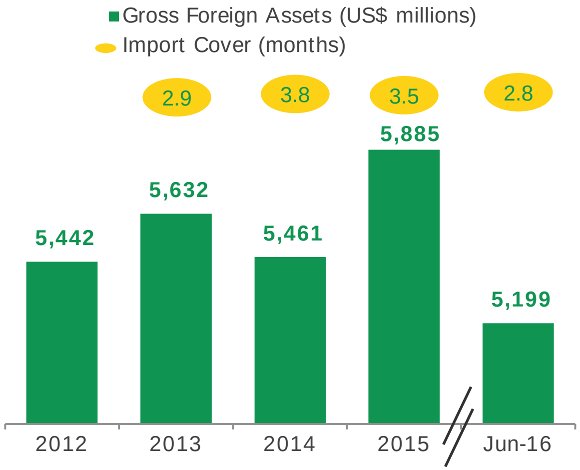
Gold, Cocoa and Oil continue to provide a diversified export base

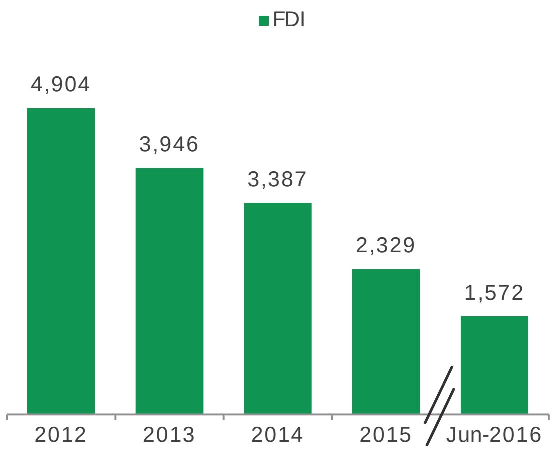


Current account deficit (% GDP) stabilizes



Focus on stabilizing external buffers and improving business environment





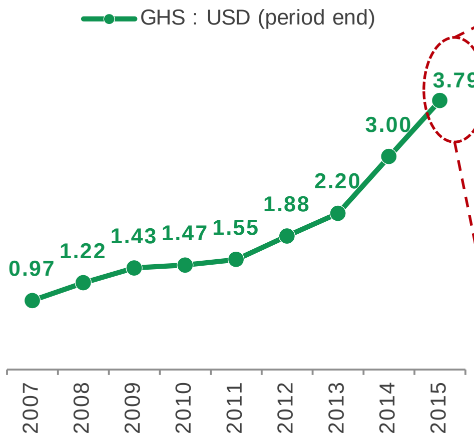
Economy	Economic Freedom Rank	Sub Saharan Africa Rank
Mauritius	15	1
Botswana	30	2
Cape Verde	57	3
Rwanda	71	4
Ghana	72	5
South Africa	80	7
Madagascar	87	9
Swaziland	94	11
Uganda	102	13
Namibia	81	18

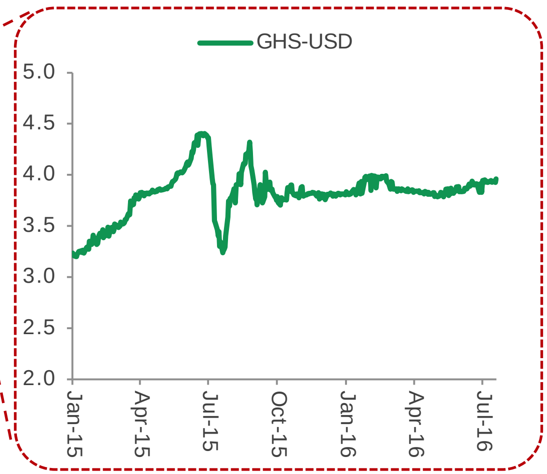
Ghana's third party rankings for economic freedom have improved over the past 5 years

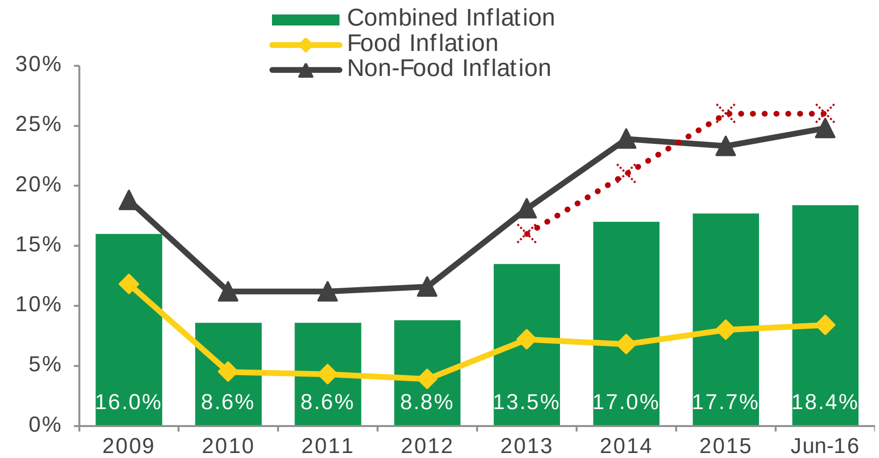
Source: Bank of Ghana, Heritage Foundation Index of Economic Freedom 2015

Tight Monetary Policy Stance Maintained

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







Bank of Ghana ("BoG") deployed multiple measures to ensure stability in the monetary space

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:

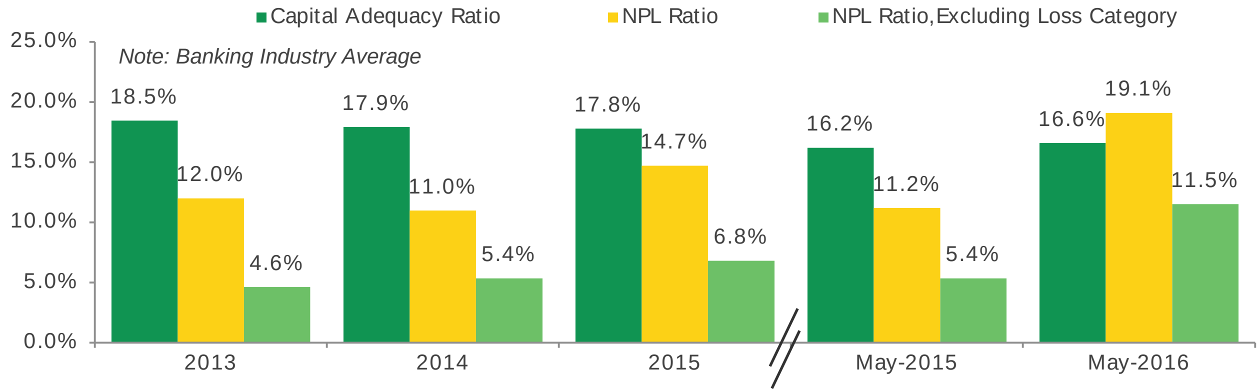
- ✓ Monetary Policy Rate ("MPR") raised to 26.00% in November 2015
- ✓ Cash Reserve Ratio ("CRR") at 11%
- ✓ Net open position of banks lowered on both single currency and aggregate currency basis
- ✓ Bank of Ghana stopped financing government in 2016
- ✓ 2-year note opened to foreign investors
- ✓ Tighter customs operations and tariff valuation
- ✓ IMF policy support

Source: Bank of Ghana, Bloomberg

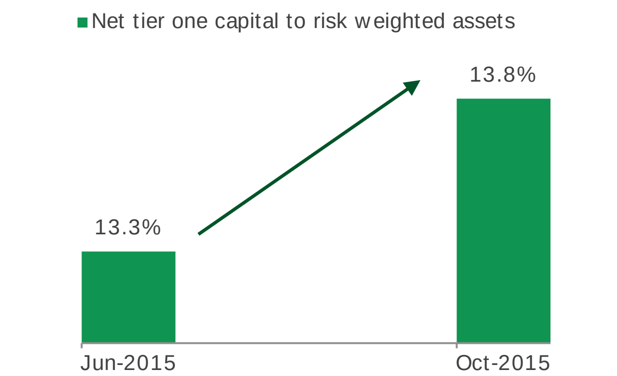
Sound and Improving Banking System

BoG is proactively monitoring and managing risks in banking system to minimize pass-through effects of fiscal contraction. The resolution of legacy power sector SOEs should also help improve the NPL position of the banking sector

Rising NPLs being monitored and comprehensively addressed



Increasing capital requirement



Robust regulatory supervision of the banking sector

- Due to BoG's robust supervision and sound policies, the banking system has improved in terms of quality capitalisation, soundness and liquidity
- Introduction of credit reporting and Anti-Money Laundering Acts in 2007 have improved and strengthened the banking sector in Ghana
- According to the January 2016 IMF Report, Ghana's banking system remains generally well capitalized, liquid, and profitable, although there is substantial variation across banks
- Currency depreciation, slowdown in economic activity had started to result in a deterioration in asset quality, which is being reflected in increased NPLs. BoG continues working to enhance prudential supervision and financial sector stability:
  - A special diagnostic audit to review banks' asset classification and valuation, provisioning and restructuring practices was conducted in 2016 and BoG now determining what level of revision of loans classifications and provisioning banks will be required to adopt
  - To address emerging risks, BoG has directed:
    - ✓ Banks have increased their capital buffers, as indicated by an increase in net tier one capital to risk weighted assets from 13.3% to 13.8% between June and October 2015
    - ✓ Banks with capital adequacy ratios ("CAR") below 13% (but above 10%) to pay only half dividends to shareholders until they raise their CAR to 13% and improve their risk managements systems
    - ✓ Banks with CAR of less than 10% are required to suspend dividend payments altogether until their capital levels are enhanced and risk management systems improved

Source: Bank of Ghana

Viable Infrastructure Investments for Sustainable Growth

Ghana was able to raise concessional funding to support its infrastructure development plan and there has been a good conversion rate between bond proceeds and infrastructure development in the country

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
Karpower Barge	225MW	Running
Ameri	250MW	Running
Asogli Phase II	360MW	Running
Tico Expansion	110MW	Running

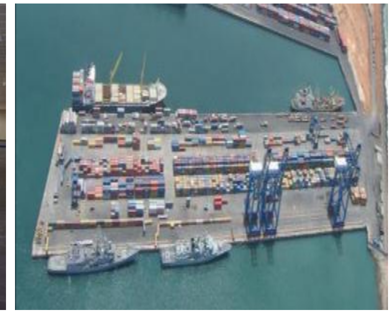
Transport Sector Projects

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

Source: Ministry of Finance

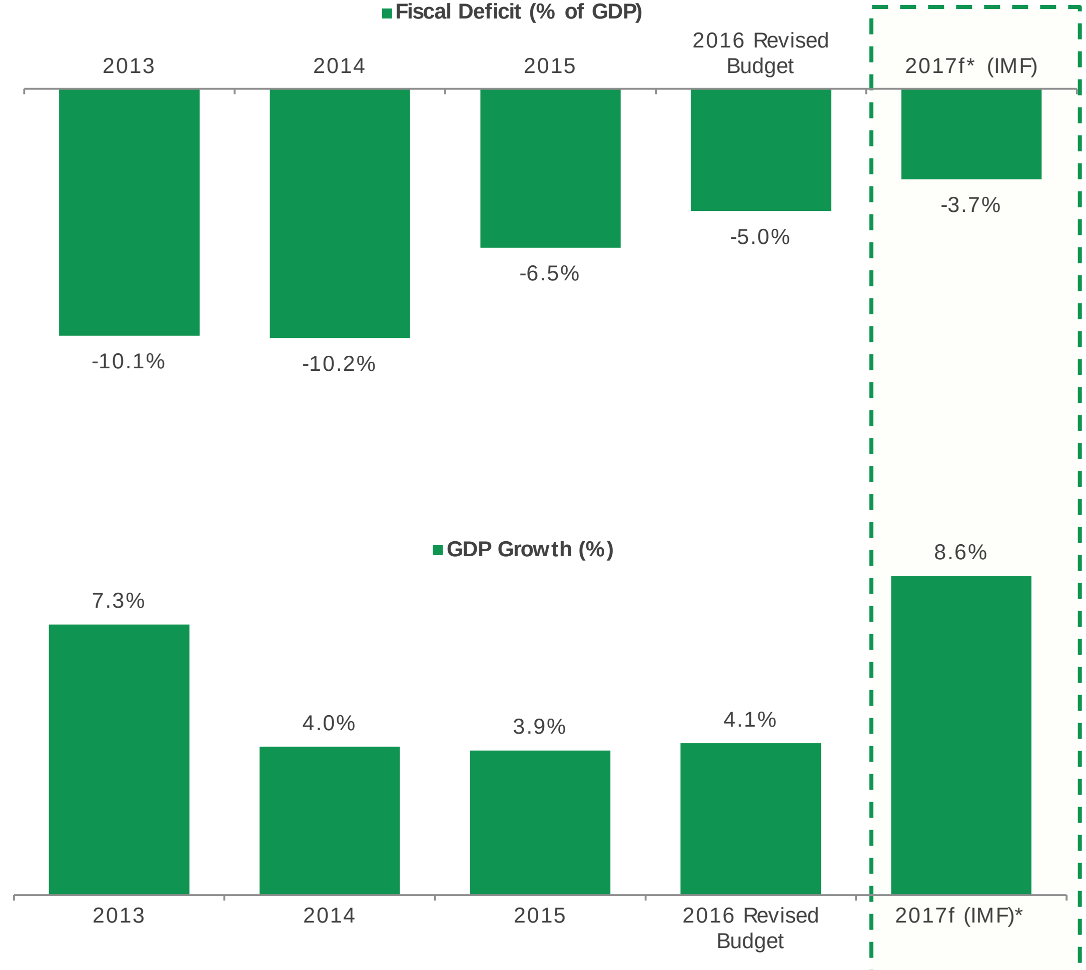
Commitment to Reform Agenda

Conservative Assumptions Frame Macro Outlook

Conservative macroeconomic assumptions underpin Ghana's medium term outlook to provide a buffer against shocks to budget

	2016 Ghana Revised Budget	2017 IMF Forecast
Real GDP Growth (%)	4.1%	8.6%
Non-Oil Real GDP growth (%)	4.6%	5.5%
Inflation (%)	10.1%	8.7%
Fiscal Deficit (% GDP)	5.0%	3.7%
Gross Reserves (months import cover)	3.0x	3.4x

Government expects strong fiscal deficit control and rebound in growth



Source: Ghana MOF Budget Statement 2015 and *IMF Country Report, January 2015 for 2016 and 2017 forecasts- http://www.imf.org/external/pubs/ft/scr/2015/cr15245.pdf

2016 Revised Budget in Summary

Far reaching policy actions are embedded in the budget and the revised budget reflects present reality

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
- 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

Enhance Flows into Sinking Fund for Debt Redemption

- Cap on Stabilization Fund reduced to US$100mn from US$ 150mn to enhance flows into Sinking Fund for debt repayments

2016 Revised Budget Key Assumptions

- Real GDP Growth: 4.1%
- Non-Oil Real GDP Growth: 4.6%
- Inflation (end of period): 10.1%
- Oil Benchmark Price: $45.35

	2016 Budget		2016 Revised Budget	
	Ghc million	% GDP	Ghc million	% GDP
Revenues and Grants	38,038	24.0	37,889	22.3
Expenditures	43,505	27.5	43,356	25.5
Fiscal Balance	(8,407)	(5.3)	(8,408)	(5.0)
Total Financing	8,407	5.3	8,408	5.0
Domestic	5,441	3.4	6,406	3.8
Foreign	3,399	2.1	2,237	1.3

Source: 2016 Budget Statement, 2016 Mid-Year revised Budget Statement, Ministry of Finance

2016 Revised Budget in Numbers

Deficit target of 5.0% of GDP on the back of effective policy actions, new revenue measures and firm expenditure control

- Deficit falls to **5.0% of GDP**
- **Full implementation** of the Income Tax Act 2015
- **Proactive** policy measures to tackle emerging risks
- **Wages 40.2% of Tax Revenues** vs 43.7% in 2015
- **No increase** in subsides in 2016

Ghc mn	2015 Revised Budget	2016 Initial Budget	2016 Revised Budget	Jan-May 2016 Outturn
Total Revenue & Grants	**30,526**	**38,038**	**37,889**	**13,457**
Taxes on Income and Property	**9,411**	**12,072**	**11,359**	**3,637**
Company Taxes	3,753	5,613	5,243	1,688
Personal Income Tax	3,754	4,574	4,483	1,386
Others	5,605	1,885	1,633	522
Taxes on Domestic Goods and Services	**9,348**	**11,324**	**12,117**	**4,9670**
Excise Duty	239	250	291	126
Petroleum Tax	2090	2,643	3,043	1,468
VAT	5,761	6,972	7,348	2,795
National Health Insurance Levy	1,003	1,145	1,125	445
Communication Service Tax	281	314	310	136
International Trade Taxes	**4,369**	**5,473**	**5,654**	**1,719**
Social Contributions	**183**	**352**	**353**	**78**
Non-Tax Revenue	**5,214**	**7,210**	**6,818**	**2,321**
Grants	**2,002**	**1,608**	**1,589**	**732**

Ghc mn	2015 Revised Budget	2016 Initial Budget	2016 Revised Budget	Jan-May 2016 Outturn
Total Expenditure	**37,975**	**43,505**	**43,356.4**	**15,408**
Compensation of Employees	**12,313**	**14,024**	**13,731**	**5,812**
Wages & Salaries	10,287	11,723	11,723	5,056
Goods and Services	**1,856**	**2,537**	**2,127**	**801**
Transfers	4,833	5,105	5,207	1,183
Interest Payments	**9,350**	**10,491**	**10,490**	**4,014**
Domestic	7,734	8,317	8,317	3,056
External	1,616	2,173	2,173	958
Subsidies	**50**	**50**	**50**	**0**
Capital Expenditure	**6,402**	**6,677**	**6,393**	**1,887**
Balance (Commitment)	**(7,449)**	**(5,467)**	**(5,467)**	**1,952**
Overall Balance (Cash)	**(9,772)**	**(8,408)**	**8,408**	**4,179**
(percent of GDP)	(7.3)	(5.3)	(5.0)	(2.5)

Source: 2016 Initial and Revised Budget Statements, Ministry of Finance

Ghana On-Track with IMF Programme Targets

- **In May 2016, IMF Staff Mission released a positive press release after their review mission to Ghana. It is Government's understanding that IMF Staff decided to wait so as to be able to include Parliament's feedback on the new BoG Act and the PFM Bill as well as strategy to address energy SOE debt levels in the Board submission**
- **Ghana is on track with the IMF Programme and working to satisfy all performance benchmarks pre-agreed according to Programme schedule**

0	April 2015 Target	April 2015 Actual	Criteria Met 1st Review	Aug 2015 Revised	Aug 2015 Actual	Criteria Met 2nd Review	Dec 2015 Revised	2015 Act
Quantitative Criteria								
Primary Fiscal Balance *(floor, Cedi mn)*	(544)	46	**Criteria met**	(380)	237	**Criteria met**	(422)	(363)
Wage Bill *(ceiling, mn cedi)*	3,413	3,341	**Criteria met**	6,857	6,815	**Criteria met**	10,286	10,556
Net International Reserves of BoG *(floor, USD, mn)[1]*	1,042	1,186	**Criteria met**	147	566	**Criteria met**	2,278	2,148
Net Domestic Assets of BoG *(ceiling, Cedi mn)[2]*	5,755	5,561	**Criteria met**	8,772	7,846	**Criteria met**	3,410	4,682
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	15,612
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	19.7
Social Protection *(floor, Cedi mn)*	388	252	**Efforts in progress**	-	954	**Criteria Met**	1,294	1,368

IMF Staff Pres Release Extract Post Third Review, Mission 11 May 2016:

✓ Implementation of the program so far remains broadly satisfactory and the required fiscal adjustment is on track

✓ Most of end-December 2015 performance criteria were met, with the exceptions of small deviations in the wage bill and net domestic assets of BOG

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

Update on 3rd Review Submission to IMF Board

"…I have stated before and I would state again that I have the political will to see this programme through…"

President J D Mahama- Republic Day Speech 1st July 2015

The IMF conducted the third review of the programme between 27 April and 11 May 2016 and adjudged the programme to be broadly satisfactory at the Staff level

Government expects that IMF will complete its consideration of the third review following resolution on below listed prior actions, the BILLs has since been passed by Parliament:

Prior Action	Description	Status	Criteria Met
Public Financial Management ("PFM") Bill	• Adoption by Parliament of the new public financial management bill (in the form agreed with the IMF)	✓ Submitted to Parliament ✓ Already being deliberated on by Parliament ✓ 101 clauses of PFM Bill and 55 clauses of BoG Act to be individually voted on by Parliament ✓ Expected to be passed by August 2016	✓ Criteria met (awaiting parliament approval)
BoG Act	• Adoption by parliament of the new bill amending the Bank of Ghana Act, 2002 (Act 612) (in the form agreed with the IMF),		
SOE Debt	• Strengthen power sector SOEs cash-flow situation and operating performance and resolve debt position	✓ Agreement in principle reached on VRA legacy debt to domestic lenders with repayment from new energy levies and VRA receivables ✓ Finalisation of a strategy and policy actions to address the levels of debt of SOEs operating within the power sector including more stringent oversight by a single entity and privatisation	✓ Criteria met (awaiting SOE cashflow projections) ✓ TOR for audit

Source: Ministry of Finance

Thank You