



Republic of Ghana

MEDIA ENGAGEMENT ON THE ECONOMY WITH FINANCIAL JOURNALISTS

Ken Ofori-Atta
Minister for Finance

February 2018



5 Executive Summary



- 2017 was a year of fiscal consolidation and the implementation of structural reforms
- We met our key macroeconomic targets in 2017 and successfully completed the IMF fourth review:
 - Outperformed the deficit target of 6.3%
 - Reduced the total debt to GDP ratio to under 70%
 - Exceeded the annual Real GDP growth target of 6.3% (forecast 7.9%, avg. 3qtr 8.3%)
 - Reduced end-year inflation from 15.4% in 2016 to 11.8% in 2017
 - Reduced energy sector legacy debt issues via the ESLA bond
- 2018 and the medium term will focus on:
 - Consolidating the economic gains made in 2017
 - Executing our transformational agenda
 - Continuing with our structural reforms to ensure irreversibility



1 Update on 2017 Macro-Fiscal Developments

2 Key Fiscal Developments

3 Disbursements on Flagship Programmes

4 Moving Forward: The 2018 Economic Transformation Agenda

5 Conclusion



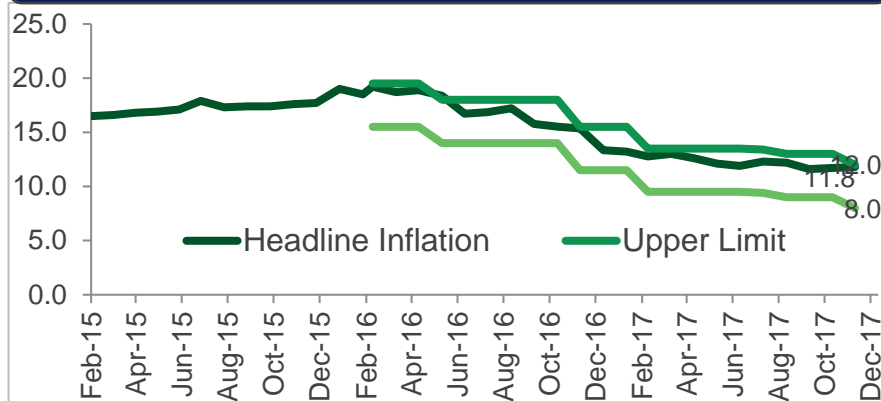
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Update on 2017 Macro-Fiscal Developments

Our economic policies yielded positive results in 2017...

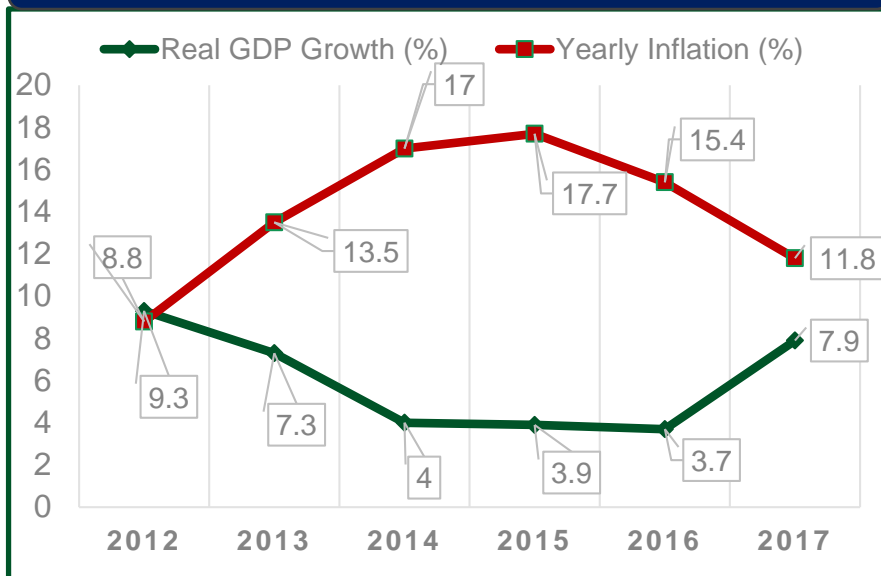


Headline Inflation within MPC Inner Band



- Reduced the rate of price increases from 15.4% in 2016 to 11.8% in December 2017 and 10.3% in January 2018.
- Reduction occasioned by fiscal consolidation and tight monetary policy
- End-year target is 8.9%

GDP rebounds and inflation subdued

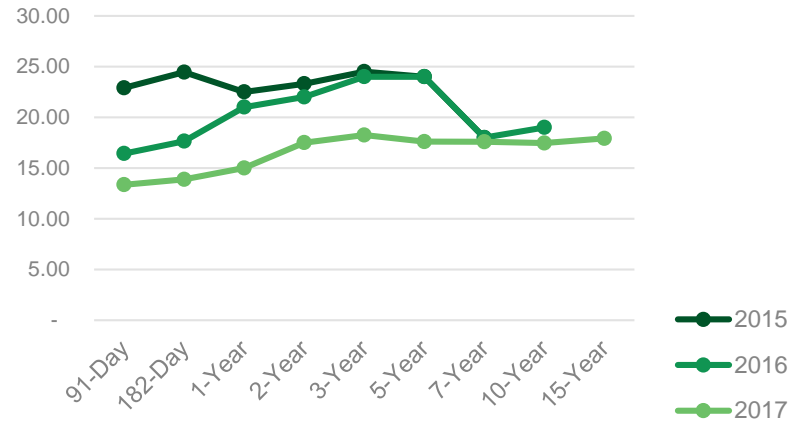


- Economic activity is picking up
- A major drain on incomes which is inflation is declining
- We are protecting your purchasing power

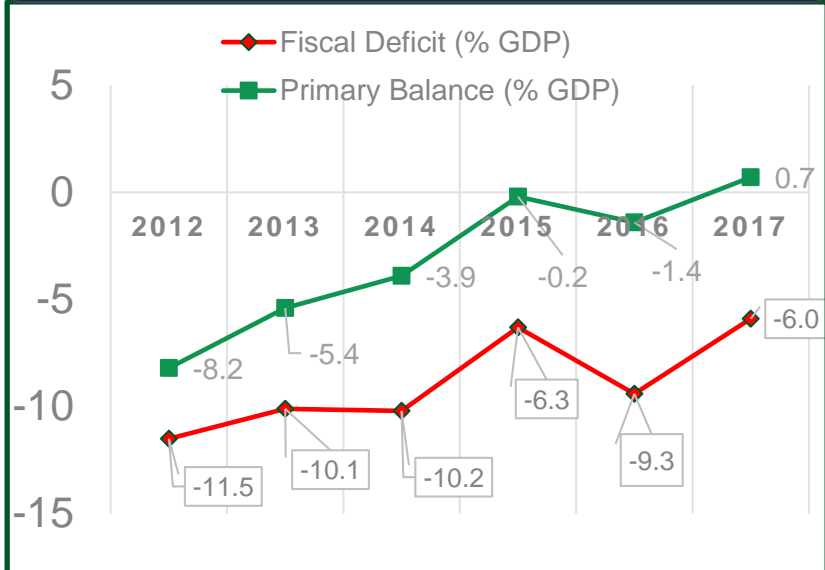
Our economic policies yielded positive results in 2017...



Yield Curve normalizing



Fiscal deficit and primary balance under control



- Interest rates have declined across all maturities
- Expectation that inflation will be high is subdued
- Investor confidence has improved

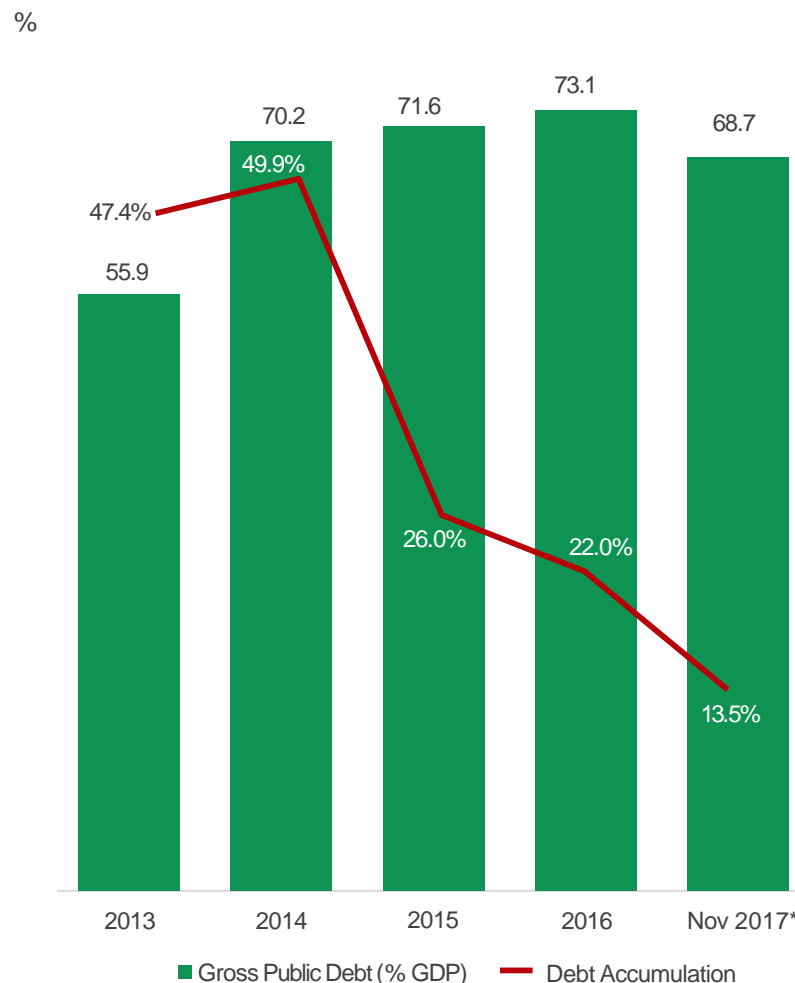
- Annual budget gap is reducing
- Relying more on domestic revenue mobilisation (Ghana Beyond Aid)

...we significantly slowed the rate of debt accumulation and reduced our debt-to-GDP ratio to less than 70% in 2017...



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

- Rate of debt accumulation has seen a significant decline from 47.4% in 2013 to 13.5% in Nov. 2017 due to prudent management of the economy.



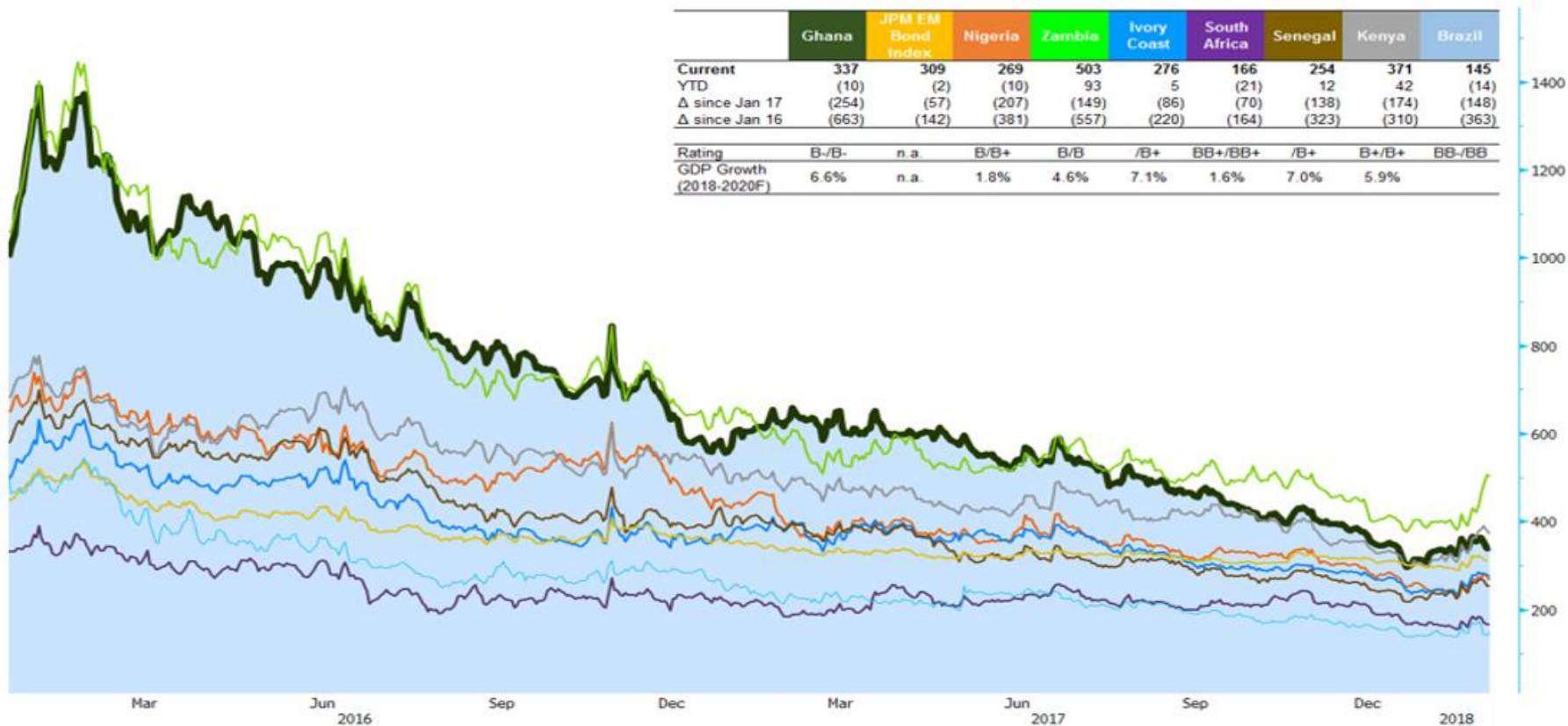
...We are focused on liability management and reducing our financing costs...



Cost Risk Indicators		2016			2017		
		External	Domestic*	Total	External	Domestic*	Total
Total Domestic Debt	Short term		38%			18%	
	Medium term		38%			63%	
	Long term		24%			19%	
Cost of debt	Weighted Av. IR (%)	4.3	20.0	11.3	4.3	17.4	10.6
Refinancing risk	ATM (years)	9.3	5.5	7.7	9.1	7.2	8.2
	Debt maturing in 1yr (% of total)	7.2	54.5	28.1	6.7	29.5	17.7
FX risk	FX debt (% of total debt)			55.7			52.0
	ST FX debt (% of reserves)			23			14.8

- The debt mix has changed from short term dominance to medium and long term
- The cost of debt has reduced creating fiscal space
- Market risk, rollover risks, etc... improving our ability to meet our debt service obligations

...Renewed Investor Confidence Evidenced by Tightening of Sovereign Spreads since 2016....



Source: Bloomberg (Feb 20, 2018)
JP Morgan Emerging Markets Global Spread Index

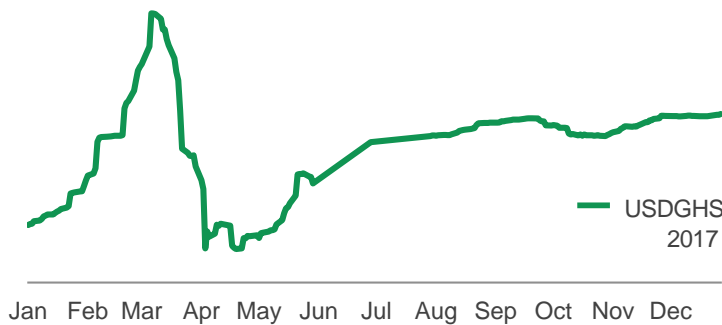
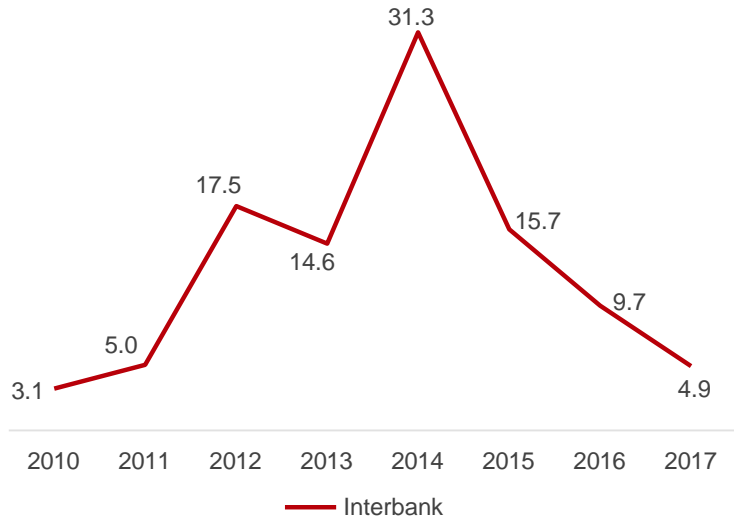
- Ghana Sovereign Spread Tightening vs Emerging Markets Index and Key African Peers
- Investing in Ghana bonds is less risky than the last two years

...We stabilized the Cedi and built up reserves considerably (4.5x import cover)...



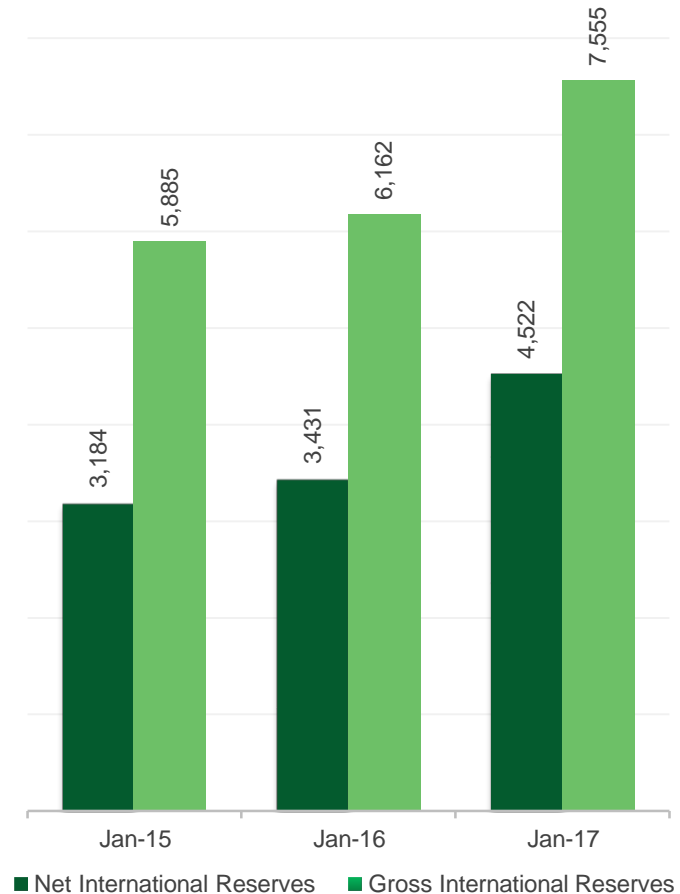
Lowest depreciation of the cedi against the dollar since 2011

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



Increasing build-up of reserves in 2017

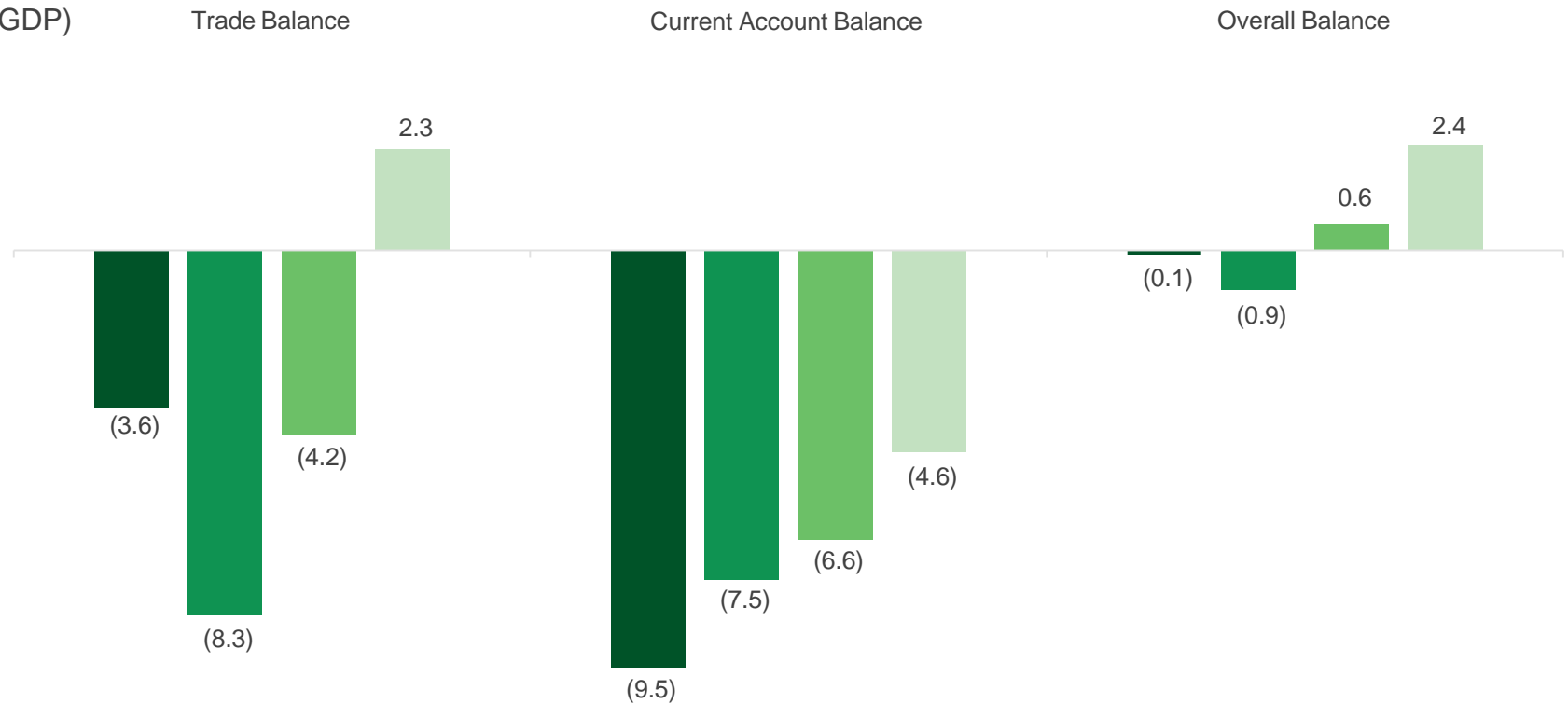
Build up of International Reserves (\$m)



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



(% of GDP)



■ 2014 ■ 2015 ■ 2016 ■ 2017*

...in summary, the economy is responding to our policy measures...



Indicator	2012	2013	2014	2015	2016	2017 Prov.	2018
Real GDP Growth (%)	9.3	7.3	4.0	3.9	3.7	9.3*	6.8
Yearly Inflation (%)	8.8	13.5	17.0	17.7	15.4	11.8	8.9
Fiscal Deficit (% GDP)	(11.5)	(10.1)	(10.2)	(6.3)	(9.3)	(6.0)	(4.5)
Primary Balance (% GDP)	(8.2)	(5.4)	(3.9)	(0.2)	(1.4)	0.7	1.6
Wage Bill (% of Tax Revenue)	53.3	57.6	49.1	43.7	47.1	45.9	42.0
Gross Public Debt (% GDP)	47.9	55.9	70.2	71.6	73.1	68.7**	<70
Interest Rate (91 Day TB, %)	23.1	18.8	25.8	24.5	16.4	13.3	n/a
Current Account Bal (% GDP)	(11.8)	(11.7)	(9.5)	(7.5)	(6.6)	(4.6)	n/a
Trade Balance (% of GDP)	(10.2)	(7.9)	(3.6)	(8.3)	(4.2)	2.3	n/a
Gross Int Reserves (US\$ billion)	5.4	5.6	5.5	5.9	6.2	7.6	n/a
Gross Int Reserves (Months)		2.9	3.8	3.5	3.5	4.3	≥3.5
Exc Rate (GHs/\$:dep/app)	-18.4	-15.0	-34.9	-13.9	-9.7	-4.9	n/a

Note:

1) * end-Sept 2017 (Q3)

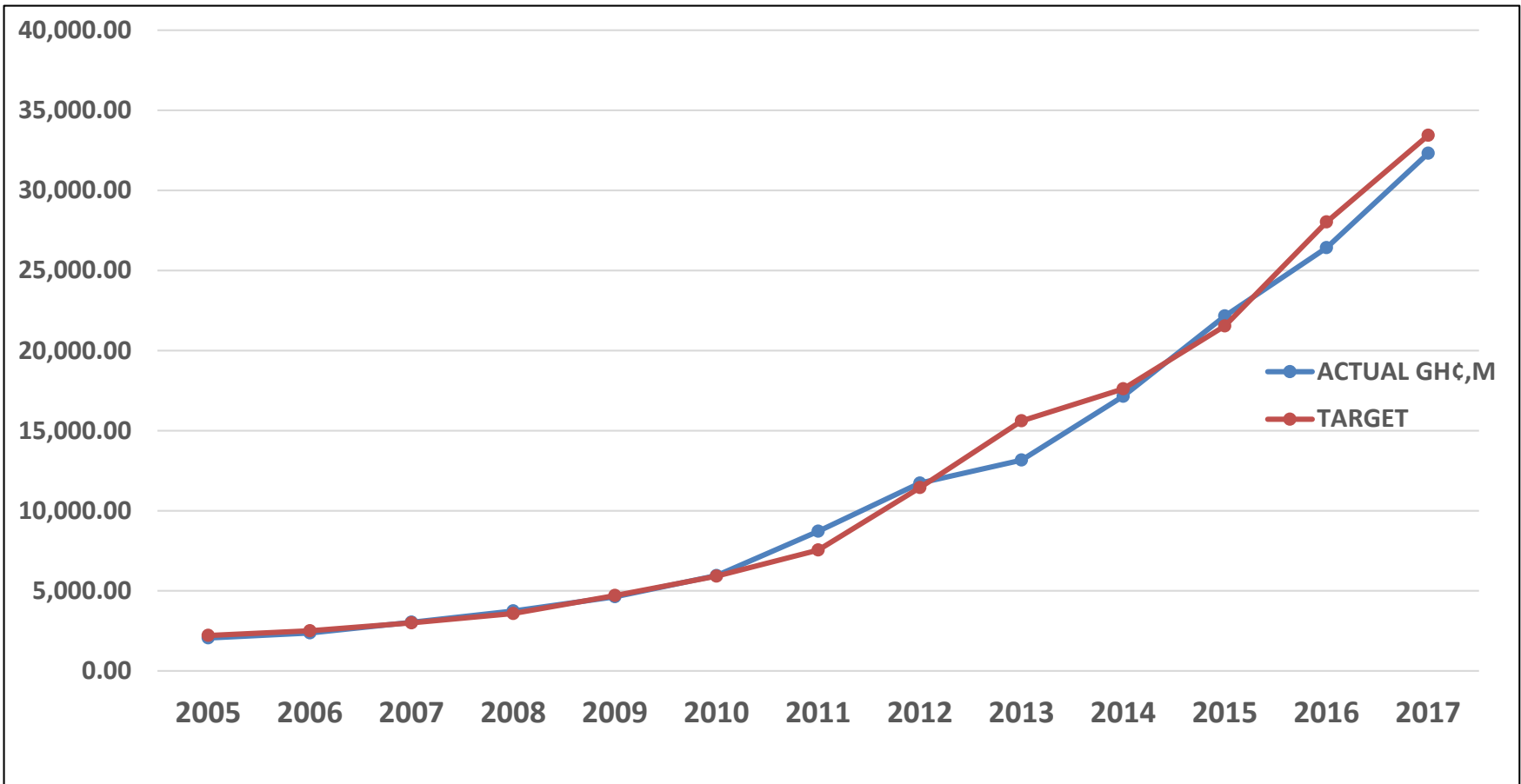
2) ** Nov, 2017

3) Average real GDP Growth for the first 3quarters of 2017 was 8.3%



2 Key Fiscal Developments

REVENUE PERFORMANCE TRENDS



...We have reduced our liabilities and significantly improved the timeliness of our cash outlays...



- We have cleared about GHs3 billion in arrears compared with GHs3.7 billion budgeted in 2017.
- As at February 2018, Government has cleared GHs600 million arrears.
- Our strategy going forward is to clear the validated stock of arrears in accordance with our 2018 Budget programme.
- We were current on transfers to Statutory Fund for 2017



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Disbursements of Flagship Programmes

Disbursements of Flagship Programmes



Srnr.	Key Programmes	Update on Disbursements
1	Industrialising Ghana from the ground up: “One District, One Factory”	<ul style="list-style-type: none"> • GHs91.5 million released to support the construction of factories
2	Free SHS	<ul style="list-style-type: none"> • GHs205 million released since January 2018
3	Planting for Food and Jobs	<ul style="list-style-type: none"> • GHs105 million released since January 2018
4	National ID	<ul style="list-style-type: none"> • GHs126 million released since January 2018
5	Infrastructure for Poverty Eradication Programme (IPEP)	<ul style="list-style-type: none"> • GHs400 million of contracts are being awarded
6	School Feeding Programme	<ul style="list-style-type: none"> • GHs100 million released
7	Scholarship Secretariat	<ul style="list-style-type: none"> • GHs100 million released



4

Moving Forward: The 2018 Economic Transformation Agenda

...5 key Pillars shall underpin our Transformation Agenda...

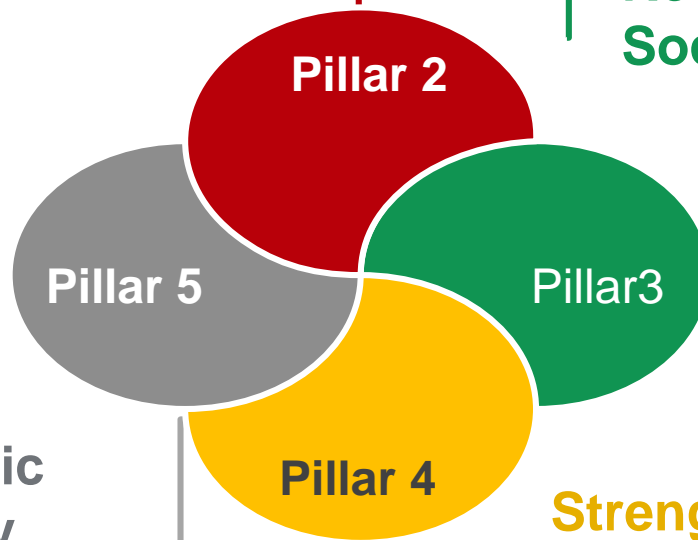


- **Macroeconomic Policies backed by strong political commitment**
- **Transformation Agenda backed by the President's Coordinated Programme of Economic and Social Development Policies - An Agenda for Jobs: Creating Prosperity and Equal Opportunity for All**

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

Transforming Agriculture and Industry

Revamping Economic and Social Infrastructure



Reforming Public Service Delivery Institution

Strengthen Social Protection and Inclusion



5

Conclusion

...We achieved these impressive results through a number of reforms including...



- ✓ Shifting the focus of economic management from taxation to production;
- ✓ Streamlining exemptions and automating the ports (paperless);
- ✓ Enhanced tax audits and improvement in tax compliance
- ✓ Passed the Earmarked Funds Capping and Realignment Act, 2017 (Act 947) to cap transfers to earmarked funds to 25% of tax revenues to free fiscal space for development and reduce rigidities in budget;
- ✓ Tightened expenditure controls in GIFMIS to minimize inefficiencies & budget overruns;
- ✓ Implemented a Treasury Single Account, which improved cash management
- ✓ Enforced the Public Procurement Act, which has significantly reduced sole sourcing resulting in substantial savings;
- ✓ Enforced the PFM Act, with greater control on commitments. Cabinet has approved a fiscal ceiling of 5%
- ✓ Executed zero central bank financing via MOU with Bank of Ghana
- ✓ Put in place risk management strategies to mitigate exogenous factors
- ✓ Expanded the role of the Auditor General to cover MMDAs



End of Presentation