FOR
AGENDA

EBS/99/200

CONFIDENTIAL

November 5, 1999

To: Members of the Executive Board

From: The Secretary

Subject: **Ghana—Staff Report for the 1999 Article IV Consultation, First Review Under the Enhanced Structural Adjustment Facility, and Request for Waiver of Performance Criteria**

Attached for consideration by the Executive Directors is the staff report for the 1999 Article IV consultation with Ghana, the first review under the Enhanced Structural Adjustment Facility, and Ghana's request for a waiver of performance criteria, which is tentatively scheduled for discussion on Friday, November 19, 1999. A draft decision appears on page 37.

Mr. S. Leite (ext. 38563) and Mr. Pellechio (ext. 38687) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

Unless the Documents Section (ext. 36760) is otherwise notified, the document will be transmitted, in accordance with the procedures approved by the Executive Board and with the appropriate deletions, to the WTO Secretariat on Monday, November 15, 1999; and to the African Development Bank and the European Commission, following its consideration by the Executive Board.

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GHANA

Staff Report for the 1999 Article IV Consultation, First Review Under the Enhanced Structural Adjustment Facility, and Request for Waiver of Performance Criteria

Prepared by the African Department

(In consultation with the Fiscal Affairs, Legal, Monetary and Exchange Affairs, Policy Development and Review, Statistics, and Treasurer's Departments)

Approved by Paul A. Acquah and Ishan Kapur

November 5, 1999

- A mission visited Accra during September 2-16, 1999 to conduct the discussions on the 1999 Article IV consultation and first review of the current three-year arrangement under the Enhanced Structural Adjustment Facility (ESAF). Ghana is on the standard 12-month Article IV consultation cycle.

- The mission met with Vice-President John Atta Mills; Minister of Finance, Kwame Peprah; the Governor of the Bank of Ghana, Mr. Kwabena Duffuor; and other senior officials. The Executive Director for Ghana, Mr. Mirakhor, participated in the discussions.

- The mission consisted of Mr. Pereira Leite (head), Mr. Begashaw (Resident Representative), Mr. Pellechio, Ms. Zanforlin, and Mr. Prokopenko (AFR), Ms. Khemani and Mr. Kalonji (PDR), and Mr. Kar (TRE). Ms. Castro, Ms. Lampart, and Ms. Le Manchec (World Bank) participated in some mission meetings. Mr. Saint-Ange (IFAD) joined the mission to help assess rural financing issues.

- Macroeconomic performance in the first half of 1999 was broadly in line with the program, although waivers will be required. An external shock and, in the third quarter, policy slippages threatened to derail the program. However, the authorities renewed their commitment to the program and agreed to undertake remedial measures, including prior actions. Measures for 1999 are already in place; those for 2000 have been discussed by the cabinet, but some, including the 2000 budget, will require parliamentary action.

Contents

Page

Executive Summary 4

I. Introduction 6

II. Recent Economic Developments and Performance 7
A. Real Growth, Prices, and Exchange Rate 7
B. Fiscal Developments 9
C. Monetary Developments 11
D. External Developments 12
E. Structural Reforms 12

III. Medium-Term Adjustment Strategy 14

IV. Policy Discussions 19
A. Fiscal Policies 19
B. Exchange Rates and the Terms of Trade Shock 22
C. Monetary Policy Implementation and Financial Sector Issues 26
D. Other Structural Reforms 28
E. Exchange Restrictions 30

V. Governance, Transparency, and Risks 30

VI. Statistical Issues 32

VII. Staff Appraisal 33

Text Boxes

1. Selected West African and HIPC Countries: Public Domestic Debt, 1998 11
2. External Sector Assumptions, 1999-2002 16
3. Medium-Term Fiscal Sustainability Analysis 17
4. Fiscal Measures for 1999-2000 21
5. Competitiveness 23
6. Poverty Measurement and Profile 30

Figures

1. Effective Exchange Rates and Inflation, January 1990-July 1999 8
2. Central Government Finances, 1990-2001 10
3. Main External Indicators, 1990-1999 13
4. Stock of Domestic Debt 17
5. Alternative Real Exchange Rates (RER) Indicators, 1990-99 24

Contents | Page

Tables

1. Selected Economic and Financial Indicators, 1996-2001 38
2. Selected Social and Demographic Indicators 39
3. Central Government Operations and Financing, 1990-97 41
4. Central Government Budgetary Operations and Financing, 1998-2000 (in billions of cedis) 42
5. Central Government Budgetary Operations and Financing, 1998-2000 (in percent of GDP) 43
6. Monetary Survey, 1996-99 44
7. Balance of Payments, 1996-2001 45
8. External Financing Requirements and Sources, 1997-2001 46
9. Indicators of Fund Credit, 1997-2007 47
10. External Public Debt and Debt Service Payments, 1996-2007 48
11. Medium-Term Outlook, 1997-2007 49

Appendices

I. Letter of Intent and Memorandum of Economic and Financial Policies 50
    Table 1. ESAF Arrangement, 1998, and Under the First Year of the New ESAF Arrangement, 1999 59
    Table 2. Prior Actions to Complete the First ESAF Review, Structural Performance Criteria and Benchmarks 60
    Table 3. Timing and Implementation of Macroeconomic and Structural Adjustment Policies, 1999-2001 62
II. Relations with the Fund 67
III. Relations with the World Bank Group 70
IV. Relations with the African Development Bank 72
V. Statistical Issues 74

EXECUTIVE SUMMARY

Background

- Ghana suffered a major terms of trade shock in 1999, whose impact will be felt mostly in the second half of 1999 and in 2000. Macroeconomic performance in the first half of 1999 was broadly in line with the program. Because of a shortfall in nontax revenue, two performance criteria, domestic primary surplus and net domestic financing of government, as well as the benchmark for domestic revenue, were missed. After the adjuster for foreign program assistance shortfall was applied, deviations were not large. A June structural performance criterion on the offer for sale of the Produce Buying Company was only observed in October. Temporary external arrears were accumulated at the end of June but were eliminated in October. The government implemented new measures to keep the program on course, including prior actions for completing the first review under the three-year ESAF arrangement.

Main issues

- **Fiscal sustainability.** A medium-term fiscal sustainability analysis provided the basis for discussion of measures needed to address the external shock. The staff urged the government to undertake swift adjustment in 1999 as a precautionary measure against deeper deterioration in the balance of payments and fiscal accounts expected in 2000. Remedial measures decided by the cabinet, some of which still require parliamentary approval, include a sharp cut in domestic capital expenditures in 1999; an increase in the VAT rate; enhancement of nontax revenue; and increases in petroleum taxes.

- **Exchange rate.** Despite a sharp terms of trade shock, the real effective exchange rate of the cedi continued to appreciate, owing to Bank of Ghana intervention, particularly in the third quarter. Bank of Ghana foreign exchange operations are now focused on achieving its net foreign assets target, and the cedi is expected to depreciate faster until the market clears. The market exchange rate will be calculated from transaction rates starting in mid-October instead of from indicative quotes from commercial banks; data on the Bank of Ghana's gross international reserves will be published monthly; and technical assistance will be provided to develop an active interbank market in foreign exchange.

- **Structural reforms.** ***Divestiture*** proceeds were negligible in the first half of 1999, pointing to a lack of momentum in the divestiture program, both in terms of completing new divestitures and collecting revenues from previous sales. The government needs to reinvigorate the program and increase its transparency. ***Cocoa*** producer prices were kept unchanged despite the decline in world prices, raising the producers' share in f.o.b. export prices substantially above the minimum target under the program. At September exchange rates and world prices, only cocoa of main crop characteristics could be bought profitably at the prevailing producer prices. The staff has proposed a producer price system that takes into account the difference in cocoa bean characteristics and their prices in world markets.

Prior actions

- The government has implemented a number of actions prior to the completion of the first ESAF review to keep the reform process on track. These include: full observance of the quantitative and structural benchmarks set for September 1999, as agreed with the staff; offer for sale of PBC; elimination of external arrears; submission to parliament of an increase in the value added tax; preparation of a report on customs problems and remedial measures; divestiture of the State Transport Company and GHACEM, a cement factory; completion of a review of the tariff regime; appointment of a liquidator for BHC and Coop; adoption of new procedure to calculate market exchange rates; publication of gross international reserves; and provision to the staff of information on the fourth Ghana Living Standards Survey and on the methodology to compile national accounts. *The staff recommends that waivers be granted for the nonobservance of the June 1999 and September 1999 performance criteria, that the first review under the three-year ESAF arrangement be completed, and that the authorities' request for modification of performance criteria for December be granted.*

Ghana: Selected Economic Indicators

	1994	1995	1996	1997	1998	1999 Proj.
			(Percentage change)			
Domestic economy						
Real GDP	3.3	4.0	4.6	4.2	4.7	4.5
Consumer prices (annual average)	24.9	59.5	46.6	27.9	19.3	12.4
			(In millions of U.S. dollars) 1/			
External economy						
Exports, f.o.b.	1,227	1,431	1,810	1,810	2,091	2,096
Imports, f.o.b.	-1,580	-1,684	-2,295	-3,041	-2,897	-2,924
Current account balance	-265.0	-154.2	-214.1	-990.7	-381.2	-349.7
Capital account balance	478.8	432.4	420.7	555.2	243.5	255.4
Gross official reserves	593.0	710.0	598.8	508.5	507.7	542.7
Debt service (including to the Fund) 2/	27.4	56.5	27.7	23.5	22.0	19.4
Change in the real effective exchange rate (in percent) 3/	-17.6	14.9	12.2	7.2	7.8	...
			(In percent of GDP) 1/			
Financial variables						
General government balance	-9.3	-6.7	-9.5	-10.3	-8.1	-6.2
Domestic primary balance	0.8	1.6	0.3	3.2	3.6	3.4
Change in broad money (in percent) 4/	53.0	40.8	39.7	40.8	17.7	17.0
Interest rate 5/	29.5	40.5	42.8	42.5	26.8	...

Sources: Data provided by the Ghanaian authorities; and staff estimates and projections.

1/ Unless otherwise noted.
2/ In percent of exports of goods and nonfactor services.
3/ (+) = appreciation.
4/ Including foreign currency deposits.
5/ Treasury bill rate (in percent; end of period).

I. INTRODUCTION

1. On May 3, 1999, the Executive Board approved the current Enhanced Structural Adjustment Facility (ESAF) arrangement, noting improvements in Ghana's macroeconomic performance and progress on structural reforms, in particular, the successful implementation of the medium-term expenditure framework (MTEF) and introduction of the value-added tax (VAT). Executive Directors strongly urged acceleration of the divestiture program and reforms in the cocoa and energy sectors. Ghana is on the standard 12-month Article IV consultation cycle.

2. **Ghana suffered a major external shock in 1999. World prices for cocoa and gold, Ghana's main exports, plummeted, and oil prices doubled**. These problems were aggravated by a shortfall in foreign assistance. Although the terms of trade impact was cushioned by the use of forward contracts and hedges, its effects began to be felt in the second half of 1999 and will continue in 2000. In the first half of 1999, macroeconomic performance was broadly in line with the program; however, because of weaknesses in nontax revenue, two performance criteria for June, domestic primary surplus and net domestic financing of government, as well as the benchmark on domestic revenue, were missed.

3. **A structural performance criterion, the offer for sale of the Produce Buying Company (PBC), was carried out in October only.** Ghana accumulated external arrears at the end of June but eliminated them by early October. Also, a structural performance criterion for September, **the withdrawal of banking licenses from three banks not complying with the capital adequacy ratio was not carried out as planned.** The authorities are liquidating two of the banks, but were advised by consultants to withdraw the banking licenses at a later stage in the liquidation process. The staff's expectation is that the banking licenses will be withdrawn by end-1999. PriceWaterhouseCoopers was chosen in early November as liquidators for these two banks. A group of investors was given a three-month grace period to acquire and recapitalize the third bank. All three banks are under close central bank supervision and are only authorized to place funds on government securities. In view of the measures taken, the staff believes that the main objectives of this performance criterion, the protection of customers deposits and the enforcement of prudential requirements, are being fulfilled.

4. **Program implementation weakened in the third quarter, owing to external factors and policy slippages. The government tightened its policies in late September, putting in place remedial actions for 1999**. The government is also asking for

parliamentary approval for measures to strengthen the economy in 2000. These actions and measures are described in the attached letter of intent and accompanying memorandum. In light of these measures, **the staff recommends the granting of waivers, completion of the first review under the three-year ESAF arrangement, and granting of the authorities' request for modification of performance criteria for December 1999.**

II. Recent Economic Developments and Performance

A. Real Growth, Prices, and Exchange Rate

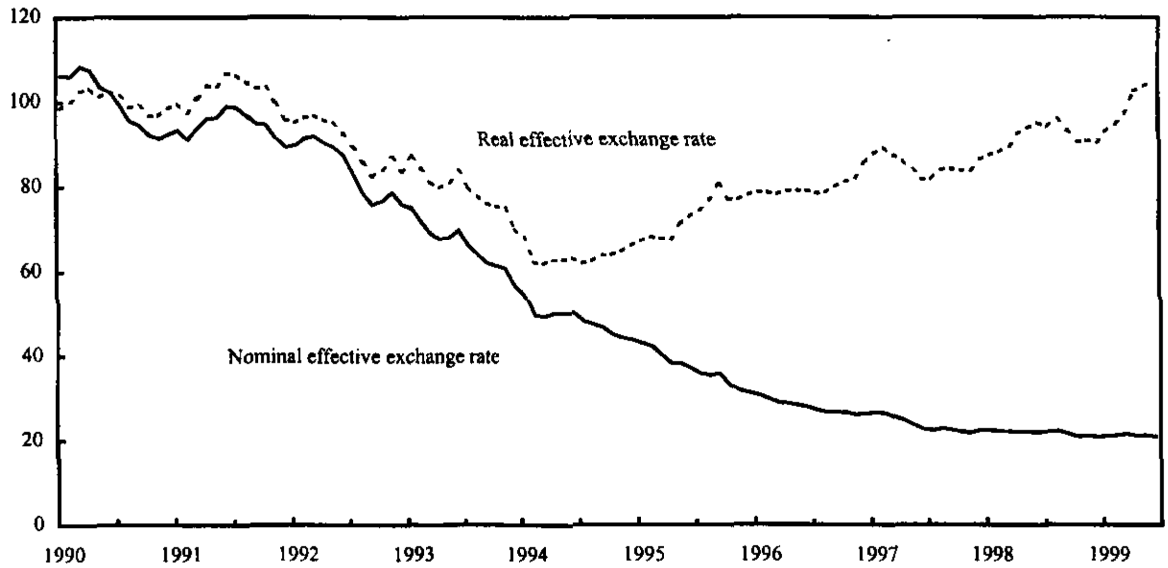
5. Real GDP growth for 1999 is forecast to reach 4.5 percent, 1 percentage point below the original program forecast. Weather patterns have been favorable to agriculture, and above-average rainfall has replenished water levels at the Akosombo dam. Activity in construction and manufacturing remains buoyant. Nevertheless, real GDP growth is expected to slow down in the fourth quarter owing to tighter policies and external factors (Table 1).

6. Inflation continued its downward trend from last year, dropping below 10 percent on an annual basis in May 1999 for the first time since 1992 (Figure 1). Tight monetary policy and sharp declines in food prices were largely responsible for this trend. Since June, upward adjustments of petroleum product prices, transportation services, and water tariffs, as well as the retroactive payment of public sector wages, caused the consumer price index to increase to 12.7 percent in July. The inflation rate resumed its downward trend in August, reaching 11.8 percent in October. Inflation is expected to finish the year at 10-12 percent, somewhat above the original program projection of 9 percent, in part because of an accelerated depreciation of the cedi (see below).

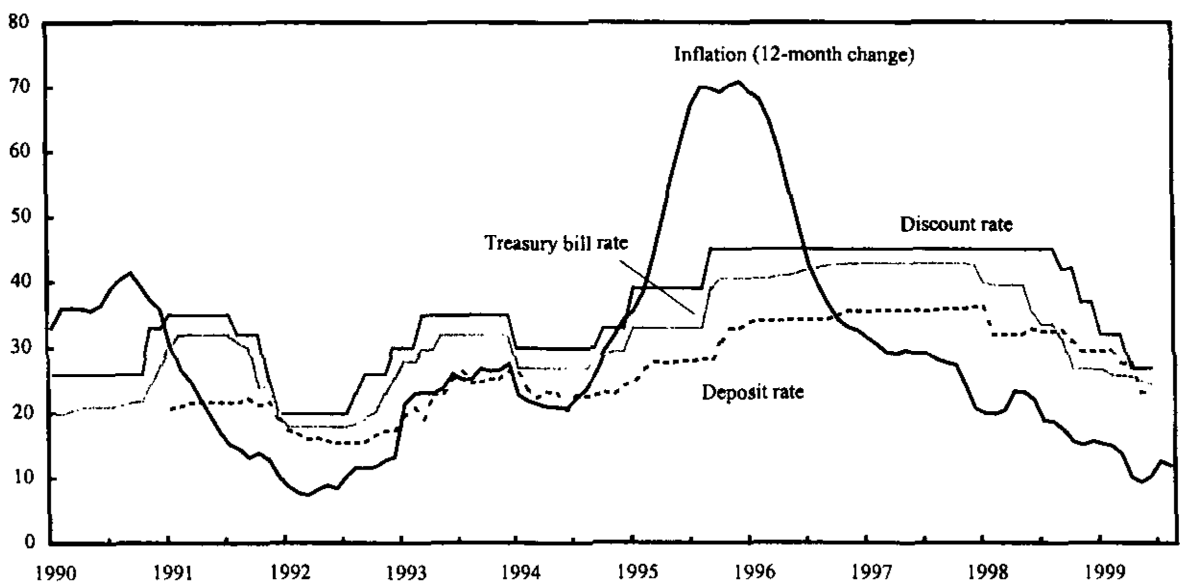
7. The cedi depreciated by 15 percent in the 12-month period ended in September 1999, about three times faster than in the previous year. Even so, this nominal depreciation was not sufficient to prevent a further real effective appreciation of the cedi, in great part because the Bank of Ghana was selling foreign exchange in excess of program targets. As a result, from June onward, importers began queuing to purchase foreign exchange from commercial banks, while exporters slowed down the repatriation of their foreign exchange earnings. Beginning in September, the central bank has focused primarily on meeting its net foreign assets target, and a faster exchange rate depreciation is expected to ensue until the market clears.

Figure 1. Ghana: Effective Exchange Rates and Inflation, January 1990 - July 1999

Effective Exchange Rates
(1990=100)



Inflation and Interest Rates
(In percent)



Sources: Ghanaian authorities; and Fund staff estimates.

B. Fiscal Developments

8. The domestic primary surplus for the first half of 1999, a performance criterion, was below its target by 0.1 percent of GDP, as higher-than-expected tax collections did not fully make up for lower nontax revenue (Figure 2 and Tables 3-5).[1] Domestic noninterest spending was about as projected. The overall deficit was 0.3 percent lower than projected, mainly because of delays in external financing of capital expenditure. Shortfalls in domestic revenue and external program assistance, as well as a lack of divestiture receipts, caused net domestic financing to exceed its program ceiling by 1.1 percent of GDP; application of the adjuster for the shortfall in foreign program assistance reduces the excess to 0.2 percent of GDP.

9. The VAT has been in effect from the beginning of the year and is operating well. Domestic collections in the first half of 1999 were below projected levels as taxpayers took advantage of grace periods for filing returns and appealed for exemptions. This shortfall was made up by higher collections on imports, which is the result of the VAT's single rate, fewer exemptions, and larger number of taxpayers than the previous sales tax.

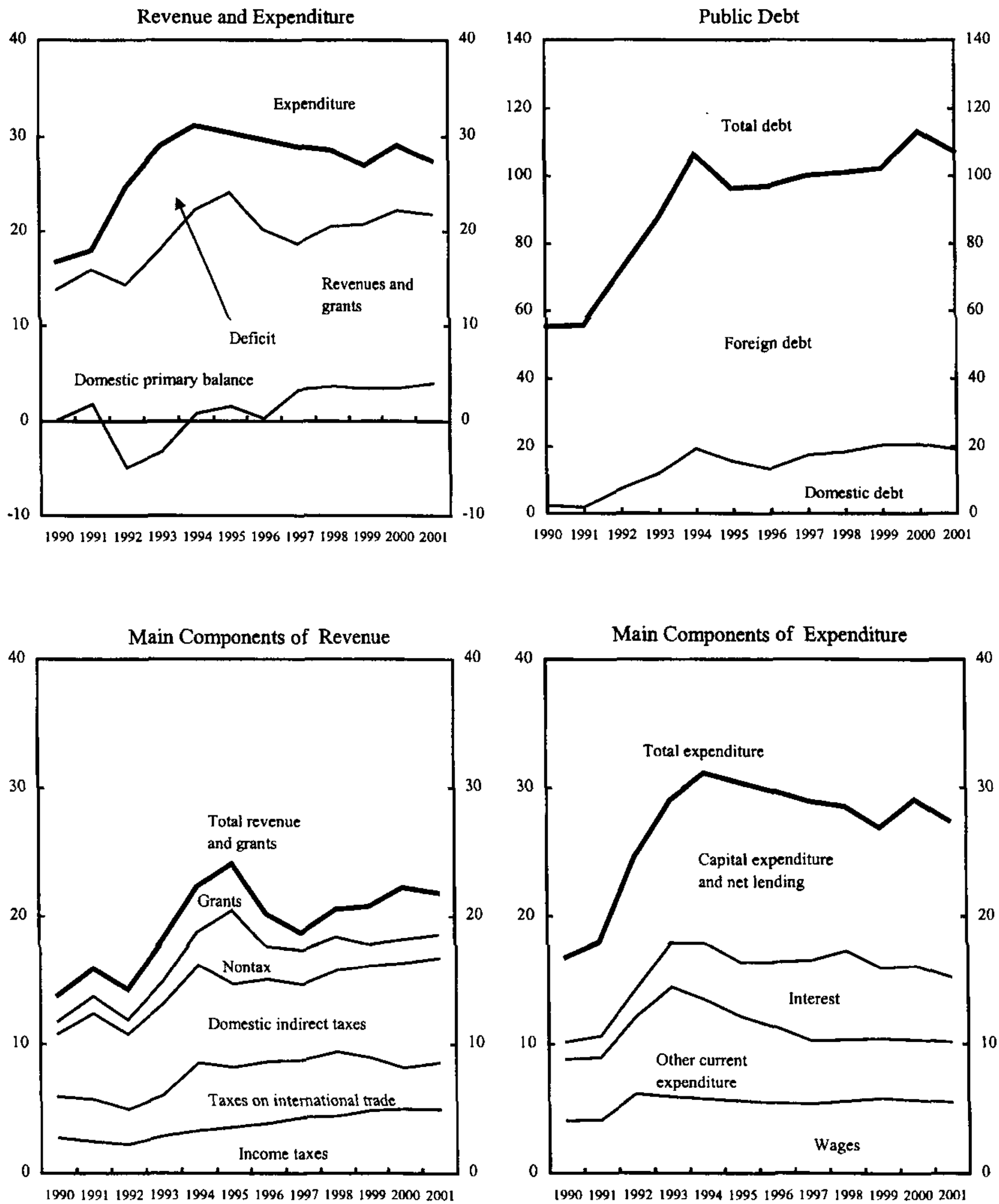
10. In April 1999, the government adopted a new salary structure that became effective in June and was applied retroactively to the beginning of the year, resulting in lump-sum payments made mostly in July. An important outcome was the elimination of various allowances for rent, car maintenance, and other items by incorporating them into a higher wage. The resulting average wage increase for 1999 (20 percent) was in line with the program assumptions.

11. Domestic interest payments at midyear were below projection by 0.1 percent of GDP, but are now running higher than expected because of substantially greater net domestic financing. Ghana's domestic debt burden is heavy in comparison with other countries (Box 1), crowding out priority expenditures and raising concerns regarding the sustainability of this debt.

12. Payments of road-related arrears in the first half were slightly larger than planned, but the interest charge on the outstanding stock at the end of 1998 kept the total amount of arrears from declining. A substantial payment in July covered this charge and reduced the outstanding stock to about half its end-1998 level.

[1]The benchmark for domestic revenue was also missed by 0.2 percent of GDP.

Figure 2. Ghana: Central Government Finances, 1990-2001
(In percent of GDP)



Sources: Ghanaian authorities; and Fund staff estimates and projections.

Box 1. Selected West African and HIPC Countries: Public Domestic Debt, 1998

	Total Revenue	Domestic Interest Payments		Domestic Debt Stock		Average Interest	Average Inflation
	(In % of GDP)	(In % of GDP)	(In % of total revenue)	(In % of GDP)	(In % of total revenue)		
West African countries							
Benin	15.5	0.2	1.3	4.9	32.0	4.1	2.9
Burkina Faso	13.1	0.2	1.5	7.0	53.5	2.8	2.5
Côte d'Ivoire	21.4	0.5	2.3	20.8	97.4	2.4	3.0
Mali	16.0	0.0	0.0	4.1	25.9	0.0	1.8
Niger	9.0	0.1	1.1	12.5	138.9	0.8	3.0
Senegal	16.7	0.3	1.8	11.4	68.4	2.6	2.4
Togo	14.3	0.1	0.7	15.9	111.3	0.6	2.8
Other HIPC countries							
Bolivia	20.1	1.2	6.0	14.8	73.6	8.2	7.7
Guyana	30.5	2.8	9.2	93.0	304.9	3.0	4.6
Malawi	17.3	2.2	12.7	8.1	46.8	27.1	17.5
Ghana	18.3	5.2	28.4	19.3	105.5	26.9	15.5

Sources: National authorities; and Fund staff calculations.

C. Monetary Developments

13. Monetary policy remained on course through midyear as both reserve money and broad money met their targets, increasing by 14.9 percent and 15.6 percent, respectively (Table 6). Net credit to government by the banking system exceeded its program target by 2.3 percent of GDP, mostly because of the shortfall in foreign program assistance, but also because fewer treasury bills were placed with nonbanks. Credit to the private sector also increased rapidly, growing by 34.5 percent for the year ended in June 1999, reflecting a buoyant economy and higher imports. To accommodate the strong credit demand and to comply with the foreign exchange exposure regulations introduced by the central bank in December 1998, commercial banks reduced markedly their net foreign assets position. Net foreign assets of the Bank of Ghana were below their target level at the end of June. However, after the application of program adjusters for the shortfall in foreign assistance, the net foreign asset position was on target.

14. In April 1999, the central bank lowered its rediscount rate from 32 percent to 27 percent. Deposit and lending rates of commercial banks followed trends in the financial markets, declining by about 5 percentage points from the beginning of the year to September.

However, high public sector borrowing caused the treasury bill rate, which had declined a couple of percentage points to 24 percent at the end of June, to rise to about 27 percent at the end of September.

15. In the third quarter, the Bank of Ghana found it difficult to contain reserve money expansion because of the mounting pressure from high public borrowing. To control reserve money, the Bank of Ghana not only raised the volume of its open market operations but also sold foreign currency, bringing its net foreign assets below program targets. As a result of these policies, the exchange rate did not fully adjust to the terms of trade shock, gross international reserves reached US$303 million (compared with US$508 million in December 1998), or the equivalent of 1.2 months of imports, and, ultimately, the reserve money target for September still had to be loosened.

D. External Developments

16. The significant declines in world prices for Ghana's main exports, cocoa and gold, and the increase in the world price of oil are adversely affecting Ghana's external current account. World gold prices fell by about 10 percent in the 12-month period ended August 1999. The impact of a 22 percent decline in cocoa price was only partially offset by a larger export volume. As a result, the current account deficit is projected to be 4½ percent of GDP in 1999, about 1½ percentage points higher than originally projected (Figure 3 and Tables 7-8).

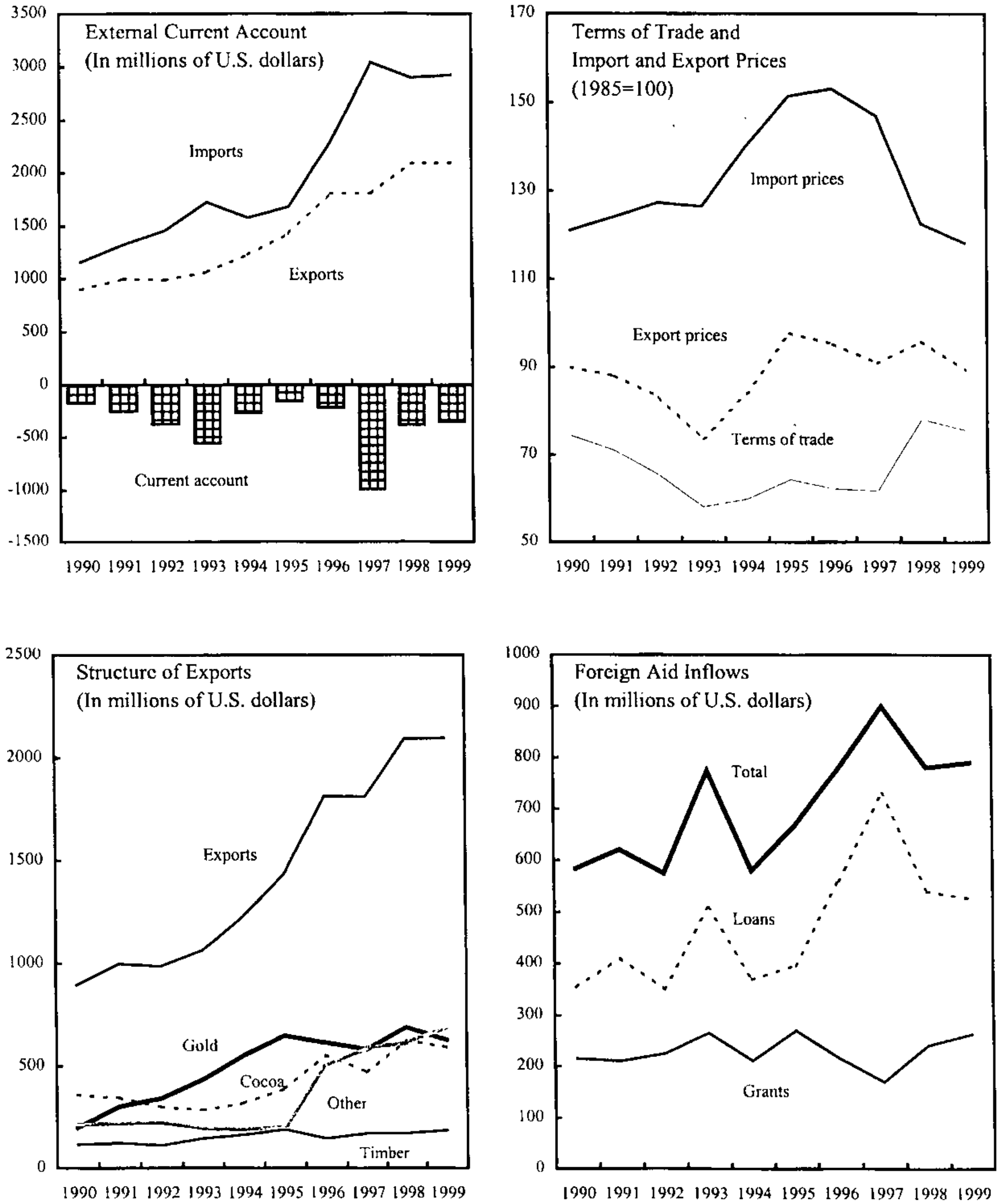
17. There was a US$169 million shortfall in foreign assistance in the first half of 1999. Program grants fell short of projections by US$18 million. Japan suspended the disbursement of a US$50 million program loan while reassessing its exposure in light of the enhanced HIPC Initiative. Project grants and loans in the first half fell short of their projected amounts by US$56 million and US$45 million, respectively.

E. Structural Reforms

18. Except for the divestiture program, structural reforms have progressed broadly in line with the program. In the financial sector, the Bank of Ghana began procedures to withdraw licenses from banks not meeting capital adequacy requirements. Two small state-owned banks, BHC and Coop, are now under liquidation. A third bank was given a three-month grace period while a group of investors attempt to recapitalize it. Management changes have contributed to strengthen the GCB, the largest state-owned bank, and the National Investment Bank (NIB). The NIB board is expected to hire soon a new general manager from a list of professional bankers compiled by the Bank of Ghana. It has been asked to adhere to a conservative business plan to improve its prospects for divestiture. The minimum capital of rural banks was increased from ₵ 50 million to ₵ 100 million in October 1999.

19. In April 1999, the cabinet approved, after extensive consultation with stakeholders, a medium-term cocoa strategy designed to improve incentives for producers, promote competition in the domestic market, and end the public monopoly in cocoa exports. The

Figure 3. Ghana: Main External Indicators, 1990-99



Sources: Ghanaian authorities; and Fund staff estimates and projections.

Cocoa Board is now providing equal access to its crop financing and warehousing facilities to all licensed buying companies. In June, the producer price of cocoa for the 1999/2000 crop season was announced at the same level as in the 1998/99 season. Given the sharp decline in world cocoa prices, this decision is expected to raise the producers' share in the f.o.b. export price to 74 percent, substantially above the 60 percent minimum target under the program, and cause a marked reduction in cocoa tax revenue for 2000. At September exchange rates and prices, the producer price of cocoa in Ghana is about 16 percent above that in Côte d'Ivoire and has encouraged some cross-border smuggling into Ghana, a reversal of the situation normally experienced in the past.[2] The Produce Buying Company was finally offered for sale in October, and its shares are expected to be floated in the stock exchange before the year's end.

20. Also in April 1999, the Divestiture Implementation Committee (DIC) published a divestiture work plan, including economically significant enterprises and setting annual targets for divestiture receipts for the period 1999-2001. Since then, however, divestiture receipts have collapsed. This trend was reversed only in October when the divestitures of two large enterprises, the State Transport Company and GHACEM, a cement factory, were completed.[3] The government implemented a financial restructuring plan for the Tema Oil Refinery (TOR) and expects to offer it for sale by the end of the year.[4]

21. In addition to the implementation of a new public service wage structure, progress in other areas of Ghana's public sector reform program continues. In June 1999, the cabinet approved the legal framework for reform of subvented agencies and established two committees for addressing employment opportunities for retrenched staff and the reform of central management agencies. The cabinet chose 33 subvented agencies for the pilot reform project, with the World Bank funding a substantial share of the cost. The target date for completion of the project is end-2001. The Committee on Strategic Coordination was established as a permanent agency with responsibility for reforming and regulating central management agencies and establishing accountability.

III. MEDIUM-TERM ADJUSTMENT STRATEGY

22. The main objective of Ghana's medium-term development strategy is to raise the living standards in Ghana to those of a middle-income country by 2020. The external shock faced in 1999 highlights the need to consolidate macroeconomic stability, while forging ahead with structural reforms aimed at making the economy more efficient and diversified.

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[2]See Chapter V in "Ghana—Selected Issues" (SM/98/255; 11/18/98).

[3] Divestiture receipts from these sales amount to US$31.5 million.

[4]See also Chapter VI in "Ghana—Selected Issues" (SM/99/269; Sup. 1, 11/5/99).

The core of the strategy is an open and liberal market economy, supported by measures to foster private investment, human development, and basic infrastructure.

23. Box 2 highlights the changes in the medium-term framework resulting from the external shock. Real GDP growth is expected to slow down in 2000, as imports will be constrained by a more depreciated exchange rate and tighter demand management policies; meanwhile, the growth of nontraditional exports may take longer to rebound (Figure 3). However, real GDP growth may still reach 4 percent in 2000 if exceptional external financing is forthcoming (see paragraph 31). From 2001 onward, growth is expected to accelerate, returning to the original path in 2003 (Table 11).

24. Gross investment is projected to increase slightly over the medium term from 24½ percent of GDP in 1998 to 26½ percent of GDP in 2007. However, public investment is expected to show a decline of 3 percentage points of GDP over the period, while private investment will increase by 4½ percentage points of GDP. This trend reflects government's efforts to disengage from activities more appropriately pursued by the private sector, not only through divestiture, but also by mobilizing private investment in infrastructure and utilities.

25. Gross national savings are also expected to increase steadily over the next decade, rising to 23½ percent of GDP in 2007 from 19½ percent in 1998. Most of this increase would be due to a gradual increase in public savings, to be achieved through efforts to prevent government revenues from declining while reducing expenditures as a share of GDP. Nevertheless, expenditures on health, education, and other poverty-reducing initiatives will be protected. Private savings are also expected to increase somewhat, helped by a gradual increase of income per capita and the financial sector reforms.

26. A medium-term fiscal sustainability analysis provided the basis for discussion of the measures needed to address the external shock and bring the economy back on the original medium-term course (Box 3).[5] The analysis suggests that it would be prudent for Ghana to maintain revenue as a share of GDP over the medium term, while reducing cocoa taxes and tariffs to improve equity and efficiency. More broadly, it points to the need for fiscal adjustment to set the stage for a gradual reduction of the ratio of domestic debt to GDP and to ensure that high interest rates and interest payments do not crowd out priority government expenditures and discourage private investment.

27. Monetary policy will be consistent with an inflation rate of not more than 5 percent from end-2001 onward. Broad money is expected to grow slightly faster than nominal GDP. To achieve this objective, net domestic financing of government will need to fall from 4 percent of GDP in 1999 to -1 percent in 2007, so as to avoid crowding out the private

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[5]For additional details and scenarios, see Chapter III in "Ghana—Selected Issues" (SM/99/269, Sup. 1; 11/5/99).

Box 2. Ghana: External Sector Assumptions, 1999-2002

The medium-term framework presented in EBS 99/57 was modified to take into account recent developments in world markets. In particular, balance of payments and medium-term framework projections are based on the following assumptions:

	1999	2000	2001	2002
Cocoa prices		*(In US$ per metric ton)*		
New projections	1450	1100	1400	1500
Projections in EBS/99/57	1600	1650	1750	1850
Gold prices		*(In US$ per ounce)*		
New projections 1/	260	290	297	305
Projections in EBS/99/57	287	287	298	300
Petroleum prices		*(In US$ per barrel)*		
New projections	16.7	18.0	18.5	18.5
Projections in EBS/99/57	12.0	13.0	14.0	14.0
Non-oil import unit values		*(Average rate of growth in percent)*		
New projections	7.2	3.4	3.7	3.7
Projections in EBS/99/57	4.1	1.8	3.6	3.6
Real GDP growth		*(In percent)*		
New projections	4.5	4.0	4.5	5.5
Projections in EBS/99/57	5.5	6.0	6.0	6.0

1/ Gold prices projection is conservative when compared to prices in mid-October (US$316 per oz.). However, the positive effect of a higher gold price on the balance of payments is counterbalanced by losses from financial derivatives (see paragraph 31 below).

sector while allowing room for a gradual increase of gross international reserves to three months of imports.

28. Ghana is a heavily indebted poor country (HIPC), but has not requested a concessional rescheduling under traditional debt relief mechanisms and has avoided sustained external arrears.[6] A debt sustainability analysis (DSA) was carried out during the mission jointly with the World Bank.[7] The ratio of net present value (NPV) of debt to exports of goods and nonfactor services, which was 171 percent in 1998, is expected to fall below 150 percent in 2002, and decline more sharply thereafter. The external debt-service ratio was projected to decline from 22 percent in 1998 to below 10 percent in 2003 as Ghana continues to make large amortization payments and observe the moratorium on nonconcessional external borrowing (Table 10).

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[6] Ghana obtained a nonconcessional rescheduling of certain arrears in 1996.

[7] See ____________ for details of the debt sustainability analysis.

Box 3. Ghana: Medium-Term Fiscal Sustainability Analysis

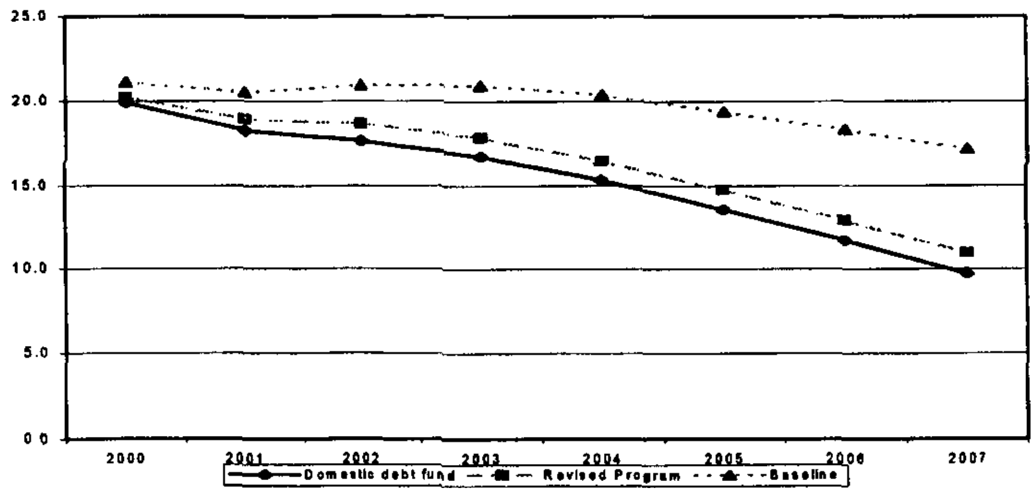
The government's original program for 1999-2001 was designed to support real GDP growth of 6 percent and, through adherence to prudent financial policies, reduce inflation to no more than 5 percent. By the end of the medium term (1999-2007), the program put the budget in overall surplus, with domestic primary surpluses of over 4 percent of GDP. Domestic debt was to begin declining relative to GDP in 2001, falling below 10 percent of GDP in 2007. However, the unexpected deterioration in the terms of trade and shortfalls in external assistance in 1999 substantially changed the medium-term outlook under the government's program. The vulnerability of Ghana's economy to external shocks in 1999—in particular, the excess in net domestic financing over projected levels and consequent increase in domestic debt—highlighted the need for an analysis of the risks to fiscal sustainability.

The baseline for examining fiscal sustainability is the medium-term projection of fiscal accounts based on tax and expenditure policies in 1999, and a VAT rate of 10 percent. The baseline results show an overall deficit of 2 percent of GDP in 2007, never achieving balance, as in the original program. The stock of domestic debt only begins to decline relative to GDP by 2004, and is over 17 percent of GDP in 2007.

Restoring the government's original medium-term fiscal objectives requires new measures. An increase in the VAT rate would be the most efficient way of achieving the government's objective of moving toward a tax system that encourages saving and investment. Consequently, the government will submit to parliament a proposal to increase the VAT rate to 12.5 percent on January 1, 2000. The medium-term analysis shows that this increase, followed by a further increase to 13 percent in 2003 to compensate for revenue losses from tariff reform, brings key fiscal parameters closer to their originally targeted levels in 2007. Specifically, the overall budget is near balance, the domestic primary surplus levels off at 4 percent of GDP, and the stock of domestic debt declines to 11 percent.

Strategies for reducing domestic debt were examined in the context of the medium-term sustainability analysis. If donors collectively provide an additional US$50 million annually during 2000-2002, with half the savings in domestic interest devoted to increased social expenditures, the stock of domestic debt falls below 10 percent of GDP in 2007, an objective of the original program.

Figure 4. Stock of Domestic Debt
(In percent of GDP)



29. Assuming a decision point in September 2000 and with debt relief based on estimated end-of-1999 data, Ghana could qualify for support under the HIPC Initiative, as its net present value of debt-to-exports ratio for 1999, at 172 percent exceeds the 150 percent threshold under the enhanced HIPC framework. However, it appears that Ghana would qualify for deeper relief under the openness/fiscal criterion as its NPV of debt-to-revenue ratio at 292 percent, significantly exceeds the 250 percent threshold. In the latter case, the debt relief would amount to about US$0.6 billion in net present value terms.

30. The DSA analysis also shows that most of Ghana's problems are bunched in the immediate three years, when Ghana has to make payments on earlier nonconcessional borrowing. The authorities indicated that they would have to weigh the advantages and disadvantages of participating in the HIPC Initiative—specifically, the potential savings in debt service against the possible loss in donor assistance and access to world financial markets. They mentioned that they were leaning toward trying to obtain relief from donors on a bilateral basis, outside the HIPC Initiative. Such an approach could, for example, take the form of higher and sustainable levels of new assistance, preferably on a grant basis.

31. The balance of payments will be under pressure in 2000. Ghana has already sold its 1999/2000 main cocoa crop forward; therefore, even if prices improve in 2000, the effect on cocoa export proceeds will be small. Gold prices strengthened considerably in early October as European central banks announced that they would be limiting the amount of gold sales in the next five years. However, Ashanti Goldfields Co. (AGC), the largest Ghanaian gold producer, expected gold prices to decline and hedged accordingly.[8] The company has been reported to have covered itself for future declines of gold prices by buying put options on gold, and raising financing for these operations by selling call options. This strategy has exposed the company to a considerable financial loss on its hedging portfolio once gold prices began to rise. If buyers of call options sold by AGC choose to exercise their right to delivery, AGC is likely to be faced with large obligations in the short term. AGC stock has plunged after this news broke out. AGC is said to be in merger talks with foreign companies. The board of the company is discussing the best strategy to raise the necessary funds and some buyback operations of the hedge portfolio were reported to have taken place. It is not expected that the resolution of AGC problems will involve government resources. It is clear, however, that any improvement in the balance of payments on account of an increase in gold prices may be counterbalanced by losses on hedges.

32. Considering the need to cushion the impact of the terms of trade shock so as to protect priority expenditures, external financing requirements are estimated to amount to

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[8] Ashanti Goldmines Co is the largest company in Ghana, responsible for 35 percent of Ghana's gold exports. AGC stock is traded in New York and London, as well as Toronto, Australia, and Zimbabwe.

about US$2.8 billion over 1999-2001 (Table 8), somewhat higher than the US$2.5 billion projected in the last staff report (EBS/99/57; 4/16/99). The authorities are hopeful that the observed shortfall in foreign assistance in the first half of 1999 will be reversed in the second half. The government estimates a financing need of US$769 million in 2000, excluding US$230 million expected to come from the World Bank and Fund drawings under the current program. About US$250 million of the financing is expected in program grants and loans. In light of its large additional financing requirements, the government has requested higher access under the present ESAF arrangement. The staff agreed to consider it in the context of the next review.

33. Over the medium term, Ghana's external position is forecast to improve as exports receipts are expected to grow by close to 11 percent annually; meanwhile, imports should decline slightly as a share of GDP as the economy diversifies. The current account deficit, including official transfers, is expected to decline from 6 percent of GDP in 2000 to 3 percent of GDP in 2007.

IV. Policy Discussions

34. The policy discussions centered around the authorities' proposed response to the current external shock and their remedial measures to correct policy slippages in the third quarter of 1999. In response to the discussions, the cabinet met and approved in principle a package of measures, including a sharp cut in domestic capital expenditures in 1999 and an increase in the VAT rate. These actions, as well as steps to ensure that the structural reforms continue to move ahead, are the main elements of a revised program for 1999 and for the 2000 budget that—the authorities and the staff believe—would justify completion of the first ESAF review.

A. Fiscal Policies

35. In view of the external shock, the staff urged the government to undertake swift adjustment in 1999, as a precautionary measure against deeper deterioration in the balance of payments and fiscal accounts expected in 2000. Although the external shock was outside the authorities' control, the staff felt that the government could have taken remedial steps early in the third quarter to contain the impact of the external shock. Among the policies that contributed to a deterioration of the program performance in the third quarter, the staff mentioned the retroactive payment of salary increases in July, the acceleration of domestic capital spending in the third quarter, and the announcement of a cocoa price for the 1999/2000 season that reduces cocoa tax revenue in 1999 and, at present exchange rates, virtually eliminates it in 2000. Poor customs administration as evidenced by low effective duty rates was also mentioned, particularly given press reports of significant leakage of duty

collections through bonded warehouses.[9] The staff also inquired into the reasons for the shortfall in nontax revenue.

36. The authorities explained that the government considered parceling the retroactive payment over the remainder of the year, but the unions objected strenuously to it, and the government finally concluded that it would be unfair to further delay payment as the unions had negotiated in good faith. The acceleration of capital expenditures was attributed to lags between signing contracts and executing expenditures. When the authorities began curtailing spending there was already a pipeline of expenditures that could no longer be cut. Regarding the cocoa producer price, the authorities argued that raising the producers' share in the f.o.b. price to 65-75 percent was not unreasonable from the equity perspective, and would protect the rural poor from the effects of the external shock. They explained the shortfall in nontax revenue primarily as the result of low central bank profits in 1998, an outcome that could not be changed in 1999, although they agreed that it should have been predicted when preparing the 1999 budget.

37. The authorities agreed with the staff that remedial measures should be promptly implemented to prevent a major disruption in the economy in 2000. They suggested that a sharp adjustment in the fourth quarter of 1999 could be achieved by limiting domestic capital expenditures to 0.4 percent of GDP in that period (thus reducing them for the year by 0.7 percentage point compared with the program). The staff was concerned about the impact of the cut in domestic capital expenditure on complementary foreign-financed capital expenditure. While sharing the staff's concern, the authorities emphasized that the bulk of the discretionary expenditures were in domestic capital expenditures; it was therefore inevitable that it would suffer the brunt of the adjustment. While tax measures were clearly needed, they will require parliamentary approval and could yield results only in 2000. In the meantime, the authorities proposed to encourage efforts by the VAT Service to enhance compliance through higher penalties, automatic assessments of liabilities for nonfilers, and prosecution of nonpayers. They also agreed that a more aggressive enforcement of customs procedures, particularly the close monitoring of bonded warehouses, was urgently needed, and they indicated that they had requested customs to take immediate remedial actions, including punitive measures, if warranted. A summary of the fiscal measures for 1999 and 2000 is presented in Box 4.

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[9] A serious breakdown of controls on bonded warehouse was reported by the press during the mission and is said to have caused significant losses to customs revenue. Officials alleged to be involved have been suspended pending completion of the investigations. About ₵ 28.8 billion in revenue losses have been traced to identified individuals or firms, and ₵ 6 billion has been recouped so far. The judicial process is still to start.

Box 4. Ghana: Fiscal Measures for 1999 and 2000

Remedial measures for 1999	**In percent of GDP**
• Cut in domestic capital expenditures	0.7
• VAT enforcement measures	...[1]
• Customs enforcement measures	0.1
• Recuperation of divestiture proceeds	0.1[2]
Measures for 2000	
• Increase in the VAT rate	0.9
• Enhancement of nontax revenue	0.2
• Increase in petroleum tax	0.2
• Limitation of exemptions under VAT	...[3]
• Differential cocoa producer price for lower-quality beans	0.2
• Elimination of tariff exemptions	0.1[3]
• Limitation of capital allowances under the income tax	...[3]

[1]It was not possible to obtain a firm estimate of the likely effect of this measure, owing to the newness of the tax. A conservative approach was taken, and no additional revenue was assumed under the revised program.

[2]Increase in receipts in the second half over originally projected receipts.

[3]The contribution of these measures to revenue will depend on the extent of the reductions in exemptions and capital allowances. The authorities are assessing the alternatives, including related legal issues, with a view to incorporating proposals in the 2000 budget. In the case of tariff exemptions, the work is more advanced, allowing the staff to make a first estimate.

38. Accepting the urgent need to raise revenue, the authorities sought and received cabinet approval in principle for a VAT rate increase to about 12.5 percent. They agreed to submit the necessary legislation to parliament when it convened in October/November so that the higher rate would become effective at the beginning of next year. The government also indicated its intention to raise petroleum taxation and to expand the VAT base by reducing the scope of exemptions. The government is also considering limiting capital allowances under the income tax.

39. Ghana's trade restrictiveness index remains unchanged at 5. In the context of the Trade and Investment Reform Program financed by USAID, the government is conducting a review of the tariff system aimed at ensuring that Ghana remains efficient and competitive as a producer and exporter. This review also addressed deficiencies in customs administration. Present reform plans include a gradual reduction of average tariff rate over the medium term, together with elimination of tariff exemptions and improvements in customs procedures. The government is now studying the consultants' report, which was completed in late October. The next step will be for the government to define a precise implementation strategy and timetable, including measures to strengthen customs administration. The authorities reiterated their commitment to reducing the maximum tariff rate in the 2000 from 25 percent to 20 percent budget in line with regional trends.

40. In the context of its medium-term fiscal sustainability analysis, the authorities and staff discussed the establishment of a domestic debt-reduction fund financed by donors, but recognized that caution was needed to ensure that additional priority expenditures made possible by savings in debt service would not be so high as to endanger liquidity control or exceed absorptive capacity. A debt-reduction fund could be part of the macroeconomic strategy for 2000, provided donor support is sufficient and financing is truly additional to the amounts assumed in the basic program.[10]

B. Exchange Rates and the Terms of Trade Shock

41. The staff expressed concern that the real effective exchange rate of the cedi was still appreciating (Box 5, and Figures 1 and 5). The concern was grounded in the belief that the exchange rate had a role to play in absorbing some of the impact of the external shock, as well as in the staff's perception that the growth of nontraditional exports, which had been one of the bright spots in Ghana's economic performance, could slow down if the appreciation were not reversed soon.[11]

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[10] See also Box 3 and Chapter III of "Ghana—Selected Issues" (SM/99/269, Sup. 1; 11/5/99).

[11] For an analysis of the performance of nontraditional exports, see Chapter II of "Ghana-Selected Issues" (SM/99/269, Sup. 1; 11/5/99).

Box 5. Ghana: Competitiveness

Although there are many ways to assess competitiveness, and they do not always point in the same direction, the brunt of the evidence increasingly shows that the cedi is becoming overvalued. The real effective exchange rate, calculated on the basis of the consumer price indices of Ghana and its trading partners, has been generally appreciating since 1995 (Figure 5). The same behavior is observed if the real effective exchange rates are calculated using GDP deflators and export prices. Also, although wage costs have been generally contained in Ghana in recent years, unit labor costs are still increasing vis-à-vis those in partner countries. The internal real exchange rate, defined as the ratio of the prices of nontradable to that of tradable goods, has also tended to generally appreciate over the 1995-99 period.

In contrast with export prices, which have broadly followed trends in labor costs and in domestic prices, import prices have remained relatively stable with respect to those of Ghana's partners; this suggests that the country has not been experiencing a relative increase in production costs, owing to the use of imported inputs. Nevertheless, taken together, these indicators show a gradual loss of competitiveness in international markets. While it is true that this appreciation could be explained in part by the positive movement of the terms of trade in recent years, their sharp deterioration in 1999 has not resulted in a correction in the appreciating trends of the real effective exchange rate indicators as one would expect.

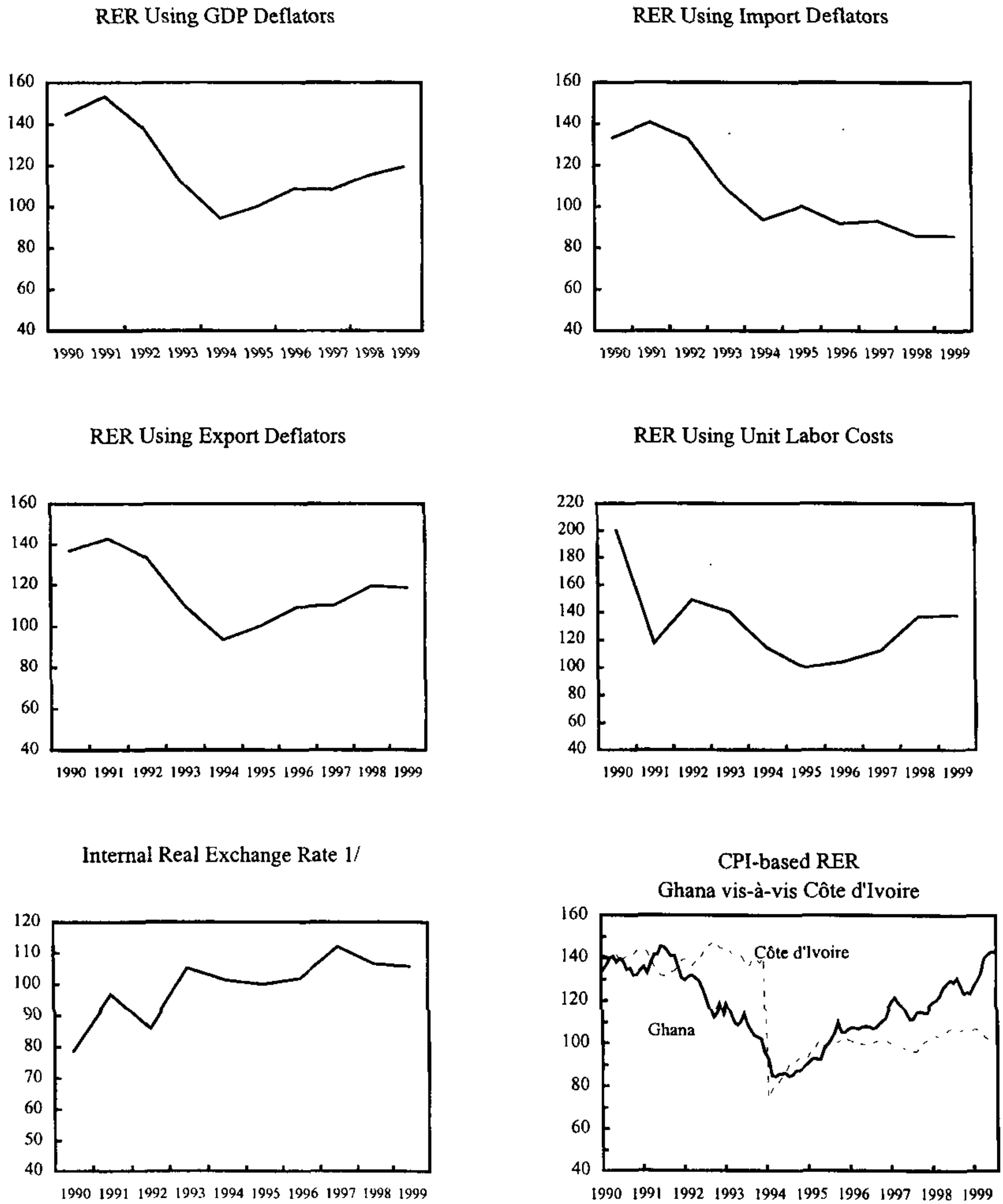
An interesting competitiveness comparison is with Côte d'Ivoire, a neighboring country deriving as does Ghana a significant portion of its export receipts from cocoa. The bottom right panel of Figure 5 provides a direct comparison of the CPI-based real effective exchange rates in Côte d'Ivoire and Ghana. Except for the 1994 devaluation of the CFA franc, the real effective exchange rate shows significantly greater stability in Côte d'Ivoire than in Ghana, as the former's inflation rate has been much more stable (and lower). This factor, per se, raises the competitiveness of Côte d'Ivoire vis-à-vis Ghana. Moreover, if one assumes that in 1995, one year after the CFA franc devaluation, the exchange rates in Ghana and Côte d'Ivoire were in equilibrium, one would conclude that, while from 1992 to 1995, Ghana had a competitive advantage vis-à-vis Côte d'Ivoire, such an advantage is being lost since 1996.

Finally, exporters have become increasingly vocal in affirming that the exchange rate is overvalued, and that real lending rates in the country are much higher than those in competing West African countries. The concern is that the strong growth in nontraditional exports in Ghana, which has been an important growth factor in recent years, could be negatively affected in the near future.

42. The central bank rate in Ghana is calculated from indicative exchange rates quoted by commercial banks.[12] The staff noted that in the third quarter of 1999 the Bank of Ghana had intervened in the market by selling foreign exchange in excess of the program target. The central bank authorities explained their larger-than-programmed intervention in the foreign market as part of an effort to keep reserve money under control when faced with increased

[12] Although the central bank rate is described as an average interbank rate, the interbank market is not active, with most of the transactions taking place between banks and the Bank of Ghana.

Figure 5. Ghana: Alternative Real Exchange Rate (RER) Indicators, 1990-99
Indices, 1995=100



Source: IMF, Information Notice System and World Economic Outlook database.
1/ 1999: January-August average.

borrowing requirements from the government. The staff urged the authorities to stop their intervention, as international reserves levels had already been considerably depleted, and to ensure that the exchange rate was allowed to move freely to clear the market. It argued that intervention in foreign exchange markets other than those directed to meeting the net foreign assets target and prevent marked short-term fluctuations in exchange rates were not consistent with the objectives of the program.

43. While the central bank authorities told the mission that the Bank of Ghana was no longer selling in the foreign exchange market, they expressed concern that a faster depreciation would impact on domestic prices and rekindle inflationary expectations. The staff suggested that, while a short-term impact of the depreciation on prices was inevitable, this impact would gradually disappear if policies were to remain tight. Monetary policy in particular should ensure that reserve money is kept under control even at the cost of having to raise interest rates.

44. The staff attributed the lack of a more vigorous market response in September to the absence of true interbank rates that could be used as representative rates. Market adjustment seemed slow because the central bank was using indicative exchange rate quotes by commercial banks as the basis to calculate the market rate (as opposed to transaction rates). The staff argued that the transaction rates used by banks were increasingly more depreciated than their indicative quotes. In the absence of interbank rates, the staff and the authorities agreed to calculate the central bank rate on the basis of average rates reported by banks on transactions with customers. Application of this new procedure began in mid-October. To increase the transparency of their operations in the foreign exchange market, the authorities agreed to publish the gross international reserves monthly.

45. The mission discussed with the authorities the recent MAE technical assistance mission on the operation of the foreign exchange markets, which concluded that requiring foreign exchange dealers to always provide firm two-way quotes would be an important step in ensuring that they begin to transact among themselves, instead of with the central bank. In the medium term, the authorities and the staff agreed that the development of an active interbank market in foreign exchange was crucial. The authorities requested urgent technical assistance to help the central bank undertake this task.

46. Exporters of cocoa and gold must surrender their foreign exchange receipts to the Bank of Ghana. The surrender requirement on cocoa beans follows from their export still being a state monopoly. The government has, however, agreed to review the requirement in the 2000/01 crop year, when licensed buying agents will be allowed to export directly for the first time. The mission broached the subject of gradually reducing and eliminating the surrender requirements on gold.[13] The authorities responded that they would prefer to wait until the balance of payments was stronger. The staff suggested that a review of surrender requirements should go hand in hand with the authorities' efforts to foster an active interbank market in foreign exchange.

47. The staff emphasized the need to ensure that the 1999 target for accumulation of the net foreign assets of the central bank (US$50 million) was achieved. This would imply an US$27 million reduction in the original target, which equals the net shortfall in external program assistance projected for the year. The Bank of Ghana expressed concern that, given its present position, this target would require excessive purchases of foreign exchange in the market at a very delicate moment. However, the staff observed that cocoa receipts tended to be strong in the fourth quarter, facilitating the achievement of the proposed net foreign assets target.

C. Monetary Policy Implementation and Financial Sector Issues

48. The staff questioned the choice of foreign exchange sales to control reserve money expansion, particularly in the third quarter. It felt that a more extensive use of open market operations would have contributed to a smoother adjustment of the exchange rate to the terms of trade shock. It also pointed out that by raising interest rates early on the central bank would have made a more forceful statement to the government and the public that there was a need to take remedial measures to cope with the external shocks and policy slippages. The staff also argued that partly because the interest rates failed to increase and partly because of expectations of a faster depreciation, the Bank of Ghana had serious difficulties in placing treasury bills with nonbanks. The monetary authorities reiterated their concern that real interest rates were already very high and further increases could choke off economic activity. They agreed, however, that with hindsight, reserve money should have been controlled primarily by open market operations, leaving the exchange rate to adjust to market pressures, which is the approach they would be taking in the remainder of the year.

[13]The surrender requirements on gold are based on company by company contracts and vary between 20 and 40 percent.

49. The staff and authorities discussed what would be an appropriate monetary policy stance in the fourth quarter, agreeing on constraining reserve money growth to 12½ percent to ensure that inflation remained as close as possible to 10 percent. This stance implies a stepping up of open market operations and a likely upward pressure on interest rates. The staff reviewed with Bank of Ghana officials activity in the treasury bill market, especially the use of repurchase agreements, and agreed that the experience had been positive. However, the cash-flow projections by government were still inadequate, making liquidity management a challenge. The government indicated that it would welcome further technical assistance on this issue. On a related matter, staff also noted that Ghana's external financing support is very large relative to its main monetary aggregates and that the recent volatility of such financing has been causing problems for Ghana's monetary program under the current ESAF. Staff will, therefore, return to this issue at the time of the next review and will discuss with the authorities and donors various ways in which the program could best address this problem.

50. The authorities indicated that, except for three small banks (BCC, BHC and Coop), the Ghanaian banking system is sound. The average capital adequacy ratio for the banking industry is 13 percent and the share of nonperforming loans in the system has been falling steadily reaching 10 percent at end of June 1999, a 4 percentage points improvement over June 1998. NIB, a state-owned bank with some problems, has been implementing management changes and other measures agreed with the Bank of Ghana to make it a more attractive divestiture prospect, but the bank meets key prudential requirements. The authorities reiterated their intention to vigorously enforce prudential rules and impose penalties whenever appropriate to ensure the soundness of the banking system. The staff urged the authorities to move ahead with their plans for divesting the remaining central bank and government shares in commercial banks. New central bank and banking laws will be submitted to parliament by the end of the year.

51. The government has decided to close BHC and Coop, and to give BCC a three-month grace period to either meet the capital adequacy requirement or start liquidation procedures. PriceWaterhouseCoopers was chosen in early November as liquidators for the first two banks. The authorities are confident that the closure of the BHC and Coop, and if necessary, BCC, can be handled without loss of confidence in the banking system. Together, these three banks account for only 3.2 percent of deposits and the government has indicated that it is ready to issue government securities to back deposits transferred to other banks. All three banks are only authorized to place funds in government securities. As part of the liquidation process, the government will determine in consultation with its lawyers and consultants, the most advisable time for the licenses of these banks to be revoked, which is a condition for the World Bank's Economic Reform Support Operation to be disbursed. The staff expectation is that the licenses will be withdrawn before end-1999. At September exchange rates, the cost to the government of liquidating the three banks was estimated at US$35 million, which is less than the original estimate (US$50 million). The staff will review the status of the liquidation process as part of the second ESAF review.

52. The staff discussed rural financing and supervision, including rural banking, agricultural credit—both formal and informal—and microcredit programs, in collaboration with the staff of the International Fund for Agricultural Development (IFAD) and the World Bank.[14] The Bank of Ghana explained its efforts to improve the soundness of rural banks, including the progress made in setting up an apex institution to support them. The staff also attended a seminar on the use of informal institutions as a bridge between the rural poor and the rural banks, particularly in smaller communities.

D. Other Structural Reforms

53. The staff observed that the process of bringing public enterprises for sale seemed excessively cumbersome and slow. The authorities pointed to transparency concerns, the need to ensure a fair valuation of each enterprise, and problems in selecting sales advisors in accordance with internationally acceptable procurement rules. The authorities explained that the sale of the Ghana Oil Company (GOIL) was close to completion, but that the President's Office had asked DIC to make sure that proper transparency procedures had been followed before clearing the sale. The sale, expected by the end of the year, would yield about US$15 million in 2000. Divestiture proceeds are estimated at US$37.6 million in 1999 and US$42.6 million in 2000, which are in line with the program.

54. The mission discussed the effects of keeping the cocoa price paid to producers unchanged from the 1998/99 season to the 1999/2000 season, even though world prices dropped sharply. The staff pointed out that high producer prices implied losses on the export of lower-quality beans and encouraged smuggling of such beans from Côte d'Ivoire to Ghana. While the authorities agreed with the staff's suggestion to reduce the price paid for lower quality beans, they believed that the introduction of the two-tier pricing was not urgent as Ghana was at the beginning of the main crop season, when most of the beans were of the best quality. Therefore, they would like to consult with stakeholders on how to best implement the two-tier pricing strategy and adopt the measure in mid-2000, after assuring themselves that possible technical problems could be solved satisfactorily.

55. One of the elements of the Ghana Vision 2020 development strategy is the emphasis on decentralization as a mechanism to bring the decision-making process close to the people, so as to improve the targeting of expenditures and enhance accountability.[15] A Fiscal Decentralization Subcommittee of the PUFMARP Steering Committee was set up in April

[14]For additional details, see Chapter VII of "Ghana-Selected Issues," (SM/99/269, Sup. 1; 11/5/99).

[15]Government of Ghana, "Ghana—Vision 2020 (The First Step: 1996-2000)," January 6, 1995.

1999.[16] This subcommittee will oversee the fiscal decentralization project undertaken by the government, with assistance from the Canadian International Development Agency. The authorities explained that a key goal of the project was to ensure that decentralization went hand in hand with fiscal discipline and accountability. An objective was to develop composite district budgets, fully compatible with the medium-term expenditure framework, which were expected to contain all development programs taking place in a district, irrespective of their sources of financing. A local government act is expected to be submitted to parliament in 1999, creating a local civil service and the administrative and accounting framework for the districts.

56. A strategy for poverty reduction was adopted as part of the government's first medium-term development plan in mid-1997. The overarching goal of the strategy is for Ghana to attain the standard of living of a middle-income country by 2020.[17] The underlying strategy for poverty reduction emphasizes economic growth, rural development, expansion of employment opportunities for the urban poor, and improved access of the rural and urban poor to basic public services, such as housing, transportation, water supply and sewerage, and family planning services. Investment in human capital, aimed at developing a more educated, better trained, and healthier population, is also part of the poverty reduction and growth strategy. Since 1995, spending on health and education has increased as a proportion of both total domestic primary expenditure and GDP (Table 3).

57. A new poverty reduction strategy document is being prepared by the government and will be presented to the Consultative Group meeting, scheduled to take place in Accra in November 1999. The document will take stock of the various poverty studies carried out in Ghana and set priorities for the future (see also Box 6).[18] The government intends to use it as an integral element of its economic program for the 2000-02 period.

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[16]PUFMARP is the Public Financial Management Reform Program set up in 1995 to improve, inter alia, the procedures for budgetary planning, implementation, and monitoring in Ghana. PUFMARP is supported by the World Bank and other donors.

[17] See Chapter VIII of "Ghana: Selected Issues" (SM/99/269, Sup. 1; 11/5/99).

[18]For example, Ghana Statistical Service, *The Pattern of Poverty in Ghana, 1988-1992*, November 1995; and Ghana Statistical Service, *Core Welfare Indicators Questionnaire (CWIQ) Survey 1997*, March 1998. See also Chapter VIII of "Ghana: Selected Issues" (SM/99/269, Sup. 1; 11/5/99).

Box 6. Ghana: Poverty Measurement and Profile

The main source of detailed information on the social and economic conditions of Ghana's population, including detailed measures of poverty, is the Ghana Living Standards Survey (GLSS), a multitopic household survey undertaken by the Ghana Statistical Service (GSS). Four surveys, denoted GLSS1 through GLSS4, have been conducted in 1987/88, 1988/89, 1991/92, and 1998/99, each covering a nationally representative sample of households interviewed over a 12-month period. GLSS1 through GLSS3 were used for a consistent analysis of poverty in Ghana over the period of the surveys. GLSS4 was completed in June 1999 and will serve as the basis for preparing a new poverty-reduction strategy.

In 1996, the GSS adopted a new instrument, the Core Welfare Indicators Questionnaire (CWIQ), for monitoring living standards more quickly than with the GLSS. The CWIQ is a nationwide probability sample survey designed to provide measurable indicators for monitoring poverty on a timely basis; it should also help assess the effects of development programs and projects on living standards. Rather than undertake the time-consuming and computationally demanding task of measuring expenditure and income, the CWIQ employs a set of readily observable indicators to construct poverty quintiles that are closely correlated with the expenditure quintiles based on the GLSS. The first CWIQ survey was conducted in 1997 from September to November.

A comparative analysis of the first three GLSS surveys shows that the overall incidence of poverty in the country declined from 37 percent to 31 percent over the period. Most of the improvement came from economic growth and the resulting increase in incomes and expenditures. Income distribution remained stable over the period, and growth benefited most regions, especially rural areas. The reduction in rural poverty appears to be related to increased reliance on nonfarm self-employment income. Urban areas, other than Accra, benefited from economic growth. Although the incidence of poverty is lowest in Accra, it increased markedly from 9 percent in 1988 to 23 percent in 1992, largely the result of rural-to-urban migration.

The most important source of income for households in Ghana is self-employment, accounting for at least 70 percent of total income. The CWIQ survey showed 72 percent of household heads to be self-employed in 1997. In the lower quintiles, most of self-employment income is generated from agricultural activities, whereas in the high quintiles it is generated more from non-farm self-employment. Households headed by women accounted for about one-third of households, although the level had been rising slowly. The CWIQ survey showed 35 percent of households headed by women in 1997, with significant proportions of these households in the lowest quintile in both rural (53.3 percent) and urban (60.5 percent) areas.

E. Exchange Restrictions

58. Ghana has accepted the obligations of Article VIII, Sections 2, 3, and 4. It maintains a system that is free of restrictions on payments and transfers on current international transactions.

V. Governance, Transparency, and Risks

59. Ghana has set up a National Governance Program, which is being implemented by an independent steering committee that comprises representatives of parliament, civil

organizations, and development partners.[19] This committee reports to the National Oversight Committee, which is chaired by the Vice-President. In mid-1998, the government commissioned an Accountability and Transparency Survey, which revealed low levels of governmental accountability and transparency vis-à-vis civil society and little awareness among the population of the existence of mechanisms to monitor and resolve governance issues. In June 1999, Ghana carried out the third National Governance Workshop organized by the Parliament of Ghana and supported by the UNDP.

60. While praising the government for its efforts to set up mechanisms to enhance governance, the staff indicated its concern about the large number of governance problems that had surfaced in recent years and the slow progress in stamping out corrupt practices. The authorities agreed that more work must be done to ensure accountability and indicated that they would continue to work in the context of the National Governance Program to change practices and perceptions in this area.

61. Ghana has been increasingly using a participatory approach to decision making on core policy issues including agriculture, health, and poverty. This was perhaps best illustrated in the September 1997 National Economic Forum, which gave rise to the Ghana Vision 2020 strategy, and, more recently, in the formulation of the medium-term cocoa strategy. While a participatory approach can enhance ownership, it is time-consuming and can delay urgently needed policy decisions. Strong criticism has been leveled recently at the government for failing to obtain parliamentary approval before committing itself to conditionality in connection with ESAF-supported programs or World Bank program loans. The authorities agreed with the staff that to deflect this criticism the government would need to expand the consultation process to ensure that parliament and, more generally, civil society were kept informed on problems and proposed solutions, so that they could express their views in a timely manner.

62. The staff emphasized that a crucial aspect of an informed public debate on economic issues was the provision of transparent information and data. The staff felt that the quality and timeliness of the country statistics had been declining in recent years. The authorities reassured the staff that they placed great importance on improving statistics in Ghana. Adequate budget allocations would be made to resolve the issue, and the Ghana Statistical Service was asked to step up efforts to clear its backlog of overdue publications.

63. In 1992 and 1996, election-year pressures resulted in expansionary financial policies that derailed the adjustment effort. The government is fully aware of such risks in the coming year and has expressed a strong commitment to prevent policy slippages. However, the staff believes that the risk of expansionary policies in an election year cannot be totally dismissed.

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[19] A Serious Fraud Office (SFO) was also set up in 1993 as a specialized agency to monitor, investigate and, on the authority of the Attorney-General, prosecute any offense involving serious financial or economic loss to the state.

A foreign financing shortfall or a more protracted external shock could also make it difficult for the government to muster support for additional measures in midyear. To mitigate this risk, the authorities have agreed to define contingency measures in the budget, and to automatically implement them in case of unforeseen shocks.

64. The authorities requested technical assistance for capacity building in several areas, including balance of payments statistics, development of an interbank market in foreign exchange, budget preparation, cash-flow projections, and expenditure control and monitoring. An STA technical assistance mission on money and banking statistics is due to visit Ghana in the first quarter of 2000 and a mission on national accounts in FY2000.

65. Regarding the possibility of economic disruption as a result of Y2K problems, the authorities explained that the Y2K Office had been set up more than a year ago and its efforts were paying off. A recent survey shows that most critical companies—which include the Electricity Company of Ghana, Tema Oil Refinery, Ghana Airways, Volta River Authority, Ghana Ports and Harbors Authority, Ghana Water Company, Ghana Broadcasting Corporation, all financial institutions, and Ghana Telecom—are well advanced in their plans to become Y2K compliant, and are now focusing on developing contingency plans in case of unexpected Y2K problems.

VI. Statistical Issues

66. Slow progress in improving the quality and timeliness of Ghana statistics is a serious concern. In recent years, trade statistics compiled manually by the Customs, Excise and Preventive Service (CEPS) and used by the Bank of Ghana to prepare the balance of payments, showed imports significantly lower than those obtained from the Ghana Statistical Service (GSS) and partner countries. After reviewing the available data, the government concluded that this data set was incomplete and agreed with the staff that Ghana's balance of payments should be revised. While awaiting technical assistance from STA for a more in-depth review, the staff has estimated new balance of payments data for 1996-98. Imports and exports are now significantly higher than previously reported by the staff. As a result, (a) international reserves in terms of months of imports are much lower than assumed under the original program, making it more urgent that the Bank of Ghana raise them to comfortable levels; (b) the effective tariff became very low, highlighting the urgent need to improve customs performance; and (c) the debt sustainability analysis for Ghana now shows a significantly stronger position than noted in EBS/99/57.

67. The staff has been aware of problems with trade statistics since 1998 and has had good cooperation from the authorities in resolving this issue. The Executive Board was informed of this problem when approving the latest three-year ESAF arrangement. The staff has no reason to believe that this revision of trade statistics had any material bearing on the observance of performance criteria under the previous Fund-supported programs. Although statistical problems have complicated the staff's analysis of certain aspects of Ghana's economy, it is unlikely that the policy advice would have been substantially different had the revised trade statistics been put in place sooner. The balance of payments revision also

caused the national accounts to be reestimated by the staff.[20] The staff is reviewing the national accounts methodology used by the GSS and will propose improvements before the next review, scheduled for April 2000.

68. As envisaged under the program, the government has reduced the lag in reporting the consumer price index and monetary data to one month, and the lag in reporting budgetary results to within six weeks. A demographic census is scheduled to be carried out in April 2000.

VII. Staff Appraisal

69. **Macroeconomic performance was broadly in line with the program in the first half of 1999 but has weakened in the third quarter, owing to external factors and policy slippages**. While the decline in cocoa prices and the shortfall in foreign assistance were outside the control of the authorities, the manner in which the retroactive wage increases were paid and domestic capital expenditure accelerated put strong pressure on monetary policy and helped keep interest rates high. The performance of customs was also deficient, as shown by the extremely low effective tariff rate and reported leakages through bonded warehouses. Efforts to maintain reserve money within program limits relied primarily on sales of foreign exchange as opposed to open market operations. As a result, international reserves dwindled, interest rates increased modestly, and the exchange rate adjusted only partially to the external shock.

70. **The staff was reassured by the authorities that steps had been taken to reverse the fiscal deterioration in 1999 and strengthen the economy for 2000**. The cabinet met during the mission, deliberated on remedial measures, and decided on specific actions, some of which still require parliamentary approval.

71. **The staff and the authorities agreed that contingency measures should be clearly identified when preparing the 2000 budget.** To curtail low-priority expenditures in 2000, the staff encourages the authorities to follow closely the procedures in their medium-term expenditure framework, which allow for a thorough prioritization of expenditures in consultation with stakeholders.

72. **A depreciation of the real effective exchange rate in response to the deterioration *of the terms of trade would help the economy withstand the external shock*.** Central bank intervention in excess of program targets, particularly early in the third quarter of 1999, prevented a smooth adjustment of the exchange rate in response to the terms of trade shock

[20] The real growth rates of GDP are calculated from sector and import data, which were not affected by this revision. Therefore, the main impact of the revision on national accounts has been on their presentation by expenditure. The staff's concerns with the existing national accounts are explained in more detail in Appendix V.

while depleting its international reserves. The Bank of Ghana should focus primarily on its net foreign assets and reserve money targets, while allowing the exchange rate to find its own level. The staff's position is that any attempt by the Bank of Ghana to influence exchange rates through intervention would be unproductive and inconsistent with the objectives of the program. For the remainder of the year, the staff expects a faster depreciation of the cedi, as the Bank of Ghana reconstitutes its reserves. Reserve money should be controlled primarily through open market operations, and not through foreign exchange sales.

73. **The staff welcomes the steps taken to ensure greater transparency in the foreign exchange market**. It urges the authorities to change the method for calculating the market exchange rate and begin monthly publication of the Bank of Ghana's gross international reserves without delay. It supports the authorities' request for urgent technical assistance to develop an active interbank market in foreign exchange.

74. **Without a more depreciated exchange rate, the decision to maintain the producer price unchanged in the wake of the decline in world cocoa prices will prove to be untenable**. While this decision contributed to raising producer incentives, eliminating inequitable export taxes, and reducing rural poverty, it also meant a precipitous cut in government revenue, which will need to be made up urgently. At present exchange rates, the producer price is only profitable for exporters if the cocoa purchased has main crop characteristics. Therefore, the staff urges the authorities to keep the producer price under review and adopt a producer price system that takes into account the difference in cocoa bean characteristics and their prices in world markets.

75. **The divestiture program seems to have lost its momentum, both in terms of completing new divestitures and collecting revenues from previous sales**. The government needs to reinvigorate the program and increase its transparency. The recent completion of the sale of the State Transport Company and GHACEM, as well as the offer for sale of PBC, are positive developments, but they will need to be sustained. The sale of GOIL, a state-owned distributor of petroleum products, should be completed as soon as possible and in a fully transparent manner. Divestiture of remaining government shares in banks should be pursued vigorously.

76. **The government should move more aggressively to find qualified strategic investors and divest remaining banks**. The staff strongly supports the view that banks not complying with capital adequacy requirements should have their licenses revoked, and is encouraged by the authorities' recent actions in the case of two state-owned banks, the BHC and Coop, which are now in the process of liquidation. The staff believes that, unless efforts to recapitalize the BCC bear fruit before end-1999, it should also lose its banking license. The staff is encouraged by the measures taken by the supervisory authorities to protect depositors and maintain the soundness of the banking system. However, it urges the authorities to take steps to ensure that all banks fully comply with prudential requirements.

77. **The external shock suffered by the Ghanaian economy in 1999 highlights the vulnerability of its balance of payments**. Nontraditional exports need to be supported by

trade liberalization, macroeconomic stability, and a realistic exchange rate policy. Preliminary analysis based on projected data indicates that Ghana qualifies for debt relief under the HIPC Initiative. The Fund and World Bank staffs are ready to work with the authorities toward completing the steps to bring Ghana to a decision point in September 2000, if the authorities choose to avail themselves of this possibility.

78. **Ghana will require exceptional foreign assistance in 2000 to help cushion the adverse effects of the external shock on the poorest segments of the population, social expenditures, and growth.** At a Consultative Group meeting scheduled for late-November 1999, the authorities will present a comprehensive poverty alleviation strategy that will be closely integrated with the overall macroeconomic stance for 2000. The staff encourages development partners to provide the necessary financial support to ensure that this approach is successful in a difficult year. In the context of the ongoing three-year ESAF arrangement, the staff will be prepared to propose increased access in 2000 if Ghana demonstrates strong commitment to macroeconomic adjustment and structural reform, and if the balance of payments need is confirmed.

79. **The staff is concerned about the increase in instances of corruption mentioned in the press and investigated by the Serious Fraud Office, among other agencies.** While it is positive that these instances have been uncovered and investigated, their frequency is worrisome. The staff urges the authorities to ensure that instances of corruption are vigorously prosecuted and that the judicial process is not unduly delayed. The government should give high priority to ensuring greater transparency of procurement and divestment procedures, and providing regular and timely reporting of budget execution and of the financial situation of state-owned enterprises. The staff encourages the government to make a public statement condemning the rise in corrupt practices and indicating the measures it intends to take to punish those responsible for them.

80. **The timeliness and quality of Ghana's statistics will need to be markedly improved.** The authorities have committed themselves to correct this situation as soon as possible. The staff gives high priority to the implementation of this commitment.

81. **The staff encourages the authorities to continue to move expeditiously to ensure that Y2K preparations are completed on time**, particularly in critical sectors, such as civil aviation, utilities, health, and banking.

82. **The revised program has risks, but if implemented will place Ghana in a strong position to face the challenges of 2000.** The success of the program in 1999 relies heavily on the implementation of a major cut in domestic capital expenditures, which will only be achievable if the authorities are correct in their assessment that the cuts decided in July-August are in full effect and will not be reversed. Failure to maintain net domestic financing within program limits for end-1999 would rekindle inflationary pressures and could set in motion wage demands similar to those that derailed adjustment efforts in previous elections years (1992 and 1996). Another crucial condition for the success of the program is a full commitment by the Bank of Ghana to a truly floating exchange rate system without

intervention or moral suasion, and to the exclusive use of open market operations to control reserve money, even if interest rate rises. The exchange rate movements since mid-September indicate that for now the authorities are allowing the exchange rate to move. This policy needs to be continued without hesitation, if the program is to be successful.

83. To reduce risks and ensure that the economy is better prepared in 2000, the authorities carried out a number of prior actions. In view of the measures taken, **the staff recommends that waivers be granted for the nonobservance of the June 1999 performance criteria** on the primary domestic surplus, net domestic financing, the offer for sale of the Produce Buying Company, the withdrawal of banking licenses from banks that do not meet capital adequacy requirements, as well as the temporary accumulation of external arrears, and that the authorities' request for modification of performance criteria for December 1999 be granted.

84. **The staff recommends that the next Article IV consultation take place on the standard 12-month cycle.**

VIII. Proposed Decision

The following draft decision is proposed for adoption by the Executive Board:

1. The Republic of Ghana has consulted with the Fund in accordance with paragraph 2(d) of the three year arrangement for the Republic of Ghana under the Enhanced Structural Adjustment Facility (ESAF) (EBS/99/57, Sup. 1) and paragraph 6 of the letter dated April 14, 1999 from the Minister of Finance attached to the arrangement in order to review progress under the program supported by the arrangement.

2. The letter from the Minister of Finance dated November 3, 1999, with the attached Memorandum of Economic and Financial Policies, shall be attached to the three year ESAF arrangement, and the letter dated April 14, 1999 from the Minister of Finance shall be read as supplemented and modified by the letter dated November 3, 1999.

3. Accordingly, the performance criteria referred to in paragraph 2(a)(i) through (iv) of the three year ESAF arrangement for December 31, 1999 shall be as specified in Appendix I to the letter dated November 3 1999.

4. The Fund decides that the first review contemplated in paragraph 2(d) of the three year ESAF arrangement has been completed and that notwithstanding the nonobservance of the performance criteria for June 30, 1999 set forth in paragraphs 2(a)(i) and (ii), 2(b)(i), 2(b)(vi) and 2(c)(v) of the arrangement, the Republic of Ghana may request the disbursement of the second loan specified in paragraph 1(c)(ii) of the arrangement.

Table 1. Ghana: Selected Economic and Financial Indicators, 1996-2001

	1996	1997	1998		1999		2000	2001
			Prog.	Prel.	Prog.	Rev. Prog.	Prog.	Prog.
			(Annual percentage change, unless otherwise specified)					
National income and prices								
Real GDP	4.6	4.2	5.6	4.7	5.5	4.5	4.0	4.5
Real GDP per capita	1.8	1.5	2.8	1.9	2.7	1.8	1.3	1.8
Nominal GDP	46.3	24.5	25.1	22.6	14.6	15.6	15.1	15.7
GDP deflator	39.8	19.5	20.6	17.1	8.6	10.7	10.7	10.7
Consumer price index (annual average)	46.6	27.9	15.5	19.3	10.0	11.9	11.4	5.7
Consumer price index (end of period)	32.7	20.8	11.0	15.8	9.0	12.0	8.0	5.0
External sector								
Exports, f.o.b.	26.5	0.0	9.7	15.5	2.7	0.2	2.1	14.9
Imports, f.o.b.	36.3	32.5	9.8	-4.7	1.8	1.0	7.2	8.4
Export volume	12.5	-5.1	7.5	18.1	3.5	7.5	12.6	2.6
Import volume	34.9	37.9	10.3	14.2	7.1	4.7	3.3	4.3
Terms of trade	-3.3	-0.7	2.6	26.5	4.3	-3.2	-13.1	9.1
Nominal effective exchange rate 1/	-26.8	-14.7	...	-9.2	...	...	...	...
Real effective exchange rate 1/	12.2	7.2	...	7.8	...	...	...	...
Cedis per U.S. dollar 1/	1,637	2,050	...	2,314	...	...	...	...
Government budget								
Domestic revenue	26.1	22.5	30.4	29.8	17.7	12.0	16.9	16.6
Total expenditure	42.8	21.3	25.3	20.9	7.4	9.0	22.8	9.2
Current expenditure	46.5	25.3	18.9	28.2	3.8	6.7	15.2	9.6
Capital expenditure and net lending 2/	38.6	16.4	35.3	11.4	12.8	12.5	33.7	8.7
Money and credit 3/								
Net domestic assets 4/	32.3	33.5	9.5	16.3	8.6	18.6	11.3	6.1
Credit to government 4/	12.8	22.0	9.2	10.5	5.4	19.6	...	...
Credit to the rest of the economy 4/	15.7	20.9	5.3	13.8	8.1	8.1	...	...
Broad money (including foreign currency deposits)	39.7	40.8	18.0	17.7	14.6	17.0	12.0	11.0
Reserve money	44.3	33.4	17.0	16.7	11.4	12.8	11.5	10.9
Velocity (GDP/average broad money)	5.6	4.9	5.0	4.8	4.4	4.7	4.8	4.8
Treasury bill rate (in percent;end of period)	42.8	40.0	...	26.8	..	...	...	...
			(In percent of GDP, unless otherwise specified)					
Investment and saving								
Gross investment	21.5	24.1	17.9	24.7	23.7	24.5	26.9	26.4
Private	7.3	11.7	5.5	13.4	12.6	13.6	14.1	14.4
Public	14.2	12.4	12.4	11.3	11.1	11.0	12.8	12.0
Gross national saving	18.4	9.7	13.7	19.6	20.8	20.1	20.6	20.8
Private	15.3	9.7	8.3	16.3	15.2	15.2	14.6	14.6
Public	3.0	0.1	5.4	3.3	5.6	4.8	6.0	6.3
Government budget								
Domestic revenue	17.6	17.3	18.3	18.4	18.8	17.8	18.1	18.2
Total grants	2.6	1.4	2.9	2.2	2.4	3.0	3.9	3.2
Total expenditure 2/	29.7	29.0	27.5	28.6	26.8	26.9	28.7	27.1
Overall balance (commitment basis)	-9.5	-10.3	-6.3	-8.1	-5.5	-6.2	-6.7	-5.7
Domestic primary balance	0.3	3.2	3.8	3.6	3.5	3.4	3.4	3.7
Divestiture receipts	1.3	0.7	0.8	0.6	0.5	0.4	0.5	0.2
External sector								
Current account balance 5/	-3.1	-14.4	-4.2	-5.1	-2.9	-4.5	-6.3	-5.6
External debt outstanding	79.7	78.5	95.2	78.9	76.9	78.2	87.8	84.8
External debt service, including to the Fund	7.0	7.6	8.7	7.5	6.2	6.4	6.0	4.8
(in percent of exports of goods and nonfactor services)	21.7	23.5	33.2	22.0	24.5	19.4	17.2	13.0
(in percent of government revenue)	38.7	44.9	38.1	36.7	29.8	30.9	27.1	23.0
			(In millions of U.S. dollars, unless otherwise specified)					
Current account balance 5/	-214	-991	-290	-381	-234	-350	-461	-445
Overall balance of payments	-14	25	119	100	77	50	9	70
External payments arrears (end of period)	0	0	0	0	0	0	0	0
Gross international reserves (end of period)	599	508	478	508	561	543	573	670
(in months of imports, c.i.f.)	2.9	1.8	2.7	1.9	2.7	2.0	2.0	2.2
Use of Fund resources								
Purchases/disbursements	27	41	110	112	61	60	60	60
Repurchases/repayments	86	176	137	148	78	78	41	36
Credit outstanding	377	354	317	321	316	306	326	355
Quota (in millions of SDR)	274	274	274	274	369	369	...	...
Nominal GDP (in billions of cedis)	11,339	14,113	17,655	17,296	19,885	20,002	23,022	26,632

Sources: Ghanaian authorities, and Fund staff estimates and projections

1/ Annual average data.
2/ Including capital outlays financed through external project aid and transfers to the local authorities
3/ Beginning in December 1996, the coverage was increased from 11 to 17 banks.
4/ In percent of broad money at the beginning of the period.
5/ Including official grants.

Table 2. Ghana: Selected Social and Demographic Indicators

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1990-96	Sub-Saharan Africa	Low income
Population					
Total population, midyear (millions)	9.8	12.6	17.5	596 4	3,236.2
Growth rate (annual average in percent)	2.2	3.7	2.7	2 7	1.8
Urban population (population in percent)	30.1	32.3	36.4	31.7	29.1
Total fertility rate (births per woman)	6.6	6.5	5.0	5.6	3.2
Population age structure (percent)					
0-14 years	...	...		...	...
15-64 years	...	...		...	...
65 and above	...	...		...	...
Life expectancy at birth (years)					
Total	50.0	53.0	58.9	52.1	63.1
Male	48.0	52.0	56.9	50.6	61.9
Female	52.0	55.0	61.0	53.8	64.3
Mortality					
Infant (per 1,000 live births)	107.0	98.0	71.0	91.1	68.0
Under age 5 (per thousand live births)	...	..	110.0	147.0	93.5
Adult (aged 15-59)					
Male (per 1,000 population)	..	...	320.0	447.9	231.1
Female (per 1,000 population)		...	253.0	375.9	206.2
Maternal (per 100,000 live births)	...	1,000.0	740.0	...	...
Income					
GNP per capita (U.S. dollar)	300.0	360.0	390.0	490.0	490.0
Consumer price index (1990=100)	...	31.0	1,069.6	266.0	275.3
Food price index (1990=100)	...	26.0	979.9	..	...
Income/consumption distribution (percent of income or consumption)					
Lowest quintile	...	...	7.9	..	...
Highest quintile	...	..	42.2	...	...
Social indicators					
Public expenditure (percent of GDP)					
Health	...	...	1.3	..	1.5
Education	3.6	1.9	3.1	5.3	3.6
Social security and welfare	...	..	...	...	...
Health and nutrition					
Access to safe water (percent of population)					
Total	35.0	...	56.0	45.0	76.0
Urban	86 0	57.0	70.0	63.0	80.4
Rural	14.0	40 3	49 0	34.4	72.0
Per capita supply (1993)					
Calories (per day)	..	..	2,141	...	.
Protein (grams per day)	.	..	34		...

Ghana: Selected Social and Demographic Indicators (concluded)

	Latest Single Year			Same Region/Income Group	
	1970-75	1980-85	1990-95	Sub-Saharan Africa	Low Income
Immunization rate (percent under 12 months)					
Measles	...	...	68	60	77
DPT	...	22	71	58	80
Child malnutrition (percent under 5 years)	...	...	27	...	42
Labor force					
Total labor force (in millions)	...	...	8	...	...
Participation rate (in percent)					
Total	...	...	47	...	...
Male	...	...	*44*	...	...
Female	...	...	51	...	...
Education (1993)					
Enrollment rates (in percent of age group)					
Primary enrollment	...	...	76	...	...
Of which: female	...	...	70	...	...
Secondary enrollment	...	...	36	...	...
Of which: female	...	...	28	...	...
Literacy (in percent of population 15 years and older)	...	...	60	...	...
Poverty incidence (percent of population below the poverty line) 1/		1987-88	1992		
National head count index		36.9	31.4		
Urban head count index		41.9	26.7		
Rural head count index		36.4	34.3		

Sources: Ghana Statistical Service, *Quarterly Digest of Statistics*; IMF, *International Financial Statistics;* and the World Bank.

1/ Poverty line estimated at Cedis 132,230 per year as at mid-1992. Based on the living standards surveys conducted by the Ghana Statistical Service in collaboration with the World Bank during 1987-88, 1988-89, 1991-92, and 1997-98.

Table 3. Ghana: Central Government Operations and Financing, 1995-99

	1995	1996	1997	1998	1999
	(In billions of cedis)				
Total revenue and grants	1,864.7	2,288.6	2,637.5	3,551.6	4,153.1
Revenue	1,584.6	1,997.6	2,446.7	3,176.5	3,557.3
Direct taxes	275.0	433.3	606.4	760.7	965.1
Indirect taxes	503.7	732.4	833.4	1,099.0	1,429.9
Trade taxes	359.9	544.9	630.2	868.8	828.2
Nontax revenue	446.1	287.0	376.7	448.0	334.2
Foreign grants	280.1	291.1	190.8	375.1	595.8
Total expenditure and net lending	2,359.4	3,370.2	4,088.4	4,944.7	5,387.9
Recurrent expenditure	1,270.6	1,861.1	2,332.5	2,989.2	3,188.3
Wages and salaries	431.0	612.6	750.6	956.8	1,149.6
Goods and services	190.1	242.9	283.8	368.9	401.1
Subsidies and transfers 1/	320.7	426.2	412.8	459.9	530.8
Interest	328.8	579.3	885.2	1,203.5	1,106.7
Capital expenditure (total)	1,088.8	1,509.1	1,755.9	1,955.5	2,199.6
Capital expenditure (domestic)	524.1	682.3	541.8	759.9	800.1
Development	508.3	573.5	536.6	786.4	800.1
Net lending	15.8	108.8	5.2	-26.4	0.0
Capital expenditure (foreign)	564.8	826.8	1,214.1	1,195.6	1,399.5
Surplus or deficit (-)	-494.7	-1,081.6	-1,450.9	-1,393.1	-1,234.8
Domestic arrears (net change)	81.0	-11.7	-84.0	-103.6	-65.0
Divestiture proceeds	106.2	143.5	105.7	99.5	80.0
Financing	307.5	949.0	1,429.2	1,397.2	1,219.8
Foreign (net)	335.8	418.0	654.5	535.3	427.2
Borrowing	*530.0*	*855.1*	*1,170.5*	*1,134.3*	*1,225.8*
Repayments	-194.2	-437.1	-516.0	-599.0	-798.6
Domestic (net)	-28.3	531.0	774.7	861.9	792.6
Banking system	-66.5	226.4	527.9	349.9	764.2
Other	38.2	304.6	246.8	512.0	28.4
	(In percent of GDP, unless otherwise specified)				
Total revenue and grants	24.1	20.2	18.7	20.5	20.8
Of which: tax revenue	14.7	15.1	14.7	15.8	16.1
Total expenditure and net lending	30.4	29.7	29.0	28.6	26.9
Surplus or deficit (-)	-6.4	-9.5	-10.3	-8.1	-6.2
Domestic primary balance 2/	1.5	0.3	3.2	3.6	3.4
Health expenditure 3/	0.9	1.1	1.0	1.2	1.3
(In percent of dom. primary exp.)	4.9	6.3	6.9	7.9	9.2
Education expenditure 3/	3.8	4.1	3.6	3.8	4.0
(In percent of dom. primary exp.)	20.3	23.5	25.7	26.0	27.9
Defense expenditure	0.7	0.7	0.6	0.8	0.8
Stock of domestic debt	15.7	13.3	17.4	18.4	20.5

Sources: Ghanaian authorities; and staff estimates.

1/ Includes pensions to government employees.

2/ Defined as total revenue minus noninterest domestic expenditure.

3/ Excludes foreign-financed capital expenditure.

Table 4. Ghana: Central Government Budgetary Operations and Financing, 1998-2001

(In billions of cedis, unless otherwise specified)

	1998	1999						2000	2001
		Q2		Q3		Q4		Rev.	Rev.
		Prog.	Act.	Prog.	Rev Prog	Prog.	Rev Prog	Proj.	Proj.
Total revenue and grants	3,552	1,902	1,691	3,028	2,730	4,221	4,153	5,063	5,691
Total revenue	3,177	1,603	1,580	2,606	2,494	3,738	3,557	4,159	4,851
Tax revenue	2,728	1,378	1,413	2,230	2,246	3,263	3,223	3,736	4,361
Direct taxes	761	429	445	680	699	946	965	1,139	1,318
Company tax	319	215	247	341	372	472	498	592	684
Other direct taxes	441	214	198	339	328	474	467	548	634
Indirect taxes	1,099	615	612	959	988	1,375	1,430	1,870	2,159
Sales tax/VAT on dom. goods	281	205	145	286	243	384	342	505	584
Sales tax/VAT on imports	275	117	181	213	277	330	394	561	645
Petroleum	384	199	186	315	317	460	488	562	650
Other indirect taxes	159	94	100	145	151	200	206	243	281
Trade taxes	869	334	356	591	559	942	828	726	883
Import duties	468	239	243	378	407	557	618	707	792
Cocoa export duty	400	95	112	213	152	385	210	19	91
Nontax revenue	448	226	167	376	248	475	334	424	490
Grants	375	299	112	422	236	483	596	904	840
Project grants	277	203	68	326	142	360	413	689	630
Program grants	98	96	43	96	94	123	182	215	210
Total expenditure	4,945	2,534	2,267	4,002	3,875	5,321	5,388	6,614	7,222
Recurrent expenditure	2,989	1,503	1,472	2,296	2,310	3,114	3,188	3,674	4,026
Noninterest	1,786	952	936	1,518	1,508	2,098	2,082	2,374	2,698
Wages and salaries	957	522	490	832	832	1,150	1,150	1,288	1,450
Goods and services	369	190	188	302	293	418	401	462	534
Subventions	257	134	136	213	213	295	295	344	387
Transfers to households	203	107	122	170	170	236	236	279	326
Interest	1,203	551	536	778	802	1,017	1,107	1,300	1,328
Domestic	903	411	392	586	589	755	823	911	914
External	300	140	144	192	213	262	283	389	414
Capital expenditure (total)	1,955	1,031	795	1,707	1,565	2,206	2,200	2,940	3,196
Capital expenditure (domestic)	760	402	409	673	717	937	800	1,014	1,174
Capital expenditure (foreign)	1,196	629	385	1,034	848	1,269	1,399	1,927	2,021
Overall balance (commitment basis)	-1,393	-632	-576	-974	-1,146	-1,100	-1,235	-1,551	-1,531
(in percent of GDP)	-8.1	-3.2	-2.9	-4.9	-5.7	-5.5	-6.2	-6.7	-5.7
Domestic arrears (net change)	-104	-30	-35	-45	-50	-60	-65	-70	0
Overall balance (cash basis)	-1,497	-662	-611	-1,019	-1,196	-1,160	-1,300	-1,621	-1,531
Divestiture receipts	100	40	0	70	40	100	80	120	50
Total financing	1,397	622	611	949	1,156	1,060	1,220	1,501	1,481
Foreign (net)	535	186	-49	500	365	504	427	953	1,099
Borrowing	1,134	585	349	1,066	946	1,268	1,226	1,806	1,853
Project loans	918	426	317	707	706	910	986	1,238	1,391
Program loans	216	159	32	359	240	359	240	568	462
Amortization	-599	-399	-398	-566	-581	-764	-799	-853	-754
Domestic (net)	862	436	660	448	791	556	793	548	382
Banking system	350	160	614	170	764	210	764	250	175
Nonbanks	512	276	45	278	26	346	29	298	207
Memorandum items:									
Domestic primary balance	631	249	234	416	269	703	676	772	978
(in percent of GDP)	3.6	1.3	1.2	2.1	1.3	3.5	3.4	3.4	3.7
Primary balance	-190	...	...	...	...	-83	-128	-250	-203
Health expenditure 1/	202	...	...	...	...	265	265	322	354
Education expenditure 1/	662	...	...	...	...	804	804	927	1,055
Defense expenditure	133	...	...	...	...	158	158	171	183
Stock of domestic debt	3,177	...	...	...	...	4,001	4,105	4,653	5,035
Interest adjustment 2/	42	...	...	...	...	...	...	...	...
GDP at current market prices	17,296	19,885	19,885	19,885	20,002	19,885	20,002	23,022	26,632

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ Excludes foreign-financed capital expenditure.

2/ Shift in interest cost of treasury bill discounting from time of maturity to issue.

Table 5. Ghana: Central Government Budgetary Operations and Financing, 1998-2001

(In percent of GDP, unless otherwise specified)

	1998	1999						2000	2001
		Q2		Q3		Q4		Rev.	Rev.
		Prog.	Act.	Prog.	Rev Prog	Prog.	Rev Prog	Proj.	Proj.
Total revenue and grants	20.5	9.6	8.5	15.2	13.6	21.2	20.8	22.0	21.4
Total revenue	18.4	8.1	7.9	13.1	12.5	18.8	17.8	18.1	18.2
Tax revenue	15.8	6.9	7.1	11.2	11.2	16.4	16.1	16.2	16.4
Direct taxes	4.4	2.2	2.2	3.4	3.5	4.8	4.8	4.9	4.9
Company tax	1.8	1.1	1.2	1.7	1.9	2.4	2.5	2.6	2.6
Other direct taxes	2.6	1.1	1.0	1.7	1.6	2.4	2.3	2.4	2.4
Indirect taxes	6.4	3.1	3.1	4.8	4.9	6.9	7.1	8.1	8.1
Sales tax/VAT on dom. goods	1.6	1.0	0.7	1.4	1.2	1.9	1.7	2.2	2.2
Sales tax/VAT on imports	1.6	0.6	0.9	1.1	1.4	1.7	2.0	2.4	2.4
Petroleum	2.2	1.0	0.9	1.6	1.6	2.3	2.4	2.4	2.4
Other indirect taxes	0.9	0.5	0.5	0.7	0.8	1.0	1.0	1.1	1.1
Trade taxes	5.0	1.7	1.8	3.0	2.8	4.7	4.1	3.2	3.3
Import duties	2.7	1.2	1.2	1.9	2.0	2.8	3.1	3.1	3.0
Cocoa export duty	2.3	0.5	0.6	1.1	0.8	1.9	1.1	0.1	0.3
Nontax revenue	2.6	1.1	0.8	1.9	1.2	2.4	1.7	1.8	1.8
Grants	2.2	1.5	0.6	2.1	1.2	2.4	3.0	3.9	3.2
Project grants	1.6	1.0	0.3	1.6	0.7	1.8	2.1	3.0	2.4
Program grants	0.6	0.5	0.2	0.5	0.5	0.6	0.9	0.9	0.8
Total expenditure	28.6	12.7	11.4	20.1	19.4	26.8	26.9	28.7	27.1
Recurrent expenditure	17.3	7.6	7.4	11.5	11.6	15.7	15.9	16.0	15.1
Noninterest	10.3	4.8	4.7	7.6	7.5	10.5	10.4	10.3	10.1
Wages and salaries	5.5	2.6	2.5	4.2	4.2	5.8	5.7	5.6	5.4
(in percent of tax revenue)	35.1	37.9	34.7	37.3	37.0	35.2	35.7	34.5	33.3
Goods and services	2.1	1.0	0.9	1.5	1.5	2.1	2.0	2.0	2.0
Subventions	1.5	0.7	0.7	1.1	1.1	1.5	1.5	1.5	1.5
Transfers to households	1.2	0.5	0.6	0.9	0.9	1.2	1.2	1.2	1.2
Interest	7.0	2.8	2.7	3.9	4.0	5.1	5.5	5.6	5.0
Domestic	5.2	2.1	2.0	2.9	2.9	3.8	4.1	4.0	3.4
External	1.7	0.7	0.7	1.0	1.1	1.3	1.4	1.7	1.6
Capital expenditure (total)	11.3	5.2	4.0	8.6	7.8	11.1	11.0	12.8	12.0
Capital expenditure (domestic)	4.4	2.0	2.1	3.4	3.6	4.7	4.0	4.4	4.4
Capital expenditure (foreign)	6.9	3.2	1.9	5.2	4.2	6.4	7.0	8.4	7.6
Overall balance (commitment basis)	-8.1	-3.2	-2.9	-4.9	-5.7	-5.5	-6.2	-6.7	-5.7
Domestic arrears (net change)	-0.6	-0.2	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	0.0
Overall balance (cash basis)	-8.7	-3.3	-3.1	-5.1	-6.0	-5.8	-6.5	-7.0	-5.7
Divestiture receipts	0.6	0.2	0.0	0.4	0.2	0.5	0.4	0.5	0.2
Total financing	8.1	3.1	3.1	4.8	5.8	5.3	6.1	6.5	5.6
Foreign (net)	3.1	0.9	-0.2	2.5	1.8	2.5	2.1	4.1	4.1
Borrowing	6.6	2.9	1.8	5.4	4.7	6.4	6.1	7.8	7.0
Project loans	5.3	2.1	1.6	3.6	3.5	4.6	4.9	5.4	5.2
Program loans	1.2	0.8	0.2	1.8	1.2	1.8	1.2	2.5	1.7
Amortization	-3.5	-2.0	-2.0	-2.8	-2.9	-3.8	-4.0	-3.7	-2.8
Domestic (net)	5.0	2.2	3.3	2.3	4.0	2.8	4.0	2.4	1.4
Banking system	2.0	0.8	3.1	0.9	3.8	1.1	3.8	1.1	0.7
Nonbanks	3.0	1.4	0.2	1.4	0.1	1.7	0.1	1.3	0.8
Memorandum items:									
Domestic primary balance	3.6	1.3	1.2	2.1	1.3	3.5	3.4	3.4	3.7
Primary balance	-1.1	...	...	...	...	-0.4	-0.6	-1.1	-0.8
Health expenditure 1/	1.2	...	...	...	...	1.3	1.3	1.4	1.3
(In percent of dom. primary exp.)	7.9	...	...	...	...	8.7	9.2	9.5	9.1
Education expenditure 1/	3.8	...	...	...	...	4.0	4.0	4.0	4.0
(In percent of dom. primary exp.)	26.0	...	...	...	...	26.5	27.9	27.4	27.2
Defense expenditure	0.8	...	...	...	...	0.8	0.8	0.7	0.7
Stock of domestic debt	18.4	...	...	...	...	20.1	20.5	20.2	18.9

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ Excludes foreign-financed capital expenditure.

Table 6. Ghana: Monetary Survey, 1996-99
(In billions of cedis, unless otherwise specified; end of period)

	1996	1997	1998	1999							
	Dec.	Dec.	Dec.	Mar. Prog.	Mar. Act.	June Prog.	June Act.	Sep Prog.	Sep Rev.Prg.	Dec Prog.	Dec. Rev. Prg
Bank of Ghana											
Net foreign assets	28	92	330	312	238	123	-44	235	-350	561	560
Net domestic assets	871	1,111	1,074	990	1,068	1,167	1,332	1,042	1,689	1,003	1,023
Claims on government (net)	289	134	-223	-366	-399	-247	-87	-361	117	-380	-417
Claims on deposit money banks	9	33	11	9	11	9	11	9	11	9	11
Claims on public enterprises	146	76	10	11	10	11	10	12	12	12	12
Bank of Ghana bills/liquidity management (-)	-518	-195	-1	0	-1	0	-11	0	-1	0	0
Other items, net (assets +)	945	1,062	1,276	1,336	1,447	1,394	1,408	1,382	1,550	1,361	1,417
Reserve money (RM)	899	1,203	1,403	1,302	1,306	1,291	1,288	1,277	1,339	1,564	1,583
Currency outside banks	721	982	1,084	970	972	937	947	917	958	1,195	1,198
Bank reserves	169	212	313	324	328	346	335	352	373	361	377
Cash	43	58	60	62	55	67	54	68	72	70	73
Deposits	125	155	253	262	273	279	281	285	301	292	305
Nonbank deposits	10	9	7	7	6	7	6	7	7	8	8
Deposit money banks 1/											
Net foreign assets	610	720	529	494	302	507	223	548	219	558	236
Reserves	201	219	313	324	328	346	335	352	373	361	377
Bank of Ghana bills	475	178	0	0	0	0	0	0	0	0	0
Credit from Bank of Ghana	-29	-44	-11	-9	-11	-9	-11	-9	-11	-9	-11
Domestic credit	699	1,936	3,165	3,414	3,685	3,579	4,021	3,731	4,215	3,821	4,436
Claims on government (net)	-39	635	1,342	1,588	1,740	1,525	1,819	1,649	1,765	1,708	2,299
Claims	89	681	1,418	1,522	1,804	1,578	1,900	1,588	1,858	1,628	2,182
Liquidity management	...	..	...	143	...	24	...	138	-16	156	194
Deposits	129	46	76	76	65	76	82	76	76	76	76
Claims on the private sector 2/	738	1,301	1,823	1,826	1,946	2,054	2,202	2,082	2,450	2,113	2,137
Of which											
In foreign currency	90	331	454	442	528	458	618	475	664	488	555
Other items, net (assets +)	-329	-679	-1,179	-1,297	-1,388	-1,286	-1,478	-1,433	-1,427	-1,456	-1,673
Total deposits	1,627	2,330	2,816	2,926	2,917	3,137	3,090	3,190	3,371	3,275	3,366
Monetary survey 1/											
Net foreign assets	638	812	858	806	540	631	180	783	-131	1,119	796
Net domestic assets	1,719	2,508	3,049	3,098	3,355	3,451	3,864	3,331	4,467	3,358	3,775
Domestic credit	1,134	2,146	2,952	3,059	3,296	3,344	3,944	3,381	4,344	3,453	4,031
Claims on government (net)	249	769	1,118	1,222	1,341	1,278	1,732	1,288	1,882	1,328	1,882
Claims on the private sector 2/	885	1,377	1,833	1,837	1,956	2,065	2,212	2,093	2,462	2,125	2,149
Bank of Ghana bills held by nonbanks	-37	-17	-1	0	-1	0	-11	0	0	0	0
Other items, net (assets +)	622	379	98	38	60	107	-69	-50	123	-95	-256
Broad money 3/	2,358	3,320	3,907	3,903	3,895	4,082	4,043	4,114	4,337	4,477	4,571
Currency	721	982	1,084	970	972	937	947	917	958	1,195	1,198
Deposits	1,637	2,339	2,823	2,933	2,923	3,144	3,096	3,197	3,378	3,283	3,374
Of which											
Foreign currency deposits	531	729	672	687	711	705	767	727	827	740	891
Memorandum items:											
Broad money (12-month change in percent)	39.7	40.8	17.7	17.5	17.3	16.7	15.6	16.5	22.8	14.6	17.0
Reserve money (12-month change in percent)	44.3	33.4	16.7	15.7	16.1	15.1	14.9	16.5	22.2	11.4	12.8
Credit to the priv. sector (12-month change in percent)	...	52.6	33.1	21.1	30.5	25.1	34.5	25.4	47.5	17.5	17.1
Currency-M2 ratio	0.31	0.30	0.28	0.25	0.25	0.23	0.23	0.22	0.23	0.27	0.22
Velocity (GDP/average of M2)	5.6	4.9	4.4	...	...	...	...	...	..	4.4	..
Reserve money multiplier (M2/RM)	2.6	2.8	2.8	3.0	3.0	3.2	3.1	3.2	3.2	2.9	2.9
Currency-to-deposits ratio	0.44	0.42	0.38	0.33	0.33	0.30	0.31	0.29	0.28	0.36	0.36
Bank reserves-to-deposits ratio	0.10	0.09	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Broad money (cedi M2)	1,827	2,591	3,620	3,617	3,601	3,795	3,740	3,827	4,034	4,191	4,268

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ From December 1996, the coverage was increased from 11 to 17 deposit money banks.

2/ Including public enterprises.

3/ Including foreign currency deposits.

Table 7. Ghana: Balance of Payments, 1996-2001
(In millions of U.S. dollars, unless otherwise specified)

	1996	1997	1998	1999		2000	2001
					Rev.	Rev.	Rev.
				Prog	Proj	Proj	Proj
Exports, f.o.b.	1,810	1,810	2,091	1,880	2,096	2,141	2,459
Cocoa beans and cocoa products	552	470	622	589	591	435	549
Gold	612	580	688	722	627	738	776
Timber and timber products	147	172	171	188	188	201	220
Others	499	588	611	380	690	766	915
Imports, f.o.b.	-2,295	-3,041	-2,897	-2,253	-2,924	-3,135	-3,396
Non-oil	-2,038	-2,807	-2,682	-2,065	-2,635	-2,816	-3,055
Oil	-258	-234	-215	-189	-289	-319	-341
Trade balance	-485	-1,231	-805	-374	-828	-994	-937
Services (net)	-211	-319	-260	-476	-228	-241	-252
Of which: interest payments	-155	-145	-149	-129	-129	-132	-135
Private transfers (net)	276	400	454	380	454	476	500
Current account balance, excluding official transfers	-420	-1,150	-612	-470	-603	-758	-689
Official transfers (net) 1/	206	160	230	235	253	276	189
Current account balance, including official transfers 2/	-214	-991	-381	-235	-350	-482	-500
Capital account	421	555	244	312	255	308	211
Official capital (net)	351	500	254	267	216	208	111
Long-term loans	233	257	194	274	240	147	-9
Inflows	287	291	240	332	304	215	59
Amortization	-54	-34	-47	-58	-64	-68	-68
Medium-term loans	118	243	60	-7	-24	61	120
Inflows	274	439	300	246	223	265	279
Amortization	-156	-196	-240	-253	-247	-204	-159
Private capital	70	55	-10	45	39	100	100
Other capital and errors and omissions	-220	461	238	0	145	0	0
Of which: change in net foreign assets of commercial banks	-55	8	84	20	141	0	0
Overall balance	-14	25	100	77	50	-174	-289
Financing	114	-25	-100	-77	-50	-9	-70
Debt deferral	100	0	0	0	0	0	0
Net foreign assets	14	-25	-100	-77	-50	-9	-70
Net international reserves	14	-25	-100	-77	-50	-9	-70
Use of Fund credit	-86	-166	-27	-17	-15	22	27
Purchase (GRA)	0	0	0	0	0	0	0
Repurchase (GRA)	-25	-47	-33	0	0	0	0
Disbursements (SAF/ESAF)	40	0	111	61	60	60	60
Repayments (SAF/ESAF)	-101	-118	-105	-78	-75	-38	-33
Increase in reserves	100	141	-73	-59	-35	-30	-96
Of which: increase in gross reserves	111	90	1	-59	-35	-30	-96
Financing gap 3/	0	0	0	0	0	183	359
Memorandum items:							
Current account deficit (in percent of GDP)							
Excluding official transfers	6	17	8	6	8	10	9
Including official transfers 4/	3	14	5	3	4	6	6
Gross international reserves							
End of period (US$ millions)	599	508	508	561	543	573	670
In months of imports (*c.i.f.*)	3	2	2	3	2	2	2
Cocoa exports							
Volume (in thousands of tons)	394	315	376	360	398	390	390
Price (in US$ per ton)	1,374	1,473	1,655	1,600	1,450	1,100	1,400

Sources: Bank of Ghana; and Fund staff estimates and projections.

1/ For the program period 1999-2001, includes only fully identified program grants.

2/ The current account does not assume full financing of the program as shown in Table 1.

3/ Financing gap for the program period 1999-2001 is defined as difference between assumed and fully committed /identified program support.

4/ For 2000 and 2001 assumes that the financing gap is filled..

Table 8. Ghana: External Financing Requirements and Sources, 1997-2001
(In millions of U.S. dollars)

	1997	1998	1999	2000	2001
Current account (excluding official transfers)	-1,150	-612	-603	-758	-689
Exports, f.o.b.	1,810	2,091	2,096	2,141	2,459
Imports, f.o.b.	-3,041	-2,897	-2,924	-3,135	-3,396
Services (net)	-319	-260	-228	-241	-252
Private transfers	400	454	454	476	500
Capital account	171	-273	-203	-210	-160
Scheduled amortization	-230	-286	-311	-272	-227
IMF repayments	-166	-139	-75	-38	-33
Other capital (net) 1/	566	152	183	100	100
Change in official reserves (increase -)	90	1	-35	-30	-96
Change in arrears (decrease -)	0	0	0	0	0
External financing requirements	-890	-882	-841	-999	-946
Expected disbursements	890	882	840	816	587
Grants	160	230	253	276	189
Of which : project and other	128	188	184	232	189
Of which : program	31	42	70	44	0
Concessional loans	730	540	527	480	338
Project and other	690	447	433	400	258
Program	41	93	94	80	80
IMF	0	111	60	60	60
Financing gap	0	0	0	-183	-359

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ Includes errors and omissions.

Table 9. Ghana: Indicators of Fund Credit, 1997-2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
			Projections								
Outstanding Fund credit											
In millions of U.S. dollars	353.7	321.3	306.2	326.5	355.3	373.5	355.7	317.6	268.0	213.0	149.3
In millions of SDRs	257.0	237.0	226.0	242.2	261.8	273.0	257.9	228.3	189.9	150.9	105.8
In percent of quota	93.8	86.5	82.5	88.4	95.6	99.6	94.1	83.3	69.3	55.1	38.6
In percent of GDP	5.1	4.3	3.9	4.4	4.4	4.4	3.8	3.0	2.3	1.7	1.1
In percent of exports of goods and non-factor services	15.9	12.5	11.9	12.4	11.9	11.1	9.5	7.6	5.8	4.2	2.7
Debt service due to the Fund											
In millions of U.S. dollars	176.2	147.6	77.7	40.6	36.3	18.0	23.8	44.1	56.9	57.6	65.9
In millions of SDRs	128.0	108.8	57.4	30.1	26.8	13.2	17.3	31.7	40.3	40.8	46.7
In percent of quota	46.7	39.7	20.9	11.0	9.8	4.8	6.3	11.6	14.7	14.9	17.0
In percent of exports of goods and nonfactor services	7.9	5.8	3.0	1.5	1.2	0.5	0.6	1.1	1.2	1.1	1.2
In percent of debt service due	33.7	26.2	15.6	9.3	9.4	5.3	7.2	12.5	15.4	15.2	16.8
In percent of gross official reserves	34.7	29.1	14.3	7.1	5.4	2.4	2.6	4.4	5.2	4.5	4.7
Gross Fund financing											
In millions of U.S. dollars	0.0	111.5	60.0	59.7	60.1	30.3	0.0	0.0	0.0	0.0	0.0
In millions of SDRs	0.0	82.2	44.3	44.3	44.3	22.1	0.0	0.0	0.0	0.0	0.0
In percent of Ghana's gross financing need 1/	0.0	10.0	6.1	5.6	6.3	3.5	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Exchange rate (U.S. dollars per SDR)	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Quota (in millions of SDRs)	274.0	274.0	274.0	274.0	274.0	274.0	274.0	274.0	274.0	274.0	274.0
GDP	6,884.6	7,474.5	7,789.0	7,338.0	8,012.0	8,476.0	9,451.0	10,510.0	11,522.0	12,536.0	13,691.9
Debt service due	523.5	563.5	499.0	436.7	388.1	342.0	331.8	354.1	368.9	379.6	392.9
Gross official reserves	508.5	507.7	542.7	573.2	669.6	753.3	915.8	1,002.6	1,086.4	1,290.8	1,406.4

Source: Ghanaian authorities and staff calculations.

1/ In percent of goods and nonfactor services.

Table 10. Ghana: External Public Debt and Debt-Service Payments, 1996-2007
(In millions of U.S. dollars, unless otherwise specified)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total public and publicly guranteed debt	5,803	5,692	6,193	6,385	6,731	7,086	7,336	7,554	7,744	7,917	8,079	8,229
Multilateral (including IMF)	3,681	3,544	3,911	4,132	4,370	4,581	4,744	4,859	4,942	5,002	5,056	5,099
Bilateral (including medium-term loans)	1,837	1,861	1,987	1,957	2,066	2,210	2,297	2,400	2,507	2,621	2,727	2,835
Other (short-term)	285	287	295	295	295	295	295	295	295	295	295	295
External public debt service												
Principal	335	396	425	386	310	260	228	221	243	274	297	321
Medium term	156	196	240	247	204	159	139	122	118	116	118	117
Long term	54	34	47	64	68	68	74	78	84	104	123	140
IMF repurchases	125	166	139	75	38	33	15	21	41	54	55	64
Interest	148	128	139	113	127	128	114	111	111	108	108	108
Medium term	61	50	54	41	51	66	61	57	54	51	50	50
Long term	73	68	76	69	73	59	51	52	54	54	55	57
IMF charges	14	11	9	3	3	3	3	3	3	3	3	2
Total												
Including IMF	484	523	563	499	437	388	342	332	354	381	404	429
Excluding IMF	344	347	416	421	396	352	324	308	310	324	347	363
Memorandum items:												
External public debt-service ratio 1/												
Including IMF	22	23	22	19	17	13	10	9	8	8	8	8
Excluding IMF	15	16	16	16	15	12	10	8	7	7	7	7
External public debt service/GDP (in percent)												
Including IMF	7	8	8	6	6	5	4	4	3	3	3	3
Excluding IMF	5	5	6	5	5	4	4	3	3	3	3	3
External public debt/GDP (in percent)	80	79	79	78	88	85	83	77	71	66	62	58

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ Ratio of external public debt service to exports of goods and nonfactor services.

Table 11. Ghana: Medium-Term Outlook, 1997-2007

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
					(In percent of GDP)						
National accounts											
Gross national savings	9.7	19.6	20.1	20.6	20.8	20.9	21.7	22.0	22.7	23.1	23.5
Public	0.1	3.3	4.8	6.0	6.3	6.2	6.8	7.2	7.5	7.7	7.9
Private	9.7	16.3	15.2	14.6	14.6	14.7	14.9	14.9	15.2	15.4	15.7
Gross investment	24.1	24.7	24.5	26.9	26.4	25.9	25.9	25.8	26.0	25.9	26.3
Public	12.4	11.3	11.0	12.8	12.0	10.5	10.0	9.4	9.0	8.7	8.4
Private	11.7	13.4	13.6	14.1	14.4	15.4	15.9	16.4	16.9	17.2	17.8
Foreign savings	14.4	5.1	4.5	6.3	5.6	5.0	4.2	3.8	3.3	2.8	2.7
Total consumption	96.4	87.7	87.5	88.2	86.8	85.8	84.7	84.0	82.9	82.2	81.4
Public	12.4	10.3	10.4	10.3	10.1	10.0	9.9	9.7	9.6	9.5	9.4
Private	84.1	77.4	77.1	77.9	76.7	75.8	74.8	74.2	73.3	72.7	72.0
Fiscal indicators											
Total revenue	18.7	20.5	20.8	22.0	21.4	20.5	20.4	20.1	19.8	19.7	19.5
(excluding grants)	17.3	18.4	17.8	18.1	18.2	18.2	18.3	18.3	18.2	18.1	18.1
Current expenditure	16.5	17.3	15.9	16.0	15.1	14.3	13.6	12.9	12.4	12.0	11.6
Total expenditure and net lending	29.0	28.6	26.9	28.7	27.1	24.8	23.5	22.3	21.4	20.7	20.0
Overall balance (commitment basis)	-10.3	-8.1	-6.2	-6.7	-5.7	-4.3	-3.2	-2.2	-1.6	-1.0	-0.5
Domestic primary balance	3.2	3.6	3.4	3.4	3.7	3.8	4.0	4.0	4.0	4.0	4.0
Net foreign borrowing	4.6	3.1	2.1	4.1	4.1	2.5	2.0	1.7	1.5	1.3	1.2
Domestic financing	5.5	5.0	4.0	2.4	1.4	1.8	1.1	0.5	0.0	-0.3	-0.7
Stock of domestic debt	17.4	18.4	20.5	20.2	18.9	18.6	17.8	16.5	14.7	12.9	11.0
					(Annual percent change, unless otherwise specified)						
Production and prices											
Growth of real GDP	4.2	4.7	4.5	4.0	4.5	5.5	6.0	6.0	6.0	6.0	6.0
GDP deflator	19.5	17.1	10.7	10.7	10.7	6.5	5.5	5.4	5.5	5.2	4.8
End-of-period inflation	20.8	15.8	12.0	8.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Foreign trade (in U.S. dollar terms)											
Exports, f.o.b.	0.0	15.5	0.2	2.1	14.9	13.7	12.9	11.7	10.5	9.7	9.8
Imports, f.o.b.	32.5	-4.7	1.0	7.2	8.4	8.4	9.4	9.5	8.4	8.0	8.9
Change in terms of trade	-0.7	26.5	-3.2	-13.1	9.1	2.4	1.5	1.3	1.9	0.5	-0.1
Memorandum items:											
					(In millions of U.S. dollars, unless otherwise specified)						
Real GDP per capita 1/	372	378	383	387	393	402	414	426	438	451	464
Real consumption per capita 1/	359	359	359	351	360	367	374	383	392	401	408
Nominal GDP (in billions of cedis)	14,113	17,296	20,002	23,022	26,632	29,925	33,455	37,381	41,810	46,610	51,802
Imports of goods and nonfactor services (in percent of GDP)	53.0	46.7	45.1	51.1	50.5	50.9	50.3	49.8	49.0	48.5	48.2

Sources: Ghanaian authorities; and Fund staff estimates and projections.

1/ At constant 1993 prices.

November 3, 1999

Dear Mr. Camdessus:

1. The Executive Board of the Fund approved a three-year Enhanced Structural Adjustment Facility (ESAF) arrangement for Ghana on May 3, 1999. The purpose of this letter is to inform you on the progress in implementing the first-year economic program set out in the staff report (EBS/99/57; 4/16/99) and in the policy framework paper (EBD/99/53; 4/14/99), and to request disbursement of the second loan under the first annual arrangement.

2. In the first half of 1999, Ghana suffered an external shock, caused primarily by a shortfall in donor assistance but magnified by a sharp decline in gold and cocoa prices, on the one hand, and a significant increase in oil prices, on the other. In spite of these difficulties, the government of Ghana is moving ahead with the implementation of its economic program.

3. The external shock made it difficult for Ghana to comply with all performance criteria under the program. The government of Ghana hereby requests a waiver for non-observance of the following performance criteria for June 1999 and September 1999: (a) net domestic financing of the central government; (b) domestic primary surplus of the government budget; (c) offer for sale of the Produce Buying Company (PBC); (d) withdrawal of banking licenses from banks that do not meet capital adequacy requirements; and (e) elimination of external payments arrears. The government of Ghana also requests modification of the performance criteria for December 1999 relating to the government domestic primary surplus, net domestic financing, reserve money, and the change in net foreign assets of the Bank of Ghana.

4. I am happy to inform you that the government has taken action to expedite the sale of the PBC and clear the external arrears to Italy. The attached memorandum of economic and financial policies of Ghana, based on the policy framework paper referred to above, sets out other remedial measures for 1999 and the key elements of an economic strategy that the government intends to pursue during 2000.

5. The government of Ghana will meet all quantitative and structural benchmarks set for September 1999 under the revised program and will take the actions spelled out in the attached memorandum to underscore its commitment to the program. In support of its 1999-2001 program of economic and financial adjustment, the government hereby requests a second disbursement amounting to SDR 22.14 million, subject to Executive Board approval of the first review under the three-year ESAF arrangement.

6. The government of Ghana will provide the Fund with such information as the Fund requests in connection with the progress made in implementing the economic and financial policies and achieving the objectives of the program.

7. The government of Ghana believes that the policies and measures set out in the attached memorandum are adequate to achieve the objectives of its program; it will take any further measures that may become appropriate for this purpose. During the remaining period of the three-year ESAF arrangement, Ghana will continue to consult with the Managing Director on the adoption of any measures that may be appropriate, at the initiative of the government or whenever the Managing Director requests such a consultation. Moreover, after the period of the three-year ESAF arrangement and while Ghana has outstanding financial obligations to the Fund arising from loans under the arrangement, the government will consult with the Fund from time to time, at the initiative of the government or whenever the Managing Director requests consultation on Ghana's economic and financial policies.

8. The government of Ghana will conduct with the Fund the second review of the first annual program supported by the three-year ESAF arrangement, based on performance criteria for end-December 1999, not later than April 30, 2000.

9. The government of Ghana intends to make these understandings public and authorizes you to provide this letter and attached memorandum to all interested parties that so request. It also authorizes you to provide to any international organization providing aid to developing countries that might request it, solely for its own use, the documents related to this request, including this letter and attached memorandum.

10. I can assure you that the government is determined to fully implement the program and comply with the performance criteria. The non observance of the above-mentioned performance criteria of the 1999 program do not reflect a lack of commitment of the Ghanaian authorities, but, instead, unforeseen difficulties. Every effort is being made to quickly carry out the agreements contained in the attached memorandum.

11. We hope that we can count on the continued support of the Fund.

Sincerely yours,

/s/

Kwame Peprah
Minister of Finance

Attachment

Mr. Michel Camdessus
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Memorandum of Economic and Financial Policies of the Government of Ghana for 1999 and 2000

I. INTRODUCTION

1. Ghana is facing a major external shock. World prices of gold and cocoa, Ghana's main exports, have plummeted, while oil prices have risen sharply. Foreign assistance has fallen significantly short of donor commitments.

2. Even if foreign assistance picks up in the second half of the year, the terms of trade shock is expected to have a serious effect on the economy, despite the widespread use of forward contracts and hedges. In order to cushion the effects of this exogenous shock, the government has taken a number of measures to manage the situation, but it will need additional external financial assistance in 1999-2000 if economic performance is to remain close to government objectives for the period.

3. This memorandum provides a summary of the economic trends in 1999 and prospects for 2000. It reports on what the government has done, and intends to do, in response. It also sets out the general lines of an approach to strengthen the economy, given the unfavorable trends in 1999-2000, including additional measures to help limit the deterioration in the balance of payments and the fiscal position.

4. Despite its own efforts, the government will need the full support of civil society, the parliament, and the donor community if a major setback to Ghana's economic development is to be avoided.

II. RECENT ECONOMIC DEVELOPMENTS AND PROSPECTS

5. Economic growth appears strong in the first three quarters of 1999. However, fiscal and monetary measures taken in response to the external shock are expected to slow down growth in the last quarter of the year. As a result, real GDP growth for 1999 is expected to fall to about 4.5 percent, despite a good agricultural crop.

6. Up to June 1999, monetary policy remained tight, and both reserve money and broad money were within their target ranges. Annual inflation continued its downward trend from last year, dropping to 12 percent in August, although remaining above projected levels. In particular, food prices declined markedly, outweighing increases in nonfood prices. Revisions of utility prices and retroactive payment of wages—owing to the late completion of the salary negotiations—contributed to slow the downward price trend. For the twelve 12-month period ended in August, the cedi depreciated by 12 percent, about twice as fast as in the previous year.

7. The additional financing of the budget—caused by a foreign assistance shortfall, the decline in cocoa taxes, and nontax revenue and divestiture slippages—is placing significant pressure on monetary policy. While real interest rates have declined since the beginning of

the year, they remain high. Reserve money expansion in the third quarter was limited by sales of foreign currency by the Bank of Ghana in excess of program targets and by open market operations.

8. The domestic primary surplus for the first half of 1999 was below its projected level by 0.1 percent of GDP; as domestic noninterest spending was about as projected, but lower nontax revenue was not fully made up by higher collections of direct taxes and cocoa tax. The overall deficit was 0.3 percent of GDP lower than projected, mainly the result of delays in foreign financing for capital expenditure. Road-related arrears are being reduced, although late interest charges are making this effort more challenging than initially planned. The government also did not collect any divestiture receipts. Net domestic financing was 1.1 percent of GDP higher than projected for the midyear, mainly because of delays in foreign program assistance and project loans. Even after adjustment for the shortfall in foreign program assistance, *the net domestic financing ceiling under the program is estimated* to have been exceeded by 0.2 percent of GDP.

9. In April, the government and civil service reached agreement on an average wage increase of about 20 percent, as assumed under the program. The increase was applied retroactively to the beginning of the year and became effective in June. Retroactive payments were made in July on account of wages in the first half of the year. In June, the legal framework for the reform of subvented agencies was approved by the cabinet.

10. The value-added tax (VAT) has been in effect from the beginning of the year and is operating well. VAT revenue is on target, mostly because the VAT has few exemptions, a single rate, and covers a larger number of taxpayers than the previous sales tax.

11. Net foreign assets (NFA) of the Bank of Ghana were below program targets at the end of June. However, after applying program adjusters for the shortfall in foreign program assistance, the net foreign asset position was on target. NFA of the commercial banks have declined considerably as banks have taken advantage of strong credit demand while moving toward greater compliance with the new foreign exchange exposure regulations.

12. Total cocoa purchases in the 1998/99 season are now projected at 396,000 metric tons, about 10 percent above program estimates. However, average cocoa prices declined by 22 percent in 1999. World gold prices fell by 11 percent in the 12-month period ended June 1999. Gold export volume is running slightly above 1998 levels. Available data on imports and exports indicate that both export and import volume growth has been strong. The substantial declines in world prices for Ghana's two principal exports, cocoa and gold, and the increase in the world price of oil have had a negative impact on Ghana's external current account.

III. Structural Reforms

13. Structural reforms have progressed broadly in line with the program. In the financial sector, the Bank of Ghana cancelled the freeze on bank licensing in March 1999. Two well-

known international banks are exploring the possibility of entering the Ghanaian market. Banks not meeting capital adequacy requirements were instructed in March 1999 to invest any increases in deposits in treasury bills and to adhere to monitorable quarterly targets for handling non-performing loans. The National Investment Bank has been asked to adhere to a business plan to strengthen its financial situation and make it a better candidate for divestiture. As part of ongoing efforts to strengthen management, the NIB board has removed from office several senior managers. A new general manager will be hired by the NIB board from a list of professional bankers compiled by the Bank of Ghana. Meanwhile, the Bank of Ghana has reiterated its decision to liquidate banks that do not meet the capital adequacy requirement by end-September. The foreign exchange exposure regulation introduced in December 1998 has been enforced since July. Some banks, however, are not yet in full compliance with the regulation. The Bank of Ghana has already notified these banks that penalties will be applied. Draft laws for the central bank and the banking system are scheduled for submission to parliament by the end of the year as agreed in the program.

14. In April 1999, the cabinet approved a medium-term cocoa strategy, after extensive consultations with stakeholders. The strategy was published and distributed widely. This strategy was designed to promote competition in the domestic market and end the public monopoly in cocoa exports. Specifically, the Cocoa Board began to provide equal access to its crop financing and warehousing facilities to all licensed buying companies. However, the Produce Buying Company (PBC) had not yet been offered for sale by June 30, 1999, as agreed under the program. The government publicly announced in September its intention to offer PBC for sale, and the prospectus will be available shortly. In June, the producer price of cocoa for the 1999/2000 crop season was announced at the same nominal level as in the 1998/99 season despite a sharp decline in cocoa export prices, which raised the producers' share in the f.o.b. cocoa price to 74 percent, substantially above the 60 percent minimum target under the program.

15. Also in April, the Divestiture Implementation Committee (DIC) published a divestiture work plan, annual targets for divestiture receipts for the period 1999-2001, and a privatization impact assessment done in collaboration with the World Bank. The government is taking steps to complete the divestiture of a number of companies already in the pipeline, including the State Transport Company and GHACEM, a cement factory. Divestiture revenues in the second half of the year are estimated to amount to ₵ 80 billion.

16. In the energy sector, the government published in April its "Statement of Power Sector Development Policy" and also posted it on its website. A draft financial restructuring plan for the Tema Oil Refinery (TOR) was prepared, and plans to offer TOR for sale before year's end are on course.

17. On the measurement and reduction of poverty, the government completed the fourth Ghana Living Standards Survey (GLSS4) in June; it is expected to complete a draft report describing survey results by end-October and present a national program for reducing poverty at the November Consultative Group meeting.

18. In recent years, trade statistics compiled by Customs, Excise and Preventive Service (CEPS) and used by the Bank of Ghana to prepare the balance of payments showed imports significantly lower than those obtained from the Ghana Statistical Service (GSS), the Ministry of Trade, and partner countries.[1] An effort to reconcile the data was launched in the first half of 1999. This review concluded that the manual CEPS data set was incomplete, and, as a result, Ghana's balance of payments for 1996-98 was revised using import data from GSS and export data from the IMF's *Direction of Trade Statistics*. The data for travel receipts were replaced by a new series from the Ministry of Tourism. The Bank of Ghana also revised some other series, such as private transfers based on data from commercial banks.

IV. Remedial Measures for 1999

19. Fiscal policy will have to be tightened to compensate in part for the foreign assistance shortfall and decline in cocoa tax revenue, as well as for the policy slippages in the first three quarters of 1999. The main adjustment will be a substantial reduction of domestic capital expenditures in the fourth quarter—specifically, from 1.3 percent of GDP in the original program to only 0.4 percent of GDP in the revised program. The VAT Service has been asked to strengthen its effort to enforce compliance with requirements for VAT invoicing and return filing through the application of penalties, automatic assessments of liabilities, and prosecution of nonpayers. Aggressive enforcement of customs procedures, including the close monitoring of bonded warehouses, is also expected to reduce tariff revenue losses.

20. In addition, the government will submit to parliament a package of fiscal measures that is expected to have effect next year: an increase in the VAT rate; enhancement of nontax revenue; increases in petroleum taxes; limitation of exemptions under the VAT and the tariff code; and a reduction of the minimum cocoa prices paid by government to producers for lower-quality beans. The government is also considering limiting capital allowances under the income tax.

21. The government will not seek completion of the second review under the three-year ESAF arrangement until the VAT rate and petroleum tax increases mentioned in paragraph 20 above are decided upon by parliament and implemented. In case parliament decides against the government's proposal, the government understands that an alternative package of measures acceptable to the Fund will need to be in place before the review can be completed.

22. The government will reduce the top tariff rate from 25 percent to 20 percent in the 2000 budget, in line with regional trends. A comprehensive review of the tariff regime is being conducted by government and is expected to be completed in September, as planned. This review has two main objectives: to ensure that Ghana's tariff system remains competitive with neighboring countries, and to enhance efficiency in production. The government will then adopt and implement the accepted recommendations in the 2000 budget.

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[1] Based on IMF, *Direction of Trade Statistics.*

23. In the third quarter of 1999, the retroactive payment of wages and the increase in government borrowing put strong pressure on monetary policy. Reserve money benchmarks for September had to be revised upward to account for the increase in currency in circulation, while the projection of the net foreign asset position of the Bank of Ghana was revised downward. The Bank of Ghana intends to resume its tight monetary policy in the fourth quarter, aiming at bringing the inflation rate as close to 10 percent as possible by year's end. Reserve money growth will be constrained to remain at about 12 ½ percent, at unchanged velocity assumptions.

24. Given the terms of trade shock and shortfall in foreign program assistance, the Bank of Ghana will be unable to attain its target of raising gross international reserves to 2.7 months of imports as originally programmed.[2] To adjust for the external shock, the Bank of Ghana will reduce its net foreign assets target from an increase of US$77 million down to US$50 million.

V. Key Elements of an Economic Strategy for 2000

25. Ghana's external situation is expected to deteriorate in 2000. The price of cocoa exports to be delivered in 2000 is estimated to decline by about 24 percent, compared with 1999. Export receipts will increase by only 2 percent, despite increases in export volumes and rising levels of nontraditional exports. Therefore, the capacity of the economy to import will be limited. While the government hopes to obtain additional assistance from its development partners to minimize the external constraint, imports may be able to increase by 7.2 percent only (in value terms). Under the circumstances, the government believes that the real GDP growth projections may have to be scaled down to 4 percent in 2000. The government will target the inflation rate at or below 8 percent.

26. To maintain macroeconomic stability in the face of this externally imposed constraint, fiscal and monetary policies will need to be restrictive. Increases in the VAT rate and petroleum taxes, improvements in customs administration, and the use of a two-price structure for cocoa producer prices are projected to raise domestic revenue to 18.1 percent of GDP. Noninterest recurrent expenditure is expected to be cut by 0.1 percentage points of GDP to 10.3 percent. The domestic primary surplus is expected to remain level at 3.4 percent of GDP, and the overall fiscal deficit (on a commitment basis) will be 6.7 percent of GDP. The government is appealing to its development partners to increase their contribution to the financing of the budget deficit, particularly through program grants, so as to limit net domestic financing of government to no more than 2.4 percent of GDP.

27. These fiscal targets were chosen based on the assumption that foreign assistance will increase considerably in 2000, as described in paragraph 29 below. The government will define contingency measures and adjustment scenarios to be used in case foreign assistance falls short of the values assumed in this memorandum.

[2] Gross reserves in U.S. dollar terms did not increase by as much as targeted, and imports have been significantly revised upward.

28. Monetary expansion for 2000 will be limited to 12 percent, in line with present expectations for real growth and the inflation target. Assuming a slightly higher money multiplier, reserve money growth will be limited to 11.5 percent. The Bank of Ghana will keep the reserve money on target through open market operations; interest rates are expected to adjust as needed to ensure adherence to the monetary program. Credit to the private sector is expected to increase by 15.8 percent, in line with the expansion of nominal GDP.

29. Given the relatively low level of gross international reserves expected at the end of 1999 (two months of imports), the Bank of Ghana will focus its intervention in the foreign exchange market on its net foreign assets target while leaving the determination of the exchange rate to market forces. The level of gross reserves will decline to the equivalent of not less than two months of imports.

30. The government will convene a Consultative Group (CG) meeting in November 1999, under the sponsorship of the World Bank, in which it will present its strategy for poverty reduction and discuss its financing requirements for 2000. The government's preliminary estimate of financing needs for 2000, excluding World Bank assistance, is US$769 million, of which at least US$241 million are needed in program grants and loans. World Bank assistance in 2000 is estimated at US$230 million. The government requests the IMF to consider providing additional resources under the present ESAF arrangement in the context of the next annual program.

31. The government is also considering the establishment of a domestic debt fund to reduce the burden of domestic debt, which at end-1998 amounted to 100 percent of government domestic revenue, with interest payments reaching 28 percent. Present estimates indicate that contributions from donors amounting to US$50 million a year, for a period of at least three years, could be sought to reduce the domestic debt service, with some of the savings from debt relief being for social programs. These contributions will need to be in addition to the amounts mentioned in paragraph 29.

32. The government intends to develop an active interbank market in foreign exchange and would like to request assistance from the Fund in the form of an expert with experience in setting up such a market in a developing country. Technical assistance is also needed to help the Bank of Ghana improve its balance of payment statistics.

VI. Prior Actions and Program Monitoring

33. **Prior actions**. The government will take prior actions to underscore its commitment to resolve the economic difficulties caused by the adverse world price trends. It will meet all quantitative and structural benchmarks set for September 1999 under the revised program. It will offer PBC for sale and eliminate all external arrears by end-September 1999. Prior to the completion of the first review of the current ESAF arrangement, scheduled for November, the government will seek parliamentary approval for an increase in the value added tax rate. It will provide an assessment of the factors that led to the loss of merchandise from bonded warehouses, together with an estimate of the resulting revenue losses, steps to identify and

prosecute those responsible, and measures taken to prevent recurrence of such incidents in the future. More generally, the government will indicate the measures it will take to strengthen customs. It will complete the steps to divest the State Transport Company and GHACEM, a cement factory. The Bank of Ghana will calculate the market exchange rate based on commercial bank transactions reported to the central bank, and not from indicative rates quoted by commercial banks.

34. **Performance criteria**. Performance through end-1999 will be monitored on the basis of the following benchmarks (for September 1999) and quantitative performance criteria (for December 1999): (a) domestic primary balance of the government budget; (b) government revenue;[3] (c) net domestic financing of the government budget; (d) reserve money; (e) net foreign assets of the Bank of Ghana; (f) new nonconcessional external borrowing; and (g) the stock of external short-term debt (Table 1). The nonaccumulation of new external payments arrears will also constitute a performance criterion, applying on a continuous basis. Structural performance criteria and benchmarks are shown in Table 2.

35. **Provision of information**. In order to ensure effective monitoring of the program, the government will continue to make available to Fund staff all core data on a timely basis, including the set of weekly indicators of financial policies described in our memorandum of economic and financial policies dated April 14, 1999. In addition, starting in the third quarter of 1999, the Bank of Ghana will release to the public monthly information on its gross international reserves, with a delay of not more than a month. The GSS, in collaboration with CEPS, the Ministry of Trade and the Ministry of Tourism, will publish monthly data on exports, imports and tourist arrivals with a lag of not more than 60 days. Summary information on the results of the GLSS4 will be provided to the Fund staff before the end of October. Publication of the *Quarterly Digest of Statistics* of the GSS and the *Bank of Ghana Quarterly Economic Bulletin* will be kept current, with publishing delays of not more than 60 days, starting in the third quarter of 2000. The backlog of unpublished issues will be eliminated by the end of 1999. Publication delays owing to printing will be minimized by posting the data to a website.

[3] Benchmark only.

Table 1 ESAF Arrangement, 1998, and Under the First Year of the New ESAF Arrangement, 1999
(Cumulative from beginning of calendar year to end of month indicated)

	1998 December		1999 March Benchmark		1999 June Performance criterion		1999 September Benchmark		1999 December Performance criterion	
	Benchmark	Actual	Prog.	Actual 1/	Prog.	Actual 1/	Prog.	Rev. Prog.	Prog.	Rev. Prog.
				(In billions of cedis)						
Government domestic primary surplus (floor) 2/	667	631	113	99	249	234	416	269	703	676
Government revenue, excluding grants and divestiture proceeds (floor) 3/	3,236	3,177	732	774	1,603	1,580	2,606	2,494	3,738	3,557
Net domestic financing (ceiling) 4/ 5/ 6/	552	831 7/	275	273	436	660	448	791	556	793
Reserve money (ceiling) 8/ 9/	1,408	1,403	1,302	1,306	1,291	1,288	1,277	1,339	1,564	1,583
				(In millions of U.S dollars, unless otherwise specified)						
Change in net foreign assets of the Bank of Ghana (floor) 5/	40	100	-10	-38	-90	-90	-48	-269	77	50
New nonconcessional external loans contracted or guaranteed by the government or the Bank of Ghana (1-15 year maturity) (ceiling) 10/	0	0	0	0	0	0	0	0	0	0
Short-term external debt outstanding contracted or guaranteed by the government or the Bank of Ghana (with an initial maturity of less than one year) (ceiling) 11/	40	0	50	0	50	25	50	50	50	50
Memorandum item										
Net change in government payments arrears (in billion of cedis)	-48	-104	-15	-20	-30	-35	-45	-50	-60	-65
Total program support (loans and grants) assumed 3/	.	...	34	33	106	35	186	130	197	163

1/ After applying the adjusters
2/ The domestic primary balance is defined as the difference between total revenue (excluding grants and divestiture proceeds) and noninterest domestic expenditure (excluding foreign-financed capital expenditure) The domestic primary balance will be reduced by the value of any domestic arrears outstanding at the test date.
3/ Benchmark only
4/ The ceiling will be adjusted upward/downward to the extent that the cumulative net reduction in government payments arrears is larger/smaller than programmed (see memorandum item).
5/ The ceiling on net domestic financing will be increased (reduced) by any shortfall (excess) in foreign program support for the budget (program loans and grants) The ceiling on net domestic financing will be reduced by the amount of any new domestic arrears outstanding at the test date.
Similary, the floor on net foreign assets of the Bank of Ghana will be reduced (increased) by any shortfall (excess) in foreign program support for the budget (program loans and grants).
The floor on net domestic assets of the Bank of Ghana will be increased by the amount of any new domestic arrears outstanding at the test date.
6/ The ceiling on net domestic financing will be adjusted upward by the amount of the treasury bills issued on account of the "bank restructuring operations," but not exceeding the equivalent of US$50 million.
7/ Net of interest adjustment, which is not included in the definition of net domestic financing for the program, and after adjustment for larger-than-expected programmed reduction in payments arrears.
8/ Stock at end of month indicated
9/ To be adjusted downward to the extent of any reduction in, or shortfall in compliance with, the legal reserve requirement (8 percent of bank deposits).
10/ External loans contracted or guaranteed other than those with grant elements equivalent to 35 percent or more, calculated using a discount rate based on OECD commercial interest reference rates
11/ Excluding normal import-related credits.

Table 2. Ghana: Prior Actions to Complete the First ESAF Review, Structural Performance Criteria, and Benchmarks

Action	Timing (End of month indicated)	Status
Cocoa sector		
Offer the Produce Buying Company (PBC) for sale. 1/	October	Done.
Energy Sector		
Offer the TOR for sale. 2/	December	On schedule.
Fiscal measures		
Submit to parliament an increase in the value-added tax rate 1/	mid-November	Pending.
Complete report on measures taken to strengthen customs, including actions to solve problems of bonded warehouses and associated remedial and punitive measures. 1/	mid-November	Done.
Establish amount of road sector arrears and reduce them by ¢30 billion in the second half of 1999.	December	Ongoing.
Divestiture		
Complete the divestiture of State Transport Co. and GHACEM 1/	October	Done.
Appoint sales advisor for the divestiture of Ghana Airways, Ghana Railways, and Electricity Company of Ghana. 2/	December	No progress on Ghana Airways, limited progress on Ghana Railways; divestiture advisor selected for ECG.
Divest Bank of Ghana shares in the National Investment Bank, Bank of Housing and Construction, Bank of Credit and Commerce Ghana Ltd, and the COOP.	December	No progress.
Trade reform		
Reduce the top tariff rate to 20 percent	January 1, 2000	Expected.
Complete comprehensive review of tariff regime.	October	Done.
Financial sector reform		
Withdraw banking licenses from banks that do not meet the capital adequacy requirements of the Banking Law of 1989 on September 30, 1999. 2/	September	Liquidator chosen for BHC and Coop; 3-month grace period given to BCC.
Submit new draft central bank and banking laws to parliament. 2/	December	Expected.
Foreign exchange markets		
Adoption by the Bank of Ghana of new procedure to calculate the market exchange rate from actual commercial bank transactions instead of from indicative rates. 1/	mid-October	Done.
Release data on gross international reserves to the public with a delay of not more than a month. 1/	mid-November	Done.
External arrears		
Eliminate all outstanding external arrears. 1/	September	Done.
Statistical issues		
Make summary information on the Ghana Living Standards Survey 4 made available to the Fund staff. 1/	October	Done.
Publish monthly trade and travel data published with a delay of not more than 60 days. 3/	From December	Ongoing.

Table 2. Ghana: Prior Actions to Complete the First ESAF Review, Structural Performance Criteria, and Benchmarks (concluded)

Action	Timing (End of month indicated)	Status
Publish the Quarterly Statistical Digest of the GSS and the Bank of Ghana Quarterly Bulletin with a delay of not more than 60 days (and eliminate backlog of issues). 3/	From December	Ongoing.
Provide the Fund staff with summary information on the methodology used to compile national accounts.	mid-October	Done.
Keep lags in reporting the consumer price index and monetary results to one month, and budgetary results to six weeks.	Continuous	Ongoing.

1/ Prior actions.
2/ Performance criterion.
3/ Website publication is sufficient for this benchmark to be considered as being observed.

Table 3. Ghana: Timing and Implementation of Macroeconomic and Structural Adjustment Policies, 1999-2001

Policy Area	Strategies and Measures	Timing of Measures Beginning	Timing of Measures End	Comments
Fiscal revenue	Review tax system and make adjustments to ensure that the reveneue-to-GDP ratio does not decline in the medium term.	01/01/99	12/31/01	Being done. VAT rate and petroleum taxes will be reviewed in the context of the 2000 budget.
Fiscal expenditure	Reduce road sector arrears by cedis 30 billion in the first half of 1999.		06/30/99	Road arrears were made as planned, but interest penalties have prevented the outstanding total from declining.
Fiscal expenditure	Eliminate road sector arrears.		12/31/00	Ongoing.
Budget and treasury	Provide weekly cash-flow projections of government treasury operations for public debt and liquidity management.	03/01/99	12/31/01	Provision of weekly cash flow still deficient; present efforts have proven to be of limited use for liquidity management; TA requested.
Budget and treasury	Implement Budget and Public Expenditure Management System (BPEMS) system in targeted ministries and spending units.		12/31/99	Ongoing.
Financial sector	Encourage the use of repurchase agreements.	01/01/99	12/31/00	Ongoing.
Financial sector	Ensure establishment by Bank of Ghana of monitorable quarterly targets for banks not meeting capital adequacy requirements. Fully invest additions to deposits in government securities.		03/31/99	Done. Cease and desist orders sent on March 16, 1999.
Financial sector	Remove the freeze on bank licensing.		03/31/99	Done.
Financial sector	Withdraw licenses of banks that do not meet capital adequacy requirements.		09/30/99	Liquidator chosen for BHC and COOP; 3-month grace period given to BCC.
Financial sector	Sell at least 30 percent of shares of the National Investment Bank.		09/30/99	No progress.
Financial sector	Divest all Bank of Ghana shares in commercial banks, except for Agricultural Development Bank (ADB).		12/31/99	No progress.
Financial sector	Reduce government participation in Ghana Commercial Bank (GCB) to 20 percent or less of shares.		12/31/99	Financial advisor appointed.
Financial sector	Divest Bank of Ghana shares in ADB.		06/30/00	No progress.
Financial sector	Implement revised regulations for foreign currency exposure limits.		06/30/99	Done.
Financial sector	Set up an apex institution for the rural banking system; final supervision over the rural banks will remain with the central bank.		12/31/99	On schedule.
Financial sector	Submit new draft central bank law and banking law to parliament.		12/31/99	On schedule.
Financial sector	Reduce the maximum float time of checks from 5 to 3 days in Accra and from 21 to 9 days between Accra and the regions.		09/30/99	Ongoing; target achieved in Accra.

Table 3. Ghana: *Timing and Implementation of Macroeconomic and Structural Adjustment* Policies, *1999-2001*

Policy Area	Strategies and Measures	Timing of Measures Beginning	Timing of Measures End	Comments
Exchange system	Assess foreign exchange operations, with a view to improving market practices.	01/01/99	12/31/01	MAE advisor visited in July; TA requested on how to increase interbank market activity.
Exchange system	Gradually reduce the share of export receipts that needs to be surrendered to the Bank of Ghana.	01/01/99	12/31/01	No progress.
External debt	Strictly limit new short-term borrowing and adhere to ceilings envisaged in the program regarding new nonconcessional public and publicly guaranteed borrowing.	01/01/99	12/31/01	Ongoing.
External debt	Publish annually list of guaranteed loans in the budget documents.	01/01/99	12/31/01	Ongoing.
Trade policy	Implement Gateway Project aimed at removing constraints to trade.	01/01/99	12/31/01	Ongoing.
Trade policy	Complete comprehensive review of tariff regime.		09/30/99	Completion expected in October.
Trade policy	Reduce the tariff top rate to 20 percent in harmony with the subregion.		01/01/00	Expected in the context of the 2000 budget.
Trade policy	Monitor exemptions and report them on a quarterly basis by the Harmonized System (HS) code.	01/01/99	12/31/01	Review of exemptions completed in October; *monitoring yet to start.*
Public sector	Obtain cabinet approval of a legal framework for the reform of subvented agencies		12/31/99	Done.
Public sector	Obtain cabinet approval of alternative employment program for retrenched workers of subvented agencies.		06/30/00	Expected as planned.
Public sector	Complete pilot reform of at least 17 subvented agencies.		12/31/01	Pilot program under way; World Bank loan now effective.
Public sector	Complete restructuring of central management agencies.		12/31/01	Ongoing; work on MOF, NDPC, and PSC proceeding as scheduled.
Local government	Submit to parliament draft legislation to establish local government service.		06/30/99	Cabinet is still debating the bill.
Local government	Complete study of fiscal decentralization.		12/31/00	Ongoing.
Private sector	Announce a divestiture work program, including annual targets for divestiture receipts for the period 1999-2000.		03/31/99	Done, but program seems to have lost its momentum.
Private sector	Decide on the treatment of the stock of outstanding liabilities of the State Housing Corporation, Electricity Company of Ghana, Ghana Railways, and Ghana Airways.		06/30/99	Not done yet. Study is ongoing.
Private sector	Publish revised privatization impact assessment.		06/20/99	Done in April.
Private sector	Publish annual audited accounts of the Divestiture Implementation Committee (DIC) for 1998.		09/30/99	Not done yet; latest audited accounts are for 1997.

Table 3. Ghana: Timing and Implementation of Macroeconomic and Structural Adjustment Policies, 1999-2001

Policy Area	Strategies and Measures	Timing of Measures: Beginning	Timing of Measures: End	Comments
Private sector	Outsource for divestiture Ghana Airways, Ghana Railways, and Electricity Company of Ghana.		12/31/99	No progress on Ghana Airways; limited progress on Ghana Railways; divestiture advisor selected for ECG in October.
Electricity	Issue "Statement of Power Sector Development Policy."		03/31/99	Done.
Electricity	Complete and issue Transitional Power System Development Plan (1999-2001).		09/30/99	
Electricity	Publish and implement complete "Guidelines for Fixing Rate for Electricity Services" (Section 16 of Act 538).		09/30/99	On track. PURC hosted a well publicized workshop in August and is presently incorporating comments.
Electricity	Enact legislation on "Electricity Regulations-Operations of National Interconnected System" (Section 546 of Act 541) and complete separation of electricity transmission utility (National Grid Company, Ltd.) from Volta River Authority (VRA).		12/31/99	Regulations are being prepared. Separation of the grid company completed.
Electricity	Offer for sale the Electricity Company of Ghana.		12/31/99	Divestiture advisor selected in October.
Petroleum	Complete financial restructuring for the Tema Oil Refinery (TOR) Ltd.		06/30/99	TOR Board approved restructuring plan in July.
Petroleum	Enact legislation on "Petroleum Regulations-Marketing of Petroleum Products" (Section 56 of Act 541) and *complete phase out of practice of setting maximum* margins for petroleum products.		12/31/99	Preparations ongoing; provisional licenses issued.
Petroleum	Offer TOR for sale.		12/31/99	On schedule.
Transportation	Adjust fuel levy as agreed under the Road Subsector Strategy.		12/31/01	Ongoing.
Transportation	Complete tolling of approved roads.		12/31/99	Ongoing.
Transportation	Issue invitation for bids on concession for Ghana Railways.		06/30/00	On schedule.
Transportation	Issue invitation for bids on concession port operations.		06/30/00	On schedule.
Water	Implement a program of tariff increases to recover costs.		12/31/01	Ongoing.
Water	Issue invitation for bids for lease of urban water systems.		10/31/99	Facing problems. Process may have to be restarted owing to changes in the contract being offered.
Water	Convert Ghana Water and Sewerage Corporation into Ghana Water Company and complete staff rationalization program.		01/31/00	Conversion completed. Staff rationalization plans being reviewed.
Water	Complete transfer of all small water systems and remaining sewerage systems to district assemblies.		12/31/00	Ongoing.
Agriculture	Submit Agricultural Services Sector Investment Plan (AGSSIP) to cabinet for approval.		09/30/99	Project/plan being appraised.
Agriculture	Implement AGSSIP.		06/30/00	
Agriculture	Obtain cabinet approval of the medium-term cocoa strategy, including timetable for key measures.		04/30/99	Done.

Table 3. Ghana: Timing and Implementation of Macroeconomic and Structural Adjustment Policies, 1999-2001

Policy Area	Strategies and Measures	Timing of Measures		Comments
		Beginning	End	
Agriculture	Offer for sale the Produce Buying Company (PBC).		06/30/99	Expected.
Agriculture	Accelerate the increase in farmers' share in f.o.b. price of cocoa starting in 1999/2000 crop season to at least 60 percent in 1999/2000.		06/30/99	Done.
Agriculture	Accelerate the increase in farmers' share in f.o.b. price of cocoa starting in 1999/2000 crop season to at least 62 percent in 2000/2001.		12/31/01	Expected.
Agriculture	Ensure equal access to Cocoa Marketing Board (Cocobod) crop financing and warehousing by licensed buying companies.	06/30/99	02/28/00	Ongoing.
Agriculture	Allow qualified Licensed Buying Companies (LBCs) to export at least 30 percent of their cocoa purchases.	06/30/00	02/28/01	Preparations underway; consultant to advise on modalities is being selected.
Fisheries	Submit to parliament the Fisheries Management and Development Bill.		12/31/99	Expected.
Environment	Periodically increase forest fees to reflect the stumpage value of trees, with rates ranging from 5 percent to 20 percent of f.o.b. timber prices, depending on the demand and inventory levels of the species.		12/31/01	Ongoing. First increases already introduced.
Environment	Implement the provisions of the Timber Resource Management Act, 1998, and its regulations.		12/31/99	Done.
Environment	Initiate pilot scheme on community collaboration in resources management.		12/31/00	Preparations underway
Environment	Submit to parliament revised wildlife regulations.		12/31/00	Expected.
Environment	Ensure Energy Commission enforcement of standards for gasoline stations.		06/30/00	Regulations being prepared. Provisional licenses being issued.
Land	Obtain cabinet approval of the draft national land policy.		12/31/99	Done. Land policy launched in June 1999
Education	Formulate intermediate targets, monitoring indicators, and financing plan for free compulsory universal basic education.		07/31/99	Ongoing.
Education	Formulate a revised policy framework for tertiary education with sustainable financing.		10/31/99	Not done yet.
Education	Formulate a phased implementation plan for basic education.		12/31/99	No progress yet.
Education	Formulate an implementation plan for decentralization of school management responsibilities to districts.		12/31/99	Not done yet.
Education	Adopt measure to improve learning outcomes, as evidenced by improving student test results.		12/31/01	Ongoing, but with inadequate progress.
Education	Design and implement an education strategy that will increase national girls' net enrollment in primary schools to 48.5 percent.		12/31/01	Ongoing, but with inadequate progress.
Education	Target expenditure on new classroom construction to the deprived areas.	06/30/99	06/30/00	Ongoing.
Education	Design a self-sustaining student loan scheme.		10/31/00	Ongoing.

Table 3. Ghana: Timing and Implementation of Macroeconomic and Structural Adjustment Policies, 1999-2001

Policy Area	Strategies and Measures	Timing of Measures		Comments
		Beginning	End	
Health	Increase health expenditure as a percent of domestic primary expenditure and maintain a reasonable balance between capital and recurrent expenditure.		12/31/01	Ongoing.
Health	Increase the number of budget management centers (BMCs) that are able to provide quarterly expenditure returns.		12/31/01	Ongoing. Review of BMC certificates under way.
Health	Elaborate a hospital development policy.		12/31/99	Delayed. Expected in mid-2000.
Health	Develop three-year rolling procurement plans for BMCs.		12/01/99	Expected; procurement plan for entire health sector is being prepared.
Health	Increase the number of contracts between district hospitals, both with nongovernment organizations and with private providers of health services.		12/31/01	Ongoing.
Poverty	Design small-scale pilot poverty-reduction programs in the urban and rural areas.		12/31/99	Done.
Poverty	Complete the fourth Ghana Living Standards Survey.		06/30/99	Delayed; expected to be finalized in October
Poverty	Prepare a national poverty-reduction program in collaboration with donors.		09/30/99	Delayed. Should be ready for presentation to the November 1999 CG meeting.
Statistics	Set up weekly indicators of market conditions (exchange rates, reserve money, net foreign assets of the central bank, net placement of government securities outside the central bank, interest rates), to be prepared with no more than one week lag.		04/30/99	
Statistics	Assess and explain discrepancies between import data reported by Automated System for Customs Data (ASYCUDA) and manually compiled data set prepared by Customs, Excise, and Preventive Services (CEPS).		06/30/99	Done.
Statistics	Reduce lags in reporting consumer price indices and monetary accounts to one month and in reporting budgetary data to six weeks		06/30/99	Done.
Statistics	Continue the quarterly publication of updated national accounts (sources and uses) with a lag of at most six months.		12/31/01	Not done.
Statistics	Conduct a housing and population census.		12/31/00	Expected in April 2000.

Ghana: Relations with the Fund
As of September 30, 1999

Membership Status Joined: 09/20/1957; Article VIII

	SDR Million	%Quota
General Resources Account		
Quota	369.00	100.0
Fund Holdings of Currency	327.87	88.9
Reserve position in Fund	41.13	11.1

	SDR Million	%Allocation
SDR Department		
Net cumulative allocation	*62.98*	*100.0*
Holdings	2.33	3.7

	SDR Million	%Quota
Outstanding Purchases and Loans		
ESAF arrangements	222.00	60.2

Financial Arrangements

Type	Approval Date	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ESAF	05/03/1999	05/02/2002	155.00	22.16
ESAF	06/30/1995	05/02/1999	164.40	137.00
ESAF	11/09/1988	03/05/1992	388.55	388.55

Projected Obligations to Fund: (SDR million; based on existing use of resources and present holdings of SDRs):

	Overdue	Forthcoming				
	07/31/1999	1999	2000	2001	2002	2003
Principal		18.3	28.1	24.7	11.0	15.1
Charges/interest		1.0	3.8	2.9	2.8	2.7
Total		19.3	31.1	27.6	13.8	17.8

Exchange Rate Arrangement

Ghana maintains a flexible exchange rate system, using the U.S. dollar as the intervention currency. The exchange rate in the interbank market at end-August 1999 was ₵2,639.36 per U.S. dollar for buying and ₵2,684.73 per U.S. dollar for selling, while the average bureau buying rate was ₵2,690 per U.S. dollar and the average selling rate was ₵2,765 per U.S. dollar.

Ghana has liberalized the making of payments and transfers for current international transactions and, with effect from February 21, 1994, has accepted the obligations of Article VIII, Sections 2, 3, and 4.

Article IV Consultations

The 1998 Article IV consultation (EBS/98/193; 11/17/98) was concluded by the Executive Board on December 2, 1998. Ghana is on the standard 12-month cycle for Article IV consultations.

Technical Assistance, 1994-99

Statistics Department: Fund staff member seconded to the Bank of Ghana as financial statistics advisor during April 1991-April 1994. Money and banking statistics mission, July 1997.

Monetary and Exchange Affairs Department: Bank of Ghana and Ministry of Finance (instruments of monetary control), March 1994; Bank of Ghana (monetary policy and foreign exchange operations), March-April 1994; Bank of Ghana (monetary policy design and institutions), November 1996, February 1997, August 1997, April 1998, and November 1998; Bank of Ghana (foreign exchange markets), July 1999. A resident expert in banking supervision was in place from December 1997 to December 1998.

Fiscal Affairs Department: Ministry of Finance (expenditure control), July 1996; Ministry of Finance (public expenditure management), June-July 1996; Ministry of Finance (value-added tax and customs), November 1996; and Ministry of Finance (public expenditure workshop), September-October 1997.

Bureau of Computing Services: Bank of Ghana (review of information technology), November 1996; Bank of Ghana (economic indicators database) May 1998.

Resident Representative

A Fund Resident Representative has been stationed in Accra since June 1985.

Mr. Begashaw has been the Fund representative since September 1, 1998.

Ghana—Tentative Work Program, 1999-2002

September 2-16,1999	Mission (review and Article IV)
November 19	Board meeting review: disbursement 2
December 31	Test date
January 2000	Beginning of second program year
February 24-March 9	Mission
April 15-30	Board meeting completes review and endorsement of annual program: disbursement 3
June 30, 2000	Test date
September 2000	Mission (Review and Article IV)
November 2000	Board meeting: review, disbursement 4
December 2000	Test date
January 2001	Beginning of second program year
February 26-March 10	Mission
April 15-30	Board meeting; complete review and endorsement of annual program: disbursement 5
June 30, 2001	Test date
September 2001	Mission (review and Article IV)
December 2001	Board meeting: complete review; disbursement 6
December 2001	Test date
February 2002	Mission
April 2002	Board meeting (optional): disbursement 7; arrangement expires

Ghana: Relations with the World Bank Group
(As of October 13, 1999)

1. The objective of the World Bank's Country Assistance Strategy (CAS) for FY 98-FY 00 is to support the key elements of the government's development agenda, which seeks to improve the quality of life for all Ghanaians, generate employment and growth, and reduce poverty. The Bank's broad strategy objectives include: restoring macroeconomic stability, promoting private investment, supporting social and rural development, and implementing direct poverty alleviation measures. Ghana is one of the pilot countries for the Comprehensive Development Framework (CDF). As part of this initiative, a series of donor coordination activities have been launched in the field that will help the formulation of the next CAS for FY 99-FY 01 in early 2000.

2. As of July 12, 1999, total commitments to Ghana amounted to US$1,197.4 million with total disbursements of US$655.4 million. Over the three-year period covering FY 98-FY 00, the Bank's base case-lending program has a range of US$430 to US$650 million. Within this range, the Bank has followed a graduated response to changes in key indicators with respect to fiscal sustainability, portfolio performance, and structural reforms. In addition, the IFC's portfolio totals 22 projects, for total commitments of US$57.9 million, of which US$53.6 million have been disbursed.

3. Recent and proposed Bank Group projects have broad sectoral coverage, including roads and other infrastructure, health, education, agriculture, environment, private sector development, and public sector management. These projects emphasize rehabilitation, maintenance, and institutional strengthening. More reliance is being put on supporting sector-wide programs and nonlending services. The Bank is moving away from infrastructure investments in telecommunications, power, ports, rails, and large urban water systems, while providing greater nonlending support (enhanced by IFC and MIGA) to promote private participation in these sectors.

4. Since the formulation of Ghana's Economic Recovery Program in 1983, the Bank has provided a series of policy-based credits to help finance urgently needed imports and support structural reforms, including liberalization of the exchange rate, trading system, and prices; rationalization of public expenditures; privatization; and parastatal reform. In the early 1990s, several adjustment credits were approved—a second financial sector adjustment credit; an agriculture sector adjustment credit; and a private sector adjustment credit—in support of a further deepening of reforms and of the government's accelerated divestiture program. More recent investment credits have been used to finance education and health. In FY 98, a one-tranche adjustment credit, the Economic Reform Support Operation, was also approved. In FY 99, the Bank approved a second Economic Reform Support Operation adjustment credit in the amount of US$180 million.

Ghana: IBRD/IDA Operations 1/
(As of June 30, 1999)

	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
	(In millions of U.S. dollars)					
Commitments, total	87.7	294.5	276.2	54.4	96.7	281.8
	(In percent of total commitments)					
By sector (percent)						
Agriculture	26.2	3.1	0.0	56.3	0.0	0.0
Education	0.0	3.3	17.8	0.0	0.0	11.4
Electric power and energy	0.0	60.7	0.0	0.0	0.0	0.0
Environment	0.0	0.0	0.0	0.0	9.9	0.0
Finance	0.0	0.0	8.5	39.2	0.0	17.9
Mining	0.0	4.2	0.0	0.0	0.0	0.0
Multisector	0.0	24.2	3.0	4.5	53.0	63.9
Population, health, and nutrition	0.0	0.0	0.0	0.0	37.1	1.8
Public sector management	0.0	4.5	9.5	0.0	0.0	5.1
Transportation	0.0	0.0	35.8	0.0	0.0	0.0
Urban development	47.0	0.0	25.4	0.0	0.0	0.0
Water supply and sanitation	26.8	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.1
	(In percent of total)					
By lending instrument						
Projects	100.0	75.8	97.0	95.5	47.0	100.0
Adjustment credits	0.0	24.2	3.0	4.5	53.0	0.0
	(In millions of U.S. dollars)					
Disbursements	187.1	168.8	261.0	266.0	211.5	208.6
Project credits	112.0	143.8	195.3	219.6	185.8	156.9
Adjustment credits, total	75.1	25.0	65.7	46.6	25.8	51.7
Agricultural sector adjustment credit	30.1	6.4	26.8	0.0	0.0	0.0
Economic reform support operation	0.0	0.0	0.0	0.0	0.0	49.4
Education sector adjustment credit I	5.8	14.7	0.0	0.0	0.0	0.0
Financial sector adjustment credit	32.6	3.9	4.2	31.8	0.0	0.0
Private sector adjustment credit	0.0	0.0	34.7	14.6	25.8	2.3
Private investment promotion adjustment credit	6.6	0.0	0.0	0.0	0.0	0.0

1/ Fiscal year ending June 30.

Ghana: Relations with the African Development Bank
(As of September 30, 1999)

1. The African Development Bank (AfDB) started lending to Ghana in 1973. As of September 30, 1999, the AfDB Group[1] had provided financial assistance amounting to SDR 542.23 million in support of 45 operations, comprising 36 projects, six studies, and one institutional support project. The AfDB resources have funded 18 projects for a cumulative total of SDR 210.55 million, including one project cofinanced with NTF and two other projects with AfDF. The AfDF/Technical Assistance Fund (TAF) resources have funded 30 operations for a cumulative total of SDR 329.41 million. NTF has cofinanced one project with AfDB for SDR 2.27 million.

2. The AfDB Group's lending activities in Ghana have been mainly in the agricultural and industrial sectors, both of which account for about 58.5 percent of commitments. Loans to the public utilities, transport, and social sectors, as well as the multisector loans, comprise remaining commitments. As regards the ongoing operations, the sectoral breakdown shows that the agriculture and social sectors dominate the portfolio, with ten projects accounting for 66.13 percent of total active loans and grants. The remaining five operations are in the transport, industry, and public utilities sectors.

3. The assistance provided since 1994 includes 7 AfDF loans and 3 TAF grants. Loans have been provided to finance (a) a food crops development project to improve the overall nutritional status and standard of living of the rural population; (b) a small-scale irrigation project, also aimed at increasing production and productivity of crops; (c) a health services rehabilitation project in support of the national primary health care program; (d) the economic reform program; (e) a primary education project aimed at assisting disadvantaged communities in northern Ghana; (f) the rehabilitation of the Achimota-Anyinam road in order to improve the flow of traffic between Accra, the capital city, and Kumasi, the major inland economic city, and into Burkina Faso, a neighboring country; and (g) a poverty-reduction project for facilitating access of the poor to basic economic and social infrastructure and financial services. The grants were provided for carrying out a roads study; financing a study aimed at increasing investments in the agro-industry subsector; and financing an institutional support operation aimed at strengthening the capacity of the Ministry of Finance and related economic organs to formulate economic policy, manage national debt, and monitor the implementation of development projects.

4. The AfDB Group's lending strategy is to provide assistance aimed at poverty reduction and to encourage the government to continue to pursue its ongoing economic reforms within the Comprehensive Development Framework. Assistance for poverty-reduction efforts will be channeled through direct pro-poor interventions in new operations in the social and agriculture sectors. Under this strategy, a second policy-based operation in support of ongoing economic reforms that enhance growth and reduce poverty is expected to begin in 2000.

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[1] The AfDB Group consists of the African Development Bank (AfDB), African Development Fund (AfDF), and the Nigerian Trust Fund (NTF).

Ghana: AfDB/AfDF Operations 1/
(As of September 30, 1999)

	FY95	FY96	FY97	FY98	FY99
	(In millions of SDRs)				
Commitments, total	0.0	7.5	58.0	16.3	15.0
	(In percent of total commitments)				
By sector (percent)					
Agriculture	0.0	0.0	43.1	4.3	100.0
Education	0.0	0.0	20.7	0.0	0.0
Electric power and energy	0.0	0.0	0.0	0.0	0.0
Industry	0.0	100.0	0.0	0.0	0.0
Environment	0.0	0.0	0.0	0.0	0.0
Finance	0.0	0.0	0.0	0.0	0.0
Mining	0.0	0.0	0.0	0.0	0.0
Multisector	0.0	0.0	19.0	95.7	0.0
Population, health, and nutrition	0.0	0.0	0.0	0.0	0.0
Public sector management	0.0	0.0	0.0	0.0	0.0
Transportation	0.0	0.0	17.2	0.0	0.0
Urban development	0.0	0.0	0.0	0.0	0.0
Water supply and sanitation	0.0	0.0	0.0	0.0	0.0
Total	0.0	100.0	100.0	100.0	100.0
	(In percent of total)				
By lending instrument					
Projects	0.0	100.0	100.0	4.3	100.0
Adjustment credits	0.0	0.0	0.0	95.7	0.0
	(In millions of SDRs)				
Disbursements	26.7	24.6	27.5	12.8	13.6
Project credits	26.7	24.6	27.5	12.8	4.0
Adjustment credits, total	0.0	0.0	0.0	0.0	9.6
Agricultural sector adjustment credit	0.0	0.0	0.0	0.0	0.0
Economic reform support operation	0.0	0.0	0.0	0.0	9.6
Education sector adjustment credit I	0.0	0.0	0.0	0.0	0.0
Financial sector adjustment credit	0.0	0.0	0.0	0.0	0.0
Private sector adjustment credit	0.0	0.0	0.0	0.0	0.0
Private invest. promotion adjustment credit	0.0	0.0	0.0	0.0	0.0

1/ Fiscal year ending December 31.

Ghana: Statistical Issues

1. Ghana is in the bottom quartile of Fund members in timeliness of reporting core surveillance data. This situation is a source of great concern. Improvements in the quality and timeliness of Ghana's statistics should be given high priority by the government. Areas where improvements need to be made are identified below.

National accounts

2. The Ghana Statistical Service (GSS) is the agency responsible for compiling national accounts statistics in Ghana, which were published in the *Quarterly Digest of Statistics* until 1992, when publication was halted. From 1992 until the fall of 1998, only estimates of GDP by sectors were provided to the staff. In the absence of official GDP data by expenditure category, the Fund staff developed its own estimates on the basis of available information on the fiscal accounts and the balance of payments.

3. In 1996, the GSS received technical assistance from the United Kingdom's Department for International Development (DFID) through the assignment of a resident national accounts statistician. The objective of the assistance was to revise new national accounts estimates using 1993 weights, based on information collected for the third Ghana Living Standards Survey (GLSS), instead of the 1975 weights that had been used so far. The resident statistician was also expected to help with the estimation of GDP by expenditure category.

4. In September 1998, a complete set of national accounts for the years 1993 to 1996 was published by the Ghana Statistical Service. However, the methodology used in preparing the data has not been published. Estimates of GDP by sectors had been revised to account for use of 1993 weights, which resulted in downward revisions by about 5 percentage points and 20 percentage points of the sector weights for agriculture and services, respectively, and an upward revision of 12 percentage points for industry. The national accounts series was not revised backward beyond 1993, resulting in large discontinuities in the series between 1992 and 1993.

5. The staff also noted large discrepancies between the import data used for the national accounts and those used for the balance of payments. For 1997, the discrepancy in merchandise imports was close to US$1 billion in c.i.f. terms. Moreover, the behavior of some deflators did not seem consistent with available price indicators. For example, the deflator for investment, described to the staff as a weighted average of the building and construction price index and the consumer price index (CPI), was found to significantly exceed both of these indices. In this context, the staff asked the Ghanaian authorities to (a) reconcile the trade data between the national accounts and the balance of payments; (b) review the deflators for errors in their calculation; and (c) provide the staff with a description of the methodology used to compile the national accounts. The authorities completed the first item (see below for details). The revision of the deflators resulted only in a change for the 1997 investment deflator, which does not resolve the staff's concerns. A summary description of the national accounts

methodology is expected to be provided to the staff in October. Meanwhile, the staff is using the national accounts by sectors provided by the GSS, but has continued to compile its own estimates of national accounts by expenditure category.

6. The staff believes that additional technical assistance in the compilation of national accounts statistics is urgently needed; furthermore, this assistance should focus primarily on developing and implementing updated statistical surveys that could be used to compile better estimates of value added by sector and ensuring that appropriate deflators are used in the compilation of the national accounts.

Prices

7. In January 1998, a new CPI was introduced. The weights are computed according to the standard consumption basket estimated from the 1992 GLSS. The new basket reduced the weight of clothing from 19 percent to 9 percent, while the weights for medical care, housing, and transport were increased. A set of comparable indices based on the new consumption basket is available only after September 1997, and, consequently, the authorities used a spline method, by compounding inflation, to estimate the 12-month inflation rate from January to September 1998. The wholesale price index was discontinued in 1991.

Labor statistics

8. Labor statistics in Ghana are produced with a considerable lag, and wage statistics are nearly nonexistent. To reduce delays, the United Nations Development Program (UNDP) and the International Labor Organization (ILO) are providing technical assistance to the Ministry of Employment. Wage indicators are not generally available, although some series can be obtained from the Social Security National Insurance Trust (SSNIT).

Trade statistics

9. Trade data are reported with gaps, and the most recent figures for total exports and imports in *International Financial Statistics* (*IFS*) relate to 1998. Large discrepancies exist between import data reported by the GSS and a manual compilation of import data prepared by the Customs, Excises, and Preventive Service (CEPS) and used by the Bank of Ghana to compile the balance of payments. A reconciliation effort was carried out in 1999 at the request of the staff. After a review of the situation, the staff and the authorities concluded that the trade statistics in the balance of payments were underestimating both imports and exports.

10. Regarding imports, the manual data prepared by CEPS, which was used by the Bank of Ghana for the balance of payments owing to their timely availability, were found to be seriously deficient. The alternative data set compiled by GSS from computerized information obtained from the ASYCUDA customs system was found to be more reliable. This data set is broadly consistent with the information obtained from partner countries and with another trade data set compiled independently and maintained by the Ministry of Trade.

11. Regarding exports, the data set used by the Bank of Ghana for balance of payments was found to include some netting of imported inputs (particularly in the case of VALCO, a large aluminum producer) and, therefore, to underestimate exports. Export statistics compiled by the Ministry of Trade through the Customs Export Data Information System, a joint effort of the Ministry of Trade and CEPS, were found to be broadly in line with partner countries' data. These data are published in the annual reports of the *Ghana Export Bulletin*; unpublished data are available with a lag of three months. The staff believes that these data should be used for the compilation of both national accounts and balance of payments statistics.

12. Unit value and volume indices for total exports and imports are no longer supplied to the Statistics Department (STA). The staff calculates its own export price index from prices of main commodity exports and uses a weighted average of partner country export prices as an indicator of import prices.

13. The authorities have agreed that the GSS will publish monthly trade statistics with a delay of not more than 60 days.

Public finance

14. The timeliness of the reporting of public finance statistics was improved by the introduction in 1994 of a new expenditure coding system that allows data to be generated on a cash basis from the central bank records. However, an economic classification of expenditures is available only with a lag of at least two months. Expenditure data on a commitment basis are not available, but efforts have recently been made to get large ministries to report their expenditure commitments and arrears to the Ministry of Finance. Expenditures financed by externally funded project aid are produced with a considerable lag and are subject to estimation errors, owing to timing differences, foreign exchange valuation, and the recording of the technical assistance component. Staff estimates of these expenditures are derived from balance of payments data. Consolidated fiscal accounts are not compiled because data on autonomous government agencies (subvented agencies) and public enterprises are not reported. A World Bank mission reviewed the government's domestic debt data in August 1998.

15. Annual government finance data were reported for publication in the *Government Finance Statistics Yearbook (GFSY)*, but the coverage and timeliness of the data need to be improved; the latest available data cover the central government only and relate to the fiscal year ended December 31, 1993. Unless the authorities update the GFS data this year, the country page will be scheduled for deletion in *GFSY*. These data include all the major components of the government finance statistics tables, with the exception of debt, for which the latest data published in the *GFSY* relate to 1985. The authorities reported fiscal data for the 1996 *GFSY*, but the data could not be published as they were not sufficiently detailed to allow conversion to the government finance statistics format. No monthly or quarterly data

are reported for publication in *IFS*.

Debt statistics

16. With technical assistance from the Commonwealth Secretariat, significant improvements have been made in the debt-reporting system, although reconciliation of data between the Bank of Ghana and the Ministry of Finance still presents problems; nevertheless, efforts are being made to achieve further progress in this area.

Statistics compiled by the Bank of Ghana

17. ***Monetary statistics***. Monetary data are compiled on a regular basis. In December 1997, the monetary survey was extended to include 6 additional banks; it thus currently covers all 17 banks in the system. Notwithstanding the technical assistance provided since 1985, several problems persist in Ghana's monetary statistics. In particular, there are large deviations between data reported by commercial banks with respect to their deposits with the central bank and those reported by the Bank of Ghana. Moreover, foreign currency accounts are not valued at the end-of-period market exchange rates. A STA money and banking statistics mission (July 1997) proposed a plan of action and a timetable to resolve these problems. Among the issues that need to be addressed is the classification by residency of foreign currency deposits in commercial banks. A follow-up STA mission is scheduled for the first quarter of 2000.

18. ***Balance of payments.*** Balance of payments data are published only annually. Balance of payments estimates up to 1997 have been submitted to STA. In September 1999, faced with large discrepancies in the trade statistics obtained from different sources, the staff, in collaboration, with the authorities, made a number of revisions in the balance of payments statistics of Ghana. The main revisions made were the following: (a) the trade statistics were changed to reflect the best source for trade data available (see above); (b) related services, such as freight and insurance, were revised accordingly; (c) the old series on travel receipts was replaced by a new one compiled by the Ministry of Tourism; and (d) the statistics on private transfers were revised on the basis of more detailed data obtained by the Bank of Ghana from commercial banks.

19. A technical assistance mission to review the proposed changes has been urgently requested by the authorities. A number of methodological issues have been identified to be covered by this mission, including issues related to coverage, valuation, and residency. The treatment of financial derivatives, including hedges, is another area deserving attention.

20. ***Economic indicators***. The central bank is also computerizing its databases, particularly with regard to economic indicators, in consultation with the Fund.

Publication

12. The reporting of data to the Fund for purposes of publication in the *IFS* has recently improved. However, there are still lags of about four to five months in reporting exchange rates, prices, and international transactions data. In general, statistical information from official sources is not disseminated to the public on a timely basis. Even though the *Quarterly Economic Bulletin of the Bank of Ghana* is now published more regularly, the data show lags of up to six months. The *Quarterly Digest of Statistics* is usually published by the GSS with a longer lag. The government has agreed to take steps to ensure that both quarterly bulletins will be published regularly, with a lag of not more than 60 days.

13. Deficiencies in data dissemination have been brought to the attention of the Ghanaian authorities at the level of the Minister of Finance, the Governor of the Bank of Ghana, and the Government Statistician.

Ghana: Core Statistical Indicators

(As of September 30, 1999)

	Exchange Rates	International Reserves	Reserve/ Base Money	Central Bank Balance Sheet	Broad Money	Interest Rates	Consumer Price Index	Exports/ Imports	Current Account Balance	Overall Government Balance	GDP	External Debt/ Debt Service
Date of latest observation	Sep. 1999	Aug. 1999	Aug. 1999	Aug. 1999	Aug. 1999	Aug. 1998	Sep. 1999	Mar. 1999	1998	Jul. 1999	1998	1998
Date received	Oct. 1999	Sep. 1999	Sep. 1999	Oct. 1999	Oct. 1999	Sep. 1999	Oct. 1999	Sep. 1999	Feb. 1999	Sep. 1999	Feb. 1999	Feb. 1999
Frequency of data 1/	D	M	M	M	M	M	M	M	A	Q	A	A
Frequency of reporting 2/	W	M	M	M	M	M	M	M	A	Q	A	A
Frequency of publication 2/	D	Q	Q	Q	Q	Q	M	—	A	A	V	—
Source of data 3/	BOG	BOG	BOG	BOG	BOG	BOG	MOF	GSS, MOT	BOG	BOG	MOF	MOF
Mode of reporting 4/	C, R	R, V	R, V	R, V	R, V	C, R	C, R	R, V	R	R, V	R	R, V
Confidentiality 5/	N	C	C	C	C	N	N	C	C	C	C	C

1/ A=annual; Q=quarterly; M=monthly; W=weekly; and D=daily.
2/ W=weekly; M=monthly; Q=quarterly; V=infrequently, typically during staff visits; and A=annually.
3/ Direct reporting by Bank of Ghana (BOG), Ministry of Finance (MOF), Ministry of Trade (MOT), Ghana Statistical Service (GSS), or other official agency.
4/ C=cable of facsimile; E=electronic data transfer; M=mail; R=provided to Resident Representative; and V=staff visits.
5/ C=restricted until officially published; N=no restrictions.