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Ghana: What Economic Challenges?

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Introduction

Ghana stands apart from other African economies thanks to its consolidated democratic achievements as well as the pace of its economic growth since the early 2000s. The start of oil production in the second decade of the 21st century has significantly transformed the nation's economic landscape, resulting in faster growth, but also exposing the country to variations in crude oil prices.

Currently, the Ghanaian economic model is over-reliant on the exploitation of natural resources and on low value-added service activities. It is true that the stronger growth of the past twenty years has produced higher per capita income, but it has also widened the inequality gap among the population. For this reason, the development of a diversified industrial sector has become primordial to ensuring sustainable and inclusive economic growth and to creating jobs.

Ghana's main economic weaknesses are related to public finance management and debt dynamics. The country's public debt rate nearly tripled between 2006 and 2016, rising from 26 to 74% of GDP. The deterioration of the financial situation of State-owned enterprises (SOEs) in the energy sector as well as pre-electoral budgetary overspending contributed to the accumulation of public debt. In this context, President Nana Akufo-Addo, who was elected in 2017, has made debt reduction one of the major priorities in his program for economic recovery. The budget deficit and public debt ratio have begun to fall following the implementation of government budget consolidation policies. However, debt servicing and payroll costs alone continue to absorb the bulk of budget revenues. It thus becomes primordial that the government pursue revenue-raising structural reforms related to fiscal policy, public finance and debt management, and the restructuring of SOEs operating in the energy sector.

The high needs for external financing exposes Ghana to weakening investor confidence and to external shocks. In 2007, Ghana was one of the first African countries to issue international bonds (eurobonds); in 2018, the interest rate on Ghana's eurobonds was lower than that of Nigeria and Angola. Since then, the forms of Ghana's public debt have evolved considerably toward external debt in foreign currency, exposing the country to significant exchange rate risk. Thus, in 2018, only 14.3% of Ghana's new external debt were under concessional conditions from multilateral and bilateral donors; for the sake of comparison, Côte d'Ivoire's concessional debt contracted through multilateral and bilateral donors was 32% at the same date. Despite the fact that inflation remained under control at 8% in 2018, Ghana was affected by the volatility of emerging markets, leading to a rather significant depreciation of the national currency (the cedi). Globally, the Ghanaian financial system remains adequately capitalized. Nevertheless, the high level of impaired loans in certain institutions represents a risk to financial stability. The Bank of Ghana recently undertook great efforts to consolidate the banking sector and to strengthen its regulatory framework.

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This study assesses the macroeconomic and financial challenges that Ghana is facing. It is structured around five parts. The first part presents the Ghanaian socio-political context, while evolutions related to the growth model are addressed in the second part. The third part addresses public finance issues, and the fourth part looks into the country's external balances. The analysis is completed by a discussion of monetary policy and banking system issues.

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1/ Consolidated democratic achievements in a context of socio-political stability and good governance

Ghana has a population of 29 million and its surface area is 239,000 km2. In terms of gross domestic product (GDP), it is the second-largest economy in West Africa, just after Nigeria, and eleventh in sub-Saharan Africa (2016 ranking). In recent decades, the country has succeeded in making smooth democratic transitions and reduced poverty significantly. However, the widening of inequalities since the 2000s as well as environmental challenges may jeopardize the country's socio-political stability.

1.1. The successive democratic achievements since 1992

In 1957, Ghana (formerly known as the Gold Coast) became the first former colonized country in Africa to gain independence. After many years of political instability and four military coups [1], in 1992 Ghana began its democratic transition. The 1992 Constitution, approved in a referendum, establishes the basis for a democratic republican State and a multiparty system. The National Democratic Congress (NDC), Jerry Rawlings' party, favorable to State interventionism and to socialist-leaning policies, wins the absolute majority of seats in the Parliament in 1992 and again in 1996.

The 2000 elections mark a major turning point in the democratic anchoring of the country. On the one hand, Jerry Rawlings respects the Constitution, which limits presidential terms to four years, renewable only once. On the other hand, the peaceful elections result in the country's first political changeover. The New Patriotic Party (NPP), with free-market tendencies and favorable to capitalism, wins the elections and John Agyekum Kufuor becomes president. From the moment of his inauguration, Mr. Kufuor launches a campaign against corruption in the large nationalized companies. He also initiates vast infrastructure works to modernize the country and increase its economic power. In 2004, he is reelected by 54% of the vote against NDC candidate John Atta Mills, backed by Jerry Rawlings. As president, he implements a poverty-reduction plan and pursues policies to improve the education and health conditions of the population [2]. The NDC wins back the power in 2008 with the election of Professor John A. Mills as president. Following John A. Mills' death in 2012, John Dramani Mahama, then vice president (elected on the same presidential ticket), becomes president. He narrowly wins the 2012 elections (with 51% of the vote), the first elections to take place without international observers. However, opposition leader Nana Akufo-Addo appeals to the Supreme Court, contesting the election's outcome and its legality based on claims of fraud. Following an eight-month investigation, the Supreme Court declares the NPP's request invalid. John D. Mahama thus remains president until the following elections.

In late 2016, Nana Akufo-Addo (NPP) is elected president by 54% to 44% for the incumbent John D. Mahama. The latter concedes his defeat and observers applaud the lawfulness of the vote. These general elections also give the NPP a comfortable majority in Parliament with 169 seats versus 106 for the NDC for the total of 275 seats to be filled.

The new president's electoral program focuses particularly on fighting unemployment (especially among youth) by diversifying the economy, which is largely reliant on commodities (gold, cocoa and oil). Nana Akufo-Addo also intends to reduce corporate taxation in order to encourage investment as part of the "One District, One Factory" (1D1F) initiative. Ghana confirms its remarkable democratic path with this third peaceful change of power. For the sake of comparison, Ghana surpasses most of the continent's countries in civil liberties,

[1] For a more complete political background, see AFD's MacroDev Ghana 2014, https://www.afd.fr/en/ghana-challenges-growth-faced-increasing-imbalances

[2] In 2011, John A. Kufuor received the World Food Prize, Ghana having become the first sub-Saharan Africa country to reduce by half the population suffering from hunger and living on less than one dollar per day.

rights and political stability. All in all, the country's socio-political achievements and its strong democratic orientation, are exemplary for the continent. Economically, though, the protectionist policies pursued by successive governments have certainly had some perverse effects weighing on the country's development dynamics.

A non-politicized ethnicity

Ghana is a multi-ethnic society in which the Akans alone represent 48% of the whole population.

The Mole-Dagbanis, Ewe and Ga-Adangbe constitute the country's three other major ethnic groups. Despite some visible tensions, notably in 1994, the country has never experienced a generalized ethnic conflict. This is explained in part by government policies which are attentive to ethnicity, even under military rule. The construction of the Ghanaian nation has also made it possible to mitigate the role of ethnicity. Under Kwame Nkrumah's 1957-1966 regime, policies encouraging interethnic marriages and mixed schools aimed to build some national sentiment y. The Constitution further stipulates that "*all political parties must have a national character, and membership in a party will not be based on ethnic, religious, regional or sectarian divisions.*" These clauses were reinforced by the 2000 law on political parties [3].

It should be stated that the two dominant parties, the NDC and the NPP, are identified respectively with the ethnic groups Ewe and Akan (above all Ashanti). Nonetheless, the non-ethnic factors of education, profession and income also determine outcomes from one election to the next (Bossuroy, 2011). More importantly, Ghana had the foresight to set up institutional mechanisms to reduce the risk of ethnic conflict. The Commission on Human Rights and Administrative Justice, created in 1993, is an independent organization accessible to all which is responsible for the protection of human rights in Ghana.

An established multi-party system

Ghana's two-party tradition is rooted in the time of its struggle for independence. Even if the democratic process with the emergence of diverse parties was sometimes interrupted by military coups, Ghanaian political life has seen political alternation in nearly each election, with the two main parties sharing the country's leadership. The NPP draws on a political tradition known as Busia-Danquah, whereas the NDC and certain other small parties (for example, the PNC or People's National Convention and the CPP, the Convention People's Party) claim to follow in the footsteps of Kwame Nkrumah. While the heritage of Busia-Danquah (otherwise known as the NPP) is its free-market tendencies, the heirs of Kwame Nkrumah (the NDC) defend State intervention (a managed economy) and socialist-oriented policies. It is interesting to note that Ghana's elections are often contested when the results are particularly close. Indeed, 80% of voters always vote for the same party; from there, undecided voters can easily influence an election's outcome (Lindberg and Morrison, 2005).

The high electoral turnout rate (69% in the 2016 presidential election) testifies as well to the State's credibility and to country's democratic achievements. Moreover, Ghana has created solid institutions such as the Electoral Commission, an independent body founded in 1993 which oversees the proper holding of elections.

[3] Section 3(1) of the Political Parties Act stipulates: "(1) No political party shall be formed (a) on ethnic, gender, religious, regional, professional or other sectional divisions; or (b) which uses words, slogans or symbols which could arouse ethnic, gender, religious, regional, professional or other sectional divisions."

The media and civil society

Ghana benefits from an ever-opening society thanks to a dynamic media and a solid culture of public debate. The country distinguishes itself from its African peers (with similar level of economic development) by the preponderant role played by its diverse media and civil society organizations (CSOs). Following an unprecedented decade of progress in press freedom, Ghana is now ranked 23rd worldwide and 1st place on the African continent, according to Reporters Without Borders (known as RSF); France is ranked 33rd.

A well-developed culture of involvement in associations and a dynamic civil society reign in Ghana. The Ghanaian decision makers are generally inclined to consult civil society groups and request their contribution. A few examples are the Ghana Institute of Economic Affairs and IMANI Ghana think tank which, since the beginning of the decade, have been actively involved in fighting against corruption and promoting good governance. Furthermore, the African Centre for Energy Policy (ACEP) has actively participated in policy decisions in the oil and gas sector.

International image of a peaceful country

In addition to stable politics, Ghana, compared to peer countries on the continent, has little violence and a low crime rate,. Internationally, the country enjoys a pacific image. For more than 25 years, Ghana has been engaged in many United Nations-organized peacekeeping missions (Côte d'Ivoire, Democratic Republic of Congo, Gambia, Lebanon, Liberia and the Sierra Leone). Given its geographical location, Ghana also wishes to strengthen relations with its French-speaking neighbors. Against this background, the country acquired the status of associate member of the International Francophonie Asso-ciation (OIF) at the 2006 OIF summit in Bucharest.

Ghana and its neighbor, Côte d'Ivoire (see Map 1), maintain close relations because of ethnic communities which are present on both sides of the border, and also due to the estimated 10,000 Ivoirian refugees present in Ghana since the 2002-2007 Ivoirian crisis. A disagreement over the maritime border arose between the two countries in 2010 after the discovery of offshore oil reserves in the Gulf of Guinea. After fruitlessly pursuing an out-of-court settlement, Ghana took the case to the International Tribunal for the Law of the Sea in 2014. In 2017, the Tribunal ruled in favor of Ghana. Activity undertaken in the contested area was then resumed, having slowed during the period of litigation. Despite the maritime border dispute, the countries maintained good diplomatic relations. Links between the two countries strengthened considerably following the election of Nana Akufo-Addo (NPP) to the presidency of Ghana in 2016. Mr. Akufo-Addo and Ivoirian president Alassane Ouattara both supporters of the free market, and Mr. Ouattara was invited to Mr. Akufo-Addo's inauguration. In view of this, following the verdict of the International Tribunal for the Law of the Sea, the two countries affirmed "their firm will to work together to consolidate and strengthen their fraternal relations of cooperation and good neighborliness."

1.2. Despite a significant drop in poverty in the last decade, inequalities and labor market fragilities persist

Thanks to a strong economic growth dynamic in the 2000s and following a revision of its national accounts, Ghana ranks in the Lower Middle Income Countries (LMIC) category. Nevertheless, the Gross National Income (GNI) per capita in Ghana puts the country on the fringes of the category of Low Income Countries with a per capita GNP of 2,037 dollars in 2017 (IMF WEO).

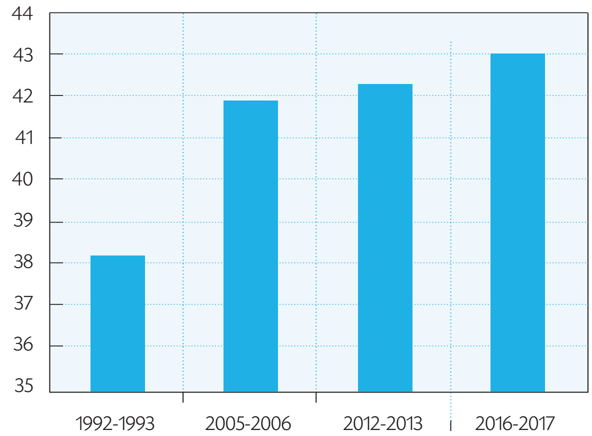
Ghana achieved the first Millennium Development Goal (MDG) (reducing extreme poverty by half) thanks its faster growth in the 2000s. Thus, in only 15 years, the poverty rate (at the upper national poverty threshold of 1,314 Ghanaian cedis (GHS) per year) decreased from 51.7% in 1992 to 31.9% in 2006. However, the economic slowdown observed between 2014 and 2016 eroded this criterion, with more than half the Ghanaian population living on less than two dollars a day. This level is well below the average of Lower Middle Income Countries (LMIC) (37.3%). The latest Ghana Living Standard Survey (GLSS 7), published in the 4th quarter of 2018, stresses that poverty reduction was pursued only very slowly in recent years. According to the report, the overall level of poverty in Ghana thus decreased from 24.2% in 2012/2013 to 23.4% in 2016/2017.

In other respects, the economic growth of the 2000s boosted the human development rate (HDI, Human Development Index of the UNDP, the United Nations Development Programme). Ghana is one of the rare sub-Saharan Africa countries to be ranked in the country category of "average human development". The latest UNDP human development ranking (2016) places Ghana at 139th (out of 188 countries). Interestingly, Ghana is one of the rare countries to have a better HDI classification than its per capita GNI classification.

The good news in poverty reduction and improved living conditions does not necessarily translate into inclusive growth. The data on income inequality, measured by the Gini index[4], show a nationwide increase in inequalities since 1992 (Graph 1). Moreover, while at a slower pace, the widening of inequalities continued in the recent period. The Gini coefficient rose from 42.3% in 2012/2013 to 43% in 2016/2017. This increase in recent years suggests that the benefits of growth were not equally distributed and that certain groups were excluded. Poverty affects rural areas more, and the recent emergence of a middle class with a high consumption capacity, especially in urban areas, has exacerbated societal inequalities. There is a genuine divide between the North of the country, particularly hurt by poverty, and the coastal regions, which are in full expansion. Obviously, the rise in inequalities is a risk factor which could compromise earlier progress in poverty reduction and weaken social cohesion.

Graph 1

Gini Index (income distribution)



Source: Ghana Statistical Service (GSS), World Development Indicators (WDI), World Bank.

[4] The Gini index (or coefficient) is a statistical measure of the dispersion of the wealth distribution in a given population. The closer the Gini index is to 100, the greater the income inequality.

The labor market has evolved very little in the past decade despite good economic results. According to the Ghana Statistical Service (GSS), the 2017 unemployment rate is a mere 2.4%. However, the official unemployment rate conceals a high level of underemployment and hidden unemployment inherent to the informal sector[5].

The informal sector remains preponderant in Ghana, as in other African countries. More than 80% of jobs are found in the informal economy, according to the survey on Ghanaian living conditions (a latest available data from the GLSS 6). The survey also shows that a great number of informal workers earn less than 240 GHS per month (48 USD), close to the World Bank-defined poverty level of two USD per day.

Ghana's formal private sector has not managed to create enough jobs to absorb newcomers to the labor market. The private sector remains essentially dominated by informal private sector firms, 90% of which are microenterprises and small and medium enterprises (SMEs) employing fewer than 20 employees.

The agricultural sector, which employs more than 40% of the active population, also remains largely informal and generates little income. Finally, new jobs in the formal sector are primarily created by the State and SOEs, with the formal private sector remaining very marginal in job creation.

1.3. Energy and environmental challenges threaten sustainable development

As the World Bank showed in 2007, the development of Ghana's economy has been somewhat harmful to natural resources. Therefore, to ensure sustainable development and to strengthen social cohesion, responding to the problems linked to climate change and the environment becomes crucial[6]. The Ghanaian economy is dependent on climate-sensitive sectors such as agriculture, fishing, tourism and forestry. The majority of the country's economic activity – notably the production and transformation of cocoa, palm oil, rubber and wood and mining – is located in the southern third of the country, which is covered with lush vegetation. In a context of global climate change, a rise in temperatures has been observed in Ghana's different ecological zones. In general, rainfall is decreasing and is less and less predictable.

The negative impacts of climate change are now impacting livelihoods, health and hydroelectric production. Several times, Ghana has suffered electricity shortages due to insufficient production capacity of hydroelectric plants. In 1997, the country began using thermal energy, and then oil, as complements to hydroelectric energy. Nevertheless, this diverse complementary supply of electricity production could not satisfy the economy's energy needs during the high economic growth period of the 2000s.

In 2015, at the peak of the supply crisis, Ghana regularly experienced "dumsor"[7], the government-programmed rationing of electricity. These power cuts have significantly hampered economic activity and productivity (Abeberese *et al.*, 2017), and led to lively demonstrations. Finally, the energy crisis was resolved in 2016 thanks to *(i)* the commissioning of hybrid power plants using both oil and gas from offshore fields, and *(ii)* the resupply of gas from Nigeria.

[5] The definition of unemployment by public officials does not take into account the high number of people out of work who may be available to work but are not necessarily actively looking for a job.

[6] Ghana ratified the United Nations framework Convention on Climate Change (UNFCCC) in 1995 and also joined the Kyoto Protocol in 2003. As well, Ghana signed the Paris Agreement on climate (Paris Conference of 2015 – COP21).

[7] A popular Ghanaian term used to describe persistent, irregular and unpredictable power outages.

Finally, the problem of waste management, especially in urban areas, threatens health and the environment. Due to the lack of infrastructure, reportedly only 67% of waste is collected in Ghana [8]. Moreover, deficiencies in the management of waste from electrical and electronic equipment have become the main cause of the country's toxic pollution. Currently, Ghana must burn its electronic waste to eliminate it or to remove recyclable materials. Activities related to the collection, recycling and dismantling of electrical and electronic equipment waste [9] provide livelihoods to around 30,000 people in Ghana.

[8] https://www.business-humanrights.org/en/ghana-concerns-over-dumping-of-electronic-waste

[9] Some of this electronic waste results from local consumption, whereas some of the rest (about 15 tons a year) comes from trafficking and imported goods.

2 / Growth – Need for diversification in a context of high dependence on raw materials

2.1. An economic context marked by strong volatility of commodity prices

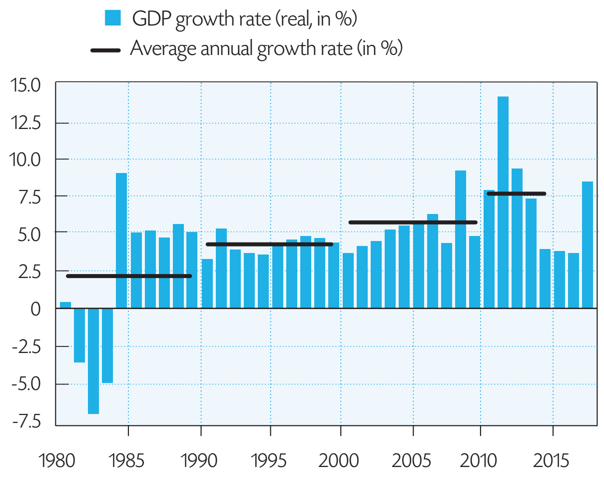
Ghana has gradually reinforced its economic growth regime since the periods of political and economic instability of the 1960s and 1970s. In 1983, the country embarked upon its Economic Recovery Program (ERP) which was jointly defined by the International Monetary Fund (IMF) and the World Bank. The program sought to support the country's economic and social transformation. In this context, international donors' financial aid flowed into Ghana in the 1980s. This financing lifted average annual growth to 4.3% in the 1990s (Graph 2).

Since the 1990s, Ghana's main economic vulnerability relates to the limited diversification of its production base. As such, the early 2000s saw an economic slowdown caused by the drop in international cocoa and gold prices as well as the rise in oil prices. In order to stimulate the economy, a new IMF program (the Poverty Reduction and Growth Facility, PDRF) was launched for the 1999-2002 period. This program achieved satisfactory results, reducing macroeconomic imbalances (budget and balance of payments) and further strengthening growth (reaching an annual average of 5.8% in the 2000s). During the 2000s, Ghana's per capita gross national income (GNI) in purchasing power parity (PPP) converged toward the level of the Kenya and Côte d'Ivoire even surpassing the average of sub-Saharan economies in the second half of the decade (Graph 3). Several factors sustained stronger growth as of mid-2000s, including higher the prices for cocoa and gold. Moreover, the spike in domestic demand which followed the increase in bank lending stimulated private consumption.

Public expenditures rose rapidly before the 2008 elections, benefiting from the fiscal space created by the debt relief obtained in 2006 through the Multilateral Debt Relief Initiative (MDRI)[10]. Although the international financial crisis had no direct negative impacts on the Ghanaian economy[11], the growth rate decreased once again, slipping to 4% in 2009. This slowdown is better explained by domestic factors such as the tightening of credit conditions, the rise in Non-Performing Loans (NPLs) and the tightening of the new government's post-electoral budget.

Graph 2

GDP growth rate (in %)



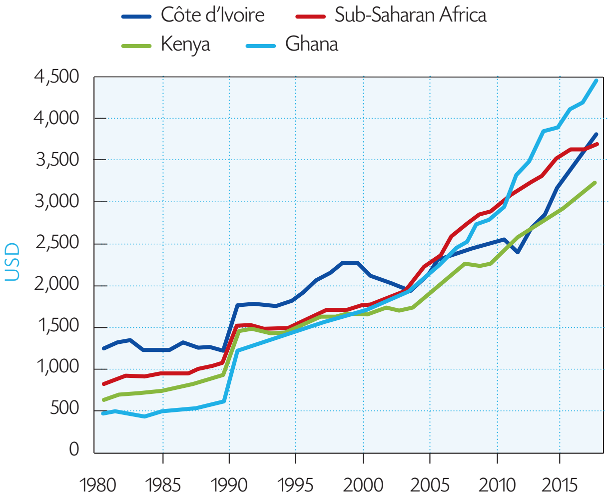
Source: World Economic Outlook (WEO), IMF.

[10] The cancellation of multilateral debt in the name of the MDRI (Multilateral Debt Relief Initiative) helps shrink the debt for which a commitment was already made as part of the Heavily Indebted Poor Countries Initiative (HIPCI). The aim of this other, parallel initiative is to provide additional support to heavily indebted poor countries (HIPCs) to help them reach the MDGs while preserving the financing capacity of international financial institutions.

[11] Quite the contrary, Ghana managed to take advantage of the drop in both oil prices and foodstuffs during the international financial crisis.

Graph 3

Per capita GNI (in ppp)



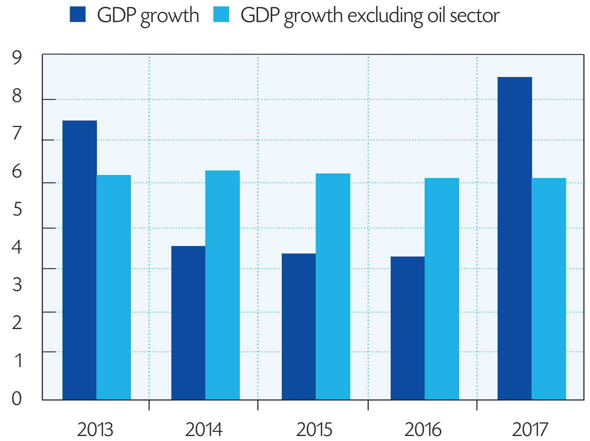
Key: ppp = in purchasing power parity.
Source: World Bank (WDI).

The start of oil production in the 2010s significantly transformed the country's economic landscape. The *Jubilee* oil field, discovered in 2007, officially went into production in December 2010. The exceptional economic performance recorded in 2011 (GDP growth of 14%) is thus explained by the rapid development in oil production. Yet this oil production was unable to produce a continued strong growth dynamic. Beginning in 2011, Ghana experienced a gradual growth slowdown; the oil sector's limited economic weight could not generate multiyear two-digit growth. The commodities price decline beginning in 2013 and the rise in macroeconomic imbalances also weighed on the prospects of economic growth. Indeed, officials seem to have overestimated and prematurely counted on the income to come from oil, *de facto* building up significant budget deficit as of 2007.

The 2012 and 2016 electoral expenses exacerbated these budget imbalances and consequently further deteriorated the macroeconomic environment, marked by high interest rates, the large depreciation of the Ghanaian cedi and rising inflation. What is more, the recurrent power cuts weighed heavily on overall economic activity. Growth diminished markedly beginning in 2014, and in 2016 the country recorded its lowest growth rate in 23 years (3.6%). At this particularly difficult time, the country signed a new agreement with the IMF in order to address macroeconomic imbalances and stimulate economic activity (see Box 1).

Graph 4

Total and non-oil GDP growth (in %)



Source: IMF (WEO – IFS, International Financial Statistics).

The new government of Nana Akufo-Addo, which assumed power in 2017, took several measures to boost economic activity and reduce macroeconomic imbalances. There was a rebound in economic growth in 2017 (8.4%), largely explained by the exceptional dynamism of oil production[12] and moderate inflation thanks to the stabilization of the exchange rate. Nevertheless, according to IMF forecasts, growth is set to slip to 6.3% in 2018 (and to 7.6% in 2019), caused by an anticipated slowdown in oil production and by the moderation of public investment expenditures as part of budgetary consolidation. Structurally, Ghana's strong economic growth

[12] In 2017, the good performances of the oil sector are due to technical factors such as *(i)* the increase in oil production in the Sankofa field and the offshore field of Tweneboa, Enyenra, Ntomme (TEN), and *(ii)* the resolution of technical difficulties arising in March 2016 in the Jubilee and Offshore Cape Three Points (OCTP) fields.

periods are supported by the oil sector. The other sectors (non-oil) remain resilient to the fluctuations of the oil production activity and structurally show stable growth, at around 6% on average (Graph 4).

It should be noted that at the end of 2018, the Ghanaian Statistical Service changed the base year for calculating GDP (2013, versus 2006 previously) in order to better account for new wealth-creation activities, which the earlier methodology did not fully integrate. Following this accounting operation, in 2017 Ghana's GDP reached 256.7 Bn GHS, against 205.9 Bn GHS with the former methodology (an increase of 25%). Moreover, this accounting operation led to a downward reevaluation of the growth rates of previous years, notably that of 2017, which is now 8.1% (versus 8.5% with the preceding methodology).

Box 1 *The 2015-2019 IMF Program*

In 2015, Ghana and the IMF concluded a three-year program of 918 million USD as part of the Extended Credit Facility (ECF) aimed at stimulating growth by reducing inflation, the budget deficit and public debt. In 2016, the program's results were rather disappointing, due to budget overruns in this election year. Indeed, the public deficit grew further and public debt reached 74% of GDP, its highest level since 2003.

Despite the program's disappointing results, the IMF recommended its continuation in order to once again give the government a chance to implement a budget consolidation policy. Thus, the IMF's Executive Board approved the 4th program review in September 2017 with a disbursement of 66.2 SDR (Special Drawing Rights; 1 SDR = 1.22 EUR). The program's duration was therefore prolonged by 12 months (until April 2019) to allow the new government to reach the quantitative targets of the Program.

The 5th and 6th reviews of the Program were validated in April 2018, resulting in a payment of 132.84 million SDRs despite the non-respect of *(i)* three performance criteria (of nine criteria set) in the scope of the program (primary budget balance, payroll, clearance of domestic arrears) in August 2017, and *(ii)*, two criteria (payroll, clearance of domestic arrears) in December 2017. Given the corrective measures taken by the government and the progress made in other key domains, the IMF granted Ghana waivers regarding these unsatisfied performance criteria. Moreover, Ghana's non-concessional debt ceiling was raised to allow Ghanaian authorities to issue eurobonds on international markets (2.5 billion USD) and to take out business loans (500 million USD). This new eurobond issue will primarily be used to manage existing debt (1.75 billion USD), and also to finance priority infrastructure projects (750 million USD of eurobonds).

The 7th program review, based on performance criteria measured at the end of June 2018, has not yet been approved. In September 2018, the IMF published a press communiqué stressing the good prospects for economic growth, but also the external and domestic factors negatively affecting program performance. The IMF program will once again be evaluated on the basis of periodic performance criteria, ongoing performance criteria, a monetary policy consultation clause and indicative goals to be measured at the end of December 2018.

Source: IMF (2016, 2017, 2018)

2.2. Structural weaknesses slowing the development of a diversified industrial sector

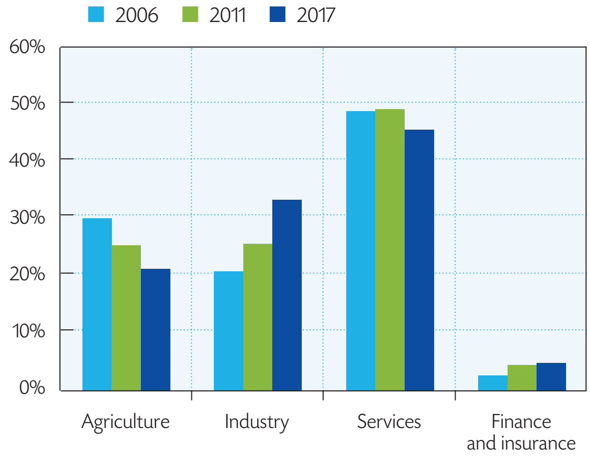
The development of a diversified industrial sector, capable of generating growth and creating jobs, represents a major challenge for the Ghanaian economy. Ghana's expanding growth since the 1980s is mainly due to the increasing strength of the service and construction sectors, and more recently to the expansion of the extractive industries (notably the oil sector). Compared to other countries on the continent (Côte d'Ivoire, Kenya, Senegal,), Ghana's manufacturing sector remains small.

Like many less developed countries (LDCs), Ghana's economic structure changed beginning in the 1990s. The agriculture sector's share has progressively declined to the benefit of other sectors (Graph 5). Like several African countries, the decrease of the share of agriculture in Ghana's GDP has occurred principally in favor of the tertiary sector (non-tradeable). Agriculture's share still reached one third of added value in 2006. On the other hand, following the start of oil production in the 2010s (see Box 2), this share shrank considerably in 2017. In Ghana, the tertiary sector predominates, its activity being essentially concentrated in informal sector and low value-added activities (examples: retail trade, the hotel business and the food industry). Yet these activities, intensive in unskilled labor, provide little potential for productivity gains and technological diffusion. Furthermore, the recent rise in financial services and insurance should be noted, as they could favor the upgrading of the tertiary sector.

The GDP rebasing at the end of 2018 strongly modified the share of different economic sectors within GDP. Compared with the GDP based on the former methodology, in 2017 the shares of agriculture and industry increased respectively from 18.3% to 21.2% and from 25.5 to 33.2%. To a greater degree, following this rebasing, the share of manufacturing in GDP more than doubled, going from 4.5 to 11.7%. The significant reduction in the share of services in GDP is another important consequence of rebasing the GDP. In 2017, the share of the tertiary sector contracted from 56.2% in the previous methodology to 45.6%.

Graph 5

Breakdown of GDP per sector (in %)



NB: The rebased GDP (in 2013) is used for 2017.
Source: Ministry of Finance (MoF), Ghana.

Nana Akufo-Addo's government introduced several stimulus programs to strengthen the manufacturing sector; for example, 1D1F (One District, One Factory) and the Infrastructure for Poverty Eradication Programme (IPEP). Moreover, Chinese direct investment, which is focused essentially on the manufacturing sector (plastic products, pharmaceuticals and steel), could potentially support the diversification of Ghanaian industry.

Box 2 *Ghana's oil production*

With the discovery of the Jubilee offshore field in 2007, Ghana's export of crude oil and gas began in December 2010. The country also became a member of the Association of African Petroleum Producers (AAPP) in 2011[13]. However, numerous technical problems affected production at the Jubilee field once it went into operation. To this day, Ghana's oil production has not yet reached the initially forecast level of 120,000 barrels per day.

On a global scale, Ghana's oil potential remains relatively modest when compared to the continent's principal oil-producing countries. Ghana's reserves are estimated at around 490 million barrels, versus 37,200 million barrels for Nigeria and 9,500 million barrels for Angola. Also, while production reached a record level in 2011 (80,000 barrels per day), it still remained very modest with regards to countries like Nigeria and Angola, both of which produce over 2 million barrels a day.

According to Ghanaian officials, oil and gas operations will be catalysts for downstream industries such as refining crude output and the wholesale and retail distribution of various petroleum products. As such, the oil industry could potentially ensure a wider diversification of the economy and create jobs. However, for the time being, Ghana essentially continues to export crude oil, and processing activities remain mostly undeveloped. The insufficiency of distribution, stockage and transport infrastructure as well as the limited number of retail sales points is hampering the oil product production and distribution process. Even if drilling and additional tests are performed, Ghana does not seem destined to be an oil-producing nation. Currently, the oil sector is unable to generate sustainable growth, given its quite modest share of GDP (1.2% in 2017) and the sector's weak job-creation capacity.

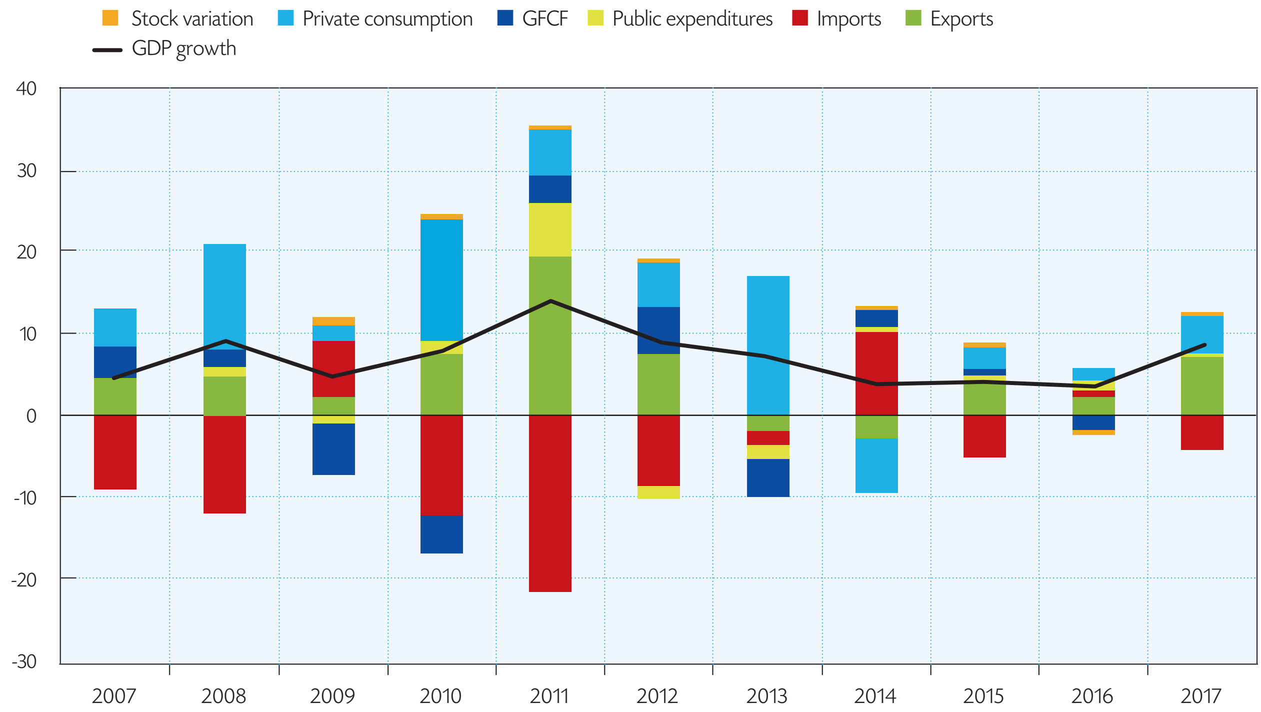
Ghana's agricultural sector consists of small, traditional farms with low productivity. There is little product processing in the sector. Problems of land accessibility as well as bank credit are the major obstacles to the development of agriculture and farming activities. However, the expansion of commercial agriculture and the emergence of a local food industry provide significant economic opportunities. Given this, the Ghanaian government introduced the Planting for Food and Jobs program (PFJ) and allocated 700 million GHS (146 million USD) for it in its 2018 budget, accounting for about 3% of GDP.

Of course, an economic model which relies excessively on the exploitation of natural resources and on low-skill service activities will have little chance to raise growth potential and create jobs. Generally, exploiting natural resources generates high profits which favor the development of extraction activities, to the detriment of other sectors in the economy. The economic literature has shown that a high endowment of natural resources may negatively affect long-term growth by draining resources from other sectors with high growth potential (Sachs and Warner, 1995).

[13] On March 13th, 2017, the AAPPA was renamed the African Petroleum Producers Organization (APPO).

Graph 6

Contribution to economic growth by sector (in %)



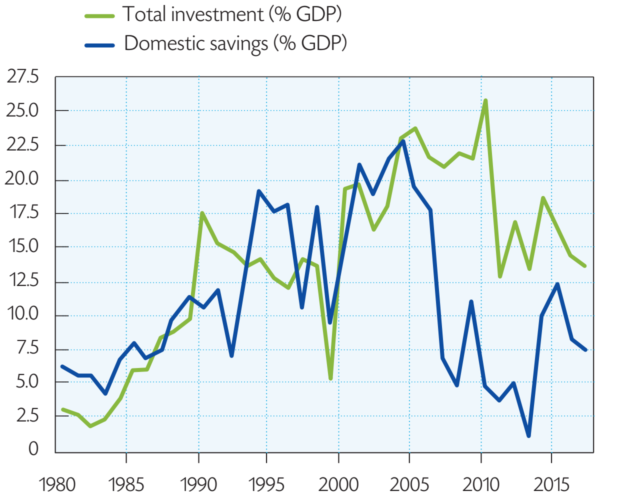
Key: GFCF = Gross fixed capital formation.
Source: Ghana Statistical Service (GSS).

Ensuring sustainable and inclusive growth remains an important challenge for Ghana The weakness in public and private investment is also impeding the country's development potential. The rate of investment (Gross Fixed Capital Formation, GFCF) in Ghana remains low on an international level. The breakdown of economic growth dynamics shows that investment has only marginally contributed to the country's economic growth over the last ten years (Graph 6).

Several factors explain the lack of investment in Ghana. First of all, the weakness of domestic savings, representing on average 6.6% of GDP in the 2010-2017 period, limits the possibility of financing investment (Graph 7). Added to this is the growing State debt which channels domestic savings toward financing the public sector. In Ghana, investment is very sensitive to the Bank of Ghana's key rates and to the economic cycle (Graph 8). For example, the tight money policy followed in the 2013-2015 period, aimed at containing inflation, weighed heavily on investment. Finally, limited access to bank credit constrains firms to finance investment themselves or to simply do without it.

Graph 7

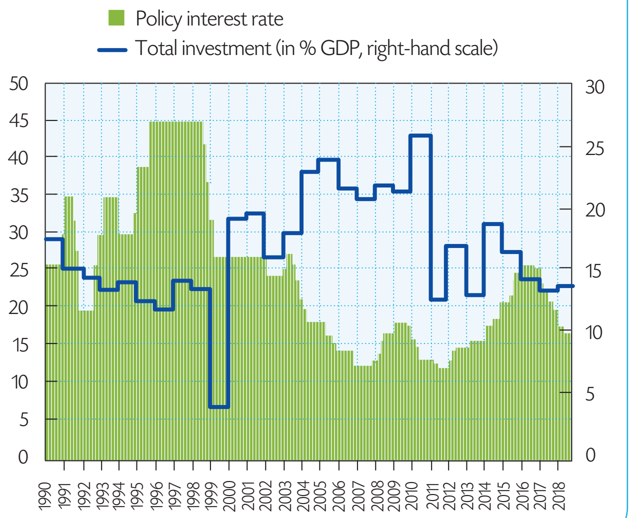
Investment and domestic savings



Sources: World Bank (WDI), IMF (WEO).

Graph 8

Investment and monetary policy



Sources: IMF (WEO), Bank of Ghana.

In light of these elements, the continuous reduction of public expenditures since 2017 as part of budgetary consolidation efforts translates into limiting infrastructure investment, which then risks weighing on long-term growth prospects. The productivity of Ghana's economy remains relatively low and the lack of infrastructure hampers the country's international competitiveness. Ghana is ranked far behind Africa's best-performing countries in terms of infrastructure quality. That said, the decrease in the debt burden of the public sector has the potential to free up resources to finance the private sector.

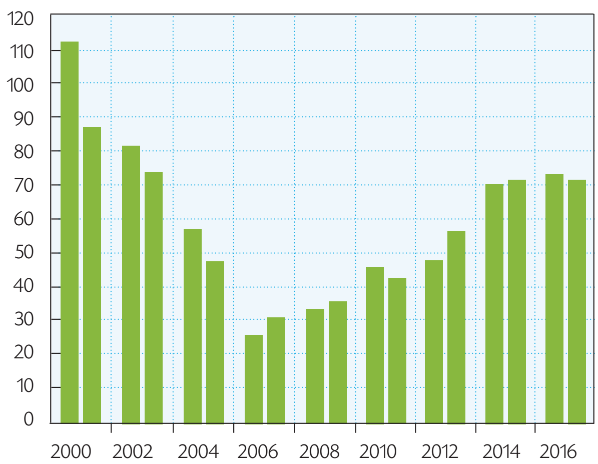
3 / Public finances – Government finances and public debt dynamics remain worrying despite recent improvements

3.1. High levels of debt and public deficits persist despite consolidation efforts

Ghana's main economic weakness currently lies in its public finance management and the dynamic of its external debt. After the debt reduction initiatives undertaken in 2004 and 2006[14], Ghana quickly incurred new debt. Thus, the public debt ratio nearly tripled between 2006 and 2016, growing from 26 to 74% of GDP (Graph 9).

Graph 9

Public debt (in % of GDP)



Source: IMF (WEO).

In this context, the new president Nana Akufo-Addo has made debt reduction one of the major themes of his economic recovery program. In the scope of the program concluded with the IMF (see Box 1), the new government managed to reduce public debt to 71.8% in 2017. According to Ghanaian officials, the debt ratio continued its decline in the first semester of 2018. The IMF (2018 review) forecasts that the public debt ratio (without including the obligations of the Energy Sector Levies Act, or ESLA) may go down to 63.1% of GDP by 2022 and ultimately drop to 45% of GDP in the longer term. This reference scenario based on the assumed continuation of adjustment efforts, even in the 2020 electoral period.

Empirically, it must be noted that balancing Ghana's budget is closely linked to the country's electoral cycle. More precisely, pre-electoral periods have generally been marked by a significant rise in current public expenditures by the government in power (e.g. civil servants' salaries, subsidies, further widening the budget deficit. Thus, the budget deficit stood at 8.9% of GDP in 2016, well above the target of 5.2% initially set as part of the program negotiated with the IMF (Graph 10). This deterioration of public accounts is explained in part by the electioneering measures of the previous government, but also by the fall in revenues from the oil sector, the rise in current expenditures (payroll and subsidies for the energy sector) and the rise in the cost of debt due to the increase of real interest rates[15]. Nevertheless, 2017 was marked by significant budgetary consolidation efforts. Thanks to the rigorous control of public expenditures, the public deficit was brought down to 5% in 2017. Moreover, Ghana succeeded in recording a primary surplus in 2017 (+1.5% of GDP), the first time this had occurred since 2003.

[14] For more information on the debt reduction initiative, see AFD's MacroDev Ghana 2014, page 21, https://www.afd.fr/en/ghana-challenges-growth-faced-increasing-imbalances

[15] The real interest rate on domestic debt stood at 7.1% in 2017, versus 3.1% on average over the 2014-2016 period.

Still, the current strategy of budgetary consolidation poses significant sustainability risks to the public debt in the medium term. The new government, elected on the electoral promise of lower taxation, has been forced to pursue budget adjustment implemented essentially through the reduction of public spending, but the leeway to further reduce public spending in the coming years remains very limited. The primary balance once again showed a deficit of 0.4% of GDP (against a targeted surplus set in the program agreed on with the IMF of 0.2% of GDP) during the first semester of 2018, due to the decrease in tax revenues[16].

To ensure budget policy sustainability, the government has margins of progress in the mobilization of domestic resources. The non-oil Tax/GDP ratio was 16.7% in 2017. Increasing budgetary leeway necessarily implies increasing State revenues. In order to enlarge the tax base[17], the government should improve tax collection and strengthen the collection of public sector arrears.

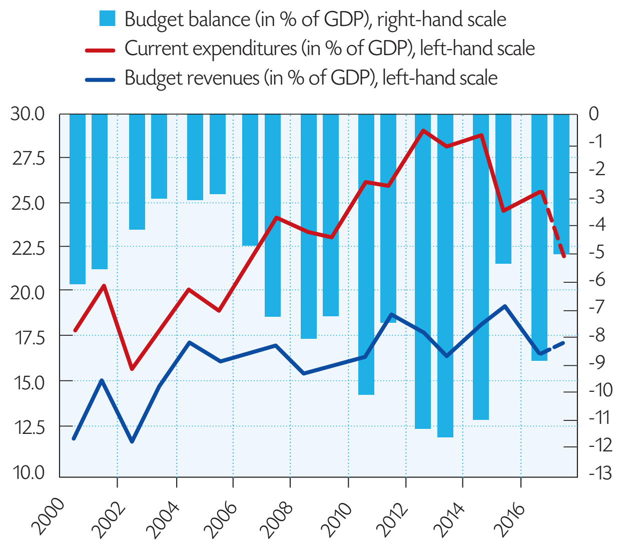
It should be stressed that the rebasing of GDP at the end of 2018 will have certain statistical consequences on public finances. Firstly, this accounting operation leads to a lowering of certain debt sustainability ratios (public debt/GDP, tax revenues/GDP). Of course, the rebasing will not lead to a revaluation of State revenues or expenditures, which remain subject to the same financing constraints. More importantly, the rising trend of public debt continues in 2018, whatever the series of GDP considered. The risk of overindebtedness for Ghana still remains high, and servicing of the debt continues to represent around 42% of government revenues.

Structurally, the Ghanaian government has little budgetary leeway to ensure the supply of public services and to finance growth-inducing infrastructure projects. Indeed, debt servicing and payroll alone absorb the majority of budgetary revenues.

The weight of public debt recently increased in the context of a greater need for external financing. The burden of interest on debt rose to 6.5% of GDP in 2017, versus 3.5% of GDP in 2012.

Graph 10

Budget balance (in % of GDP)



Source: IMF (WEO).

The public sector payroll also weighs on the country's public finances. On that subject, the introduction of a common remuneration policy (proposing a new salary grid index for the public sector), among many other factors, no doubt worsened the situation. Following the 2012 implementation of this policy, the payroll increased by 47% in one year. Containing the evolution of the public sector payroll is a prerequisite to straightening out the country's public finances.

Aware of these challenges, in 2017 the newly-arrived government pursued a policy of reducing the pay envelope for civil servants[18]. In spite of that, the public sector payroll continues to weigh heavily on public finances. In 2017, the payroll reached 14.4 billion GHS, absorbing 50% of total government revenues and representing 7% of the country's GDP. In comparative terms, Ghana counted 600,000 civil servants in 2017, versus 250,000 in Côte d'Ivoire, whose population is nearly as large as Ghana's.

[16] In the first semester of 2018, the budget targets set as part of the program negotiated with the IMF were not reached. Provisional data indicates that in May 2018, total revenues and subsidies stand at 17.4 billion GHS (7.2% of GDP), versus a program objective of 18.8 billion GHS (7.8% of GDP). Consequently, the budget revision was proposed with the aim of reaching a budget objective of 4.5% at the end of 2018. In this context, new budgetary measures were proposed in addition to efforts focused on the reinforcement of fiscal compliance and adjustments of government expenditures.

[17] The government thus implemented a multi-faceted action plan. As part of this plan, a taxpayer identification number (TIN) was attributed to each Ghanaian taxpayer.

[18] On this occasion, the civil service file was expunged of 26,000 "phantom" civil servants in 2017.

3.2. The deterioration of SOE finances contributed to building up public debt

State-owned enterprises contribute to the dynamic of public indebtedness by their inefficient operating modes and by the payment arrears they have accumulated over time. Faced with this structural challenge, the government is pursuing efforts to reform and restructure public enterprises.

The main factors hindering SOE effectiveness and profitability can be summarized as follows:

- Corporate governance: due to their monopoly situation, Ghanaian public companies are not particularly productive, generally speaking. Historically, most SOEs in Ghana were created in the 1960s and early 1970s (that is, during the socialist era). Their organizational structure and their management practices have evolved little since then. Fundamental reforms, whether at the aggregate level of the sector or at the level of public enterprises taken individually, are indispensable for confronting the challenges of a market economy as well as for making the most of globalization.
- Financial management and reporting: in the SOEs, there is a great need for skills and complementary expertise in financial management and reporting. Developing such expertise would clear the way to improved transparency in public accounts and governance.
- Absence of a centralized database: the development of a centralized database which lists all types of public companies (examples: fully public enterprises, joint ventures, mining enterprises) is a fundamental necessity. Currently, the lack of reliable statistics hampers the regular monitoring and auditing of public enterprise activities.

The government has made significant efforts at accelerating the restructuring and privatization of certain public companies[19]. More globally, Ghanaian officials foresee creating a single, independent entity to supervise public companies (State Interest and Governance Authority, or SIGA) with technical and financial assistance from the World Bank (1.25 million USD). This new central authority, independent of public authorities, would be responsible for managing and restructuring debt portfolios of public companies, but also for liquidating them, if necessary.

During the 2010s, the accumulation of significant arrears by the State and SOEs in the energy sector greatly degraded the country's public finances. Finally, the 2017 ESLA bond issue allowed the government to reimburse the banking sector for the public energy sector's outstanding debts (see Box 3). Moreover, the current financial situation of the Ghana Cocoa Board (Cocobod), the central operator for the cocoa supply chain, may weigh on the sustainability of Ghana's public financing in the short or medium term (see Box 4).

[19] Concession granting of the electricity distribution monopoly in the south of the country (ECG, Electricity Company of Ghana) was notably among the restructuring measures.

Box 3 Energy sector debt (ESLA Bonds)

Public companies operating in the energy sector contribute significantly to Ghana's public indebtedness. Public companies in the energy sector* have accumulated significant debt and payment arrears in the 2010s. The low rate of bill collection and the low prices not covering operational costs have weakened the companies' financial situation. Another even more important factor is the insufficient electricity supply noted previously, combined with the above-mentioned sector's financial difficulties, materialized in recurrent power cuts which seriously disturbed economic activity in 2015.

In this context, several governmental measures were taken beginning in 2015 to manage the sector's financial problems:

- the rate hike passed on to all sector segments, decided in December 2015, to improve operators' collection costs;
- the December 2015 adoption of the law on automatic deductions in the energy sector (ESLA, Energy Sector Levies Act), which took effect the 4th of January 2016 (with an amendment voted in March 2017);
- in July 2016, local banks agreed on an arrangement, in accord with the Ministry of Finance, bearing on the restructuring and reimbursement (over 3 to 5 years) of about 2.2 billion GHS of bank debts contracted by the Volta River Authority (VRA) and the Tema Oil Refinery (TOR);
- the government sponsored the establishment of a limited liability company in the form of a Special Purpose Vehicle, or SPV, with a specific vocation, called ESLA PLC. This structure is charged with issuing long-term bonds, traded on the financial markets, with the purpose of discharging the debts of the public energy sector vis-à-vis banks and other commercial creditors;
- finally, in November 2017, the ESLA bond issue for a total of 4.7 billion GHS (for 7, 10 and 15 years) allowed the Ghanaian government to restructure a large part of its public energy sector's outstanding debts owed to the banking sector. Obviously, this increased banks' liquidity and first of all made it possible to recover non-performing loans in the energy sector. The government has indicated that the ESLA bond issue continued in January 2018 and beyond, to reach an accumulated amount of 6 billion GHS in June 2018. It is important to stress that the discourses of the IMF and of the government diverge concerning the consolidation or not of ESLA Bonds in the scope of capping non-concessional public debt.

It is clear that the ESLA Bonds issue has allowed, at the least, for the management of liquidity problems in the public energy sector. However, structural reforms will be necessary in the medium term in order to compensate for the deficit in energy sector revenues, currently estimated to be 800 million USD, and to stabilize the sector's finances.

* These public companies are the following: *Volta River Authority* (VRA), *Electricity Company of Ghana* (ECG), *Ghana Grid Company* (GRIDCo), *Tema Oil Refinery* (TOR), and *Northern Electricity Distribution Company* (NEDCo), the latter being a subsidiary of VRA.

Box 4 *Ghana's current challenges in the cocoa sector*

Ghana is the world's second-largest producer of cocoa, after Côte d'Ivoire, with cocoa representing the largest value share of Ghana's agricultural exports. Ghana alone accounts for 22% of the world's cocoa exports. The sector is based in part on 800,000 family farms and contributes up to 25% of the country's total value in exports and 7% of GDP. Like many agricultural sectors in Ghana, cocoa production is facing structural difficulties, such as irregular precipitation, reduced soil fertility, yield declines, aging cocoa trees, difficult access to land, unreliable energy and transport infrastructure, and insufficient development of food industry technologies. Furthermore, it should be noted that cocoa farming is the leading cause of Ghana's deforestation, often replacing agricultural practices which improved soil fertility. As cocoa is largely grown in direct sunlight, early production results in increased yields. In the long term, however, cocoa production results in lower soil fertility and drier land, and leads to lower yields. Initiatives encouraging sustainable practices such as agroforestry are rare in Ghana and are struggling to emerge, partly because of very strict regulation practiced by the Cocobod, the public central operator of the supply chain.

In addition to operational inefficiencies of the Ghanaian cocoa supply chain, the business is currently facing significant financial difficulties. One of the main reasons for these difficulties lies in Cocobod's pricing strategy. The public entity's financial situation deteriorated markedly after the large drop (about 30%) in the world cocoa prices in 2016-2017. Indeed, unlike Côte d'Ivoire, which passed on the fall in world prices in its domestic prices, Cocobod continued to buy farmers' cocoa at an artificially high price. The new government's choice was explained by its wish to maintain farmers' income, as farmers traditionally make up a large share of their electorate. Moreover, the Ghanaian pricing policy had the perverse effect of attracting Ivoirian producers, who prefer to sell their production on the Ghanaian market, thus benefiting from high purchase prices. According to official data, Cocobod lost an average of 210 USD on each ton of cocoa purchased, and this on a total purchased quantity of 850,000 tons.

From there, Cocobod, operating at loss, contributed to the deterioration of Ghana's public finances by contracting high debts with financial institutions. Specifically, to finance the purchase 2018/2019 cocoa production, the public entity recently took out a 1.3 billion USD loan from a consortium of local and international banks. Previously, in 2016 and 2017, Cocobod contracted this sort of loan for respective amounts of 1.8 and 1.3 billion USD.

The government, although aware of the unsustainability of prices set in the cocoa sector, currently has no plans to eliminate the subsidies. One of the 2017 NPP electoral promises was to increase the price of cocoa, meaning that maintaining subsidies remains a political commitment. In its sixth review of the economic program, the IMF also stressed the unsustainability of the current system of setting prices in the sector. On this subject, the IMF recommends adopting a pricing formula and favoring more transparent ways of supporting producers: direct budgetary financing in the form of aid and subsidies.

The late-2017 rebound of world cocoa prices will no doubt be a breath of fresh air for the sector. However, in the medium term, it is primordial to deal with the sector's inherent structural problems. Beyond the financial reforms to consider, striving to develop processing activities is a precondition to the long-term viability of Ghana's cocoa industry.

Ghana's high public debt not only impedes economic activity but also puts its financial stability in danger. In Ghana, public debt is mostly held by the banking sector, *de facto* creating a vicious circle between the public sphere and the financial sector. Thus, the financial weakness of public companies endangers the health of local banks due to the impaired loans that the banks accumulate and must cover. Conversely, the public funds allocated to support ailing banks, which have become insolvent or experience liquidity crises, increase public debt (see section 4.3). According to the IMF (2018), the contingent liabilities linked to handling banks' financial difficulties as well as the issue of ESLA bonds constitute significant risk factors to the sustainability of public debt.

3.3. The debt profile recently changed in favor of external debt accumulation

Ghana's public debt modalities have evolved considerably in the last ten years. First, the share of external debt in total public debt has increased. According to Ghanaian authorities, external debt accounted for 53% of all public debt in 2018, versus 43.5% in 2012. This could doubtless attest to the confidence of international investors in the Ghanaian economy, but also to their search for yields in a context of exceptionally low interest rates currently found in advanced countries.

In 2007, Ghana was one of the first African countries to issue a sovereign international bond (eurobonds). The country thus carried out its first eurobond issue of 750 million USD in 2007 with a ten-year maturity and yield of 8.5%. In the following years, the Ghanaian government continued to borrow on the international capital markets. In May 2018, Ghana launched its sixth eurobond issue through which it succeeded in raising 2 billion USD (nearing the IMF-authorized cap of 2.5 billion USD), split into two tranches. It should be stressed that this international market bond issue was made possible by the increase of the non-concessional debt ceiling planned in the scope of the IMF program agreed to (see Box 1). Half of this eurobond issue (1 billion USD) had a 10-year maturity with an interest rate of 7.6%, whereas the other half (1 billion USD) corresponded to Ghana's first 30-year international debt issue at an interest rate of 8.6%. Only 750 million USD of this second part of the issue would be new debt, intended to finance infrastructure projects, the rest being earmarked for the management of existing debt. This double eurobond issue obviously has the advantage of providing the government with *(i)* longer-term financing at lower interest rates relative to domestic debt, and *(ii)* refinancing for external debt reaching maturity. But these eurobonds have the disadvantage of exposing the country to potential exchange rate risk and to a change in the interests of foreign investors, notably in case of tightening monetary policies in advanced countries.

Another notable evolution in Ghana's debt portfolio is the growing weight of non-residents holding the country's domestic public debt. About a third of the domestic public debt in local currency was held by non-residents in the 2014-2017 period, versus just 2% in 2006. Of course, compared to eurobonds, domestic public debt reduces the country's exposure to exchange rate risk. However, domestic debt held by non-residents could generate other types of vulnerability. Generally, domestic debt is characterized by much shorter maturities (mostly 1 to 3 years) and by higher interest rates relative to foreign currency borrowings on the international capital markets. Of course, these short maturities imply a refinancing risk, particularly when market interest rates rise and the debt reaches maturity. More importantly, a significant share of short-term domestic public debt held by non-resident investors exposes the country to the risk of a sudden capital withdrawal.

With Ghana now ranked as a middle income country (MIC), the country now has relatively more limited access to concessional loans from multilateral donors. In 2017, loans from international capital markets accounted for 44% of new external debt. This growth in non-concessional external public debt also represents a source of weakness in the sustainability of external debt. It should be stressed that Ghana succeeded in reimbursing the 199 million USD eurobond which reached maturity in October 2017.

4 / External sector – The trade balance shows signs of improvement; however, the high level of external debt in foreign currency remains worrying

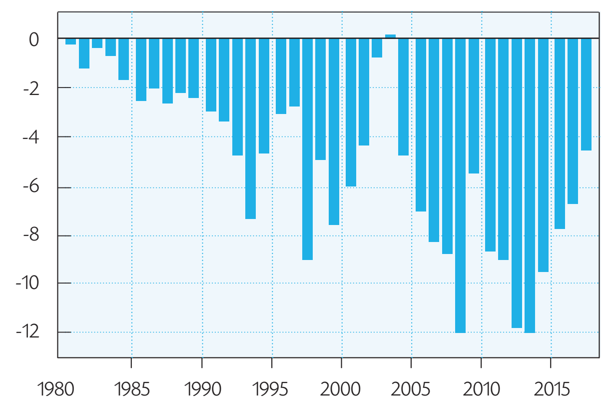
4.1. Ghana's export base is not sufficiently diversified

Ghana's current account balance shows a structural deficit, leading to a constant need for external financing. Historically speaking, the 2003-2013 period was marked particularly by a widening of the current account deficit, going from 0.1 to 12% of GDP (Graph 11). The deterioration of the balance of trade in a context of strong economic growth is explained essentially by the sharp rise in the imports of intermediate goods or equipment linked to the oil sector. Even though it remains in deficit, the country's current account position has gradually improved since 2013, boosted by the export of oil and gas as well as gold, added to the moderation of imports during the slower growth period of 2014-2016 (Graph 12). Finally, the trade deficit shrank to 4.5% of GDP in 2017, its lowest level since 2004. The rebound in oil production, the drop in public expenditures in the framework of the IMF program and the improvement of trade terms helped reduce the trade deficit in 2017.

Structurally speaking, Ghana's historical trade deficit reveals some issues related to the country's integration into international trade. Like most developing countries, Ghanaian external trade is structurally oriented toward the export of primary, unprocessed products and toward the import of capital goods and processed energy products.

Graph 11

Evolution of current account balance (in % of GDP)



Source: IMF (WEO).

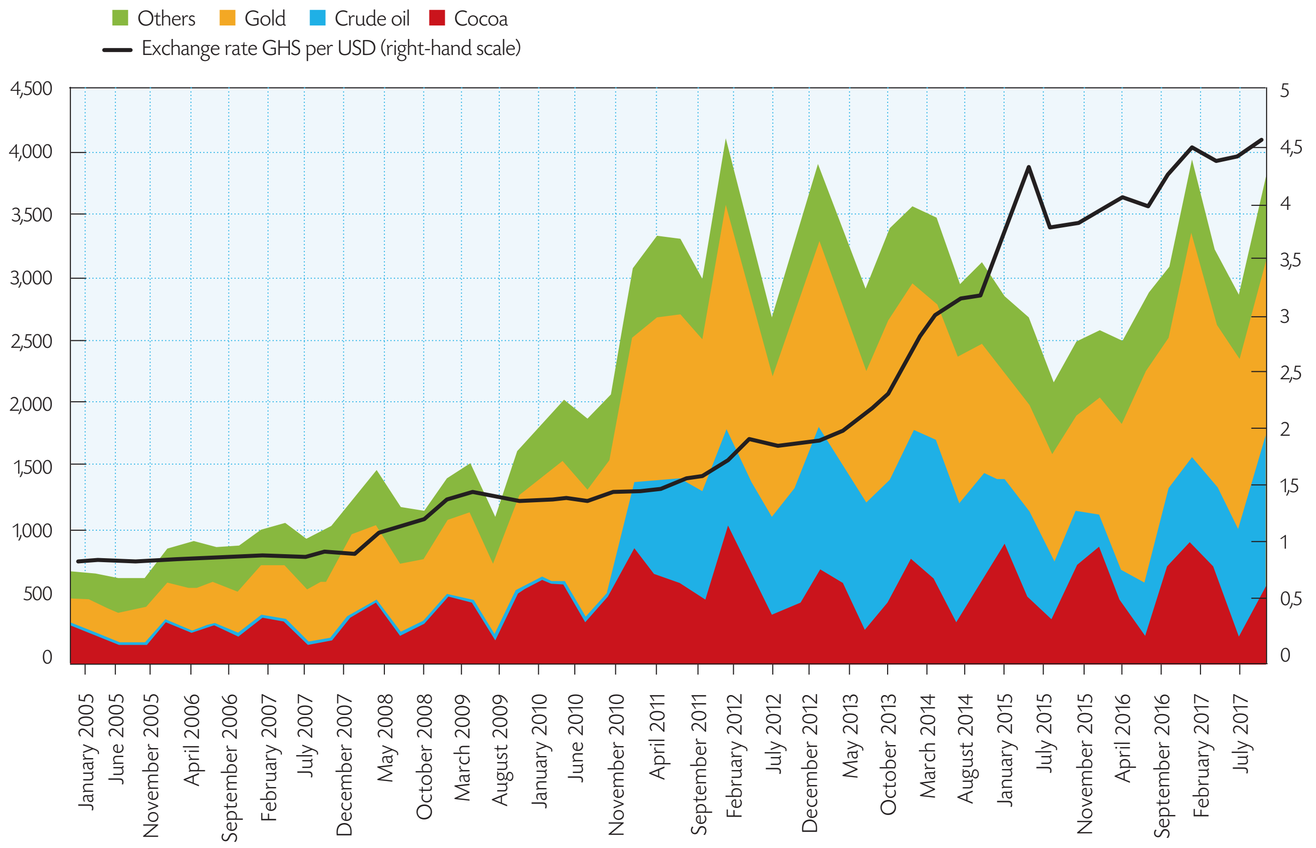
Graph 12

Imports and exports as a share of GDP (in %)

Source: Bank of Ghana.

Graph 13

Breakdown of exports by product (millions USD)



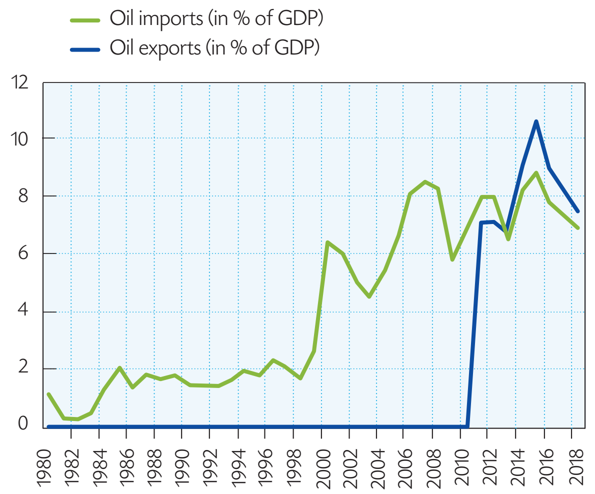
Key: increase = depreciation.
Source: Bank of Ghana (Macrobond Note).

Ghana's export base is narrow and its exports are primarily destined for the European market. Gold, cocoa and oil combined constitute more than 90% of the value of the country's export base (Graph 13). The country's high dependence on these commodities, often subject to the volatility of international commodity prices, creates uncertainty in the outlook for growth, inflation and export receipts. Oil, cocoa and gold prices are determined on the global markets and tend to fluctuate greatly in function of the international economic situation. A more diverse export base would enable Ghana to generate increased export revenues and be more resilient to the uncertainties and fluctuations of the international economic environment.

Ghana's main imports are composed of intermediate goods or equipment. In addition are petroleum product imports, whose value makes up 25% of all imports. Ghana began exporting crude oil in 2010 (Graph 14) after the discovery of the Jubilee oil field in 2007 (see Box 2). Oil exports are a plus in Ghana's balance of trade. That said, the heavy investment phase in the oil sector helped widen the deficit at the beginning of the decade by accelerating imports of capital goods.

Graph 14

Oil imports and exports (in % of GDP)

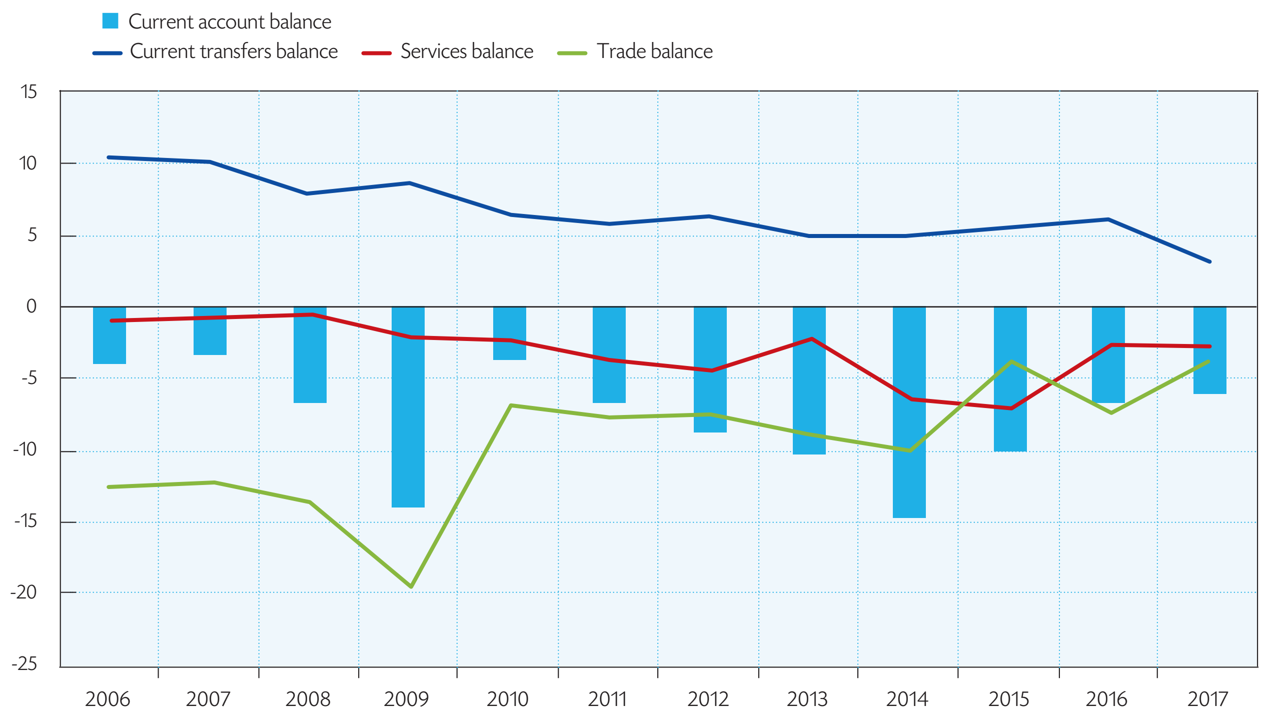


Source: IMF (WEO).

The breakdown of Ghana's current balance shows that, in addition to the structural deficit in the trade of goods, there is also a deficit in the balance of services which has increased since 2007 (Graph 15). Moreover, the deficit recorded in the income balance in the 2000s is mainly explained by the dividends and profits distributed externally. Finally, the current transfer balance remains positive, in particular thanks to remittances from emigrant workers, though there is a downward trend.

Graph 15

Current account balance (in % of GDP)



Source: Ministry of Finance (MoF), Ghana.

4.2. Strong need for external financing

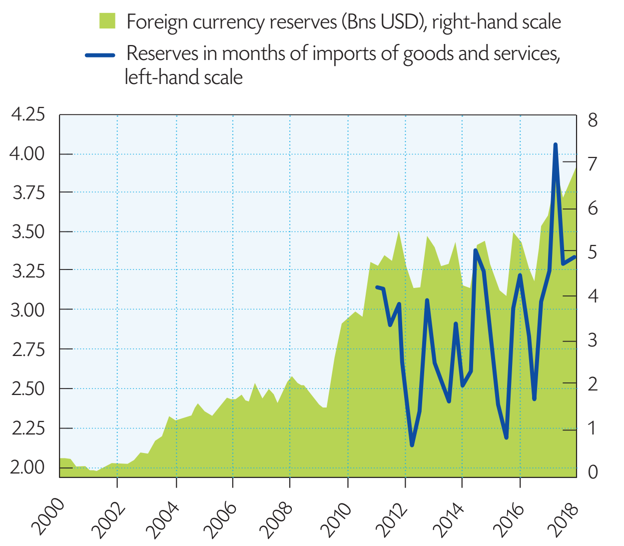
Ghana's high current deficit is maintaining the economic dependence on the outside. Generally speaking, foreign direct investment (FDI) constitutes a source of stable financing, whereas portfolio flows have the drawback of exposing the economy to turnarounds in international investor confidence. In 2017, the country's need for external financing reached 15.8% of GDP. As to its composition, 45% of Ghana's need for external financing was covered by FDI, whereas the contribution of portfolio investments reached 35%. Of course, the relatively high share of FDI in external financing is a factor of stability for the economy.

The last decade also witnessed the increasing Chinese presence in the country. Chinese companies have invested massively in Ghana, in particular in the form of FDI in the extractive sector. Furthermore, in 2017, the Chinese government committed to financial support of 19 billion USD for Ghana in order to finance infrastructure projects and support the economic transformation of the country. At present, many elements of uncertainty remain as to the form of this Chinese financial support. According to Ghanaian officials, these funds will not be forthcoming in the form of loans but rather in joint ventures. Moreover, the president of Ghana has indicated that in return for the financing, Chinese partners would be compensated in natural resources such as refined bauxite.

The persistent liquidity tensions are a factor of weakness for the Ghanaian economy. In particular, external liquidity ratios deteriorated during the economic slowdown and the decline in oil exports in the 2014-2016 period. The recovery in the oil sector as well as gold exports in 2017 helped decrease foreign currency liquidity tensions. At the beginning of 2018, the improvement in foreign reserves made it possible to cover about three months' worth of imports (Graph 16). Still, this level remains low, given the country's need for external financing.

Graph 16

Evolution of foreign currency reserves



Source: IMF (IFS).

In the same way as most emerging and developing economies, the exchange rate of the Ghanaian cedi reacts strongly to international factors such as the international economic situation and the monetary policies of the advanced economies. Ghana operates under a flexible exchange rate regime, although the Bank of Ghana (BoG) may intervene into the foreign exchange markets when it anticipates excessively volatile situations.

The exchange rate of the cedi depreciated sharply between 2013 and 2015 under the combined effect of the widening trade deficit and the terms of trade shock. Following the Central Bank's proactive policies, the cedi exchange rate stabilized somewhat in 2016 and 2017. However, the cedi once again depreciated by 6.5% between January and August 2018. This depreciation is largely attributed to international factors such as the appreciation of the USD, the effects of the United States' tightened monetary policy and the rise in Fed interest rates. Thus, a possible non-resident withdrawal from the Ghanaian domestic bond market, due to a preference for investing in USD assets, would run the risk of weakening the cedi exchange rate in the medium term.

Ghana is highly exposed to capital flight risk. First of all, non-residents hold around half of the domestic public debt in local currency (in the form of eurobonds and 3- and 5-year T-Bills[20]). Furthermore, 51% of the foreign currency public debt was held by non-residents in 2017. Moreover, newly incurring public debt is mainly in the form of non-concessional external foreign-currency debt. In light of these elements, Ghana appears vulnerable to investors' changes of confidence and to fluctuations in the exchange rate. Ghana will have to face high financing costs on internal and external markets in the context of a strong American dollar and the rise in global bond yields.

The update of the Debt Sustainability Assessment (DSA) carried out by the IMF in the scope of the fifth and sixth Program Reviews (EFC), conducted in 2018, concluded that Ghana is exposed to a high risk of external overindebtedness. Incidentally, this evaluation is corroborated by *(i)* a high total public debt/GDP ratio, and *(ii)* four of the five indicators related to external debt exceeding the authorized thresholds in the reference scenario. The IMF analysis points up two major vulnerability factors which could endanger the country's external debt sustainability in the future. The first factor is a sharp depreciation of the exchange rate. The second factor is linked to the slowdown in exports, once again confirming the importance of economic diversification to confront the uncertainties of the global economic situation.

[20] Treasury Bills.

5 / Financial system – The banking sector can barely finance economic activity in a context of profound consolidation

5.1. The banking system does not satisfactorily finance private sector activities

Financial intermediation remains insufficient in view of overall financing needs of the economic actors. The private sector is a very limited access to financial resources, be it from the banking sector or the domestic capital market. Ghana's financial sector remains relatively under-developed. In 2017, Ghana was ranked seventh in sub-Saharan Africa in rate of use of banking services (58%), behind Mauritius (90%), Kenya (82%), Namibia (81%), South Africa (69%), Uganda (59%) and Gabon (59%). However, Ghana has recently made significant progress in terms of financial inclusion. This rate, measured by the proportion of the adult population with a bank account, increased from 41% in 2014 to 58% in 2017 (World Bank, 2017). Similarly, the use of digital wallets and mobile financial services has increased financial inclusion in Ghana (see Box 5).

Box 5 *Mobile money as a vector of development and financial inclusion in Ghana*

Over the last few years, sub-Saharan Africa has distinguished itself from other continents by its remarkable advance in the use of digital wallets and mobile financial services. In 2017, more than 40% of the adult population regularly used mobile money through a digital wallet (GSMA Intelligence 2017) in Gabon, Ghana, Kenya, Namibia, Tanzania, Uganda and Zimbabwe.

In Ghana, the use of mobile money is gradually becoming a vector of modernization of the financial system and of financial inclusion. Digital wallets and mobile financial services are mostly used by the unbanked population or by those who are poorly served by the traditional financial sector. Ghanaians principally use mobile wallets to transfer money to a person (Peer-to-Peer, P2P) and also to gain access to a vast amount of goods and services (purchase of mobile communication credits, payment of public service bills, payment of salaries, transfers of emigrants' funds, purchase of bus tickets, payment of taxi fares, access to financial services such as microcredit, savings and microinsurance). The strong penetration rate of mobile phones (about 128% of the population), particularly in rural areas, explains the rapid progress of mobile money use in Ghana.

The implementation of an official framework of supervision and surveillance has obviously permitted the creation of a safer environment for users and the building of their confidence in this new payment mode. In 2015, guidelines for issuers of electronic money (EMI [21] Guidelines 2015) were published by the Bank of Ghana. This further accelerated the spread of mobile money throughout the country. Thus in 2015, for the first time, the number of clients using mobile money surpassed the number of bank account holders. According to data published by the Bank of Ghana, the total value of all mobile money transactions reached 155.8 billion GHS in 2017, whereas it had only reached 35.4 billion GHS in 2015.

...

[21] Electronic Money Institutions.

...

The use of digital wallets and mobile financial services contributes greatly to the financial inclusion of the unbanked population, in particular in rural areas. In 2017, around 20% of digital wallet users in Ghana were unbanked (World Bank, 2017). For unbanked smallholders, the transactions carried out *via* mobile money offer immense advantages in reducing the length of transactions as well as the risks and the costs associated with traditional disbursements (by removing the need to travel long distances to receive cash or to pay in cash). Mobile financial services also provide the possibility of creating a financial identity for unbanked users through transaction recordings (e.g. recharging prepaid SIM cards). This subsequently opens the way to a larger range of financial services which previously were inaccessible to them, such as having saving accounts and being eligible for credit. More and more unbanked users are using miniloan services (starting at 2 USD) and, besides, have the possibility of earning interest on their digital saving accounts.

In 2016, Ghanaian users were remunerated for the first time on their savings *via* their digital wallet. In 2016, the total amount of interest paid to holders of electronic wallets reached 24.8 million GHS.

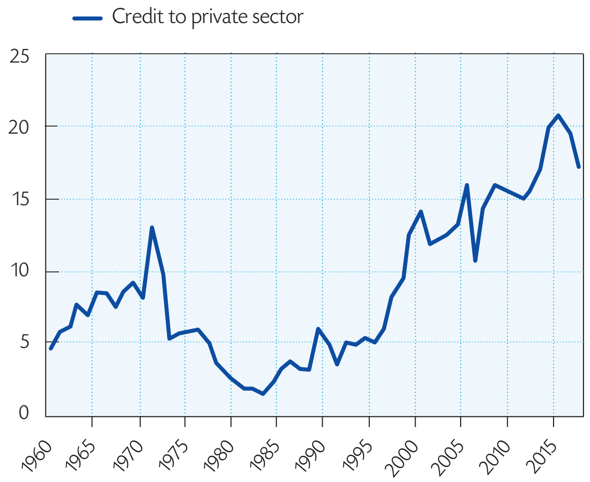
Ghanaian monetary authorities took key initiatives in supporting the development of innovative payment technologies as well as in supplying a regulatory framework adapted to the needs of users and operators. In May 2018, the Bank of Ghana launched the interoperability between the different mobile telephone service providers. From there, it will be possible for Ghanaians to transfer money between different service suppliers using mobile money. Furthermore, the services available using mobile money have evolved over time. Since only a short time ago, users have had access to new services such as money transfers from a bank account to a mobile phone, payment of taxes and other fiscal charges, as well as transfers of retirement pensions.

In Ghana, the financial markets are still underdeveloped and have low liquidity with a modest volume of transactions. Only around forty companies are listed on the stock exchange, most being branches of large foreign groups belonging in particular to the sectors of financial intermediation and energy. The main investors on the Ghanaian financial markets are pension and investment funds from the African continent.

A large share of SMEs in Ghana have limited access to bank financing (Graph 17) and must therefore finance their investments themselves. Thus, domestic credit to the private sector remains very low in comparison with regional peers (Graph 18). Bank lending activity in Ghana tends to be essentially directed to large Ghanaian companies. In terms of sectoral distribution, more than half of credit to enterprises is allocated to the service and retail sectors. Concerning household loans, they make up around 20% of total outstanding loans, with real estate loans having only a mere marginal share.

Graph 17

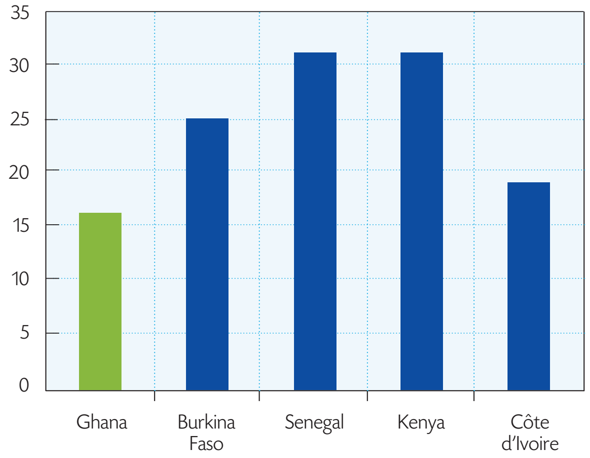
Domestic credit to private sector (in % of GDP)



Source: World Bank (WDI).

Graph 18

Credit to private sector (regional comparison in % of GDP, 2010-2017)



Source: World Bank (WDI).

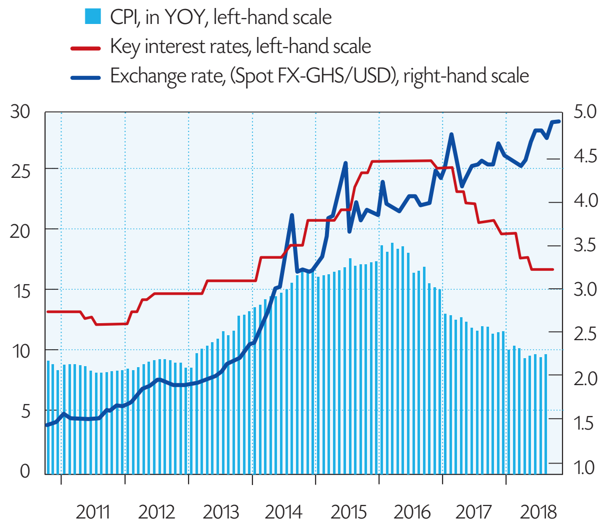
The limited access of the private sector to bank credit results from many factors, both structural and economic.

First of all, the high real interest rates on loans discourage credit demand to finance private investment. In a context of large economic and financial imbalances, Ghana experienced high inflation over the 2014-2016 period (Graph 19). The annual inflation rate increased to reach a peak of 15% in 2016 (versus a target in the 6 to 10% range), due to the sharp depreciation of the cedi. To contain inflationary pressures, the Central Bank had to adopt a tight money policy, by gradually increasing its key rates up to 26% in 2016. As a complement to monetary tightening, the reduction of fuel taxes, the decrease in electricity prices as well as the stabilization of the exchange rate all helped slow inflation. In the course of the same period, the rise in key rates contained inflationary pressures but also resulted in further hampering of the demand for domestic credit.

Inflation continued its fall in 2017 and 2018, a phenomenon reinforced by the stability of the exchange rate following the monetary policy measures taken in previous years. Furthermore, the drop in regulated prices of electricity (17% since March 2018) contributed to reducing inflation to 10% year-on-year in June 2018. According to Ghanaian officials and IMF forecasts, inflation should remain within its target range over the medium term (8%, +/-2%) set by the Bank of Ghana.

Graph 19

Evolutions of inflation, key interest rates and exchange rate



Key: increase = depreciation; CPI = Consumer Price Index; in YOY = in year-on-year.
Source: Bank of Ghana (Macrobond).

In reaction to the moderation of inflationary pressures, in 2017 the Central Bank started a monetary easing policy by gradually reducing its key rates to 17% in July 2018 (versus 26% in 2016). However, the successive drop in key interest rates was not truly reflected in the lending rates practiced by commercial banks. In January 2018, commercial banks' average lending rates remained high, at 25%, while interest on bank deposits was only 10% on average.

Besides the high interest rates charged by commercial banks, the growing weight of non-performing loans (NPL) since 2015 impeded the transmission of looser monetary conditions to the rates and volumes of bank loans. As a result, domestic credit for the private sector, which had seen strong increase in the 1995-2015 period (in percentage of GDP), slowed down beginning in 2015 (Graph 17). More recently, Bank of Ghana data also shows negative growth in domestic loans in real terms in early 2018 (Table 1).

Table 1 *Gross loans and real credit growth (in millions of GHS)*

	April 2015	April 2016	April 2017	April 2018
Gross loans and advances	27,550.65	30,916.75	36,059.62	36,797.13
Real growth (in YOY)	+16.73%	-5.48%	+3.15%	-5.92%
Credit to private sector (in YOY)	24,054.78	26,772.80	31,121.50	32,842.77
Real growth	+15.51%	-6.25%	+2.80%	-2.71%
Credit to households (in YOY)	4,226.72	4,769.79	5,108.94	7,196.37
Real growth	+12.84%	-4.95%	-5.27%	+29.86%

Key: in YOY = in year-on-year.
Source: Bank of Ghana.

The debt dynamic of the Ghanaian government adds to the factors which are weighing on bank lending. In a context of high public debt and tight monetary policy in 2014 and 2015, the Central Bank's high return on deposit facilities prompted commercial banks to transfer their clients' deposit money to the Central Bank.

Further, the State's intensive recourse to domestic market borrowing to finance the budget deficit sparked a crowding out of credit for the private sector. Consequently, rates on T-Bills as well as interbank lending rates [22] increased sharply over the 2014-2016 period (Graph 20). The high returns on domestic investment strongly affected the bank intermediation activity. From the perspective of commercial banks, it became more enticing to invest in treasury bonds, with a high payoff and lower risk, rather than to lend to private enterprises.

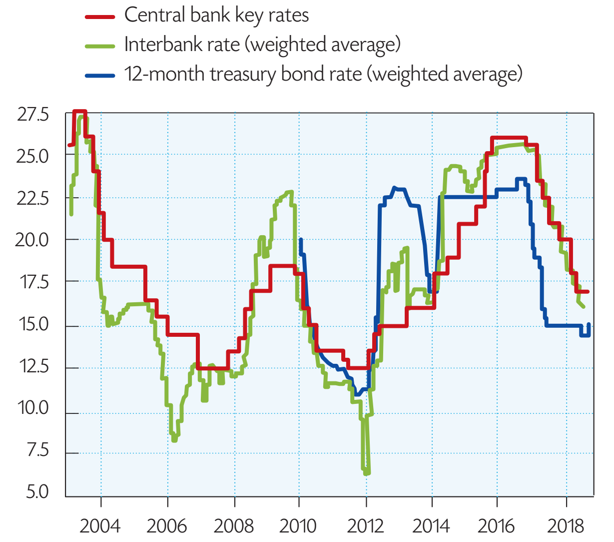
The situation has been changing since 2017, albeit very slowly, after the gradual normalization of monetary policy. The government has succeeded in lowering its debt costs thanks to the drop in key interest rates and the risk premium on government borrowing. The interest rate on 6-month T-Bills fell to 13% in early 2018, versus 23% in 2016. Similarly, the rate on 12-month T-Bills dropped to below 15% in 2018 (Graph 20). Interestingly, the recent yield decrease on treasury bonds has considerably modified the management of asset portfolios held by commercial banks. The latter have preferred to invest in longer-term State securities, to the detriment of treasury bonds [23] (Graph 21).

[22] Besides the high key interest rates, the higher interbank rate is explained by commercial banks' preference to lend to the government (with less risk) rather than to other local banks.

[23] Whereas bank investments in securities (long-term investment instruments/bonds) progressed 110% year-on-year in April 2018, short-term investments (treasury bonds) increased by 8.5% in April 2018 (versus a rise of 43.3% the previous year).

Graph 20

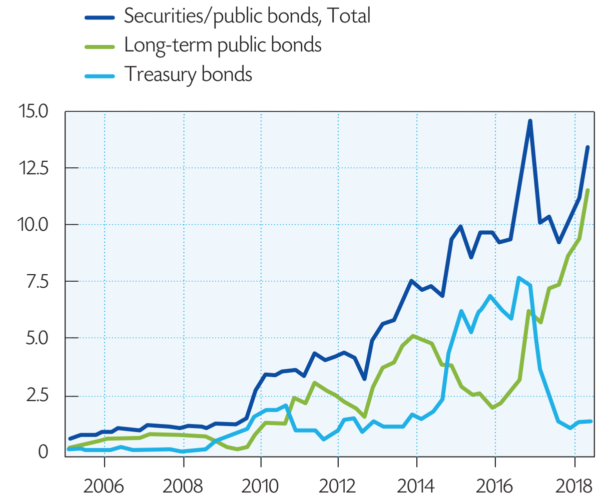
Evolution of interest rates (in %)



Source: Bank of Ghana.

Graph 21

Portfolio of assets held by Ghanaian banking sector (GHS, billions)



Source: Bank of Ghana.

5.2. The banking sector appears fairly solid despite some profitability and asset quality issues

In order to revive bank loan volumes and to stimulate the transmission of monetary policy into the real economy, in April 2018 the Central Bank introduced a new national monetary policy reference rate called the Ghana Base Rate. This new rate is a combination of the key Central bank interest rate, 3-month T-Bill rates and interbank rates. Banks are now required to index their variable interest rates to this reference rate which is calculated and published monthly by the Bank of Ghana. In April 2018, the Ghana Reference Rate (GRR) was set at 16.7%. However, according to the results of the 2018 Credit Conditions Survey, the establishment of the GRR only partially helped reduce interest rates on bank loans. The survey stresses that the recent deterioration in the quality of banking assets remains the principal reason for the inflexibility toward lower bank interest rates.

On an aggregated basis, the indicators of soundness of the banking system are showing fairly favorable ratios. The Ghanaian banking sector is relatively liquid with a satisfactory capitalization rate (Table 2). In 2017, Ghanaian banks have a capital adequacy ratio (on assets weighted for risks) of 15%, a level clearly higher than the minimum requirement set at 10%. However, as this ratio is an average, it hides important disparities between different financial institutions. Moreover, even if the solvency indicators are mostly satisfying, their deterioration in recent years is becoming a cause for concern. More importantly, the gradual decline in profitability may also become a source of concern in the future. In 2017, banks' Return on Assets (ROA) was close to 2%, whereas Return on Equity (ROE) sat at 16.7%. The main factors which weakened banks' profitability were *(i)* the deterioration in the quality of asset portfolios, *(ii)* the ongoing decrease in interest rate margins of banks, and *(iii)* the increasing loan provisioning requirements.

Table 2 *Performance indicators of Ghanaian banking sector (in %)*

	2014	2015	2016	2017
Solvency ratios				
Regulatory capital on risk-weighted assets	17.9	17.7	17.8	15
Tier 1 regulatory capital on risk-weighted assets	15.3	14.5	14.4	12.8
Profitability				
Return on Assets (ROA)	4.7	3.1	2.5	2.2
Return on Equity (ROE)	32.3	21.4	18	16.7
Asset quality				
Non-performing loans over total assets	11.2	14.9	15.8	16.1
Rate of NPL	11.3	14.9	15.8	16.1
Provision rate of NPL	69.5	69.9	72.5	77
Liquidity				
Liquid assets over total assets	26.8	26.5	27.2	26
Liquid assets over short-term debt	34.8	34.3	35.1	33.4

Key: ROA = Return on Assets; ROE = Return on Equity; NPL = Non-performing loans.
Source: IMF.

Moreover, the growing share of NPLs comprises the main source of worry about the health of the Ghanaian banking system. The quality of banking assets continued to decline in 2017 and 2018, this in spite of the economic recovery. The outstanding debt of public companies, particularly those in the energy sector, have historically contributed to banks' impaired loans. The situation, though, significantly improved in 2017 thanks to public companies' payments of arrears through the issuing of ESLA bonds[24] (see Box 3). But the situation deteriorated in 2018, with public companies once again accumulating outstanding debt with banks. According to the Bank of Ghana's latest report, banks' NPL ratio deteriorated, rising to 23.5% in April 2018 versus 19.8% in April 2017, just one year earlier.

5.3. Significant strengthening of the banking supervision framework in a context of asset quality deterioration

The Central Bank of Ghana (Bank of Ghana, BoG) has recently gone to considerable lengths to strengthen the regulatory framework of banking oversight and supervision. Key oversight measures were recently announced, some of which had already been implemented by the Central Bank.

In December 2015, May 2016 and November 2016, the BoG conducted, Asset Quality Reviews (AQR), aimed at evaluating risks regarding the quality of banking assets. These in-depth reviews pointed up clear vulnerabilities in nine Ghanaian banks, related to capital insufficiencies (CAR below regulatory requirements), a high proportion of NPLs and weak governance regarding the administration framework and/or management of these banks.

[24] In 2017, the share of non-performing loans in the public sector shrank noticeably to reach 5.1% (versus 12.7% in 2016), thanks to the restructuring of public company debt for firms such as Tema Oil Refinery (TOR) and Volta River Authority (VRA).

Among these financial institutions identified as particularly vulnerable, UT Bank and Capital Bank saw their authorization to carry out banking or financial activities withdrawn by the BoG in August 2017. BoG allowed GCB Bank to take over the assets and liabilities of these two banks through an acquisition contract. To this end, the Ghanaian government issued 2.2 billion GHS in bonds to settle total liabilities of the two banks in question.

In September 2017, BoG announced an important regulatory reform concerning bank equity: the minimum amount increased from 120 to 400 million GHS, corresponding to a CAR of 10%. The deadline for meeting this new requirement was set for 31 December 2018. Satisfying this new regulation will be a real challenge for the banking sector, particularly since banks' bond holdings with the Central Bank are not counted in the calculation of required capital. The banks which are unable to comply with the new rule will face the following options: *(i)* merge with one another; *(ii)* lose their authorization to carry out any banking operations and receive a limited authorization as a "Savings and Loan"; *(iii)* be ousted from the banking and financial sectors.

In March 2018, the Central Bank placed UniBank, the largest bank of the country, under supervision. This decision marked a strong signal as to the authorities' determination to strengthen the Ghanaian banking sector. However, the judicial administrator of UniBank observed that it was impossible to recover the bank's financial situation, *de facto* requiring the creation of a new strategy.

In August 2018, BoG merged five banks (UniBank Ghana Limited, Royal Bank Limited, Beige Bank Limited, Sovereign Bank Limited and Construction Bank Limited) to form a new entity named Consolidated Bank Ghana Limited (CBG). This comes on the heels of the authorization withdrawal announced by the BoG concerning the five banks, and this for the following reasons: undercapitalization (UniBank Ghana Ltd, Royal Bank Ltd), poor corporate governance, bad credit management, and communication of false information to obtain the Central Bank's authorization to operate (Beige Bank Ltd, Sovereign Bank Ltd, and Construction Bank Ltd). Consolidated Bank Ghana Limited, the structure created for this merger, is 100% State-owned and is endowed with a capital of 4.5 billion GHS. Furthermore, the government proceeded with a bond issue of 5.8 billion GHS (which it will guarantee), destined to cover the deposits and unrecoverable assets of the five banks.

This consolidation movement in the banking sector will most probably continue and be extended to non-bank financial instructions. As of early 2018, this same sector is composed of 34 banks, 17 of which are subsidiaries of foreign banks (essentially Nigerian). At the end of the recapitalization exercise (regrouping), it is very possible that the sector's landscape will consist of fewer banks (around 24 financial establishments) and see the greater presence of foreign banks.

Ghanaian bank supervision authorities have also taken complementary measures to support consolidation in the scope of regulation and oversight in the financial sector:

- deployment of the Basel II / Basel III oversight regulatory measure foreseen as of the 1st of January 2019;
- implementation of the International Financial Reporting Standards (IFRS)[25] (in January 2018), aimed at improving the gathering and quality of financial information as well as the transparency of financial institutions' accounts;
- implementation of computer security framework in the banking sector, in order to protect consumers and create a safer environment for online business and electronic payments;
- reinforcement of the methodological and regulatory framework of banks' overall risk management strategy.

[25] International financial information norms.

Lastly, cleaning up the financial sector also requires accounting for vulnerabilities in the microfinance sector. According to the Central Bank's data, 564 microfinance institutions (MFIs) were operating in Ghana in 2016. The sector has significant vulnerabilities due to insufficient capitalization, liquidity, a lack of governance as well as a weakness in risk management at certain MFIs. Ghanaian financial supervisory authorities recently adopted a plan of action to stabilize the microfinance sector and to strengthen the regulatory oversight of this sector.

Acronyms and Abbreviations

1D1F	One District, One Factory
ACEP	African Centre for Energy Policy
APPO	African Petroleum Producers Organization
AQR	Asset Quality Review
Bn(s)	Billion(s)
BoG	Bank of Ghana (Central Bank of Ghana)
CAR	Capital Adequacy Ratio
CBG	Consolidated Bank Ghana Limited
CHRAJ	Commission on Human Rights and Administrative Justice
Cocobod	Ghana Cocoa Board
CPI	Consumer Price Index
CPP	Convention People's Party
CSO	Civil Society Organization
DC	Developing Country
DSA	Debt Sustainability Assessment
ECF	Extended Credit Facility (IMF mechanism)
ECG	Electricity Company of Ghana
EMI	Electronic Money Institutions
ERP	Economic Recovery Program
ESLA	Energy Sector Levies Act
EUR	Euro
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GFCF	Gross fixed capital formation
GHS	Ghanaian cedi (Ghana's national currency)
GNP	Gross National Product
GRIDCo	Ghana Grid Company
GRR	Ghana Reference Rate
GSS	Ghana Statistical Service
HDI	Human Development Indicator
HIPC	Heavily Indebted Poor Countries
HIPCI	Heavily Indebted Poor Country Initiative
IFRS	International Financial Reporting Standards
IFS	International Financial Statistics (FMI)
IMF	International Monetary Fund
IPEP	Infrastructure for Poverty Eradication Programme
LMIC	Lower Middle Income Country (World Bank ranking)
MDGs	Millennium Development Goals (United Nations)
MDRI	Multilateral Debt Relief Initiative
MFI	Microfinance Institution
MIC	Middle Income Country (World Bank ranking)
MoF	Ministry of Finance
NDC	National Democratic Congress
NEDCo	Northern Electricity Distribution Company
NPL	Non-Performing Loans
NPP	New Patriotic Party
OCTP	Offshore Cape Three Points (oil field)
OIF	Organisation internationale de la Francophonie
P2P	Peer-to-Peer
PFJ	Planting for Food and Jobs

PNC	People's National Convention
PO	Peacekeeping Operation
ppp (in)	in purchasing power parity
PRGF	Poverty Reduction and Growth Facility (IMF)
ROA	Return on Assets
ROE	Return on Equity
RSF	Reporters Without Borders (*in French, Reporters sans frontières*)
SDR	Special Drawing Rights
SIGA	State Interest and Governance Authority
SME	Small and Medium Enterprise
SPV	Special Purpose Vehicle
T-Bills	Treasury Bills (Treasury Bonds)
TEN	Tweneboa, Enyenra, Ntomme (offshore oil field)
TIN	Taxpayer identification numbering
TOR	Tema Oil Refinery
UN	United Nations
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	American dollar
VRA	Volta River Authority
WDI	World Development Indicators (World Bank)
WEO	World Economic Outlook (IMF)
YOY	Year-on-year

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MACRODEV (Macroeconomics & Development)

This collection aims to present the work produced in the field of development macroeconomics by AFD's Macro-economic and Country Risks Analysis Division and AFD Group economists. It provides analyses that focus on countries, regions or macroeconomic issues related to development processes.

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