Ghana: Transforming the Economy

Q1 Investor Call:

23rd February, 2018

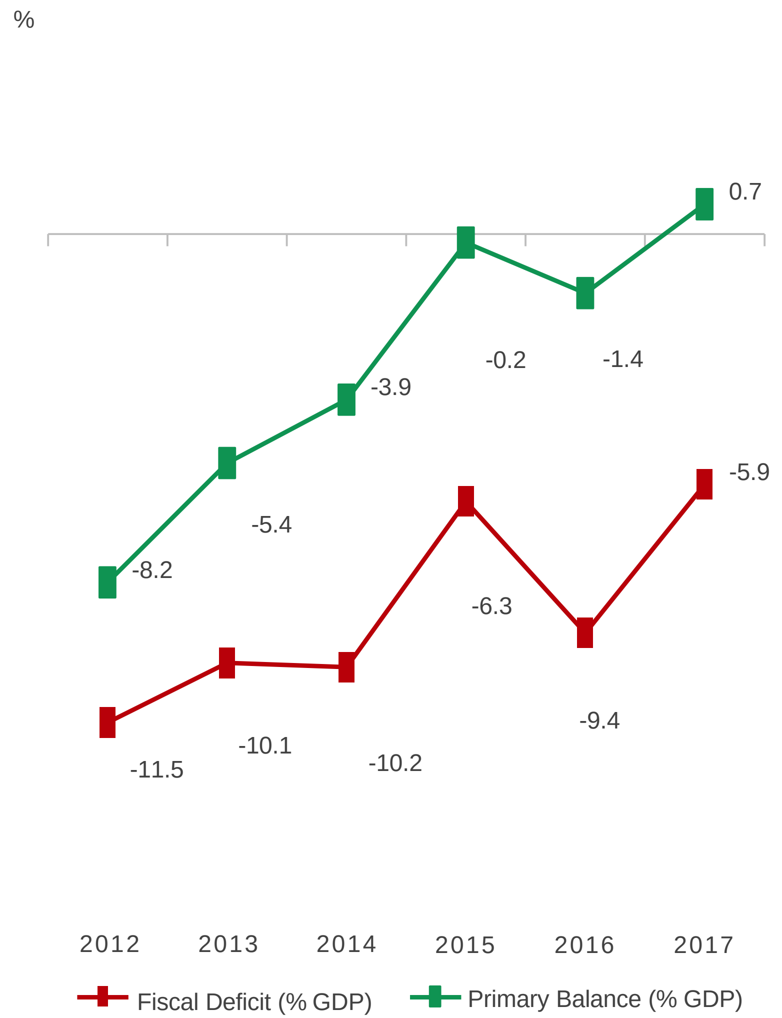
15:00 GMT

Executive Summary

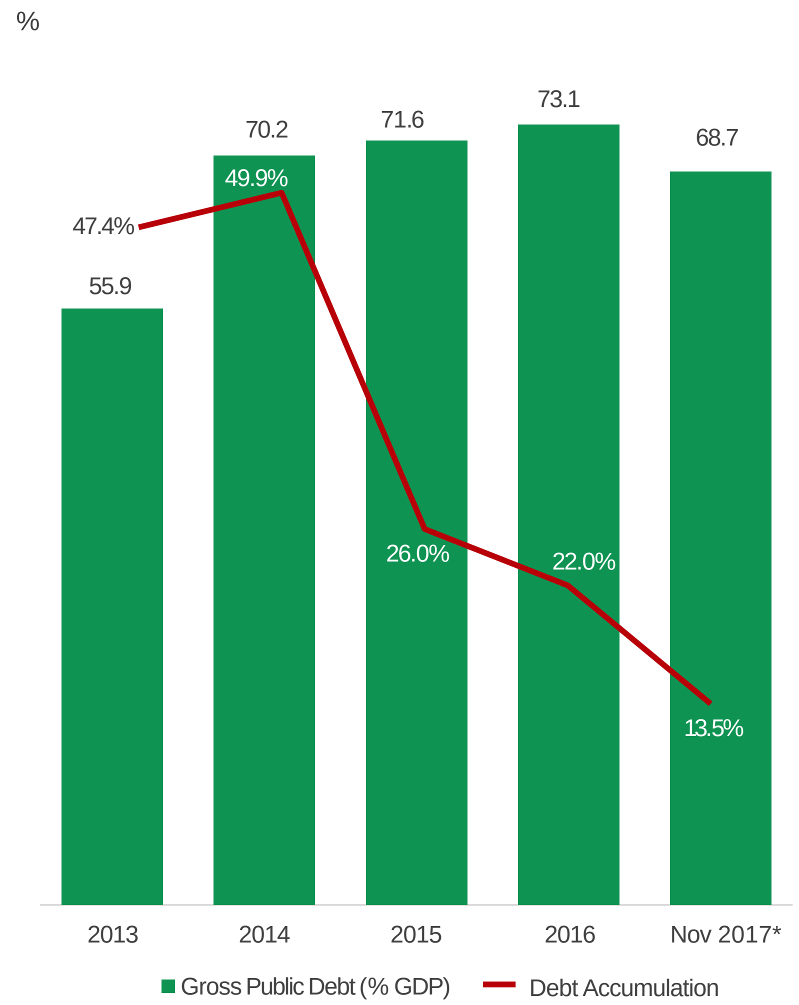
- 2017 was a year of fiscal consolidation and the implementation of structural reforms
- We met our key macroeconomic targets in 2017 and successfully completed the IMF fourth review:
  - Outperformed the deficit target of 6.3%
  - Reduced the total debt to GDP ratio to under 70%
  - Exceeded the annual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

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

Fiscal Deficit and Primary Balance Under Control



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



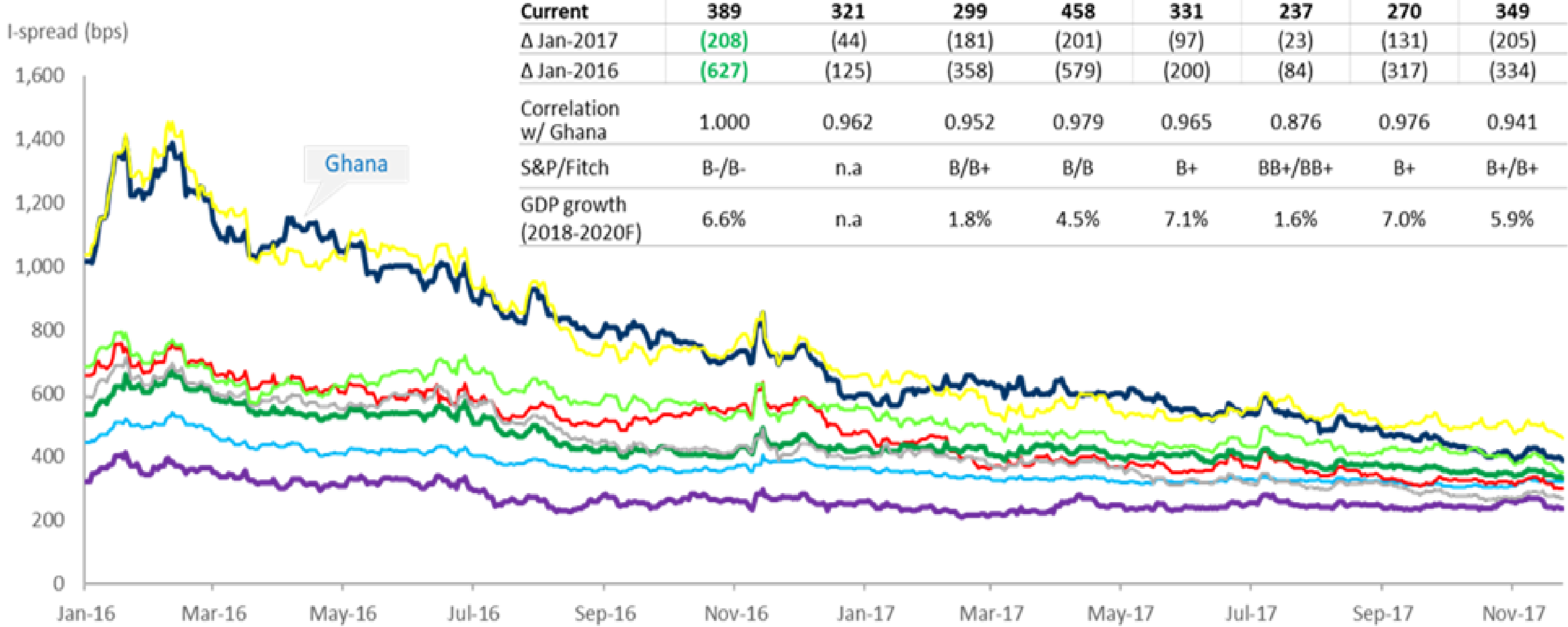
Ghana performed better than peers on the back of prudent debt management

Ghana Credit vs. Other SSA & Emerging Markets

Ghana performed better than peers on the back of prudent debt management, favourable economic prospects and increased fiscal stability.

Ghana - Spread Tightening vs Emerging Markets Index and Key African Peers

	Ghana	JPM EM Bond Index	Nigeria	Zambia	Ivory Coast	S.Africa	Senegal	Kenya
Current	**389**	**321**	**299**	**458**	**331**	**237**	**270**	**349**
Δ Jan-2017	(208)	(44)	(181)	(201)	(97)	(23)	(131)	(205)
Δ Jan-2016	(627)	(125)	(358)	(579)	(200)	(84)	(317)	(334)
Correlation w/ Ghana	1.000	0.962	0.952	0.979	0.965	0.876	0.976	0.941
S&P/Fitch	B-/B-	n.a	B/B+	B/B	B+	BB+/BB+	B+	B+/B+
GDP growth (2018-2020F)	6.6%	n.a	1.8%	4.5%	7.1%	1.6%	7.0%	5.9%

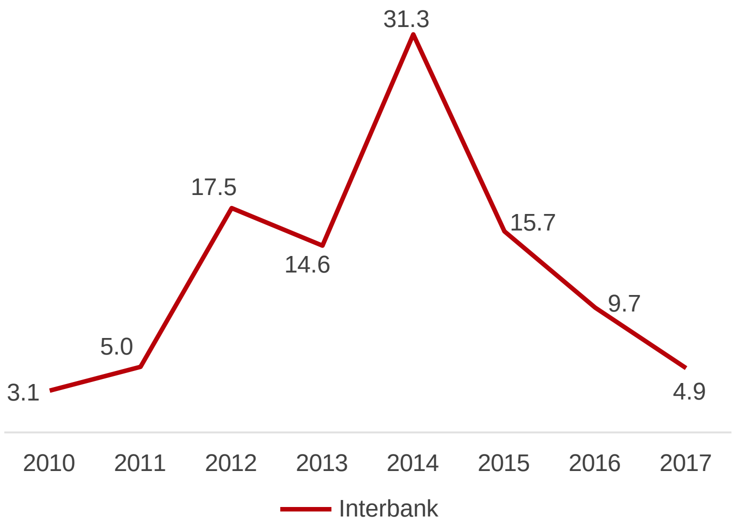


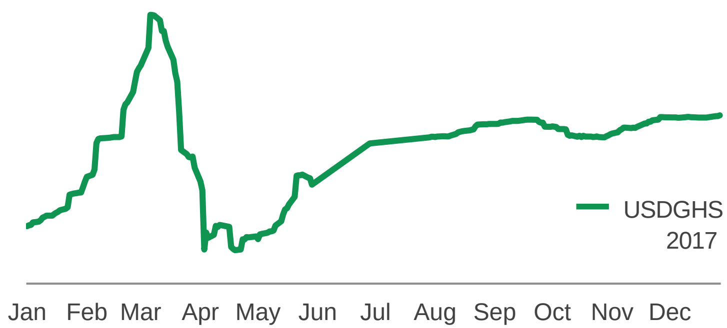
Source: Bloomberg (24/11/2017)
JP Morgan Emerging Markets Bond Index (tracks the spread performance of 30+ EM country USD-denominated bonds)

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

Lowest depreciation of the cedi against the dollar since 2011

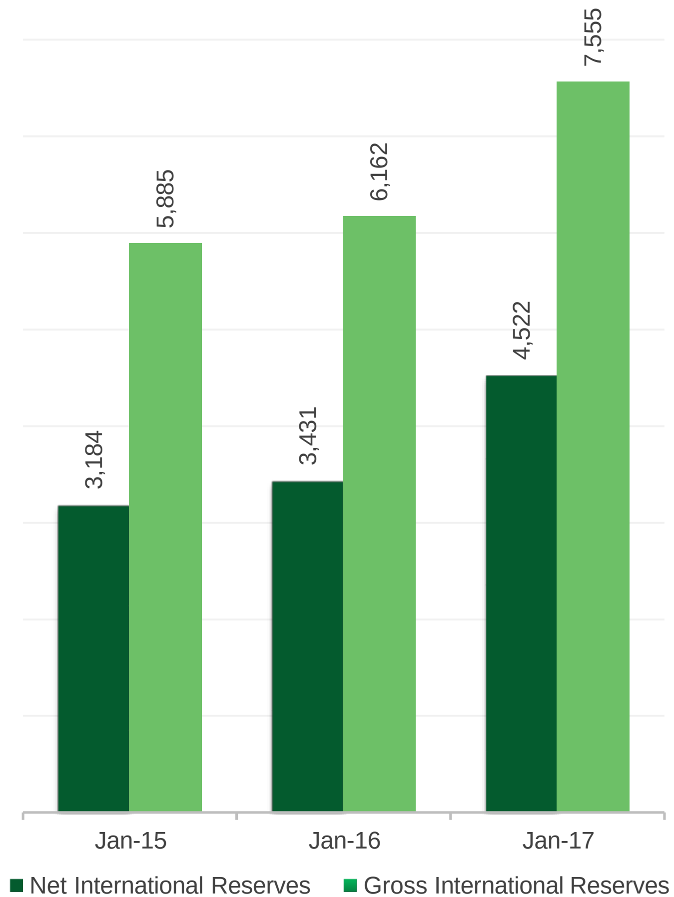
Yearly Exchange Rate Performance (Depreciation) against US Dollar (%)



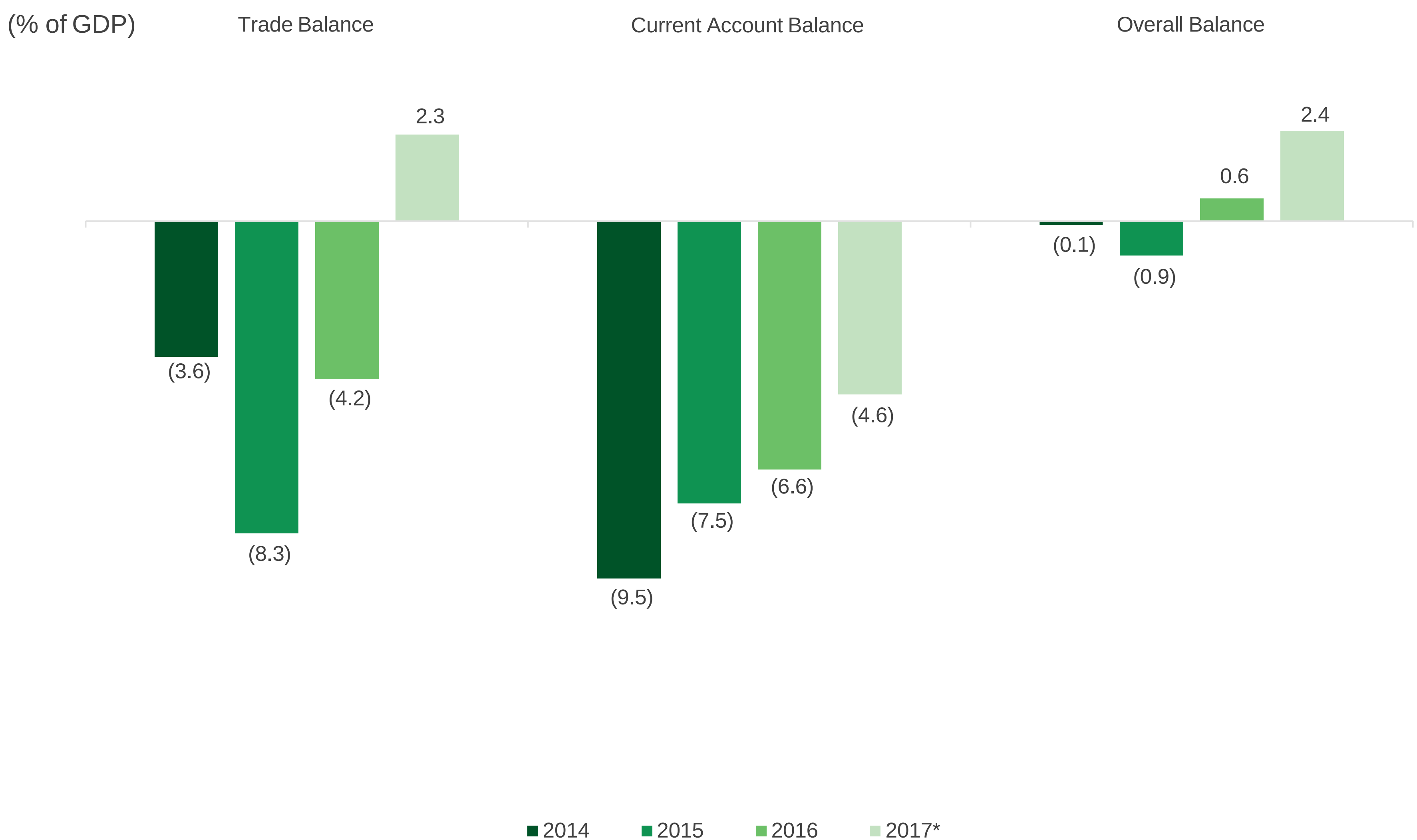


Increasing build-up of reserves in 2017

Build up of International Reserves ($m)



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



We are implementing key policy reforms to ensure irreversibility

- ✓ Sustained tax-to-GDP ratio of 15.4%, despite the elimination of nuisance taxes, through:
  - Streamlining exemptions and automating the ports (paperless)
  - Tax audits and compliance
- ✓ Passed a new law (Parliament) to cap transfers to earmarked funds to 25% of tax revenues to free fiscal space for development and reduce rigidities in budget;
- ✓ Tightened expenditure controls in GIFMIS to minimize inefficiencies & budget overruns;
- ✓ Implemented a Treasury Single Account, which improved cash management
- ✓ Enforced the Public Procurement Act, which has significantly reduced sole sourcing resulting in substantial savings;
- ✓ Enforced the PFM Act, with greater control on commitments. Cabinet has approved a fiscal ceiling of 5%
- ✓ Executed zero central bank financing via MOU with Bank of Ghana
- ✓ Put in place risk management strategies to mitigate exogenous factors
- ✓ Expanded the role of the Auditor General to cover MMDAs

We are focused on liability management and reducing our financing costs

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

* Provisional Data for 2017

Ghana Beyond Aid