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EVALUATION STUDY
GRADUATION AND DEVELOPMENT FINANCE IN THE SDG ERA

A CASE STUDY OF GHANA

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Executive summary

Ghana graduated to become a lower middle-income country in 2010 after a rebasing of its GDP. The graduation has been followed by lower economic growth, persistent fiscal deficits and a changed composition in the country's development finance, including a falling share of ODA and increasing public debt stocks. These developments are taking place in the context of the adoption of the SDGs in the United Nations in 2015, where all estimates indicate that the achievement of the SDGs will require a significant increase in development finance.

The present Evaluation Study contains a preliminary analysis of both the changed composition of development finance in Ghana, including the implications of graduation, and related fiscal management challenges as well as a brief review of the political and institutional response of the Government of Ghana.

Financing the fiscal deficits in Ghana has implied that public debt has increased and is now more than 50 percent of GNI, and debt service has tripled as a share of the government budget. Domestic resource mobilization is exhibiting an increasing trend, but at a moderate pace, and public revenues in 2017 were lower than programmed. ODA has remained more or less at the same level in constant prices, but bilateral disbursements have decreased considerably in recent years. In contrast, there has been a significant growth in FDIs and remittances.

The level of public investments has decreased, and social sectors and the agricultural sector, which are critical for the fulfilment of the SDGs, are receiving a relatively small share of the budget, while spending on administration, in particular salaries, and debt service constitutes most of the budget. The changed composition of development finance in Ghana has therefore influenced sectoral allocations.

The Government of Ghana is aware of the need to address these challenges and to adapt to the changing landscape of development finance. A number of strategies and policies have been developed, including for debt management and financial management, a strengthening of the local financial market, domestic resource mobilization, and mobilization of private development finance. These initiatives are, however, at varying levels of operationalization, and the ability of the government to implement such an ambitious reform agenda has been questioned.

The analysis makes five main conclusions. First, the graduation has been followed by a change in the composition of development finance, including decreasing bilateral disbursements indicating a 'herding' effect as described in the literature. Second, while the graduation process may have contributed to developments in Ghana, a key challenge is public financial management, which has led to persistent deficits and underfunding of the social sectors and agriculture. Third, in spite of efforts to improve domestic resource mobilization, Ghana is still lagging behind comparable countries, which is critical in view of the government's intention of financing a significant share of the development needs with domestic finance. Fourth, Ghana has not developed a plan that can guide the implementation of the SDGs, and although this is early in the process, there is major concern whether Ghana will be able to finance the fulfilment of the SDGs. Fifth, the experience of Ghana documents the complex challenges countries face when they transition through different phases, but also that transition processes will be country specific, and that the international community could play an important role in assisting in these processes.

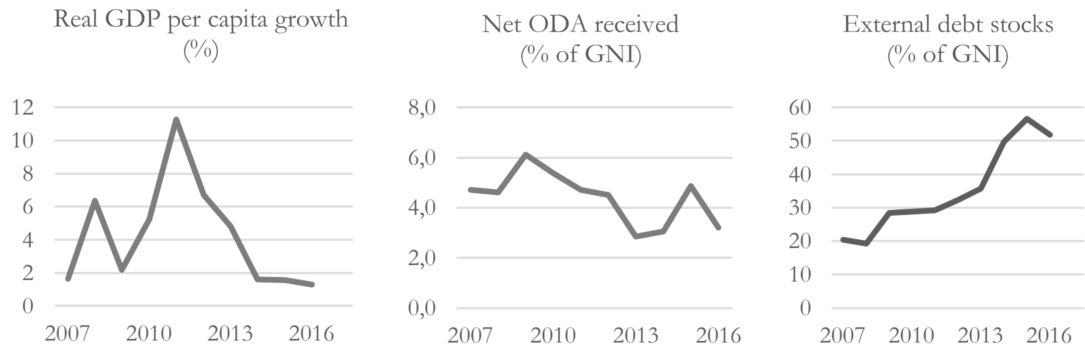
Abbreviations

CRS	Creditor Reporting System
DAC	Development Assistance Committee
DAS	Digital Address System
ECF	Extended Credit Facility
FDI	Foreign Direct Investment
GAX	Ghana Alternative Exchange
GFIM	Ghana Fixed Income Market
GDP	Gross Domestic Product
GNI	Gross National Income
GRA	Ghana Revenue Authority
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IMT	International Money Transfer
MDRI	Multilateral Debt Relief Initiative
MIGA	Multilateral Investment Guarantee Agency
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PSW	Private Sector Window
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
VAT	Value Added Tax
WDI	World Development Indicators

1. Introduction

Ghana's economy grew by 6.6 percent per year, on average, from 2000 to 2013 resulting in a doubling of the economy, and Ghana graduated to a middle-income country classification after a rebasing of its GDP in 2010. After a peak in 2011, however, Ghana's economic growth has decreased considerably, resulting in real per capita GDP growth of less than 2 percent in 2014-2016 (see Figure 1 and Table 1 in the Appendix for basic macroeconomic indicators).

Figure 1: Ghana's economic growth, ODA inflow and external debt, 2007-2016



Source: WDI online database ((http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators)[1]

The graduation from low-income to lower middle-income status has implications for Ghana's access to concessional development finance. After a transition process, Ghana will no longer be eligible for IDA funding, and a reduction in net ODA received relative to GNI can already be observed, even though Ghana as a lower middle-income country is still on the DAC list of ODA-eligible countries. At the same time, the graduation to lower middle-income status improves access to international capital markets, and Ghana has issued sovereign bonds and obtained loans on less-concessional terms. In addition, a growing diversity of finance instruments is being used with the implication that public debt and the external debt stocks in Ghana have grown significantly in recent years, and its sustainability has been questioned. Figure 1 illustrates how the external debt stocks surged from 20 percent of GNI in 2007 to more than 50 percent of GNI in 2016.

Finally, in 2015, the United Nations adopted the Sustainable Development Goals (SDGs), and at the Third International Conference on Financing for Development in Addis Ababa a call was made for strengthened efforts to mobilize all forms of finance for development. For Ghana, being in the middle of the graduation process, this decision implies particular challenges.

[1] Note that external debt stocks are the sum of public, publicly guaranteed, and privately non-guaranteed long-term debt, use of IMT credit, and short-term debt. In 2016, public and publicly guaranteed external debt stocks accounted for approximately 80 percent of total external debt stocks.

Ghana's graduation into lower middle-income status was anticipated by the government. However, the graduation process has never been accompanied by a coherent strategy to develop a national financing framework to compensate for the consequences of graduation or a financing plan for the SDGs[2]. In addition, fiscal mismanagement in recent years (with significant budget volatility – both in overall spending and allocations between sectors - in particular close to elections (Mosley and Chiripanhura, 2016, Resnick, 2016) combined with increasing debt service, slow growth in domestic resource mobilization, and limited economic growth has left the country with significant challenges of financing its long-term development.

Several studies have analyzed the implications of graduation from low-income to lower middle-income country status (Heckelman et al., 2011, Moss and Majerowicz, 2012 and World Bank, 2015, pp. 41-45). This literature is closely related to discussions of 'beyond aid' (Hailu and Shiferaw, 2016). Bilateral donors' reactions to graduation are also analyzed in several studies, including discussions of so-called 'herding' and 'crowding–in and crowding-out' effects (Kanbur, 2014, Knack et al., 2014). From this literature a debate about new development finance sources and instruments is emerging. Still, the literature is scarce with respect to country specific analyses of the graduation process and how individual countries adapt to a new development finance landscape, including new finance instruments.

Graduation has also attracted significant attention at the international political level. The challenges of graduation are explicitly mentioned in the Addis Ababa Action Agenda (UN, 2015)[3] and have been on the agenda at various meetings in OECD[4] as well as other UN meetings[5]. There seems to be an increasing understanding of the often complex processes when countries transition through different phases of development.

This Evaluation Study takes a first look at Ghana's graduation from low-income to lower middle-income country. The Study focuses on the past 5-10 years, which is the period when the graduation process was initiated, and ODA from traditional donors was gradually reduced. The emphasis in the Study will in particular be on the following five interlinked questions:

- *How has the composition of development finance sources in Ghana changed?*
- *What is the impact of graduation on Ghana's development finance?*
- *What are the fiscal management challenges facing Ghana?*

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[2] In the Addis Ababa Action Agenda it was suggested that countries develop "cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, …" (see UN (2015), paragraph 9).
[3] See in particular paragraphs 72-73.
[4] See e.g. OECD-DAC (2017).
[5] See UN (2018), pp. 97-102.

- *How has Ghana dealt with the challenges and opportunities of a changing composition of development finance?*
- *What are the prospects for Ghana being able to finance the SDGs?*

2. Graduation from IDA

Lele et al. (2017) documents the history of the World Bank's concessional aid window and issues relating to IDA graduation since 1945. More than one trillion USD has been allocated to developing countries on relatively favorable terms, of which 68 percent and 32 percent has been provided on IBRD and IDA terms, respectively. IDA is primarily funded by contributions from the governments of its member countries, and donors meet every three years to replenish IDA resources and review its future policies. Since the end of the Second World War a total of 112 countries have been supported on IDA terms.

The most recent replenishment of IDA's resources - the 18th replenishment (IDA18) – took place in 2016. It was decided that resources should to a larger extent address fragility, conflict and violence. Moreover, a Private Sector Window (PSW) was introduced together with the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) to scale up private sector development.

Eligibility for IDA support depends on a country's relative poverty defined as a threshold for gross national income (GNI) per capita. However, a country above the operational threshold can be given transitional support for the duration of a replenishment period, which can subsequently be renegotiated during the following replenishment meetings. In such cases, countries will face conditions that are stricter than under IDA, but leaner compared to IBRD terms.

Initially, the IDA-eligibility threshold was quite low, but during the 1980s it was realized that available IDA resources were sufficient to fund programs in all countries below this eligibility ceiling. A decision was therefore made to adjust the GNI per capita criterion to a so-called "operational cutoff" that is currently serving as the eligibility benchmark. To this end, it should be noted that if the operational cutoff had maintained its relative value in relation to the global GNI per capita, a significantly larger proportion of countries would be eligible for IDA today. Ghana would be one of these countries, along with most of the countries currently labelled as "Blend" countries in the World Bank system. Moreover, Moss and Leo (2011) show that if the recent trend increase in the operational cutoff continues, no country will fall below IDA's eligibility criteria within a decade. This has led Morris and Gleave (2015) to argue that it is time for an increase in the IDA-eligibility cutoff. Furthermore, Kanbur (2014) notes that in times of a growing disconnect between poor countries and poor people, a continued focus on GNI per capita as the operational cutoff will be an insufficient targeting tool in times of increasing within-country inequality. This has led to several analyses arguing that a re-thinking of IDA graduation policies is needed (see e.g. Rogerson (2017) and UN (2018)).

Since 1945, 41 countries have graduated from IDA (28 before 1990 and 13 after 1990). Some countries have both re-entered (11 cases) and re-graduated (3 cases) from IDA, indicating that graduation from IDA is by no means a signal of a non-turbulent process towards increased prosperity. Throughout, IDA graduation decisions have generally followed the simple GNI per capita benchmark for the operational cutoff. As such, IDA resources can in principle only be accessed until the GNI per capita is continuously above the operational cutoff for three years. The operational cutoff for FY18 is a 2016 GNI per capita of USD 1,165 using the World Bank's Atlas method for converting GNI per capita from local currency to USD.[6]

Table 1 shows that Ghana has been above the operational threshold for the past three years and it has therefore naturally moved into the category of "Blend" countries, meaning that Ghana is still under IDA repayment terms (see Table 2), but with reduced grace periods (from 6 to 5 years) and years to maturity (from 38 to 30 years).

Table 1: Operational Cutoff related to Ghana's GNI per capita

	Operational Cutoff	Ghana GNI per capita	IDA terms
FY2016	1,215	1,620	Yes
FY2017	1,185	1,480	Yes
FY2018	1,165	1,380	Yes

Source: World Bank documents on IBRD/IDA and Blend Countries lending eligibility and repayment terms. Although Ghana is under IDA repayment terms, grace periods are 5 years with 30 years to maturity (same as for "Blend" countries). Under normal IDA eligibility, grace periods are 6 years with 38 years to maturity.

Table 2: World Bank lending terms – IDA vs. Blend Conditions

	Maturity	Grace	Principle repayments		Interest rate and Service charge
IDA	38	6	3.125% for yrs. 6-38		0.75%
Blend	30	5	3.30% for yrs. 6-25	6.80% for yrs. 26-30	2.00%

Source: World Bank documents on IDA Lending Terms FY 2018.

According to World Bank documents on IBRD/IDA and Blend Countries lending eligibility and repayment terms, Ghana is in income category 3 with a GNI per capita of USD 1,380. As such, Ghana does not fulfill the requirements for IDA, but has been classified as eligible for IDA on the basis of (a) relative poverty and (b) lack of creditworthiness. However, since the operational cutoff has been met, the repayment terms on outstanding IDA debt have been tightened through the so-called accelerated repayment clause, which will increase the restraint on fiscal management as the amortization share of the government budget will increase. Moreover, in addition to the accelerated repayments, the implication is that Ghana is no longer eligible for debt relief, which the country has benefited significantly from in previous years.

[6] For a precise description of the Atlas method, see the World Bank homepage (https://datahelpdesk.worldbank.org/knowledgebase/articles/378832-the-world-bank-atlas-method-detailed-methodology).

Since reaching the IDA-eligibility cutoff, Ghana's external debt stock has approximately doubled, while debt service as a share of total government expenditures has tripled in the same period (see Appendix Table 2). These increases in the debt stock and repayments cannot alone be explained by Ghana's graduation, but the increasing debt service requirements have to be managed through sustainable fiscal management in order not to accumulate an unsustainable external debt burden[7].

Although IDA support to Ghana is phased out gradually and in a predictable manner, the move from low-income to lower middle-income country status may thus have several side effects. First, as post-graduation debt service requirements are increasing, Ghana will face fiscal management challenges if public investment levels are to be sustained in the longer term, which is a precondition for achieving the SDGs. Second, besides a potential decline in ODA, the composition of development finance may fundamentally change, as emphasized in Guillaumont (2015) showing that IDA graduation may not only alter the size but also the composition of aid allocations, including allocations between sectors. Third, graduation will increase the demand for alternative sources of external financing. Ghana has structural current account deficits and is vulnerable to shocks to foreign financing. It will therefore be critically important for Ghana to mobilize alternative external financing sources to substitute for the decline in ODA. The following will look into each of these side effects in detail.

3. The potential implications of graduation for fulfilling SDGs

The Government of Ghana has indicated that the public budget will be a main instrument to push forward the SDGs[8], and the recent public financial management reform is intended to provide the necessary budget credibility, predictability and comprehensiveness to reach this goal. However, the recent growth slowdown, large and persistent fiscal and current account deficits, the rising debt burden and debt service commitments and low public investment levels are posing a challenge when Ghana at the same time is trying to implement a strategy for the fulfilment of the SDGs.

Recognizing this, the Government of Ghana has adopted a multiyear deficit-reduction plan in response to the deteriorating fiscal situation. However, according to World Bank (2017) this effort has in the past only been implemented with limited success. Figures for 2017, however, indicate that the government managed to achieve a significant reduction in the fiscal deficit for 2017 in spite of lower revenues than programmed (IMF, 2018). A particular challenge is, according to the World Bank, that Ghana's public investment management capacity is weak and reforms are needed (World Bank, 2017).

[7] The most recent debt sustainability analysis, from April 1st, 2018, concluded that Ghana continues to be at high risk of external debt distress (IMF, 2018). See e.g. also Reinhart and Rogoff (2010) on the debt burden's potential harmful effect on countries' future growth prospects.
[8] See Government of Ghana (2018).

The capacity constraint as well as political budget cycles and short-term considerations seem to have dominated fiscal management and have been mentioned as important reasons for the substantially fluctuating public spending[9]. Moreover, some of the latest reports show government spending around 20 percent of GDP with only 1/3 of the expenditures earmarked for social sectors (education and health). Most of the remaining 2/3 are spending related to public administration (including debt service)[10]. Social and economic spending has thus decreased substantially (as a share of GDP) in recent years, and it is a concern whether fiscal management – in spite of stated intentions - will allow Ghana to place more focus on sectors that are important for fulfilling the SDGs, such as the social sectors and the agricultural sector.

World Bank (2017) describes the consequences of Ghana's current fiscal situation in relation to these important sectors for SDG fulfilment. First, education spending currently represents the largest share of the government's social sector spending activities. Significant investments have been made to improve service delivery through hiring an additional 150,000 teachers from 2009 to 2015; equivalent to almost a doubling of the number of teachers across primary, secondary and tertiary schools. By reducing teacher-pupil ratios and by improving the share of trained teachers, a positive student achievement effect would be expected. However, according to World Bank (2017) this expected quality effect remains to be seen. It is further concluded that education spending has not increased as a share of the total government budget in recent years, but there is significant room for improvements in budget management.

Second, compared with the overall development in Ghana, the health sector is lagging behind, and public health spending in Ghana is low by international standards. However, 18,000 new health workers were hired between 2009 and 2015 to facilitate a service delivery upgrade, and continued support from the donor community to the sector has enabled an increase in per capita health spending over the past decade. There is, however, concern about public capital investments in the sector, and progress in coverage of essential health services has not been impressive. A focus on both allocative and technical efficiency of health spending is therefore called for. With the current fiscal budget challenges and without significant sectoral allocations within the budget, Ghana's external development partners may have to continue to play an important role in financing prevention-focused public health programs if the country is going to stay on track regarding the fulfilment of the SDGs.

Finally, the agricultural sector is crucial for the future development of Ghana and the likelihood of fulfilling the SDGs, although it constitutes a relatively modest share of GDP.

[9] It could be added that analyses have found significant variations between budgeted and actual expenditures and explained these deviations as results of political influence on the allocation processes (see e.g. Abdulai and Hickery, 2014). According to World Bank (2017) the 2016 election increased financial requirements by 3 percent of GDP compared to 1.5 percent during previous elections.

[10] This also implies that almost all tax revenues are used to finance salaries and debt interest payments (IMF, 2018).

The main reason is that a relatively large share of the 300,000 people entering the work force each year must be employed in agriculture. However, public spending on agriculture continues to be relatively low and significantly lower than the 10 percent of the public budget benchmark committed to under the Maputo Declaration[11]. Besides serious underinvestment in the agricultural sector, public agricultural resources have been allocated to relatively few agricultural sectors with the majority share accruing to the cocoa sector. Donors have financed a large part of investment expenditures in agriculture, but according to World Bank (2017), the targeting has been weak and too focused on the cocoa sector. Overall, the general underinvestment in agriculture and poor targeting of investments have resulted in a relatively uncompetitive agricultural sector. Given Ghana's current fiscal situation, future investments in agriculture will likely hinge on both the donor community and private investors if the aim of achieving the SDGs is to be met. There is, however, a need to rethink how to promote agricultural efficiency in order to 'make agriculture great again'.

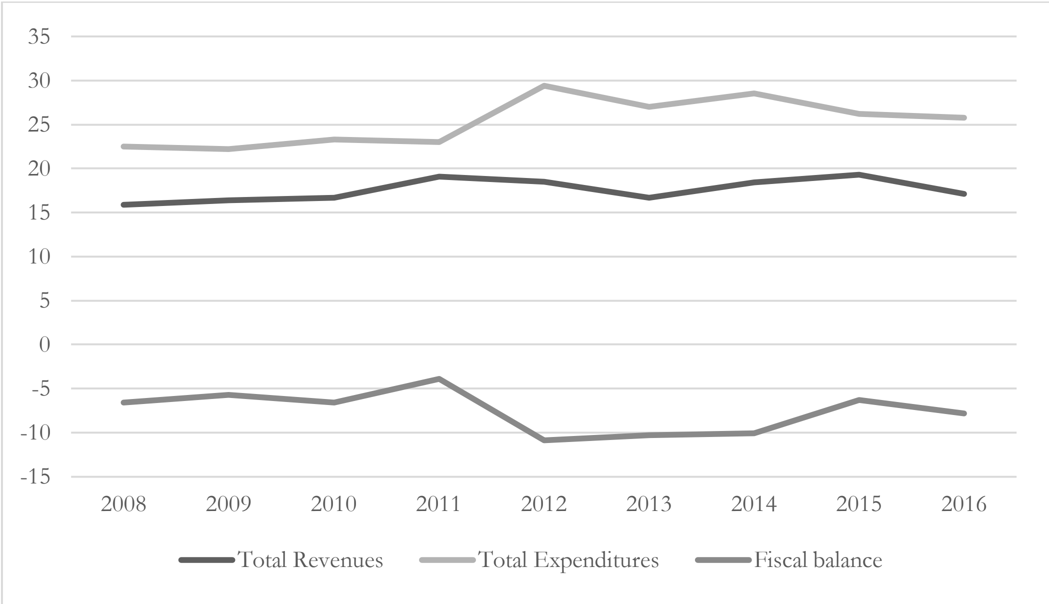
4. Fiscal Management Challenges

World Bank (2017) and IMF (2017) both illustrate and stress how Ghana's recent macroeconomic challenges can be traced to increases in public spending. Figure 2 illustrates how total public expenditures grew from 23 percent of GDP in 2010 to almost 30 percent in 2012, and only decreased slightly to 26 percent of GDP in 2016. Considering the growth rate of GDP in the period, this represents a risky and clearly unsustainable expansion of the public sector. Throughout, total revenues (including grants) remained below expenditures and were 15 percent of GDP in 2010 rising to 19 percent in 2015 only to decline to 17 percent in 2016. As a result, budget deficits have been persistent the last 10 years, annually in a range of 4 percent to 10 percent of GDP. As mentioned, significant political budget cycles have exacerbated the problem.

Public expenditures can be decomposed into four main components, as illustrated in Figure 3. Personnel spending covers salaries and social contributions to public employees. During the last 10 years a combination of increased public sector employment and higher salaries exerted a strong upward pressure on the wage bill. In 2013, the government shut down all non-essential hiring, resulting in a fairly rapid decrease in expenditures on salaries. (Social contributions continued to increase, though).

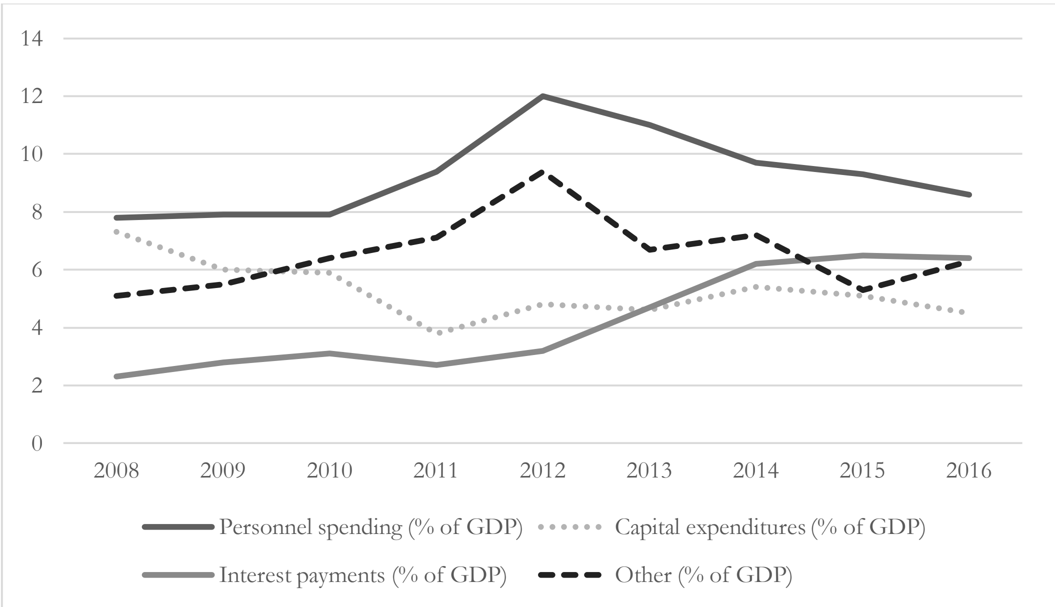
Figure 2: Fiscal revenue, expenditures and balance in percent of GDP, 2008-2016

[11] Maputo Declaration on Agriculture and Food Security in Africa (Assembly/AU/Decl. 7(II)). Second Ordinary Assembly of the African Union, 10-12 July, 2013, Maputo.



Source: World Bank (2017).

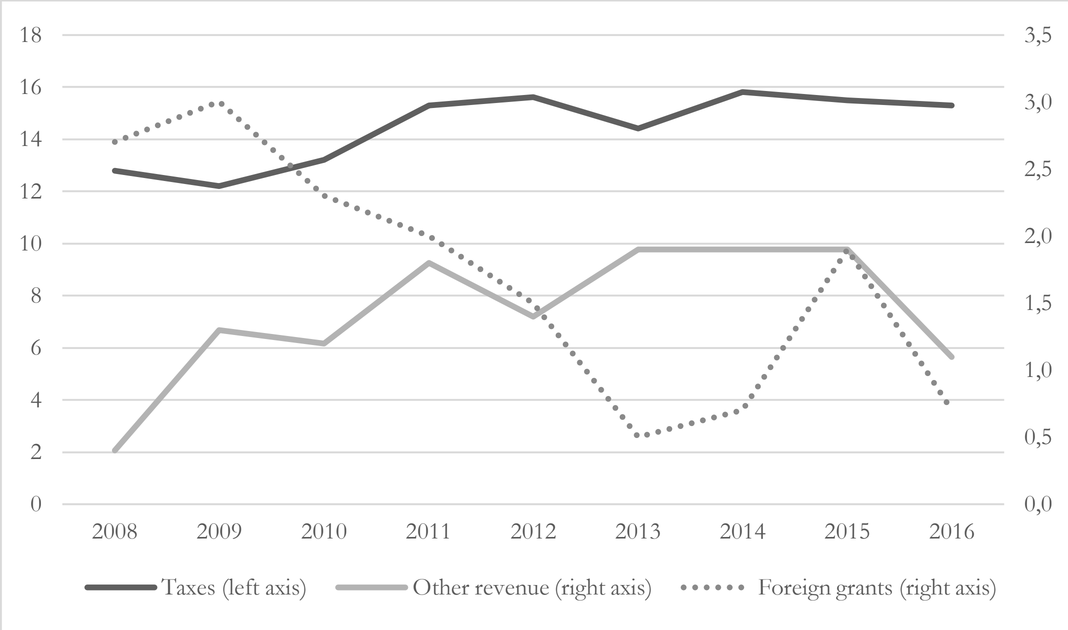
Figure 3: Public spending components in percent of GDP, 2008-2016



Source: World Bank (2017).

The permanent budget deficit has induced government borrowing and this has resulted in a tripling of interest payments, such that from 2015 they have been the second largest expenditure component. The increase in interest payments was accompanied by a decline in capital expenditures from around 7 percent of GDP pre-graduation to less than 5 percent in 2015 and 2016. Such a rapid decline in government investments is likely to have significant consequences for the future development process.

Figure 4: Public revenue components as percent of GDP, 2008-2016



Source: World Bank (2017).

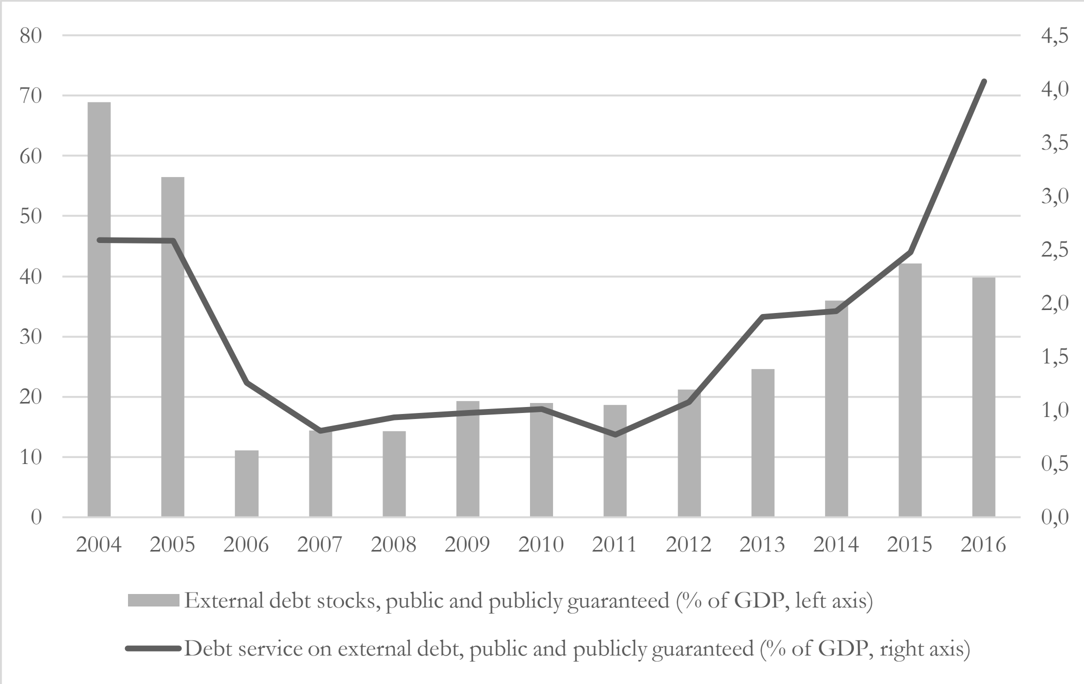
Turning to the public revenue components depicted in Figure 4, an implication of Ghana's graduation into lower middle-income status is clearly visible from the decline in the 'Foreign grants' share of GDP. 'Foreign grants' went from an average of 17 percent of total government revenues in the period 2008-2012 to an average of 5 percent in the period 2013-2016. Despite the decline in foreign grants, Figures 2 and 4 illustrate that this has not had any detrimental impact on total public revenues as share of GDP, documenting that domestic revenues grew faster than GDP (see also Appendix Table 2). The increase in domestic revenue collection has come both from increasing tax revenues and non-tax revenues. However, a slight decrease in total revenue as share of GDP is observed in 2016 – an election year - which raises concern about whether the government is able to keep up this positive and necessary trend in revenue collection[12].

Even with improving domestic revenue collection, the large fiscal deficits, driven by the increasing expenditures, have added to significant increases in public debt over the last decade, even before talks about potential negative spillovers from graduation. This period of fiscal mismanagement has according to IMF (2017) and World Bank (2017) eroded the fiscal buffers created by grants and earlier given debt relief. Figure 5 illustrates the change in public and publicly guaranteed external debt stocks and debt service from 2004 onwards. The sharp drop in debt stocks and debt service from 2005 to 2006 was the outcome of the HIPC and MDRI initiatives. Since the completion of the initiatives, Ghana had a period of steady public debt service on external debt until 2012. Subsequently, both debt stocks and debt service increased rapidly. In 2016 the public and publicly guaranteed external debt

[12] Recently published figures for 2017 indicate that public revenues in 2017 were lower than programmed (IMF, 2018).

stocks had more than doubled as a share of GDP compared to the years after the debt forgiveness. The debt service increased relatively more because a larger part of the external debt is now on market terms compared to the early 2000s. In addition, the external debt is serviced in foreign currencies increasing Ghana's vulnerability to exchange-rate risks.

Figure 5: Public and publicly guaranteed external debt stocks and debt service, 2004-2016



Source: World Development Indicators (http://databank.worldbank.org/data/reports.aspx?source=world-development-indicators).

Table 3 presents details about government deficit financing for 2014-2016. The first thing to note is the sharp increase in the amortization share, which has accompanied the increase in the use of domestic funding sources. The reason is the government's issuance of sovereign bonds. Second, the government has also relied on central bank financing. This has resulted in spillovers to inflation, a weaker exchange rate, and even higher funding costs (IMF, 2017). Moreover, although private sector credit availability has significantly improved, the banking sector has experienced a sharp increase in non-performing loans. Realizing these challenges facing the government, the IMF in 2015 approved a three-year arrangement under the so-called Extended Credit Facility (ECF) of USD 918 million in support of the medium-term economic reform program.

Finally, it must be noted that Ghana is an oil producer and a projected increase in oil production is expected to increase public sector revenue in the near future. Specifically, both IMF (2017) and World Bank (2017) emphasize that oil revenues will peak in the coming years (2019-2023), which provides a window of opportunity if accompanied by improvements in fiscal management. However, the Government of Ghana should be aware that the oil sector will only bring temporary increases in public revenue.[13]

Table 3: Government Financing 2014-2016 (million Cedi)

	2014	% of need	2015	% of need	2016	% of need
Financing need	10128	100	9772	100	8408	100
Foreign (net)	5936	59	4794	49	2237	27
Borrowing	8610	85	9427	96	7938	94
Project Loans	3838	38	3502	36	3324	40
Program Loans	108	1	818	8	1689	20
Sovereign Bond	4665	46	5107	52	2925	35
Amortization (due)	-2674	-26	-4633	-47	-5701	-68
Domestic (net)	3965	39	5064	52	6406	76
Banking	1312	13	741	8	3052	36
Bank of Ghana	1312	13	0	0	1445	17
Comm. Banks	0	0	741	8	1606	19
Non-banks	3411	34	4323	44	3355	40
Other Domestic	-757	-7	0	0	0	0
Other Financing	-109	-1	-86	-1	-86	-1
Ghana Petroleum Funds	385	4	0	0	72	1
Sinking Fund	0	0	0	0	-110	-1
Contingency Fund	-50	0	0	0	-112	-1

Source: Authors' calculations based on annual accounts from the Ministry of Finance, Government of Ghana.

On balance, the current fiscal management challenges facing the Government of Ghana seem to be more related to fiscal mismanagement than the IDA graduation. However, graduation has led to an increase in debt service as well as a reduction in official development assistance and sectoral reallocations. This has increased the pressure for speeding up the implementation of fiscal expenditure and revenue reforms.

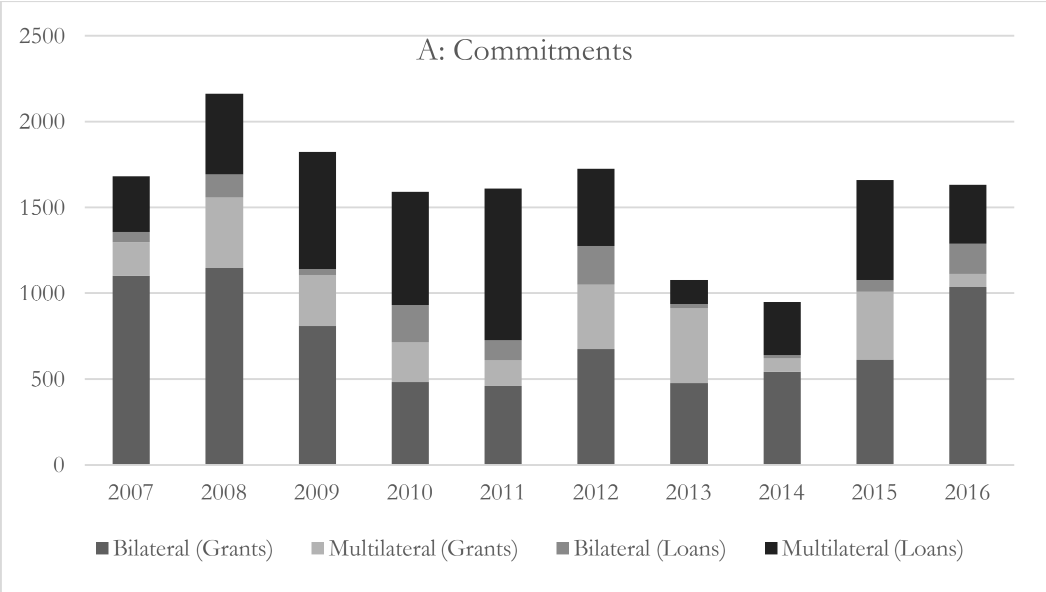
5. Official Development Assistance

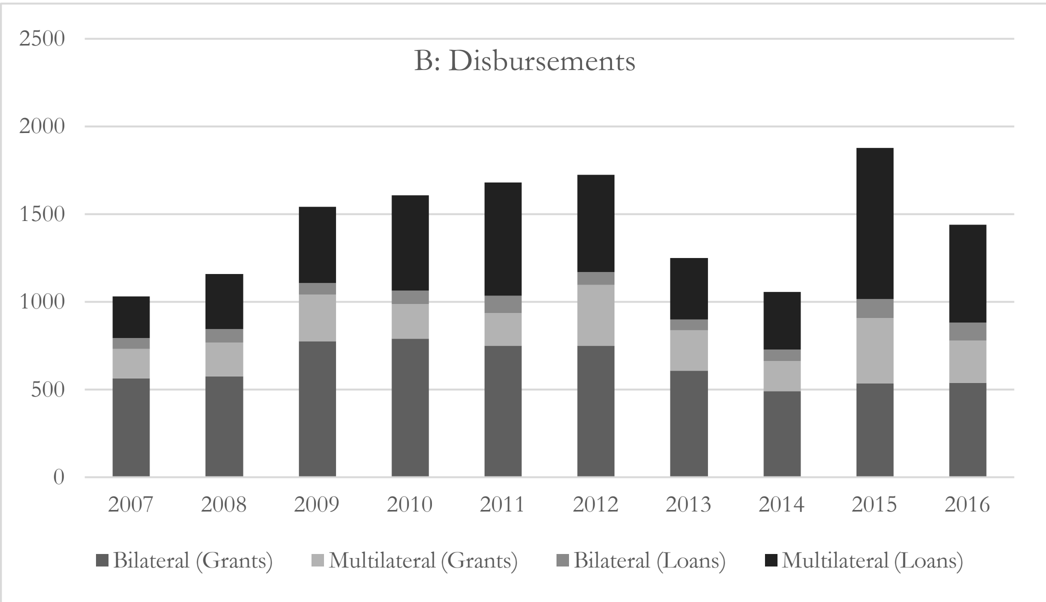
Kanbur (2014) notes that IDA policies may act as a benchmark for other donors, such that IDA graduation is accompanied by a sharp decline in bilateral aid commitments. The development in Ghana's net ODA flows relative to GNI depicted in Figure 1 appears to lend support to this idea. However, it is important to keep in mind that Ghana's economy grew by 6.6 percent per year on average from 2000 to 2013 and although the growth rate decreased markedly from 2014 onwards, it was still positive and firmly above the population growth rate. With such growth rates a decline in official development assistance relative to GNI and GDP should be expected. Therefore, accounts of changes in aid flows must be decoupled from changes in GNI and GDP when analyzing donor policies. Thus,

[13] The oil sector will generate an additional USD 23 billion in public revenue between 2016 and 2036, with a peak in 2023. Around 70 percent of oil revenue must finance public investment in priority sectors according to World Bank (2017).

in the following we describe aid flows to Ghana in constant prices rather than as shares of GDP (or GNI).

Figure 6: ODA: commitments and disbursements, by donor type
USD million, 2015 prices (DAC deflator)





Source: OECD QWIDS (http://stats.oecd.org/qwids/).

ODA commitments by donor type reported in constant USD using the DAC deflator in Figure 6 show a slightly declining trend in total DAC commitments especially between 2008 and 2013.[14] However, the past few years indicate a return of bilateral grants and, to a

[14] In Figure 6 and the following Tables we use the DAC deflator because the focus is more on donor policies than on the purchasing power of the flow in Ghana.

lesser extent, multilateral loans. Thus, from a donor perspective, total ODA commitments to Ghana have been rather constant in real terms, with a large increase in 2008 and a dip in 2013 and 2014. The composition of the flows has been more volatile as bilateral grants decreased already in 2009 and in the following years, only to return to a high level in 2016. The decrease in bilateral grant commitments was counteracted by multilateral loans. Hence, in terms of ODA commitments to Ghana, the composition seems to be more volatile than the size with potential implications for sector allocations beyond the fiscal management constraints imposed by a move from grants to loan commitments.

Comparing commitments and disbursements in Figure 6, the time profiles are somewhat different from 2007 to 2013 and, in particular, commitments and disbursements of bilateral grants are significantly negatively correlated over time. Interestingly, disbursements peaked in 2015 because of the World Bank's USD 500 million loan to the Sankofa Gass Project. More importantly, disbursements of bilateral grants in 2015 and 2016 are on a par with the level in 2007 and 2008 while bilateral loans are slightly larger in 2015 and 2016 compared to the early years. Looking at total bilateral disbursements, it is not possible to say if the past 2-3 years are a return to normal, similar to the period before 2009, or a new situation.

Table 4: ODA: Channels and types. Constant 2015 USD million (commitments)

	All		Bilateral		Multilateral	
	2007	2016	2007	2016	2007	2016
Channels						
Public Sector	1,450	1,056	970	905	480	128
NGOs & Civil Society	98	125	97	115	1	10
Public-Private Partnerships	1	5	1	5	0	0
Multilateral Organizations	38	79	28	48	10	31
Teaching, Research, Think-tanks	0	21	0	21	0	0
Private Institutions	0	78	0	78	0	0
Other	11	50	10	49	1	1
Not reported	92	248	64	1	28	247
Types						
Budget support	201	343	36	111	165	232
Core contributions	53	51	53	51	0	0
Project type interventions	426	1,232	125	1,024	302	185
Other (including debt relief)	1,010	36	956	36	53	0
Total	1,690	1,662	1,170	1,222	520	417

Source: OECD QWIDS (http://stats.oecd.org/qwids/). Constant 2015 USD million (commitments).

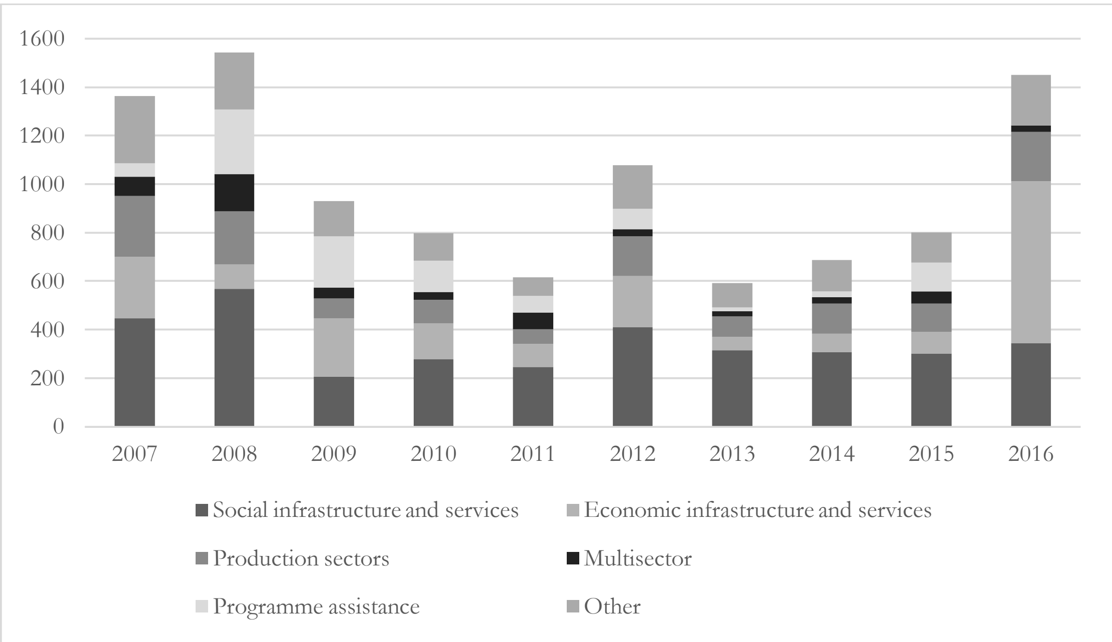
Table 4 shows details about the ODA commitments given in Figure 6 for the two years 2007 and 2016.[15] The upper part of the Table presents details about the channels (type of recipient) while the lower part has details on the support type. The Table illustrates little difference in the total commitments in constant USD terms, but a significant change in the direct support to the public sector which decreased by 1/3 from 2007 to 2016. However, the decrease is the result of a drop in multilateral commitments, whereas the bilateral

[15] In should be noted that approximately 60 percent of ODA commitments to Ghana were not well classified pre-2010. Some of these commitments may have been targeted for "project type interventions" but not classified as such. Care should therefore be taken with regard to the interpretation of the data in Table 4.

commitments to the public sector are more or less at the same level with a tripling of the bilateral budget support. Caution is important in interpreting the results as seen from the multilateral commitments in 2016 for which it is reported that USD 232 million is given as budget support while the public sector only receives USD 126 million in direct support.

Using the OECD's creditor reporting system (CRS), the bilateral commitments can also be described by purpose. This may be of particular interest in relation to Ghana's commitment to the SDGs described in Section 3. Fulfilling the SDGs requires sustained support to the social sectors (health, education, water and sanitation). The allocation of public funds for the social sectors may be too small, and it has been slightly declining as a fraction of GDP since 2011 (World Bank (2017) Table 1.2). However, the bilateral donor support, in terms of commitments, has been reasonably constant as seen from Figure 7. Specifically, bilateral commitments to social infrastructure and services have been above USD 300 million (2015 prices) from 2013 onwards following a local peak at USD 400 million in 2012. Obviously, in view of the negative correlation between bilateral commitments and disbursements, the commitments to social infrastructure and services may not have been disbursed to the extent expected.

Figure 7: Bilateral ODA commitments by purpose
USD million, 2015 prices (DAC deflator)



Source: OECD.Stat (CRS).

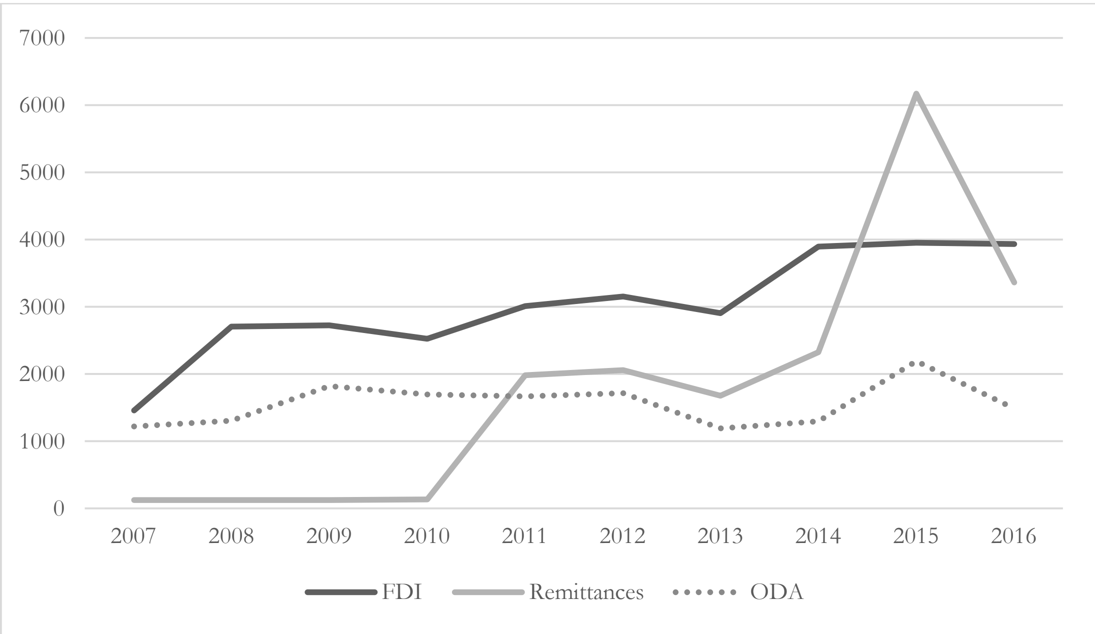
The overall conclusion regarding the official development assistance to Ghana is that the composition has varied much more than total flows. Furthermore, in terms of bilateral aid, a tendency to 'herd behavior' following the announced IDA graduation was observed, which is in accordance with the conclusions reached in UNCTAD (2016).

6. Other Resource Flows

Looking beyond the public sector there are signs of increasing external resource flows to Ghana. There has been a steady increase in foreign direct investments (FDI), with an average annual growth rate of almost 12 percent over the period 2007-2016, whereby net FDI inflows more than doubled over the period. Figure 8 documents how FDI flows only just exceeded net ODA flows in 2007 whereas they have been about twice the size of net ODA flows since 2011.

A second private external flow with a large potential to support Ghana's economic transition is personal remittances. Historically, remittance flows have been underreported which is why the recorded growth in remittances to Ghana should not be overstated. Still, since 2011, registered remittances have exceeded net ODA flows, and in recent years remittances have been on a par with and even exceeded FDI inflows.

Figure 8: Foreign direct investments (FDI), Remittances and ODA net inflows, 2007-2016. USD million, 2010 prices (Ghana GDP deflator)



Source: World Bank (2017).

Foreign direct investments and remittances are not direct substitutes for official development assistance as the flows are from different actors (private businesses and households) and to different actors (also private businesses and households). However, both flows can support public sector finances as they potentially give rise to tax revenues. As such, the substantial growth in FDI and remittances can support a smooth IDA graduation process if the Government of Ghana focuses on servicing and taxing its business and household sectors in a fair and efficient manner.

7. Comparison of Ghana and other IDA graduates

Benchmarking Ghana against other IDA graduated and Blend countries provides insights as to whether lessons from other recently graduated countries could be helpful for Ghana in the years to come. Although such benchmarking goes beyond the aim of the current Evaluation Study, Table 5 helps put Ghana's external debt situation in perspective.

Table 5: Recent IDA graduates and current Blend countries (2016)

Country	Graduation Year	Current GNI per capita	Lending Eligibility	Credit ratings S&P	Present value of external debt % of Exports	% of GNI
Albania	FY08	4250	IBRD	BB	105.2	32.2
Indonesia	FY08	3400	IBRD	BBB-	106.4	20.3
Montenegro	FY08	6970	IBRD	AAA	132.7	64.7
Serbia	FY08	5280	IBRD	BB	88.7	49.5
Azerbaijan	FY11	4760	IBRD	BB+	42.6	22.3
Angola	FY14	3440	IBRD	B	103.4	34.5
Armenia	FY14	3760	IBRD	..	96.9	39.1
Bosnia	FY14	4890	IBRD	BB-	73.3	28.5
Georgia	FY14	3810	IBRD	BB+	77.3	40.8
India	FY14	1660	IBRD	BBB+	37.2	7.4
Bolivia	FY17	3070	IBRD	BB	76.5	19.3
Sri Lanka	FY17	3780	IBRD	B+	164.6	36.6
Vietnam	FY17	2050	IBRD	BB-	23.2	23.0
Cameroon		1200	Blend	BBB-	..	22.7
Congo, Rep.		1710	Blend	BBB-	..	36.9
Kenya		1380	Blend	BB-	140.4	21.2
Moldova		2120	Blend	..	31.8	14.8
Mongolia		3550	Blend	B	63.6	35.0
Nigeria		2450	Blend	B	22.9	2.3
Pakistan		1510	Blend	B	179.8	16.4
Papua New Guinea		NA	Blend	BB	17.0	..
Uzbekistan		2220	Blend	..	..	8.7
Ghana		**1380**	**Blend**	**B**	**95.4**	**40.9**

Note: Zimbabwe is not included due to special circumstances (blend terms). Moreover, "Blend" countries under the Small Island Economies Exception have also been excluded. Under IBRD terms, the average repayment maturity is 20 years with 35 years to maturity. In addition, countries with loans under IDA repayment terms (Blend countries) face grace periods of 5 years with 30 years to maturity (under normal IDA eligibility, grace periods are 6 years with 38 years to maturity).

At the end of 2016, Ghana's external debt was relatively large as percentage of GNI and of total exports. Also, as mentioned, the most recent debt sustainability analysis concluded that although a marginal improvement was seen in 2017 Ghana continues to be at high risk of debt distress (IMF, 2018). As shown in table 5, a high debt level is not unseen among other IDA graduates and Blend countries, and proactive debt management is a key to managing this challenge (World Bank, 2017, IMF, 2018).

8. Strategies, policies and institutional issues

After the graduation in 2010, the Government of Ghana presented a policy for partnerships with donors, including some ideas for a financing strategy (Government of Ghana, 2012), but the financing strategy was never developed in any detail. The agenda has, however, received renewed attention under the present government. President Akufo-Addo's vision and ambition of developing a 'Ghana beyond Aid' has been accompanied by a range of reform plans that are meant to address the fiscal imbalances, reduce the burden of debt (foreign and domestic), increase domestic resource mobilization, and crowd-in non-state resources not least in infrastructure and service delivery in order to counteract the fall in public investments over the last years.

The government's policy is based on the commitments of the Addis Ababa Agenda for Action (UN, 2015) and the SDGs, but so far no attempts seem to have been made to estimate the SDG financing gap or to develop a financing strategy for the individual SDGs. The recent Memorandum of Economic and Financial Policies (Government of Ghana, 2018) indicates, however, that the government intends to develop a detailed plan, which can guide the implementation of the SDGs. The present government also envisages a new partnership with development partners, as formulated in the Ghana Development Cooperation Policy (Government of Ghana, 2017).

The intention is that a significant share of the development needs should be financed by domestic resources (Government of Ghana, 2018), but external finance delivered through various financing instruments should be maintained and increased at the same time. Both concessional and non-concessional financing will continue to be mobilized. ODA is also in the future – at least in the short to medium term – seen as a relevant source of financing to complement domestic resources. However, as indicated in the 'Ghana beyond aid' agenda, the ambition is to move out of aid dependency. The government will also consider a range of innovative financing mechanisms to raise additional funds, including private investments, for development purposes, and it will strengthen Ghana's engagement in South-South cooperation and further develop the relationships with countries such as China, Russia, India, Mexico, Brazil and Japan[16].

The government of Ghana seems therefore aware of the need to address the challenges and to adapt to the changing landscape of development finance, and several policies and strategies have been developed. The following will briefly review four areas critical for the future of development finance in Ghana. These are debt management, the local financial market, domestic resource mobilization, and attempts to mobilize private investments in the form of public-private partnerships. As will be seen in the following, the stated ambitions are at varying levels of operationalization.

[16] In 2017, the top five countries with the highest number of projects based on foreign direct investment into Ghana were China, India, United Kingdom and South Africa (Ghana Investment Promotion Centre, 2017), and several Memorandum of Understandings have been signed recently. For a discussion of some experiences with South-South Cooperation in Ghana, see also Amanor and Chichava (2016).

As mentioned, public debt in Ghana has increased significantly, and in the most recent debt sustainability analysis Ghana was classified as a country at high risk of external debt distress (IMF, 2018). In 2016, a Medium Term Debt Management Strategy was adopted, which stated that commercially viable projects could be financed by non-concessional lending, while concessional loans should fund social sector activities. However, as shown in previous sections in this analysis, both international and domestic debt has continued to grow. Figures for 2017 indicate, however, a reduction in the public deficit and the debt-to-GDP ratio mainly as a result of strengthened expenditure control. The government intends to continue its effort to strengthen budget formulation and execution, and a set of public financial management regulations have recently been submitted to Parliament (IMF, 2018)[17]. The government has also in recent years prioritized a re-profiling of debts from short term to medium and long term with the implication that financing needs have been reduced. This policy has been supported by an active use of Eurobonds as financing instrument[18]. In addition, Ghana's significant increase in domestic debt has put an upward pressure on interest rates and is crowding out financial capital to the private sector, which reinforces the need for proactive debt management and a continuation of the efforts to strengthen public financial management.

Several analyses have mentioned the weak domestic financial markets as a 'host-country barrier' for ensuring long-term investments in Africa (see e.g. Kappel et al., 2017). Attempts to address this barrier in order to mobilize private finance for Ghana's continued development are therefore pertinent. Doing so does not only require less excessive domestic borrowing by government, but also that the right institutional framework is in place. The government recognizes this and has addressed the issue in several official statements, including in the latest budget statement for the financial year of 2018, where a number of initiatives are mentioned, but still not implemented (Government of Ghana, 2017). Several initiatives have, however, already been implemented, including the establishment of the Ghana Fixed Income Market (GFIM) in 2015 and the Bloomberg e-Bond trading platform[19]. In addition to the GFIM, the Ghana Alternative Exchange (GAX) has been introduced to support existing SMEs and startups to raise funding[20]. The government has also introduced financial sector reforms in order to ensure financial stability, including efforts to address the increase in non-performing loans (IMF, 2018)[21].

As mentioned, the Government of Ghana's aim is to finance a significant share of the country's development needs with domestic resources. The aim is to move Ghana's tax-to-GDP ratio from 17 percent in FY 2017 to 24 percent in the medium term. The provisional

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17 See World Bank (2017) for an assessment of budget management and execution in Ghana.
18 For further analyses of the issuance of local bonds, see also Te Velde (2014) and Essers et al. (2016).
19 https://www.bloomberg.com/company/announcements/bloomberg-and-the-ghana-fixed-income-market-gfim-launch-trading-system-for-ghanaian-government-bonds/
20 https://gse.com.gh/market-product/gax
21 One implication was that Bank of Ghana closed two insolvent banks in August 2017 (Government of Ghana, 2018).

revenue figures for 2017 were, however, lower than programmed (IMF, 2018)[22], and Ghana's revenue-to-GDP is significantly under the ratio in most of the comparable countries. Assessments have identified a number of reasons for the low tax revenue, including tax evasion and exemptions as well as an inefficient tax administration (World Bank, 2017). In order to address these issues several reforms in tax policy and tax administration are planned with a particular focus on broadening the tax base and ensuring compliance. Also in 2018, a specific effort will be made to improve the tax administration (IMF, 2018). The scope of broadening the tax base hinges on the fact that only approximately 1.5 million people are registered with the Ghana Revenue Authority (GRA) out of 6 million potential taxpayers. Moreover, the Ghana Statistical Service in 2016 estimated that non-tax paying businesses make up 62 percent of all commercial enterprises. Two institutional reforms both related to creating a national identification system were initiated in 2017 with the aim of broadening the tax base while at the same time improving the formalization of the economy: (i) the Ghana Card and (ii) the Digital Address System (DAS). Together, the two initiatives are meant to help the GRA identify taxpayers. However, neither the Ghana Card nor the DAS will automatically bring in more revenue to the state. This will require systems integration, i.e. a much closer collaboration and coordination between government institutions including more efficient links and communication between relevant IT systems. It will also require significantly more resources and capacity building in order to be able to follow up on identifying and registering new taxpayers, and pursuing non-compliant (defaulting) taxpayers. In addition, the suggested tax reforms include a range of measures regarding VAT, Tax Stamp Policy, updating of the Revenue Administration Act and the Transfer Pricing Regulations, Automatic Exchange of Financial Information Bill, etc. It should, however, be noted that extensive reforms in both tax policies and tax administration were made in the past, but as shown in Figure 4, public revenues in Ghana have remained more or less at the same level in the last 5-6 years, which obviously questions the realism of the government's strategy to give domestic resources a key role in financing the country's development.

In order to attract private investments, Public-Private Partnership (PPP) has re-surfaced as a financing instrument in response to the huge infrastructure and service delivery gap[23]. PPP is not new in Ghana. PPP became a national policy in 2004, and another policy was formulated in 2011, but these policies were never operationalized. Since 2012 the World Bank has assisted Ghana in improving the legislative, institutional, financial, fiduciary and technical framework for PPP, and in generating a pipeline of bankable PPP projects. With this support, a pipeline of PPP projects has been established that are at various levels of implementation, but with only a few at construction stage. Also, a draft PPP bill has been produced that establishes the legal and institutional framework for PPP. The bill is yet to be presented to Parliament. The absence of a solid, legal framework for PPP has been a

[22] Revenues were programmed to reach 18.9 percent of GDP in 2017, but provisional figures indicate that only 17.5 percent was collected.
[23] See table 4. See e.g. also World Bank (2012) and Osei-Kyei and Chan (2017) for various perspectives on PPPs in Ghana.

concern for investors as it has made it difficult for private sector operators to enter into investment projects on a legal and regulatory conducive platform for PPP. The appetite of private investors to enter into PPP agreements is also affected by the general functioning of the government system, in the sense that private investment depends on the government's ability and willingness to comply with often long-term agreements. This may be challenging especially across periods of changing governments. Also, although there are no legal restrictions in respect of participation of foreign companies in PPP projects, the government's policy of the local content requirements in foreign investment projects may deter private investors. This is affecting not only PPPs but also the ability of Ghana to attract FDI. Lastly, even if the government may not necessarily need financial resources to provide debt financing for PPP projects, the issue of guarantees – either payment guarantees to the private company or loan repayment guarantees to the lender - may still pose financial challenges for the state as contingent liabilities.

Many of these strategies and policies are still new, and it is too early to assess their potential impact, but the first test is whether the government is able to operationalize and implement them. Several analyses have focused on Ghana's mixed record in the past when it comes to implementing necessary policy actions (see e.g. Whitfield (2010), Whitfield (2011a) and Whitfield (2011b), Abdulai and Hickey (2014), Resnick (2016), Botchway (2018). It has thus been argued that the balance in Ghanaian democracy leads to a strong focus on short-term policy considerations while prohibiting policy reforms with a medium to long-term perspective and an economic transformation in Ghana which would be required also to finance the public sector. In the recent Memorandum of Economic and Financial Policies (Government of Ghana, 2018) several ideas are, however, mentioned on how to strengthen the private sector and economic growth, but most of these ideas still need to be developed in more detail.

9. Conclusions

The analysis in this Evaluation Study leads to five main conclusions.

First, the graduation has been followed by a change in the composition of development finance, including decreasing bilateral disbursements suggesting a 'herding' effect as described in the literature. A negative correlation between commitments and disbursements was also found. This result may require further analysis, but it could indicate that bilateral donors make significant adjustments also during the process when aid is phased out.

Second, while graduation may have contributed to developments in Ghana, a key challenge is public financial management, which has led to persistent deficits and underfunding of the social sectors and agriculture. This is acknowledged by the government and a set of public financial managements regulations have recently been submitted to Parliament. In the most recent debt sustainability analysis, Ghana was again characterized as a country at high risk of debt distress. The government seems to emphasize the implementation of the debt management strategy and a slight reduction in the debt-to-GDP ratio was achieved in 2017, but interest payments still constitute a very high share of the budget.

Third, in spite of efforts to improve domestic resource mobilization, Ghana is still lagging behind comparable countries, which is critical in view of the government's intention to finance a significant share of the development needs, including the SDGs, using domestic finance. The recently published provisional figures for 2017 are in this respect disappointing, and the ambition of gradually increasing the tax-to-GDP ratio to 24 percent in the medium term may not be realistic if additional policy measures are not implemented.

Fourth, a broad range of strategies and policies have been developed, but many of them still need to be operationalized and implemented. This also applies to the SDGs, where Ghana has not developed a plan that can guide the financing and implementation of the SDGs. The present government has recently stated its ambition to develop such a plan, but although it is early in the process, there is major concern whether Ghana will be able to finance the fulfilment of the SDGs and increase the support to sectors critical for the SDGs.

Fifth, the experience of Ghana documents the complex challenges countries face when they transition through different development phases, but also that transition processes will be country specific and comparative studies would be useful in order to get a better understanding of transition processes. The analysis also indicates that the international community could play an important role in assisting countries going through these processes as suggested in several recent analyses (see e.g. UN, 2018).

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Data Appendix

Appendix Table 1: Macro Economic Indicators: Ghana 2007-2016

	2007	2008	2009	2010	2011
Real GDP per capita, PPP (constant 2011 international $)	2675	2845	2908	3059	3404
Real GDP per capita growth	1.6	6.3	2.2	5.2	11.3
Inflation, CPI (annual %)	10.7	16.5	19.3	10.7	8.7
Private consumption expenditure (% of GDP)	84.6	86.8	80.6	80.1	69.3
Gross capital formation (% of GDP)	20.1	21.5	20.7	26.0	26.4
Gross fixed capital formation, private sector (% of GDP)	11.4	12.3	12.6	17.1	19.4
General government final consumption expenditure (% of GDP)	11.6	11.2	11.7	10.4	16.6
Exports of goods and services (% of GDP)	24.5	25.0	29.3	29.5	36.9
Import of goods and services	40.8	44.5	42.3	45.9	49.4
External balance on goods and services (% of GDP)	-16.3	-19.5	-13.0	-16.4	-12.4
Gross domestic savings (% of GDP)	3.8	2.0	7.7	9.6	14.0
Gross savings (% of GDP)	11.5	9.3	15.3	15.1	17.5

	2012	2013	2014	2015	2016
Real GDP per capita, PPP (constant 2011 international $)	3632	3807	3869	3930	3980
Real GDP per capita growth	6.7	4.8	1.6	1.6	1.3
Inflation, CPI (annual %)	9.2	11.6	15.5	17.1	17.5
Private consumption expenditure (% of GDP)	59.8	65.6	64.3	67.8	66.6
Gross capital formation (% of GDP)	31.8	27.7	27.1	24.6	22.8
Gross fixed capital formation, private sector (% of GDP)	24.3	21.1	19.6	17.3	15.6
General government final consumption expenditure (% of GDP)	20.9	19.9	18.0	19.2	17.7
Exports of goods and services (% of GDP)	40.4	34.2	39.5	43.9	40.7
Import of goods and services	52.8	47.5	48.9	55.4	47.9
External balance on goods and services (% of GDP)	-12.4	-13.3	-9.4	-11.5	-7.1
Gross domestic savings (% of GDP)	19.3	14.5	17.7	13.1	15.7
Gross savings (% of GDP)	20.0	15.7	18.5	17.0	15.9

Source: WDI

Appendix Table 2: Government Revenue, Expenditure and Financing Details 2008-2017

	2008		2009		2010	
	Amount (mill cedi)	% of Revenue Expenditure Financing	Amount (mill cedi)	% of Revenue Expenditure Financing	Amount (mill cedi)	% of Revenue Expenditure Financing
Total revenue	6283	100	6834	100	8904	100
Grants (including HIPC and non-concessional)	1480	24	1160	17	1174	13
Domestic revenue	4802	76	5674	83	7731	87
Tax revenue	4299	68	4658	68	6295	71
Non-tax revenue	503	8	1016	15	1436	16
Total expenditure	8012	100	8248	100	11532	100
Compensation of employees	1988	25	2479	30	3183	28
Use of goods and services	648	8	621	8	962	8
Grants to other government levels	2216	28	1788	22	2780	24
Capital expenditure	2481	31	2328	28	3169	27
Interest payments	679	8	1032	13	1439	12
Balance	-1730		-1414		-2628	
Arrears	406		-583		-724	
Overall balance	-1323		-1998		-3351	
Financing	1323	100	1998	100	3351	100
Foreign	171	13	955	48	1209	36
Borrowing	668	50	1413	71	1711	51
Amortisation	-497	-38	-458	-23	-502	-15
Domestic (incl. Petroleum Fund)	1153	87	1042	52	2143	64

	2011		2012		2013	
	Amount (mill cedi)	% of Revenue Expenditure Financing	Amount (mill cedi)	% of Revenue Expenditure Financing	Amount (mill cedi)	% of Revenue Expenditure Financing
Total revenue	12540	100	18440	100	19472	100
Grants (including HIPC and non-concessional)	1919	15	3062	17	739	4
Domestic revenue	10621	85	15378	83	18732	96
Tax revenue	8527	68	12438	67	14308	73
Non-tax revenue	2094	17	2940	16	4424	23
Total Expenditure	13534	100	19036	100	27463	100
Compensation of employees	3910	29	5638	30	9479	35
Use of goods and services	836	6	967	5	1236	5
Grants to other government levels	2787	21	4268	22	7560	28
Capital expenditure	4312	32	5972	31	4791	17
Interest payments	1688	12	2191	12	4397	16
Balance	-994		-596		-7991	
Arrears	-1352		-2561		-1463	
Overall balance	-2347		-3157		-9455	
Financing	2347	100	3157	100	9455	100
Foreign	1374	59	396	13	3212	34
Borrowing	1997	85	1379	44	4033	43
Amortisation	-624	-27	-983	-31	-821	-9
Domestic (incl. Petroleum Fund)	973	41	2761	87	6243	66

	2014		2015		2016		2017	
	Amount (mill cedi)	% of Revenue Expenditure	Amount (mill cedi)	% of Revenue Expenditure	Amount (mill cedi)	% of Revenue Expenditure	Amount (mill cedi)	% of Revenue Expenditure
Total Revenue	26230	100	30526	100	37889	100	43097	100
Grants	1391	5	2002	7	1589	4	1532	4
Domestic revenue	24839	95	28524	93	36300	96	41565	96
Tax revenue	19789	75	23128	76	29129	77	33017	77
Income and property	9160	35	9411	31	11359	30	12951	30
Domestic goods and services	6478	25	9348	31	12117	32	13363	31
International trade	4151	16	4369	14	5654	15	6703	16
Social contributions	166	1	183	1	353	1	296	1
Non-tax revenue	4885	19	5214	17	6818	18	8548	20
Total Expenditure	33783	100	37975	100	43984	100	52173	100
Compensation of employees	10793	32	12313	32	13731	31	16006	31
Use of goods and services	1085	3	1856	5	2127	5	2651	5
Grants to other government levels	8030	24	8054	21	11243	26	13788	26
Capital expenditure	5990	18	6402	17	6393	15	6445	12
Domestic	1242	4	1834	5	1606	4	2097	4
Foreign	4749	14	4567	12	4788	11	4348	8
Interest payments	7885	23	9350	25	10490	24	13284	25
Domestic	6820	20	7734	20	8317	19	10571	20
External	1065	3	1616	4	2173	5	2712	5
Balance	-7553		-7449		-6094		-9076	
Arrears	-2575		-2323		-2313		-3743	
Overall balance	-10128		-9772		-8408		-12819	

Source: Authors' calculations based on annual accounts from the Ministry of Finance, Government of Ghana.
Note: Total revenue is between 21-23 percent of GDP; total expenditure between 26-29 percent of GDP. Overall budget deficits range between 4-7 percent of GDP.

Appendix Table 3: Debt Indicators 2006-2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
External debt stocks (% of exports)	82.8	76.3	95.5	96.0	76.6	76.1	100.8	119.4	122.1	120.8
External debt stocks (% of GNI)	20.5	19.2	28.5	28.8	29.3	32.2	35.8	49.8	56.7	51.8
Concessional debt (% of total external debt)	39.5	44.7	42.3	44.5	44.4	47.6	43.8	43.6	42.1	40.8
Multilateral debt (% of total external debt)	30.6	34.8	31.6	30.1	29.2	28.7	24.4	22.6	22.2	22.1
Total reserves (% of total external debt)	44.0	36.9	50.0	56.6	52.7	45.5	33.6	30.3	27.8	27.4
Short-term debt (% of total external debt)	24.2	20.6	20.9	22.9	24.6	21.1	22.0	16.8	16.0	13.1
Short-term debt (% of exports)	20.0	15.7	19.9	22.0	18.8	16.0	22.1	20.1	19.6	15.8
Short-term debt (% of total reserves)	55.0	55.9	41.8	40.6	46.6	46.3	65.3	55.4	57.5	47.6
Total debt service (% of GNI)	1.0	1.0	1.1	1.2	0.9	1.3	2.2	2.3	2.9	4.5
Total debt service (% of exports)	3.9	4.1	3.8	4.0	2.4	3.2	6.1	5.4	6.3	10.5
Interest payments on external debt (% of GNI)	0.4	0.6	0.6	0.7	0.3	0.6	0.8	1.0	1.2	1.6
Interest payments on external debt (% of exports)	1.7	2.2	1.9	2.2	0.9	1.3	2.4	2.3	2.6	3.6

Source: WDI

Appendix Table 4A: Other Debt Indicators 2007-2011

	2007	2008	2009	2010	2011
Cross-border loans from BIS reporting banks	9.6	8.2	12.0	13.5	12.5
Cross-border loans from BIS banks to nonbanks	7.4	6.7	10.1	11.5	10.5
Official bilateral loans, total	1.5	1.8	2.3	2.1	2.0
Official bilateral loans, aid loans	1.3	1.5	2.1	1.8	1.8
Official bilateral loans, other	0.2	0.3	0.3	0.2	0.2
Multilateral loans, total	5.7	6.0	8.4	8.6	8.9
Multilateral loans, IMF	0.7	0.6	1.0	1.2	1.5
Multilateral loans, other institutions	5.1	5.5	7.4	7.4	7.5
Insured export credit exposures, Berne Union	7.1	9.1	11.3	9.9	9.4
Insured export credit exposures, short term (BU)	1.9	1.9	1.6	1.5	1.9
SDR allocation	0.4	0.3	2.1	1.7	1.4
Liabilities to BIS banks (cons.), short term	5.3	5.1	6.2	7.4	7.8
Multilateral loans, IMF, short term	0.0	0.0	0.0	0.1	0.1
Debt securities held by nonresidents	5.3	1.7	2.6	5.8	5.2
Debt securities held by nonresidents, total, short term	1.7	0.2	0.3	1.3	0.3
International debt securities, all maturities	3.9	3.3	3.7	3.0	2.5
International debt securities, nonbanks	3.9	3.3	3.7	3.0	2.5
International debt securities, short term	0.0	0.0	0.0	0.0	0.5
Intnl debt securities, nonbanks, short term	0.0	0.0	0.0	0.0	0.5
Paris Club claims (ODA)	..	..	1.6	1.4	1.4
Paris Club claims (non ODA)	..	..	1.8	1.5	0.9
Liabilities to BIS banks, locational, total	10.9	8.7	12.4	14.6	13.2
Liabilities to BIS banks, consolidated, total	10.3	9.3	12.1	15.2	13.7
International reserves (excluding gold)	8.1	6.2	13.1	15.1	14.3
SDR holdings	0.0	0.0	1.8	1.4	1.1
Cross-border deposits with BIS rep. banks	6.1	4.9	5.4	6.9	6.1
Cross-border dep. with BIS banks, nonbanks	2.9	2.6	2.8	3.0	2.3

Appendix Table 4B: Other Debt Indicators 2002-2016

	2012	2013	2014	2015	2016
Cross-border loans from BIS reporting banks	11.2	14.5	19.4	27.7	24.5
Cross-border loans from BIS banks to nonbanks	9.2	10.3	14.4	22.7	21.9
Official bilateral loans, total	2.0	2.0	2.4	2.7	..
Official bilateral loans, aid loans	1.9	1.7	2.2	2.1	..
Official bilateral loans, other	0.1	0.3	0.3	0.6	..
Multilateral loans, total	10.0	9.3	11.9	13.6	12.7
Multilateral loans, IMF	1.8	1.5	1.6	2.1	2.2
Multilateral loans, other institutions	8.2	7.9	10.3	11.6	10.6
Insured export credit exposures, Berne Union	10.3	13.4	15.7	16.3	14.4
Insured export credit exposures, short term (BU)	2.1	2.8	2.9	3.2	2.7
SDR allocation	1.4	1.2	1.4	1.3	1.2
Liabilities to BIS banks (cons.), short term	7.0	7.4	8.2	9.2	6.9
Multilateral loans, IMF, short term	0.1	0.1	0.2	0.2	0.2
Debt securities held by nonresidents	8.8	8.5	11.5	11.8	14.0
Debt securities held by nonresidents, total, short term	0.3	0.2	0.3	0.2	0.1
International debt securities, all maturities	1.9	3.8	10.2	15.8	15.7
International debt securities, nonbanks	1.9	3.8	10.2	15.8	15.7
International debt securities, short term	0.0	0.0	0.0	0.0	1.8
Intl debt securities, nonbanks, short term	0.0	0.0	0.0	0.0	1.8
Paris Club claims (ODA)	1.5	1.5	1.8	2.1	1.9
Paris Club claims (non ODA)	1.2	1.1	1.3	1.2	1.0
Liabilities to BIS banks, locational, total	13.7	16.4	21.2	28.9	25.7
Liabilities to BIS banks, consolidated, total	16.0	16.9	20.5	21.6	19.4
International reserves (excluding gold)	13.5	11.3	14.2	15.0	13.4
SDR holdings	1.0	0.8	0.9	0.7	0.4
Cross-border deposits with BIS rep. banks	7.8	7.5	8.8	9.9	10.2
Cross-border dep. with BIS banks, nonbanks	4.1	3.8	4.5	5.2	5.4

Note: % of GNI, data for 4Q.

Source: Authors' calculations based on the Joint External Debt Hub and WDI.

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